



## QUARTERLY REVIEW

# Institutional Emerging Markets Bond Fund

As of March 31, 2024

## PORTFOLIO HIGHLIGHTS

The portfolio delivered positive absolute returns but underperformed the J.P. Morgan Emerging Markets Bond Index Global Diversified for the three-month period ended March 31, 2024.

Relative performance drivers:

- Holdings in Venezuela weighed on results.
- An underweight to select distressed sovereigns detracted.
- Selection in Suriname added value.

Additional highlights:

- Emerging markets (EM) debt continues to offer a substantial yield premium over many fixed income assets and broadly sound fundamentals, making the asset class compelling on a long-term risk-adjusted basis in our view.
- The portfolio manager expects volatility to persist over the medium term with more heterogeneous outcomes across emerging markets that better reflect underlying fundamentals.

## FUND INFORMATION

Symbol	TREBX
CUSIP	74144Q401
Inception Date of Fund	November 30, 2006
Benchmark	J.P. Morgan EMBI Global Diversified
Expense Information (as of the most recent Prospectus)	0.70%
Fiscal Year End	December 31
12B-1 Fee	–
Total Assets (all share classes)	\$349,673,455
Percent of Portfolio in Cash	2.2%

## PERFORMANCE

(NAV, total return)

	Three Months	One Year	Annualized				30-Day SEC Yield
			Three Years	Five Years	Ten Years	Fifteen Years	
Institutional Emerging Markets Bond Fund	1.71%	12.93%	-1.09%	0.44%	2.91%	5.92%	6.17%
J.P. Morgan Emerging Markets Bond Index Global Diversified	2.04	11.28	-1.40	0.71	3.05	5.85	–

## CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Institutional Emerging Markets Bond Fund	Nov 30 2006	4.55%	1.52%	14.69%	9.33%	-5.61%	12.68%	4.99%	-2.06%	-17.39%	12.73%
J.P. Morgan Emerging Markets Bond Index Global Diversified		7.43	1.18	10.15	10.26	-4.26	15.04	5.26	-1.80	-17.78	11.09

**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](https://www.troweprice.com).** The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.

This Fund involves a high-risk approach to income from foreign bonds, and its share price could fluctuate significantly. The Fund is subject to the risks unique to international investing, including unfavorable changes in currency values, as well as credit risk and interest rate risk. To the extent the Fund invests in emerging markets, the international investing risks are heightened and may result in higher short-term volatility.

The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details.

## PERFORMANCE REVIEW

### Emerging Markets Bonds Advanced Amid Signs of Economic Resilience

Emerging markets (EM) debt delivered positive returns for the quarter as inflation and other economic data steadied in March, creating a more constructive backdrop for investors. High yield issuers outperformed investment-grade countries as credit spreads tightened. Most regions advanced, led by solid performance in Africa. However, the Middle East was modestly negative as the Israel-Hamas war continued to weigh on the region.

In the January update to the World Economic Outlook, the International Monetary Fund (IMF) projected that global growth will be below its historical average, driven by elevated central bank policy, a withdrawal of fiscal support, and low underlying productivity growth. However, the 2024 forecast was slightly higher due to resilience in the U.S. and several large emerging markets economies as well as fiscal support in China. In the U.S., the Fed held official short-term interest rates steady as strong economic data prompted investors to temper their expectations for aggressive interest rate cuts. Across other developed markets, the European Central Bank also left its policy rate on hold during the period, while the Bank of Japan took a step toward policy normalization by ending negative interest rates and other remnants of its ultra-loose monetary policy in March. In China, the central bank cut its reserve ratio requirement and the 5-year loan prime interest rate in an effort to stimulate its economy.

The J.P. Morgan Global Manufacturing Purchasing Managers' Index rose over the period, indicating improving growth. New orders rose relative to inventories, and more countries experienced an improvement in data. Several central banks, including those in Czech Republic, Mexico, Brazil, Argentina, and Colombia, cut rates amid signs of slowing inflation. On the other hand, Türkiye's central bank hiked the interest rate 750 basis points as inflation remained high. Amid discussions with the International Monetary Fund (IMF), Egypt's central bank delivered 800 basis points in rate hikes; signed a deal with the United Arab Emirates to develop a section of the Mediterranean coast; allowed the Egyptian pound to float, causing a significant devaluation; and eased some capital control restrictions. The IMF subsequently announced an agreement to expand the size of its lending program for Egypt, and multiple ratings agencies upgraded their outlooks for Egypt's credit rating to positive. In Latin America, Argentina delivered strong gains as investors expect President Javier Milei's radical reform agenda to transform the economy. J.P. Morgan announced that Venezuelan sovereign and Petroleos de Venezuela bonds will be included in its EM bond indices over a period starting April 30 and ending June 28, 2024.

### Venezuelan Positioning Was Detrimental

Our holdings in Venezuela detracted from relative performance as worries over the reimposition of U.S. sanctions ahead of the Venezuelan presidential election weighed on the bonds.

### Underweight to Select Distressed Sovereigns Had a Negative Impact

Our underweight allocations to select frontiers, such as Ukraine, Pakistan, Ecuador, and Ghana, held back relative results as these countries made progress in economic reforms or restructuring negotiations, generating enthusiasm for the higher-yielding frontier sovereigns.

### Argentina Positioning Weighed

An underweight in Argentina weighed for the period as the bonds rallied from lows, driven by market hopes over President Javier Milei's reforms and fiscal tightening.

### Holdings in Suriname Benefited

Our holdings in Suriname proved beneficial, particularly in the country's oil-linked value recovery instruments. The country delivered strong post-debt restructuring performance with spreads having compressed since the distressed exchange closed in November.

### Underweight to Higher-Quality Countries Contributed

An underweight allocation to higher-quality countries, such as China, the United Arab Emirates, Hungary, and Malaysia, bolstered relative results as spreads compressed due to positive risk sentiment, pushing investors to lower-quality, higher-yielding assets.

## PORTFOLIO POSITIONING AND ACTIVITY

Amid a flurry of issuance throughout the first quarter of the year, we made the following changes to the portfolio.

### Higher-Conviction Frontiers

We added to our overweight in select high-conviction frontiers, such as Angola and Côte d'Ivoire, as they offer higher yields and score well in our anchoring framework, in our view. In Europe, we added to Albania on improved valuations and the announcement of the EU's growth plan to support the accession process for the Western Balkans, which the country should be one of the main beneficiaries. We added to our position in Paraguay given strong credit fundamentals and the potential for an upgrade to investment-grade rating.

Following a period of outperformance, we trimmed our holdings in the Dominican Republic as the country's valuations have approached fair value. We started to moderate our position in Senegal at the beginning of the period due to the risk of unrest leading up to and after the election, although we still believe the fundamentals of the country are strong. In February, the outgoing president announced a delay in the election, which triggered protests and prompted us to further reduce our position. Following the rejection from the country's constitutional authority to delay the elections, Senegal went to the polls on March 24, restoring investor confidence in one of West Africa's most stable democracies.

### Higher-Quality Countries

We are structurally underweight higher-rated mainstream EM countries such as China, the United Arab Emirates, and Saudi Arabia due to limited opportunities, although we continue to find value in quasi-sovereigns and corporates in higher-quality mainstream markets, such as Mexico, Chile, and the Philippines, which offer yield premiums over the sovereign. We trimmed our position in Colombian and Indonesian quasi-sovereigns following a period of outperformance. We also moderated our position in Israel as the risk of escalation in the war remains high.

We took the opportunity to add to locally denominated debt during the quarter, initiating a position in locally denominated Malaysian bonds. Mexico continued to be an important overweight and we added to our local sovereign holdings over the quarter amid solid fundamentals.

### Distressed Sovereigns

We saw credit-positive changes in the trajectory of a number of lower-rated and distressed sovereign countries during the period. Our analysts identified opportunities to add into distressed names, such as Kenya and Egypt, at attractive valuations. In Kenya, investors were concerned over the repayment of an international bond maturing in June amid a drop in hard currency reserves, a weakening of the currency, and revenue challenges, which provided an opportunity to buy in at attractive prices. During the quarter, Kenya received a disbursement from its IMF program, a loan from the Trade and Development Bank, and issued a new Eurobond in February, alleviating concerns over repayment. In Egypt, we closed our underweight to the country early in the period given a potential agreement with the IMF on key policy components of economic reform to get the country's long-stalled program restarted, which occurred in March. We also initiated a position in Ukraine for the first time since 2021 as the IMF's debt sustainability analysis parameters were more favorable, although risks continue to be elevated and we remain underweight.

We trimmed our holdings in Pakistan on election uncertainty. We continued to trim our position in Venezuela on increased market access.

## MANAGER'S OUTLOOK

EM debt continues to offer a substantial yield premium over many fixed income assets and broadly sound fundamentals, making the asset class compelling on a long-term risk-adjusted basis in our view.

The markets have largely priced in interest rate cuts in the second half of 2024, although the recent upticks in inflation readings moderated expectations of a cut in the Fed's June meeting. Fed policymakers continue to stress their focus on data and the balance between inflation and employment. We are cautious as current valuations leave little buffer for potential exogenous headwinds associated with still tight financial conditions and U.S. inflation volatility.

Sovereign fundamentals remain broadly supportive with sufficient economic buffers to support debt sustainability. EM growth continues to notably outpace that of developed markets, and inflation remains on a downward trajectory. Stressed fiscal conditions persist in some frontier markets due to higher base rates, but we do not anticipate a systematic default cycle as risks are concentrated in smaller markets that pose less contagion risk.

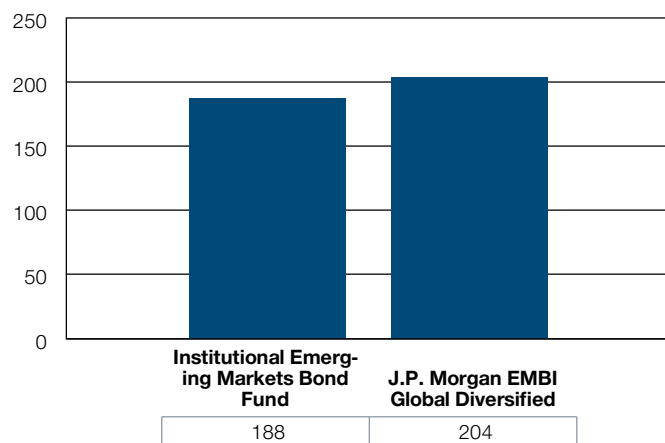
Bond issuance started the year on a high note as many countries came to market in the midst of high demand for EM debt. Moreover, several lower-rated issuers had market access restored amid increased financing support, which is beneficial for the asset class. The portfolio manager expects volatility to persist over the medium term with more heterogeneous outcomes across emerging markets that better reflect underlying fundamentals. The investment team will look to add to high-conviction assets as dislocations would create attractive entry points. In addition to sovereign and quasi-sovereign bonds, we believe emerging market corporate debt also offers increasingly attractive opportunities given its more defensive nature and improved relative value. We also find value in locally denominated sovereigns and see support for investment returns from cheap currencies that should appreciate with USD weakness.

## QUARTERLY ATTRIBUTION

### OVERALL PERFORMANCE: FUND VS. J.P. MORGAN EMBI GLOBAL DIVERSIFIED

(3 months ended March 31, 2024)

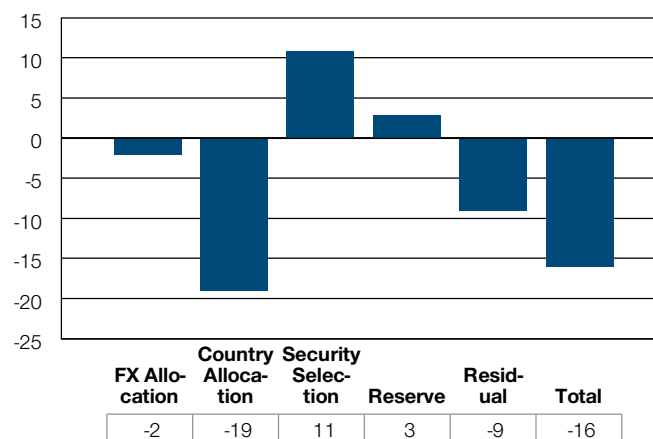
Basis Points



### CONTRIBUTION TO EXCESS RETURN: FUND VS. J.P. MORGAN EMBI GLOBAL DIVERSIFIED

(3 months ended March 31, 2024)

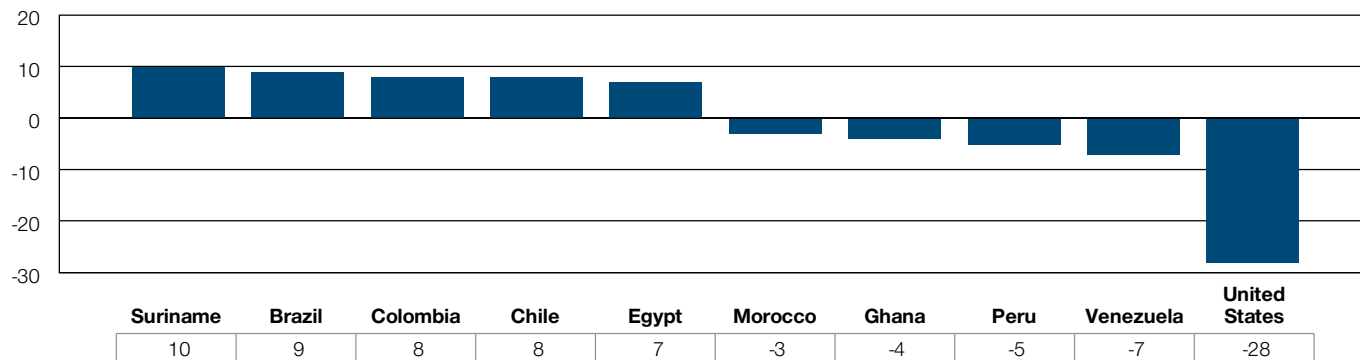
Basis Points



### USD SECURITY SELECTION DETAILS - TOP 5/BOTTOM 5: FUND VS. J.P. MORGAN EMBI GLOBAL DIVERSIFIED

(3 months ended March 31, 2024)

Basis Points



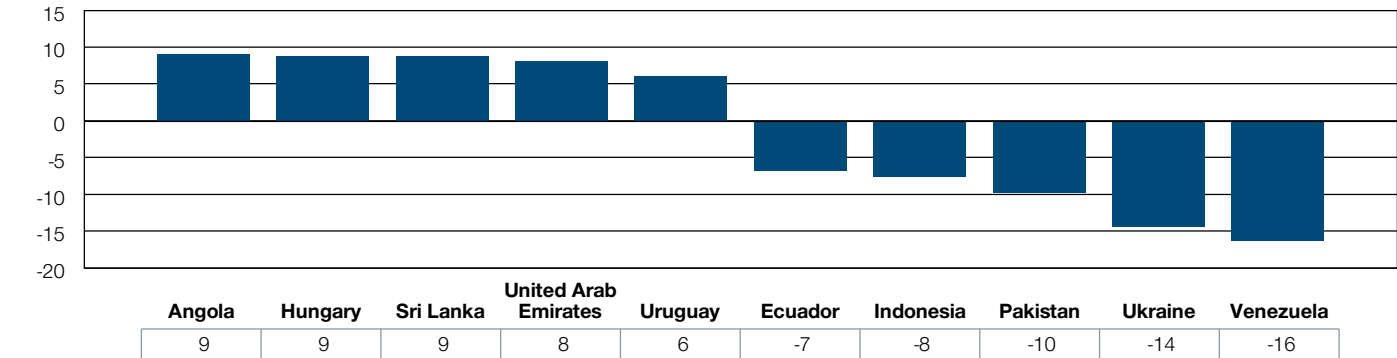
**Past performance is not a reliable indicator of future performance.** T. Rowe Price Proprietary Performance Attribution Model is used to separate ('attribute') the period outperformance (or underperformance) of a portfolio relative to its benchmark. The system attributes the outperformance (or underperformance) to a set of portfolio decisions such as currency and country weightings and specific security selections. The portfolio return is calculated by a daily compounding of returns from changes in present value, additional interest accruals, and trading activities. Performance for each security is obtained in the currency in which it is issued and, if necessary, is converted to USD using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance returns are in USD.

QUARTERLY ATTRIBUTION, CONTINUED

COUNTRY ALLOCATION: TOP FIVE AND BOTTOM FIVE CONTRIBUTORS: FUND VS. J.P. MORGAN EMBI GLOBAL DIVERSIFIED

(3 months ended March 31, 2024)

Basis Points

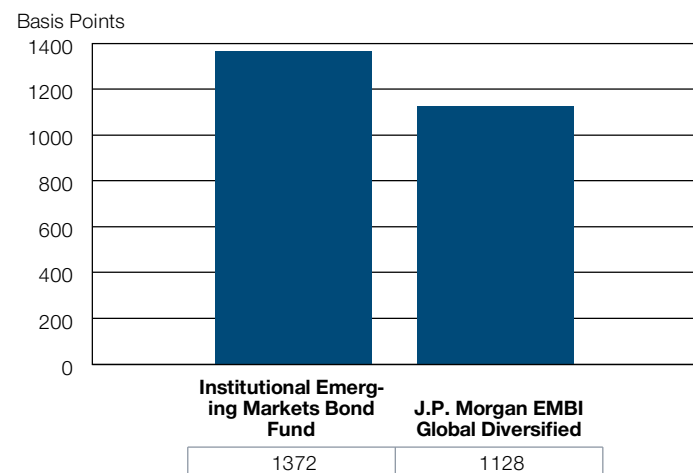


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## 12-MONTH ATTRIBUTION

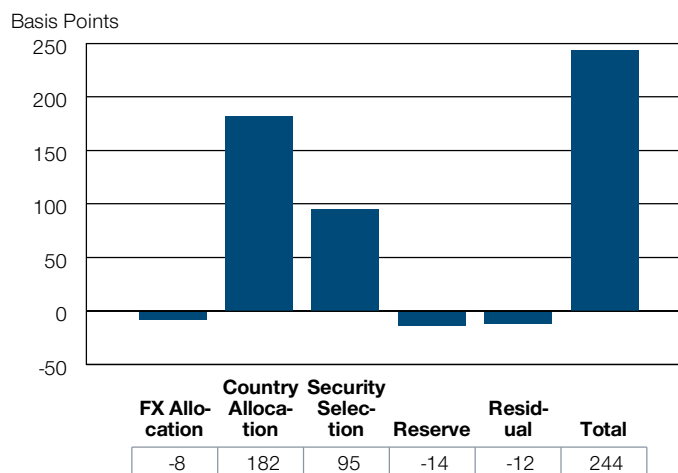
### OVERALL PERFORMANCE: FUND VS. J.P. MORGAN EMBI GLOBAL DIVERSIFIED

(12 months ended March 31, 2024)



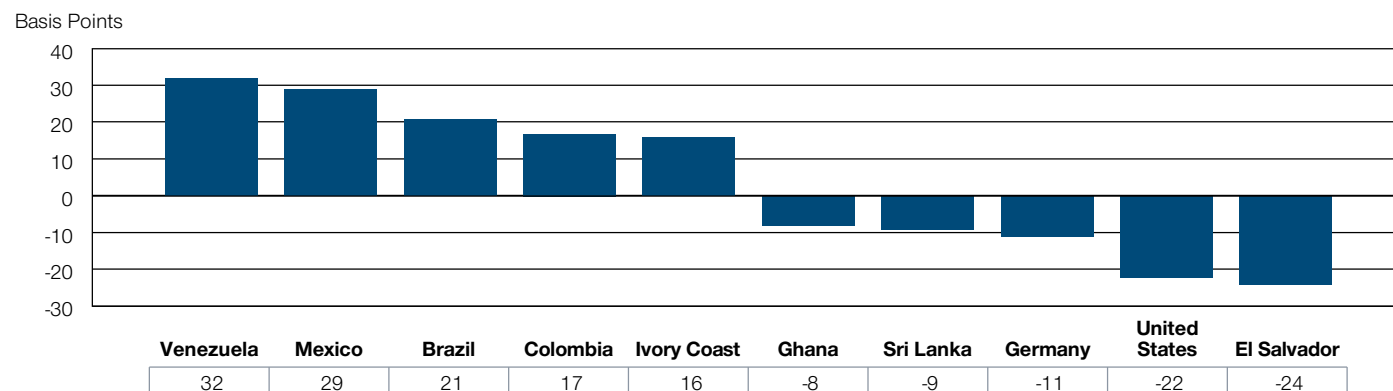
### CONTRIBUTION TO EXCESS RETURN: FUND VS. J.P. MORGAN EMBI GLOBAL DIVERSIFIED

(12 months ended March 31, 2024)



### USD SECURITY SELECTION DETAILS - TOP 5/BOTTOM 5: FUND VS. J.P. MORGAN EMBI GLOBAL DIVERSIFIED

(12 months ended March 31, 2024)



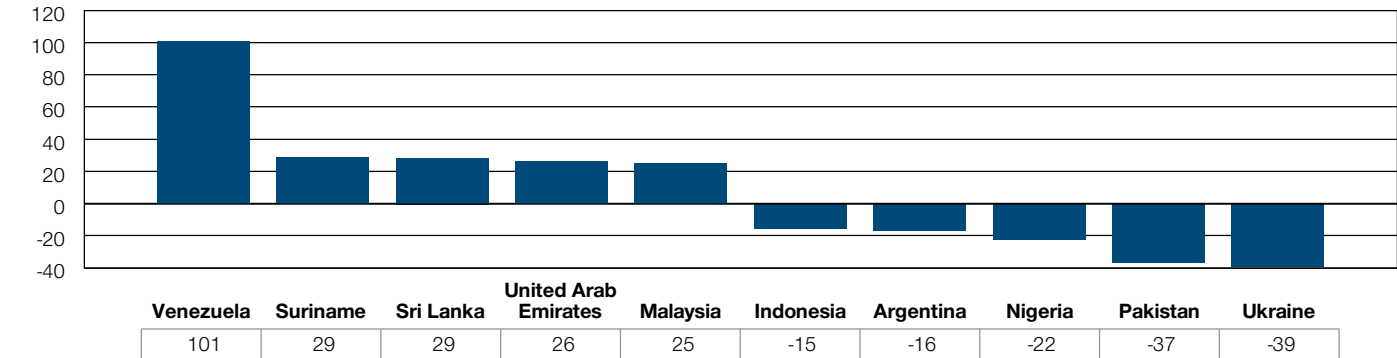
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12-MONTH ATTRIBUTION, CONTINUED

COUNTRY ALLOCATION: TOP FIVE AND BOTTOM FIVE CONTRIBUTORS: FUND VS. J.P. MORGAN EMBI GLOBAL DIVERSIFIED

(12 months ended March 31, 2024)

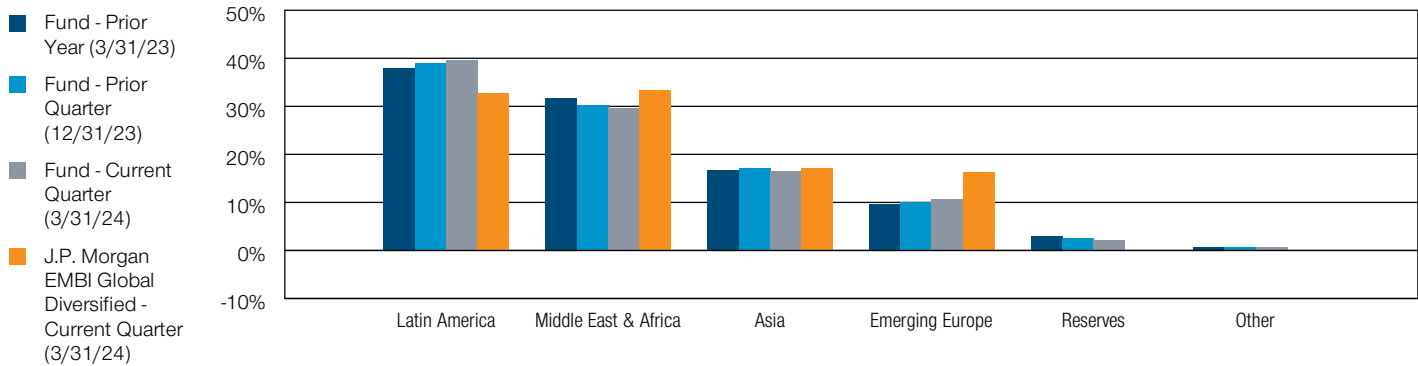
Basis Points



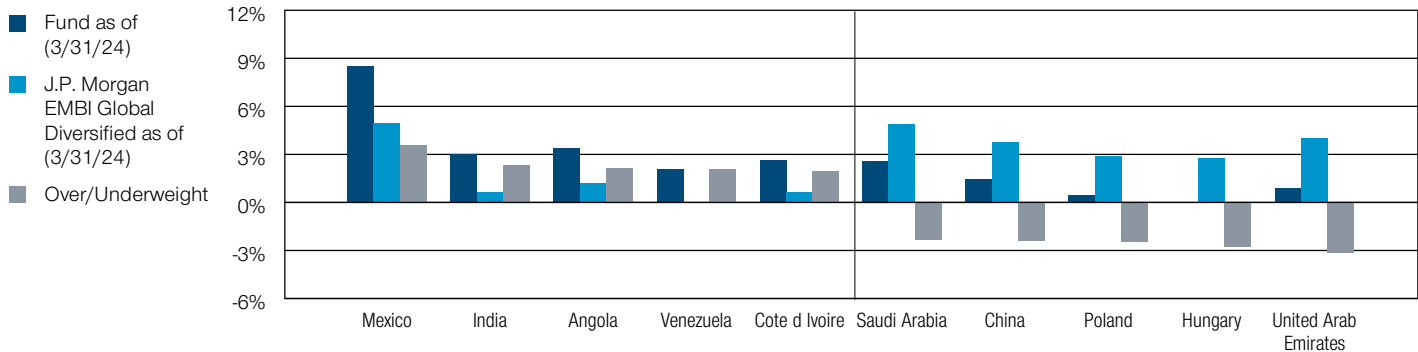
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PORTFOLIO POSITIONING

GEOGRAPHIC DIVERSIFICATION - CHANGES OVER TIME



COUNTRY DISTRIBUTION: SIGNIFICANT OVER/UNDERWEIGHT COUNTRIES  
FUND VS. J.P. Morgan EMBI Global Diversified

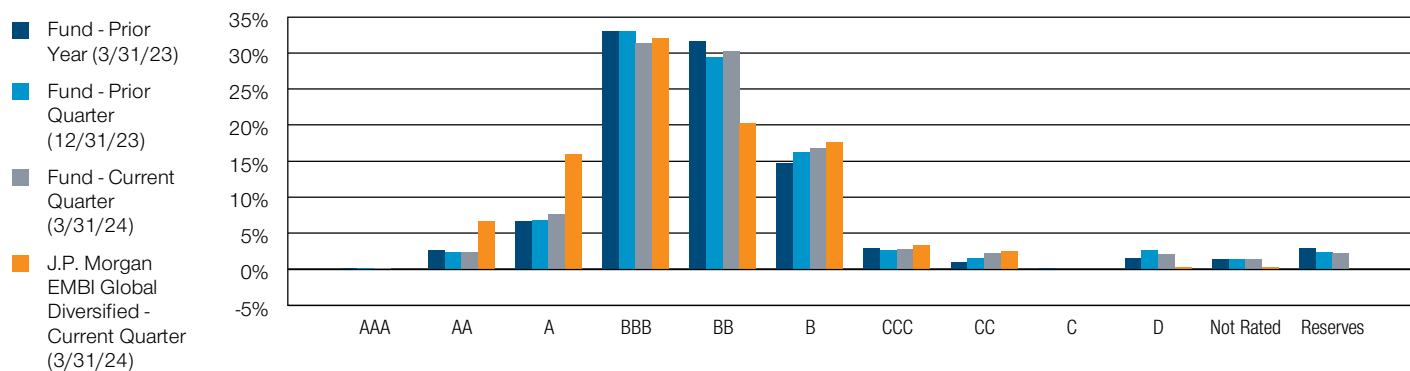


Sources: T. Rowe Price and J.P. Morgan Chase & Co.



## PORTFOLIO POSITIONING, CONTINUED.

### CREDIT QUALITY DIVERSIFICATION – CHANGES OVER TIME



## HOLDINGS

### TOP 10 ISSUERS

Issuer	% of Fund
Republic of Indonesia	4.8%
Petroleos Mexicanos	3.6
Republic of Angola	3.4
Sultanate of Oman	3.2
Republic of Panama	3.2
Dominican Republic	3.0
Republic of Turkey	2.9
Arab Republic of Egypt	2.8
Republic of Cote d'Ivoire	2.6
Republic of Colombia	2.6

## PORTFOLIO MANAGEMENT



**Portfolio Manager:**  
Samy Muaddi

**Managed Fund Since:**  
2021

**Joined Firm:**  
2006

## Additional Disclosures

**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](https://www.troweprice.com). Read it carefully.**

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

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"Other" includes any categories not explicitly mentioned.

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

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