



QUARTERLY REVIEW

# International Disciplined Equity Fund

As of June 30, 2020

## PORTFOLIO HIGHLIGHTS

The portfolio posted solid absolute returns but underperformed the MSCI EAFE (Europe, Australasia, Far East) Index Net for the three-month period ended June 30, 2020.

Relative performance drivers:

- Stock selection in the industrials and business services sector detracted from relative performance.
- Overall, allocation decisions detracted from relative results more than stock selection contributed.
- Stock selection in consumer discretionary generated the best relative contribution.

Additional highlights:

- We continue to manage the fund with a keen awareness of risk/reward and believe this fundamental focus will allow us to deliver above-average long-term relative performance and navigate the continuing uncertainty. We increased our stakes in select high-conviction, long-term holdings and added several new companies where we uncovered compelling opportunities.
- The market's collapse and the speed of the subsequent rebound, driven by unprecedented stimulus measures, begs a measure of caution as we approach the second-quarter reporting season.

## FUND INFORMATION

Symbol	PRCNX
CUSIP	77956H591
Inception Date of Fund	August 22, 2014
Benchmark	MSCI EAFE Index Net
Expense Information (as of the most recent Prospectus)*	1.24% (Gross) 0.90% (Net)
Fiscal Year End	October 31
12B-1 Fee	-
Total Assets (all share classes)	\$492,334,666
Percent of Portfolio in Cash	10.6%

\* The Fund operates under a contractual expense limitation that expires on February 28, 2021.

## PERFORMANCE

(NAV, total return)

	Three Months	Year-to-Date	One Year	Annualized		
				Three Years	Five Years	Since Inception 8/22/14
International Disciplined Equity Fund	13.88%	-11.03%	-2.11%	0.67%	3.38%	2.26%
MSCI EAFE Index Net	14.88	-11.34	-5.13	0.81	2.05	1.48

## CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2015	2016	2017	2018	2019
International Disciplined Equity Fund	Aug 22 2014	0.33%	4.47%	21.06%	-10.66%	22.80%
MSCI EAFE Index Net		-0.81	1.00	25.03	-13.79	22.01

**Performance data quoted represents past performance and is not a reliable indicator of future performance. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance, visit [troweprice.com](http://troweprice.com). Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call 1-800-638-7780 or visit [troweprice.com](http://troweprice.com). Read it carefully.** The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any. Share prices are subject to market risk, including loss of the money you invest. In addition, there are risks associated with unfavorable currency exchange rates and political or economic uncertainty abroad. The fund is nondiversified, which means it can invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details. For Sourcing Information, please see Additional Disclosures.

## PERFORMANCE REVIEW

### International Stock Markets Stage a Solid Rebound

In a dramatic reversal from the first quarter, global equities surged in the second quarter, driven by many countries' success in slowing the spread of the coronavirus, massive monetary and fiscal stimulus, and economic data that in many cases were not as bad as feared. News of advancement in treatment and vaccine development also helped lift markets. However, as the quarter ended, investors were somewhat concerned about increasing coronavirus cases, which prompted some governments to stop or reverse some of their reopening efforts.

Developed European stock markets were positive in U.S. dollar terms, with German stocks leading the way. European Union leaders and the European Central Bank (ECB) continued to expand stimulus measures, including the discussion of a coronavirus recovery fund and an expansion of the ECB's emergency bond-buying program.

All developed Asian and Far East markets were positive, with Australia and New Zealand displaying some of the best returns of any developed countries in the world. Japanese stocks also surged, driven by historic levels of fiscal and monetary stimulus and improving sentiment as the spread of the coronavirus pandemic slowed. Economic data released during the period largely reflected the effects of the coronavirus shutdowns and were expected to be weak.

Emerging markets stocks outperformed developed non-U.S. markets as large amounts of central bank liquidity and signs of economic recovery in China buoyed risk assets. This outweighed the negative effect on sentiment from the rising number of coronavirus infections in Brazil, India, and Mexico.

### Stock choices in industrials and business services hampered relative results.

- Shares of Thales declined in the second quarter. Although the company reported first-quarter revenues and earnings that were in line with the market's forecast, the stock fell after management said that it expected a significant negative impact on second-quarter results from the coronavirus. Our overweight position in the stock, which trailed the performance of the industrials and business services peer group, hurt our relative results.
- BAE Systems, a multinational, market-leading defense contractor and manufacturer of military aircraft, ships, submarines, and other electronic systems, declined in the period. Although the shares bounced off the March lows, it lagged in the second-quarter recovery. As expected, the disruption from the pandemic was most acute in the manufacturing operations of the aircraft, maritime, and U.S. commercial avionics businesses. Management forecast a 15% shortfall in first-half earnings, which prompted heavy investor selling.

### Within consumer staples, stock selection and an underweight allocation detracted.

- A large out-of-benchmark position in Ontex Group detracted from relative returns in the staples sector. The Belgium-based manufacturer of disposable personal hygiene products, including diapers, wipes, and incontinence products declined

on weak revenues and earnings related to the global pandemic. We added to our position on news that the company is expanding into North America. We like Ontex's long-term prospects, and we were able to buy the shares at a discount to our assessment of the company's underlying value.

### Security selection in communication services detracted from relative performance.

- Millicom International Cellular, a cable and mobile services provider in Latin America and Africa, fell in the second quarter and significantly lagged its wireless telecom peer group. Shareholders dumped the stock after management suspended dividend payments and the share repurchase program due to uncertainties related to the coronavirus. We have maintained a significant position, believing the shares offer a favorable risk/reward opportunity.

### Stock selection in consumer discretionary boosted relative results.

- Continental AG, a globally diversified high-quality automotive supplier, posted solid performance in the period. Investors bid up the stock on expectations for a rebound in the auto market. Continental is an industry-leading automotive parts supplier, tire maker, and manufacturer of industrial rubber products. While it is in a cyclical business, in our view, Continental's valuation is cheap relative to the stock's history and the market.
- Shares of Prosus rallied on solid quarterly revenue and earnings gains. The consumer technology holding company trades in line with its significant ownership stake in Tencent and at what we view as an unreasonable discount to its underlying net asset value. In our opinion, Prosus can generate strong growth and could narrow the discount to asset value over time.

### Financials contribute due to stock selection.

- Switzerland-based Pargesa Holding moved higher and effected an exchange offer for all the minority-owned shares to simplify the current holding structure. Pargesa shareholders received shares of Groupe Bruxelles Lambert, which has investments in Adidas, PernodRicard, and others. We expect solid longer-term appreciation and a closing of the substantial discount to book value.
- Sampo, a Finland-listed holding company, posted a solid second-quarter gain. The company owns a 21% stake in Nordea (a Nordic banking group) and three key subsidiaries: If P&C Insurance (a market leader in Scandinavia), Mandatum Life (a domestic life insurer), and Topdanmark A/S (operates in Denmark). Sampo, which posted weak first-quarter results, bounced back in the second quarter as its net asset value and solvency rose. However, the management team decided to cut the dividend to preserve cash due to market uncertainty.

## PORTFOLIO POSITIONING AND ACTIVITY

At the end of the second quarter, markets were encouraged as local governments began to roll back shutdown orders and pharmaceutical companies were focused on developing treatments and a vaccine for the coronavirus. We trimmed companies that outperformed amid the equity market rally and added to high-quality companies at attractive valuations. We sold

or trimmed positions where our thesis changed due to the coronavirus and to take advantage of investment ideas that we found more compelling.

### Financials

The financials sector represents a significant absolute allocation in the portfolio, but we have remained underweight versus the benchmark. Following the declines during the first quarter of 2020, we found opportunities to add to high-quality names at attractive valuations. We also trimmed holdings where the upside seemed limited. We prefer defensively positioned names with solid balance sheets and diversified revenue streams, and we are acutely aware of impact of low interest rates on bank margins.

- We initiated a position in Brookfield Asset Management, a Toronto-based global asset manager focused on investments in real estate, renewable power, infrastructure, and private equity. The company generates income through its publicly traded partnerships and the fees it charges institutional investors and other clients. Brookfield Asset Management was well positioned for the coronavirus pandemic and has substantial liquid reserves and moderate debt. We believe the company is well positioned to benefit from a protracted period of low interest rates.
- We locked in solid gains and eliminated Allianz, a well-managed Germany-based Continental European insurer with nearly half of operating profit from Germany, Italy, and France. The shares had rallied to our target price but faced substantial cash outflows and above-average coronavirus exposure. We decided to redeploy the proceeds to other more compelling risk/reward opportunities.

### Consumer discretionary

We were active buyers and sellers in consumer discretionary, leading to a decline in our allocation.

- Our large position in Shimano surged in the second quarter, and we used the strength to take some profits off the table. The Japanese company, which is the world's largest bike component producer, benefited from rising interest in bicycle purchases due to the coronavirus, as it is a social-distancing-compliant sport and mode of transportation. We have maintained a substantial position in the stock because we think that Shimano is a share gainer in a growing market that is poised for a cyclical rebound in the coming quarters.

### Consumer Staples

We added to several names in the consumer staples sector. We favor investing in companies that have diverse end markets and solid business models and generate strong and stable cash flow.

- Switzerland-based Barry Callebaut is the world's leading manufacturer of high-quality chocolate and cocoa products. We initiated a substantial position in the second quarter. The vertically integrated chocolatier has solid fundamentals and offers stable, above-average revenues, earnings, and cash flow growth. The company's manufacturing process incorporates every stage of the chocolate value chain from raw materials to the delivery of the finished products. We like the company because of its innovative product pipeline, the diversity of its products and customers, and the seasoned management team.
- We added to our position in Ontex Group, a Belgium-based global manufacturer of disposable personal hygiene products, including diapers, wipes, and incontinence products. The company is expanding into North America and recently

announced plans to open its first U.S.-based manufacturing facility in North Carolina. We like Ontex's long-term prospects, and we were able to buy the shares at a discount to our assessment of the company's underlying value.

### Health care

We maintained a modest overweight in the health care sector compared with the benchmark. Among the defensive sectors of the market, it appears to offer a compelling combination of fundamentals, earnings growth, and valuation. We made modest additions to holdings that offered compelling risk/reward opportunities in the equipment and supplies subsector, including Smith and Nephew and Philips and several large-cap pharmaceutical companies.

- We added to our position in Switzerland-based Novartis, which we believe has a solid core business, product mix, and its pharmaceutical product sales have been resilient amid the coronavirus pandemic. We believe that Novartis can grow revenues over the next five years and expand margins through cost savings and repurchases that should drive earnings gains at a double-digit pace over that stretch.

## MANAGER'S OUTLOOK

Our focus throughout the period, and for the long term, is to buy and hold companies with good global franchises and attempt to buy them at reasonable prices or when they are out of favor. On the sell side, we want to trim our holdings when investor consensus becomes ebullient, when a company meets our target price, or if our investment thesis changes and the holding is no longer compelling on a risk/reward basis. The market's collapse and the speed of the subsequent rebound, driven by unprecedented stimulus measures, begs a measure of caution as we approach the second-quarter reporting season. At the margin, we have tilted the portfolio more defensively, although we find it hard to ignore the extreme valuations in deep cyclical sectors. Energy and materials stocks appear cheap. However, the challenging commodity and oil markets seem to justify those valuations.

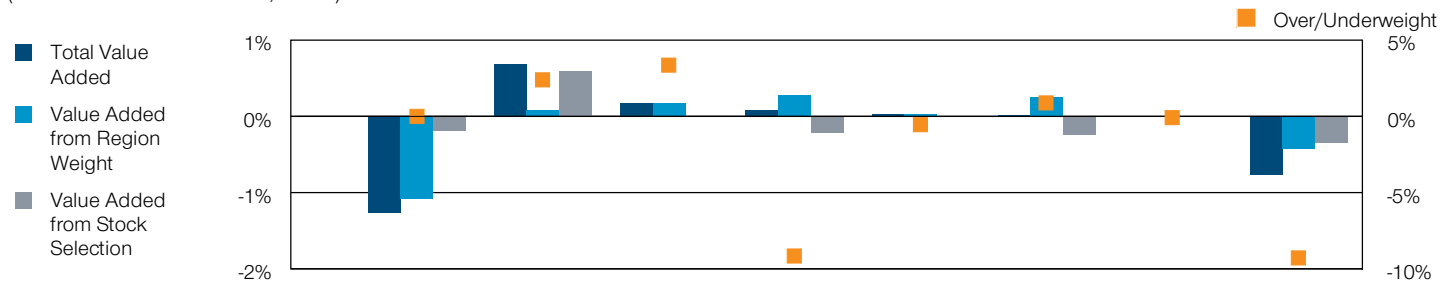
Looking ahead, the range of possible economic outcomes is especially broad as a result of the pandemic; simply stated, we are in uncharted territory. Volatility is likely to persist as investors react to both hopeful and disappointing news in the fight against the virus. We are early in the journey toward recovery, but we think that there are plenty of good stock opportunities across sectors and regions, and we welcome market volatility and dislocation for the opportunity to add high-quality holdings at bargain prices. In our view, the best relative valuations are in health care, where the multiples seem reasonable given that the companies continue to deliver on earnings expectations.

We are finding compelling investment opportunities, and by remaining true to our investment style we are confident we can continue to deliver strong longer-term absolute and relative returns. We believe that our deep fundamental research platform and our unwavering focus on bottom-up stock selection will be critical to our investment success.

## QUARTERLY ATTRIBUTION

### REGION ATTRIBUTION DATA VS. MSCI EAFE INDEX

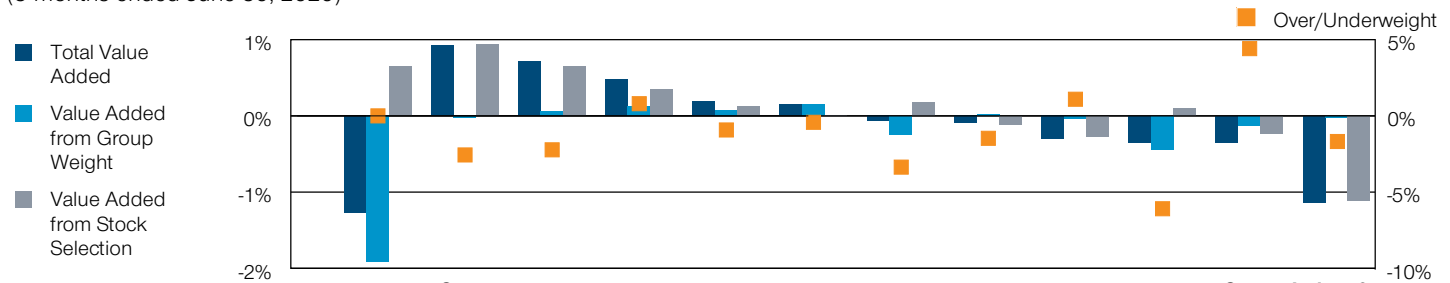
(3 months ended June 30, 2020)



	Total	Developed Europe	Canada	Japan	EM EMEA	United States	Latin America	Pacific ex Japan
Over/Underweight	0.00%	2.43%	3.39%	-9.13%	-0.53%	0.90%	-0.06%	-9.25%
Fund Performance	13.81	16.49	21.87	10.37	0.00	26.42	0.00	3.04
Index Performance	15.08	15.57	0.00	11.64	7.18	54.58	15.73	20.22
Value Add - Region Weight	-1.08	0.09	0.17	0.28	0.04	0.26	-0.01	-0.42
Value Add - Stock Selection	-0.19	0.60	0.00	-0.20	0.00	-0.24	0.00	-0.35
Total Contribution	-1.27	0.69	0.17	0.08	0.04	0.02	-0.01	-0.77

### SECTOR ATTRIBUTION DATA VS. MSCI EAFE INDEX

(3 months ended June 30, 2020)



	Total	Consumer Disc	Financials	Health Care	Real Estate	Energy	Materials	Utilities	Comm Svcs	Info Tech	Consumer Staples	Indust & Bus Svcs
Over/Underweight	0.00%	-2.54%	-2.21%	0.82%	-0.89%	-0.40%	-3.34%	-1.44%	1.11%	-6.09%	4.42%	-1.66%
Fund Performance	13.81	28.77	19.03	16.99	14.41	-0.15	29.02	7.32	8.78	26.09	8.08	9.07
Index Performance	15.08	17.79	13.76	14.38	8.87	0.24	24.06	12.79	13.73	23.58	9.70	18.01
Value Add - Group Weight	-1.91	-0.02	0.06	0.13	0.07	0.16	-0.24	0.03	-0.03	-0.43	-0.12	-0.02
Value Add - Stock Selection	0.65	0.94	0.66	0.36	0.13	0.00	0.18	-0.11	-0.27	0.10	-0.23	-1.10
Total Contribution	-1.27	0.92	0.72	0.48	0.20	0.16	-0.06	-0.09	-0.30	-0.34	-0.35	-1.13

### TOP 5 RELATIVE CONTRIBUTORS VS. MSCI EAFE INDEX

(3 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Shimano Inc.	1.0%	47
Ipsen Sa	0.8	47
Bhp Group Plc	1.8	43
Tricon Capital Group Inc.	1.2	41
Continental Aktiengesellschaft	1.0	35

### TOP 5 RELATIVE DETRACTORS VS. MSCI EAFE INDEX

(3 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Sap Se	0.0%	-25
Softbank Group Corp.	0.0	-21
Bhp Group Limited	0.0	-18
Astrazeneca Plc	0.0	-17
Lvmh Moet Hennessy Louis Vuitton Se	0.0	-16

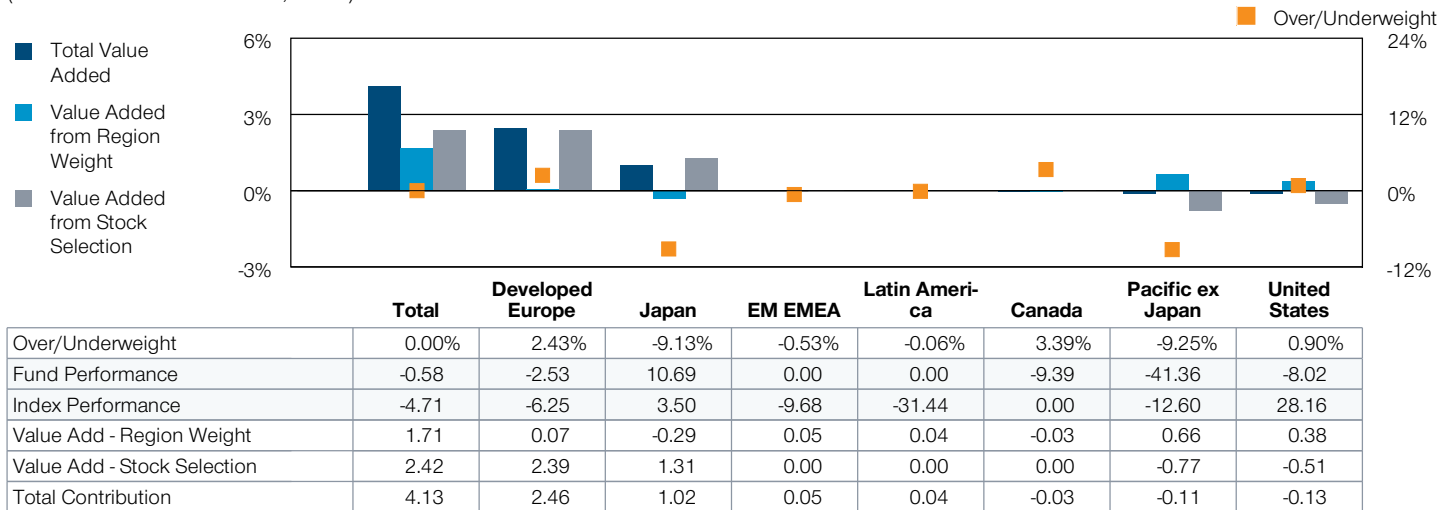
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

**Past performance is not a reliable indicator of future performance.** Numbers may not total due to rounding; all other numbers are percentages. Analysis represents the total performance of the portfolio as calculated by the FactSet attribution model and is inclusive of other assets that will not receive a classification assignment in the detailed structure shown. Returns will not match official T. Rowe Price performance because FactSet uses different exchange rate sources and does not capture intra-day trading. Performance for each security is obtained in the local currency and, if necessary, is converted using an exchange rate determined by an independent third party. Figures are shown with gross dividends reinvested. Sources: Financial data and analytics provider FactSet. Copyright 2020 FactSet. All Rights Reserved. MSCI/S&P GICS Sectors; Analysis by T. Rowe Price Associates, Inc. T. Rowe Price uses the current MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. T. Rowe Price will adhere to all updates to GICS for prospective reporting. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance returns are in USD. For Sourcing Information, please see Additional Disclosures.

## 12-MONTH ATTRIBUTION

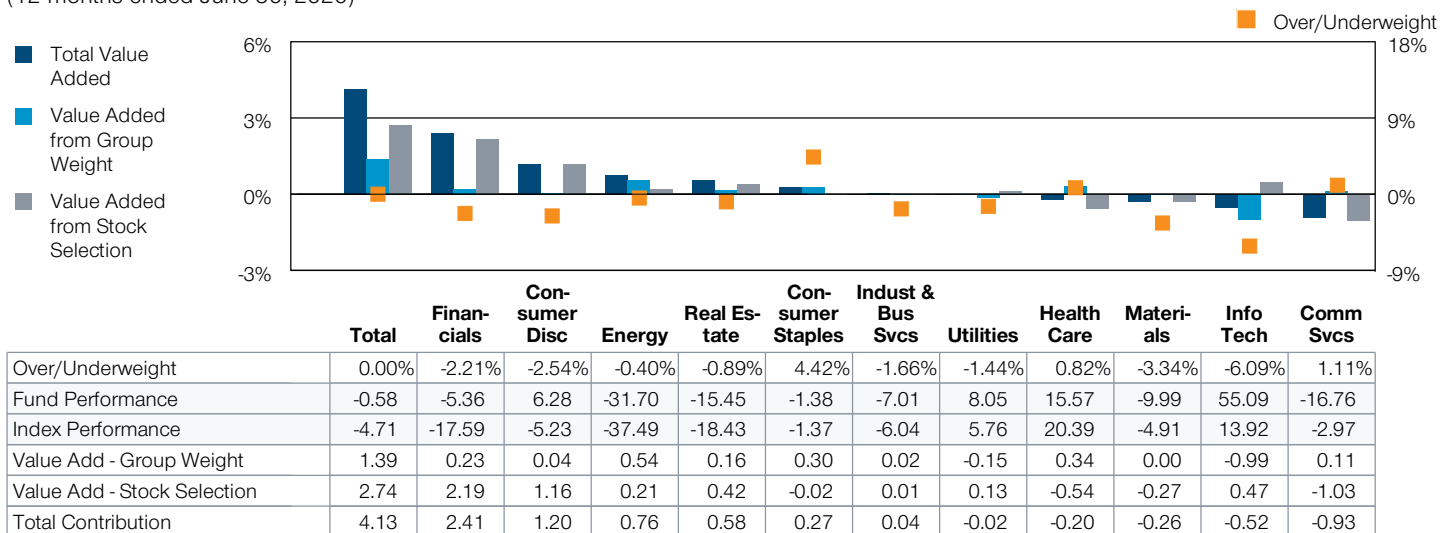
### REGION ATTRIBUTION DATA VS. MSCI EAFE INDEX

(12 months ended June 30, 2020)



### SECTOR ATTRIBUTION DATA VS. MSCI EAFE INDEX

(12 months ended June 30, 2020)



### TOP 5 RELATIVE CONTRIBUTORS VS. MSCI EAFE INDEX

(12 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Royal Dutch Shell Plc	0.0%	90
Otsuka Holdings Co., Ltd.	1.8	74
Hsbc Holdings Plc	0.0	51
Asics Corporation	1.3	42
Shimano Inc.	1.0	42

### TOP 5 RELATIVE DETRACTORS VS. MSCI EAFE INDEX

(12 months ended June 30, 2020)

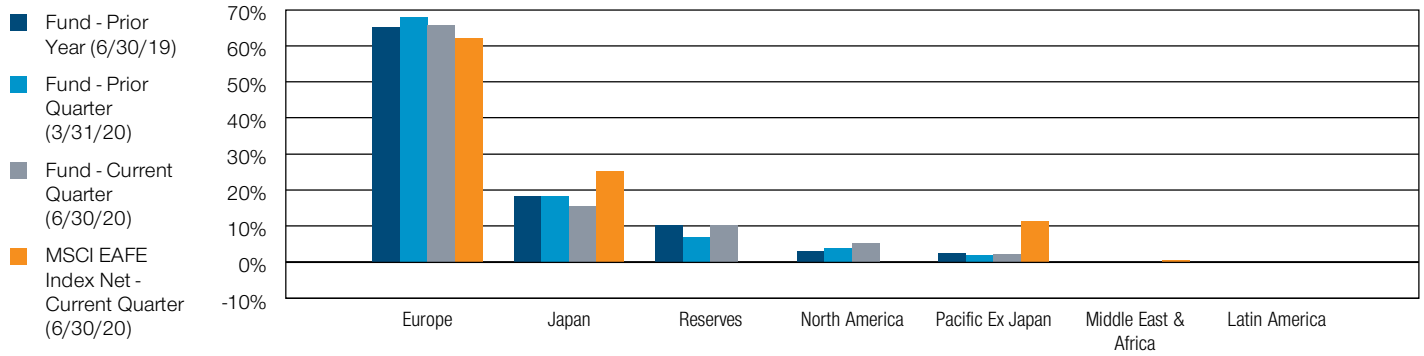
Security	% of Equities	Net Contribution (Basis Points)
Samsonite International S.A.	0.9%	-66
Standard Chartered Plc	0.0	-65
Informa Plc	0.9	-59
Eni Spa	1.3	-58
Jodecaux Sa	1.0	-56

Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

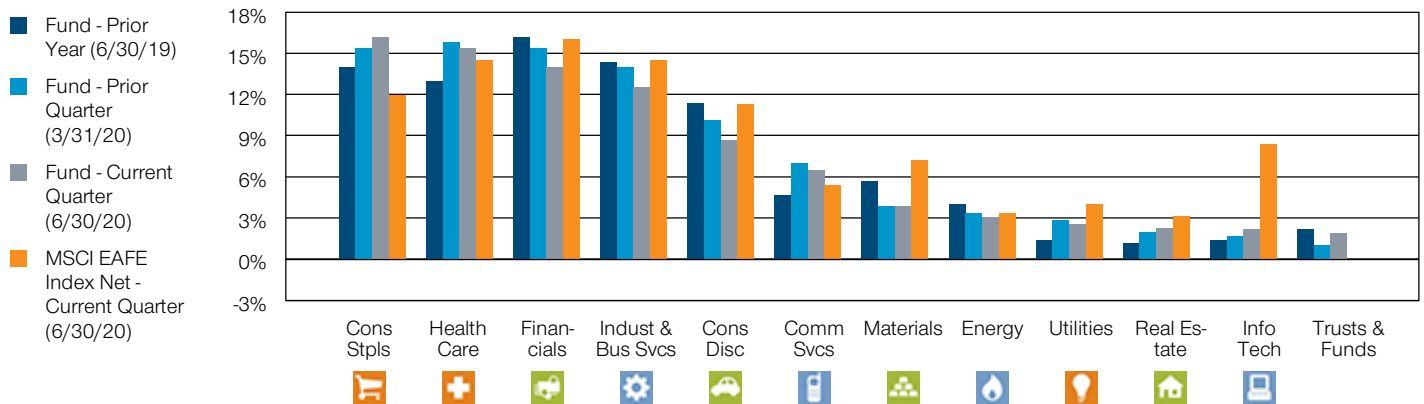
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## PORTFOLIO POSITIONING

### GEOGRAPHIC DIVERSIFICATION - CHANGES OVER TIME



### SECTOR DIVERSIFICATION - CHANGES OVER TIME



### LARGEST PURCHASES

Issuer	Sector	% of Fund Current Quarter 6/30/20	% of Fund Prior Quarter 3/31/20
Nestle		2.1%	2.1%
Sprott Physical Gold & Silver Trust		1.9	1.1
Novartis		1.9	1.7
Roche Holding		1.9	1.8
Barry Callebaut (N)		1.7	0.0
Red Electrica		1.6	1.8
Ontex		1.2	0.8
Munich Re (N)		1.2	0.0
Amadeus IT		1.1	0.4
Brookfield Asset Management (N)		0.9	0.0

### LARGEST SALES

Issuer	Sector	% of Fund Current Quarter 6/30/20	% of Fund Prior Quarter 3/31/20
Red Electrica		1.6%	1.8%
Prosus		1.2	1.5
Amadeus IT		1.1	0.4
Shimano		1.0	1.7
Schneider Electric		0.9	1.1
Ipsen		0.8	1.1
H Lundbeck		0.8	1.1
Allianz (E)		0.0	1.3
Standard Chartered (E)		0.0	1.2
Fairfax Financial Holdings (E)		0.0	1.0

(N) New Position  
(E) Eliminated

For Sourcing Information, please see Additional Disclosures.

## HOLDINGS

### TOP 10 ISSUERS

Issuer	Country	Industry	% of Fund	% of MSCI EAFE Index Net
Groupe Bruxelles Lambert	Belgium	Diversified Financial Services	2.8%	0.1%
Nestle	Switzerland	Food Products	2.1	2.5
Sprott Physical Gold & Silver Trust	Canada	Trusts & Mutual Funds	1.9	0.0
Novartis	Switzerland	Pharmaceuticals	1.9	1.4
Roche Holding	Switzerland	Pharmaceuticals	1.9	1.9
Bhp	United Kingdom	Metals & Mining	1.8	0.3
Total	France	Oil, Gas & Consumable Fuels	1.8	0.7
Thales	France	Aerospace & Defense	1.8	0.1
Barry Callebaut	Switzerland	Food Products	1.7	0.0
Otsuka Holdings	Japan	Pharmaceuticals	1.7	0.1

### TOP 5 OVER/UNDERWEIGHT POSITIONS VS. MSCI EAFE INDEX NET

Issuer	Country	Industry	% of Fund	% of MSCI EAFE Index Net	Over/Underweight
Groupe Bruxelles Lambert	Belgium	Diversified Financial Services	2.8%	0.1%	2.8%
Sprott Physical Gold & Silver Trust	Canada	Trusts & Mutual Funds	1.9	0.0	1.9
Thales	France	Aerospace & Defense	1.8	0.1	1.7
Barry Callebaut	Switzerland	Food Products	1.7	0.0	1.7
Otsuka Holdings	Japan	Pharmaceuticals	1.7	0.1	1.6
SAP	Germany	Software	0.0	1.1	-1.1
AstraZeneca	United Kingdom	Pharmaceuticals	0.0	1.0	-1.0
Toyota Motor	Japan	Automobiles	0.0	1.0	-1.0
LVMH Moët Hennessy Louis Vuitton	France	Textiles, Apparel & Luxury Goods	0.0	0.9	-0.9
Royal Dutch Shell	United Kingdom	Oil, Gas & Consumable Fuels	0.0	0.9	-0.9

## PORTFOLIO MANAGEMENT



**Portfolio Manager:**  
Federico Santilli

**Managed Fund Since:**  
2014

**Joined Firm:**  
2001

For Sourcing Information, please see Additional Disclosures.

## Additional Disclosures

Source for MSCI data: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI.

Unless otherwise noted, index returns are shown with gross dividends reinvested.

The manager's views and portfolio holdings are historical and subject to change. This material should not be deemed a recommendation to buy or sell any of the securities mentioned. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.

The information shown does not reflect any Exchange Traded Funds (ETFs) that may be held in the portfolio.

Source for Sector Diversification: T. Rowe Price uses the current MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. T.

Rowe Price will adhere to all future updates to GICS for prospective reporting.

Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.

Unless indicated otherwise the source of all data is T. Rowe Price.

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