



## MONTHLY UPDATE

31 July 2019

### T. ROWE PRICE FUNDS SICAV

# European Smaller Companies Equity Fund



#### Ben Griffiths\*

Portfolio Manager

18 Years investment experience

11 Years at T. Rowe Price



#### FUND SNAPSHOT

Seeking to identify tomorrow's winning European growth companies.

#### KEY FUND DATA

Indicative Benchmark:	MSCI Europe Small Cap Index Net
Base Currency:	EUR
ISIN Class A:	LU0382931250
ISIN Class I:	LU0382931417
ISIN Class Q:	LU1001671582
ISIN Class Q (GBP):	LU1028171921

	Annualised				
	One Month	Year-to-Date	One Year	Three Years	Five Years
Class I	-0.16%	7.80%	-14.40%	8.53%	9.68%
MSCI Europe Small Cap Index Net*	-0.15%	15.57%	-5.81%	7.05%	8.20%

	Calendar Years				
	2014	2015	2016	2017	2018
Class I	7.7	26.1	-0.3	31.2	-15.2
MSCI Europe Small Cap Index Net*	6.5	23.5	0.9	19.0	-15.9

#### 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.

† Class Inception: 26-Nov-2008

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.

MSCI Index returns are shown with gross dividends reinvested.

Indicative Benchmark Data Source: 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.

#### PORTFOLIO HIGHLIGHTS

■ European small-cap shares ended little changed in July, with markets still prey to concerns about the impact of trade disputes on economic growth and central bank policy intentions. Small-cap shares underperformed mid- and large-caps, which rose, according to MSCI Europe Small Cap Index data provided by FactSet. Over 12 months, small-caps have weakened, while large-caps have posted gains. Within the fund, information technology (IT), financials and communication services were the best-performing sectors due to our choice of securities and our overweight in IT. However, stock picking in industrial and business services, consumer discretionary and consumer staples sapped relative performance. In IT, WANdisco, a big data technology company and specialist in distributed computing, rose after the announcement of a partnership with Databricks, which helps customers process big data in the cloud. On the negative side, in industrial and business services, Alpha Financial Markets, a leading consultant to the asset management industry, declined as Brexit uncertainty intensified, casting a pall over the economic outlook for Europe.



\* Effective 1 January 2016, Ben Griffiths assumed portfolio responsibilities for the fund/strategy.

- We reduced our exposure to the health care sector, exiting Handicare, a Sweden-based company engaged in the health care industry, after a strong run this year. The health care sector remains one of our largest overweight positions, as does IT, which is consistent with our growth approach. We always have a high exposure to durable growth companies in these sectors, and we expect them to make good progress this year. We increased our large exposure to the consumer discretionary sector, investing in a distributor of consumer goods that is showing strong top-line growth.

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We expect European equities to be more volatile for the remainder of the year, mainly due to uncertainty about central bank intentions, trade policies, and a deterioration in economic fundamentals. Still, the European Central Bank's accommodative monetary policy stance and two years of improving corporate earnings have supported investor sentiment. While slowing growth has reduced earnings expectations for 2019, they are still moderately positive. Those for the smaller end of the market are slightly more favourable than for large-caps.

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#### **MAIN RISKS:**

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

**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.

**Equity risk** - in general, equities involve higher risks than bonds or money market instruments.

**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.

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

**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.

**Small and mid-cap risk** - stocks of small and mid-size companies can be more volatile than stocks of larger companies.

## 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](http://www.troweprice.com).

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

The views contained herein are as of 31 July 2019 and may have changed since that time. Unless indicated otherwise the source of all data is T.Rowe Price.

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