



MONTHLY UPDATE

31 July 2019

T. ROWE PRICE FUNDS SICAV

Emerging Markets Bond Fund



Michael Conelius

Portfolio Manager

29 Years investment experience

29 Years at T. Rowe Price



FUND SNAPSHOT

Active investment in mainly sovereign emerging-market bonds.

KEY FUND DATA

Indicative Benchmark:	J.P. Morgan Emerging Markets Bond Index Global Diversified
Base Currency:	USD
ISIN Class A:	LU0207127084
ISIN Class A (EUR):	LU1438968627
ISIN Class Ax:	LU1670770301
ISIN Class I:	LU0207127753
ISIN Class Ih (EUR):	LU0207127910
ISIN Class Q:	LU1328257263
ISIN Class Q (EUR):	LU1127970330

	Annualised				
	One Month	Year-to-Date	One Year	Three Years	Five Years
Class I	0.69%	12.59%	9.16%	5.39%	5.00%
J.P. Morgan Emerging Markets Bond Index Global Diversified*	1.21%	12.66%	10.98%	5.27%	5.47%

	Calendar Years				
	2014	2015	2016	2017	2018
Class I	3.3	0.8	14.9	9.6	-6.1
J.P. Morgan Emerging Markets Bond Index Global Diversified*	7.4	1.2	10.2	10.3	-4.3

Past performance is not a reliable indicator of future performance.

* The index shown is not a formal benchmark. It is shown only for comparison purposes.
I Class Inception: 31-Dec-2004

Source for performance: T.Rowe Price.

Fund performance is calculated using the official NAV with distributions reinvested, if any. The value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the fund and the currency in which you subscribed, if different. Sales charges, taxes and other locally applied costs have not been deducted and if applicable, they will reduce the performance figures.

Indicative Benchmark Data Source: JP Morgan

PORTFOLIO HIGHLIGHTS

- EM debt generated strong returns in July. Despite ongoing concerns about potential weakness in global growth stemming from trade disputes and increased geopolitical tensions, investor sentiment was supported by expectations for more accommodative central bank policy. Within the portfolio, our overweight allocation to Venezuela held back relative performance. Bond prices were marked down in July as major indices announced reductions in allocations, potentially leading to forced selling. Our overweight allocation to South Africa was also a drag on relative returns. Concerns about pledged sovereign support for heavily-indebted quasi-sovereign utility Eskom weighed on South African assets. Conversely, our overweight to Brazil contributed to relative performance. Brazilian bonds advanced amid optimism for pension reform legislation and a rate cut. An out-of-benchmark allocation to the Bahamas added further to relative results.
- Fundamentals remain broadly supportive. This includes stable underlying economic growth, more disciplined government spending, largely balanced current accounts, and rational economic policy in most major markets. However, developed markets-led risks and the U.S.-China trade conflict could cause continued volatility and challenge liquidity, leaving us somewhat cautious on corporates and select frontier markets. We are overweight select quasi-sovereign companies, which should benefit from reforms and offer attractive carry pickup versus the sovereign, including Eskom and Petrobras.



- We are positioned somewhat conservatively, focusing on idiosyncratic opportunities with positive reform momentum, such as Brazil and South Africa, as well as markets that are underpriced relative to their fundamental risks, such as Ukraine. We maintained our structural underweight to low-beta countries, such as China, the Philippines, and Peru. We continued to reduce our overweight exposure to Turkey.

After a strong rebound in the first quarter, uncertainty has weighed on markets more recently driving up volatility. We remain cautiously optimistic about the emerging markets (EM) bond asset class as it offers one of the highest yielding opportunities in the fixed income market and has been increasingly durable through market corrections. Despite a strong rally, spreads remain at attractive levels relative to history with yields now three times those of Treasuries. EM fundamentals remain broadly supportive.

MAIN RISKS:

Counterparty risk - an entity with which the fund transacts may not meet its obligations to the fund.

Country risk (China) - all investments in China are subject to risks similar to those for other emerging markets investments. In addition, investments that are purchased or held in connection with a QFII licence or the Stock Connect program may be subject to additional risks.

Country risk (Russia and Ukraine) - in these countries, risks associated with custody, counterparties and market volatility are higher than in developed countries.

Credit risk - a bond or money market security could lose value if the issuer's financial health deteriorates.

Currency risk - the risk that securities denominated in currencies other than the base currency of the fund may decrease in value due to changes in foreign exchange rates.

Default risk - the issuers of certain bonds could become unable to make payments on their bonds.

Derivatives risk - derivatives may result in losses that are significantly greater than the cost of the derivative.

Emerging markets risk - emerging markets are less established than developed markets and therefore involve higher risks.

Frontier markets risk - the risk associated with investing in securities issued by companies domiciled in small nations that are at an earlier stage of economic and political development relative to more mature emerging markets. Such markets typically have limited investability and liquidity.

Geographic concentration risk - to the extent that a fund invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk - a fund's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Interest rate risk - when interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality.

Investment fund risk - investing in funds involves certain risks an investor would not face if investing in markets directly.

Issuer concentration risk - to the extent that a fund invests a large portion of its assets in securities from a relatively small number of issuers, its performance will be more strongly affected by events affecting those issuers.

Liquidity risk - any security could become hard to value or to sell at a desired time and price.

Management risk - the investment manager or its designees may at times find their obligations to a fund to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Market risk - prices of many securities change daily, and can fall based on a wide variety of factors.

Operational risk - operational failures could lead to disruptions of fund operations or financial losses.

Sector concentration risk - the performance of a fund that invests a large portion of its assets in a particular economic sector (or, for bond funds, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market.

Important Information

The Funds are sub-funds of the T. Rowe Price Funds SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier and which qualifies as an undertaking for collective investment in transferable securities ("UCITS"). Full details of the objectives, investment policies and risks are located in the prospectus which is available with the key investor information documents in English and in an official language of the jurisdictions in which the Funds are registered for public sale, together with the annual and semiannual reports (together "Fund Documents"). Any decision to invest should be made on the basis of the Fund Documents which are available free of charge from the local representative, local information/paying agent or from authorised distributors and via www.troweprice.com.

Please note that the Fund typically has a risk of high volatility.

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