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# MONTHLY UPDATE

31 July 2019

## T.ROWE PRICE FUNDS SICAV

# Global Aggregate Bond Fund


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22 Years investment experience
4 Years at T. Rowe Price



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Portfolio Manager
26 Years investment experience
2 Years at T. Rowe Price


## FUND SNAPSHOT

Risk-aware investing, exploiting inefficiencies in global bond markets.

## KEY FUND DATA

| | |
|---|---|
| Indicative Benchmark: | Bloomberg Barclays Global Aggregate Bond Index |
| Base Currency: | USD |
| ISIN Class A: | LU0133095157 |
| ISIN Class A (EUR): | LU1438968973 |
| ISIN Class I: | LU0133095660 |
| ISIN Class Ib (EUR): | LU1532504211 |
| ISIN Class Q (EUR): | LU1127969670 |
| ISIN Class Qb (EUR): | LU1127969753 |

| | | | Annualised | | |
|---|---|---|---|---|---|
| | One Month | Year-to-Date | One Year | Three Years | Five Years |
| Class I | -0.42% | 4.92% | 4.19% | 1.04% | 1.23% |
| Bloomberg Barclays Global Aggregate Bond Index* | -0.28% | 5.28% | 5.73% | 1.28% | 1.33% |

| | Calendar Years | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Class I | 0.6 | -2.8 | 2.9 | 6.4 | -1.4 |
| Bloomberg Barclays Global Aggregate Bond Index* | 0.6 | -3.2 | 2.1 | 7.4 | -1.2 |

**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: 25-Jan-2006
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: Bloomberg Barclays

## PORTFOLIO HIGHLIGHTS

- Core government bond yields were mixed in July as U.S. data surprised on the upside and markets continued to price in future interest rate cuts from the European Central Bank and a revival of its bond-buying programme. The latter helped boost eurozone government bond prices, which hurt the portfolio's underweight duration stance to the eurozone. Our steepening bias toward the U.S. Treasury yield curve also detracted. Ongoing central bank dovishness, however, supported our overweight exposures to emerging markets, including India, with investors looking outside of core markets in the hunt for yield. In currencies, no-deal Brexit fears supported our British pound underweight as the currency weakened toward the end of the month. Our U.S. dollar overweight versus several currencies, including the South Korean won, bolstered relative returns, as a less dovish-than-expected Fed meeting in July helped the greenback gain in value. Within sector allocation and security selection, we had several positions, including our exposure to U.S. corporate bonds, that had a small negative impact. However, these were in the main balanced out by our selections in the European corporate bond space, which boosted relative gains during the month.
- We maintain low credit risk beta in the portfolio by using credit derivative instruments to act as insurance. We continue, however, to hold a modest overweight position in European high yield.

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- We increased our overweight duration stance to the U.S. as the Fed cut rates for the first time since 2008. We deepened our underweight duration position to the eurozone, as the continued increasing presence of negative yields across core markets offers little value. Elsewhere, we moved to a small overweight duration position in Australia amid continued dovish messaging from the country's central bank, and also shifted to an overweight bias to the UK. In emerging markets, we increased our overweight exposure to Indonesia in anticipation of a new easing cycle from Bank Indonesia.
- Through active currency management, we hold overweight positions in the Brazilian real, Japanese yen, Israeli shekel and Serbian dinar. These holdings are funded by our underweight positions in currencies such as the U.S. dollar, euro, Australian dollar, Hungarian forint, South Korean won, Russian rouble and Thai baht.

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**MAIN RISKS:**

**China Interbank Bond Market risk** - market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly.
**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.
**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.
**Prepayment and extension risk** - with mortgage- and asset-backed securities, or any other securities whose market prices typically reflect the assumption that the securities will be paid off before maturity, any unexpected behaviour in interest rates could impact fund performance.
**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.

Ongoing concerns over global growth, geopolitics, and continued dovishness from major central banks mean that, in our view, the environment for core government bonds is improving. The recent rate cut from the U.S. and expected monetary easing in the eurozone could also support demand for risk assets. However, if data improves, we are conscious that there is a downside risk that the level of easing may not be as much as expected.

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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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