

# Model Viewpoints

## T. Rowe Price Target Allocation Blend Series Model Portfolios

As of June 30, 2024



T. Rowe Price

The T. Rowe Price Target Allocation Blend Series is a suite of five diversified model portfolios across a range of risk/return profiles. The models combine active T. Rowe Price mutual funds and ETFs with third-party passive ETFs with the goal of incorporating multiple sources of value-add through active management and tactical/opportunistic allocations across markets.

### PORTFOLIO MANAGEMENT TEAM



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### MARKET PERSPECTIVE

- **Global growth remains broadly resilient** with some signs of cooling along with easing inflationary pressures.
- **Recent data across consumer, labor, and businesses pointing to a moderation in U.S. growth.** European growth stable helped largely by services. Improving growth outlook in Japan albeit still muted, while stimulus measures in China targeted at the housing market help underpin growth outlook.
- **U.S. Fed remains patient as recent data suggests tight policy may finally be weighing on growth.** The European Central Bank has taken the lead on easing policy, with more cuts likely. Despite weaker recent growth, Bank of Japan is still expected to take additional steps toward tightening.
- **Key risks to global markets** include a steeper decline in growth, stubborn inflation, election calendar, central bank policy divergence, geopolitical tensions, and trajectory of Chinese growth.

### TACTICAL ASSET ALLOCATION VIEWS

- **We remain modestly overweight equities**, as valuations beyond narrow leadership remain reasonable and economic growth, while slowing, is still supportive for earnings.
- **We maintain an overweight to cash relative to bonds.** Cash yields remain attractive with less aggressive expectations for Fed cuts and provide liquidity should market opportunities arise.
- Within fixed income, **we continue to favor higher-yielding sectors** including high yield, floating rate loans, and emerging markets bonds as fundamentals remain broadly supportive.

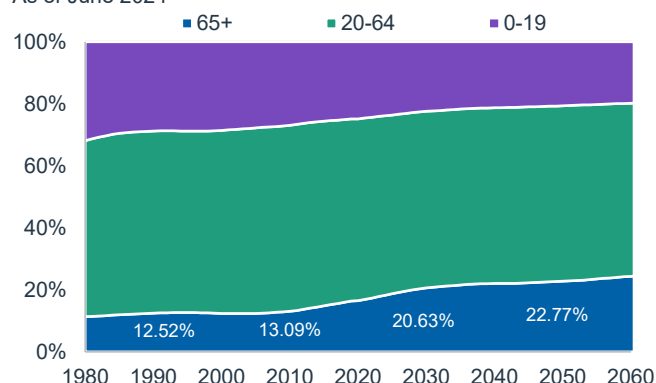
### EARNINGS EXPECTATIONS HAVE RE-ACCELERATED<sup>1</sup>

January 2010 Through June 2024



### THE U.S. POPULATION IS AGING<sup>2</sup>

As of June 2024



### Past performance is not a reliable indicator of future performance.

<sup>1</sup> Sources: T. Rowe Price analysis using data from FactSet Research Systems Inc. All rights reserved. Institute for Supply Management/Haver Analytics, J.P. Morgan/IHS Markit. Please see Additional Disclosures page for additional legal notices & disclaimers. For illustrative purposes only. There can be no assurance that the estimates will be achieved or sustained. Actual results may vary.

<sup>2</sup> Source: U.S. Census Bureau.

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# T. Rowe Price Target Allocation Blend Series

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## PORTFOLIO SUMMARY

**Target Asset Mixes:** 5

**Vehicles:** T. Rowe Price Exchange Traded Funds, T. Rowe Price Mutual Funds & Third-Party Passive Exchange Traded Funds

**Style:** Active, Passive & Enhanced funds

**Gross Expenses<sup>1</sup>:** 0.19% – 0.35%

**Net Expenses<sup>1</sup>:** 0.18% – 0.35%

Tactical Allocation (%) +/-:Over/Under (%)		← CONSERVATIVE-FOCUSED										GROWTH-FOCUSED →			
		20% EQ / 80% FI		40% EQ / 60% FI		60% EQ / 40% FI		80% EQ / 20% FI		100% EQ		Change QoQ			
	Fund (Mutual Funds & Exchange-Traded Funds)	Ticker	Style	Tactical	+/-	Tactical	+/-	Tactical	+/-	Tactical	+/-		Tactical	+/-	
U.S. Equity	TRP Growth ETF	TGRT	Active	–		6.0		6.5	-0.5	9.0	-1.0	11.5	-1.5		
	TRP Capital Appreciation Equity ETF	TCAF	Active	7.0		8.0		10.5		13.5		16.5			
	SPDR Portfolio S&P 500 ETF*	SPLG	Passive	7.5	+0.5	8.0		7.5	-3.0	9.5	-4.0	11.5	-5.0	↓	
	TRP Value ETF	TVAL	Active	–		6.5	+0.5	7.5	+0.5	10.5	+0.5	13.5	+0.5		
	TRP Small-Mid Cap ETF	TMSL	Active	–		–		5.0		6.0		8.0			
Int'l Equity	Fidelity MSCI Health Care Index ETF	FHLC	Passive	–		–		3.0	+3.0	4.0	+4.0	5.0	+5.0	↕	
	TRP International Equity ETF	TOUS	Active	3.0		5.0	-1.0	5.0	-1.5	7.0	-1.5	8.5	-2.0	↓	
	iShares Core MSCI EAFE ETF*	IEFA	Passive	3.0		5.0	-1.0	5.0	-1.5	6.5	-2.0	7.5	-3.0	↓	
	TRP Emerging Mkts Disc. Stock Fund	REVIX	Active	–		–		4.0		5.5	-0.5	6.5	-0.5	↓	
	Vanguard FTSE All-World ex-US Small-Cap ETF	VSS	Passive	–		2.0	+2.0	3.0	+3.0	4.0	+4.0	5.0	+5.0	↕	
	TRP Real Assets Fund	PRIKX	Active	–		–		3.5	+0.5	5.0	+1.0	6.5	+1.5		
	Total Equity (%):			20.5	+0.5	40.5	+0.5	60.5	+0.5	80.5	+0.5	100.0			
U.S. Fixed Income	TRP QM Bond Index ETF	TAGG	Enhanced	16.5	-1.0	10.0	-3.0	8.0	-2.5	6.0	-1.0	–			
	iShares Core U.S. Aggregate ETF*	AGG	Passive	15.0	-2.5	9.0	-4.0	7.0	-3.5	4.0	-3.0	–		↓	
	TRP Ultra-Short ETF	TBUX	Active	5.0		–		–		–		–			
	iShares 0-5 Year TIPS Bond ETF*	STIP	Passive	12.0		8.0		–		–		–			
	TRP U.S. High Yield ETF	THYF	Active	5.5	+1.5	7.0	+1.0	4.5	+0.5	3.5	+0.5	–			
Int'l/Glb Fixed Income	SPDR Portfolio Long Term Treasury*	SPTL	Passive	–		4.5	+4.5	4.0	+4.0	2.5	+2.5	–			
	iShares Core Int'l Agg. Bond ETF*	IAGG	Passive	12.0		8.0		7.0		3.0		–		↕	
	TRP Emerging Markets Bond Fund	PRXIX	Active	4.0		6.0		4.0		–		–			
	TRP Dynamic Global Bond Fund	RPEIX	Active	8.0		6.0		4.0		–		–			
	Total Fixed Income (%):			78.0	-2.0	58.5	-1.5	38.5	-1.5	19.0	-1.0	0.0			
Cash <sup>2</sup>	Cash <sup>2</sup>			1.5	+1.5	1.0	+1.0	1.0	+1.0	0.5	+0.5	–			
	Weighted Average Gross Expense Ratio <sup>1</sup> (%):			0.19		0.24		0.30		0.31		0.35			
	Weighted Average Net Expense Ratio <sup>1</sup> (%):			0.18		0.24		0.30		0.31		0.35			

## MODEL PORTFOLIO POSITIONING CHANGES

- +** In May, *we initiated an allocation to developed and emerging non-US small-cap equities (VSS) funded from developed international and emerging markets equity exposures* as small cap valuations are attractive relative to large caps. Small caps are set to benefit from monetary policy easing, improvement in global economic growth outlook, and Japan's corporate governance reform.
- +** In June, *we initiated an allocation to healthcare stocks (FHLC) funded from SPLG*. Health care stocks should benefit from increased demand from the aging U.S. population, technological advancement, and innovations across industries. The sector may also benefit from the adoption of AI, leading to efficiency and profitability enhancements, re-invention of delivery models, and accelerated drug discovery.

The tactical allocation column reflects the current tactical allocation for a given model. Tactical allocations will differ when a cash allocation is utilized.

The over/under column reflects the overweight or underweight of the current tactical allocations relative to the strategic allocations. For example, a +1.0% means a 1.0% overweight position relative to the strategic allocation.

\* Fund is sourced from a third-party provider.

<sup>1,2</sup> Please see Additional Disclosures for more information.

# T. Rowe Price Target Allocation Blend Series

As of June 30, 2024

## FUND IN FOCUS

- The **Fidelity MSCI Health Care Index ETF (FHLC)** seeks to provide investment returns that correspond, before fees and expenses, generally to the performance of the MSCI USA IMI Health Care 25/50 Index. The ETF invests at least 80% of assets in securities included in MSCI USA IMI Health Care 25/50 Index and uses a representative sampling indexing strategy to manage the fund.
- The MSCI USA IMI Health Care 25/50 Index is a modified market capitalization-weighted index that captures the large-, mid-, and small-cap segments of the USA market. All securities in the index are classified in the Health Care sector according to the Global Industry Classification Standard.
- FHLC is managed by Paul Whitehead, Jennifer Hsui, and Peter Sietsema.

**Overall Morningstar Rating™:** ★★★★★ (of 176 funds) As of June 30, 2024, Category: US Fund Health  
Morningstar Ratings based on risk-adjusted total return.

### Past performance is not a reliable indicator of future performance.

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Morningstar rated the Fidelity MSCI Health Care Index ETF 4 and 4 stars among 157 and 140 US Fund Health funds for the 3- and 5-year periods (as applicable) ending June 30, 2024 respectively.

The Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating™ metrics. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star.

# T. Rowe Price Target Allocation Blend Series

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## ADDITIONAL DISCLOSURES:

### Page 1:

The ISM Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms. It is considered to be a key indicator of the state of the U.S. economy.

Earnings Per Share (EPS) - a company's net profit divided by the number of common shares it has outstanding.

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### Page 2:

**Passive investments** seek to match the performance of their benchmark; therefore, holdings generally are not selected or reallocated based on changes in market conditions. As a result, the investment's performance will typically differ from the performance of actively managed investments. **Enhanced strategies** seek to enhance the returns of an index by using active management to modify the weights of holdings for additional returns. **Actively managed strategies** are directly managed by a manager or team of managers who select securities with the intention of beating their intended market index or benchmark.

<sup>1</sup> While the model charges no management fee, it will indirectly bear its pro-rata share of the expenses of the underlying T. Rowe Price funds and third-party passive ETFs, in which it invests (gross and net expenses, after any applicable fee waivers). Expense ratios shown are based on models using I Class shares and no allocation to cash. Expenses will vary based on the underlying share class and cash allocation utilized. Third-party distributor expense ratio source: Morningstar.

<sup>2</sup> These models are also available with a cash allocation to cover typical third-party account fees and expenses. Portfolio expenses will vary based on the vehicle chosen.

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**Risks:** All investments are subject to risk, including possible loss of principal. The model portfolios are subject to the risks of the underlying funds utilized in the model. Fixed-income securities are subject to credit risk, liquidity risk, call risk, and interest-rate risk. As interest rates rise, bond prices generally fall. International, emerging market, mid-cap, and small-cap investing are subject to additional risks and volatility. Diversification does not assure a profit or protect against a loss in a declining market.

**ETFs are bought and sold at market prices, not NAV.** Investors generally incur the cost of the spread between the prices at which shares are bought and sold. Buying and selling shares may result in brokerage commissions which will reduce returns.

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