



# The Case for Emerging Markets Corporate Debt

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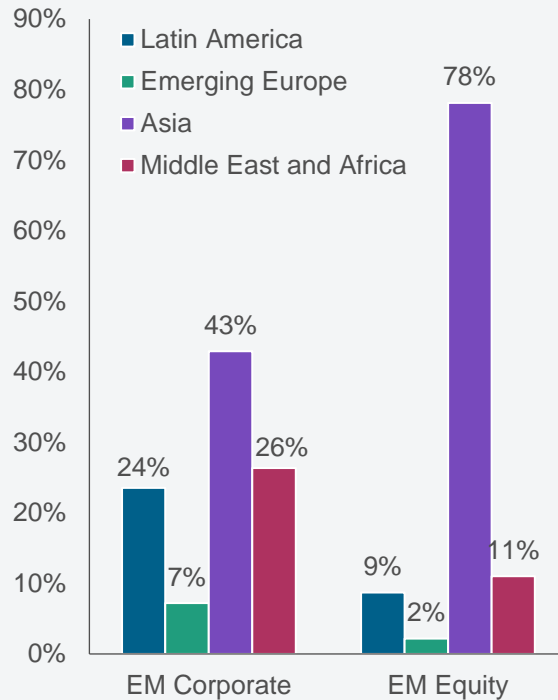
# EM corporate composition

As of 30 September 2023

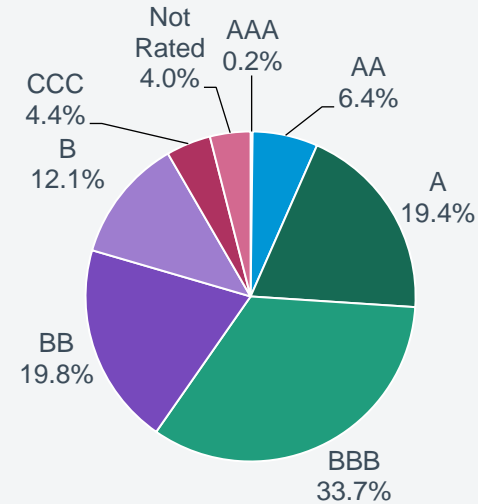
## J.P. Morgan CEMBI Broad Diversified

YTM	7.9%
Duration	4.8 years
Spread	358 bps
Investment Grade	59.7%
High Yield	40.3%

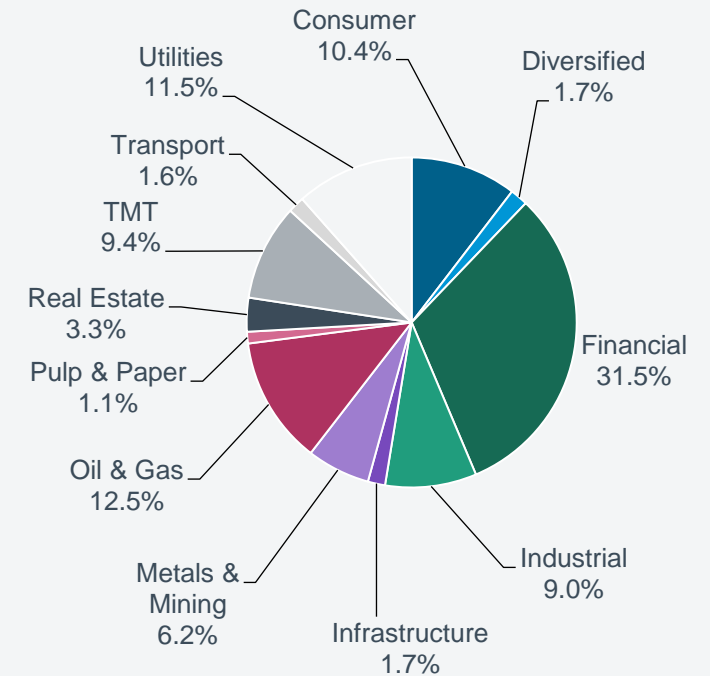
## Regional exposure



## Credit quality



## Sector



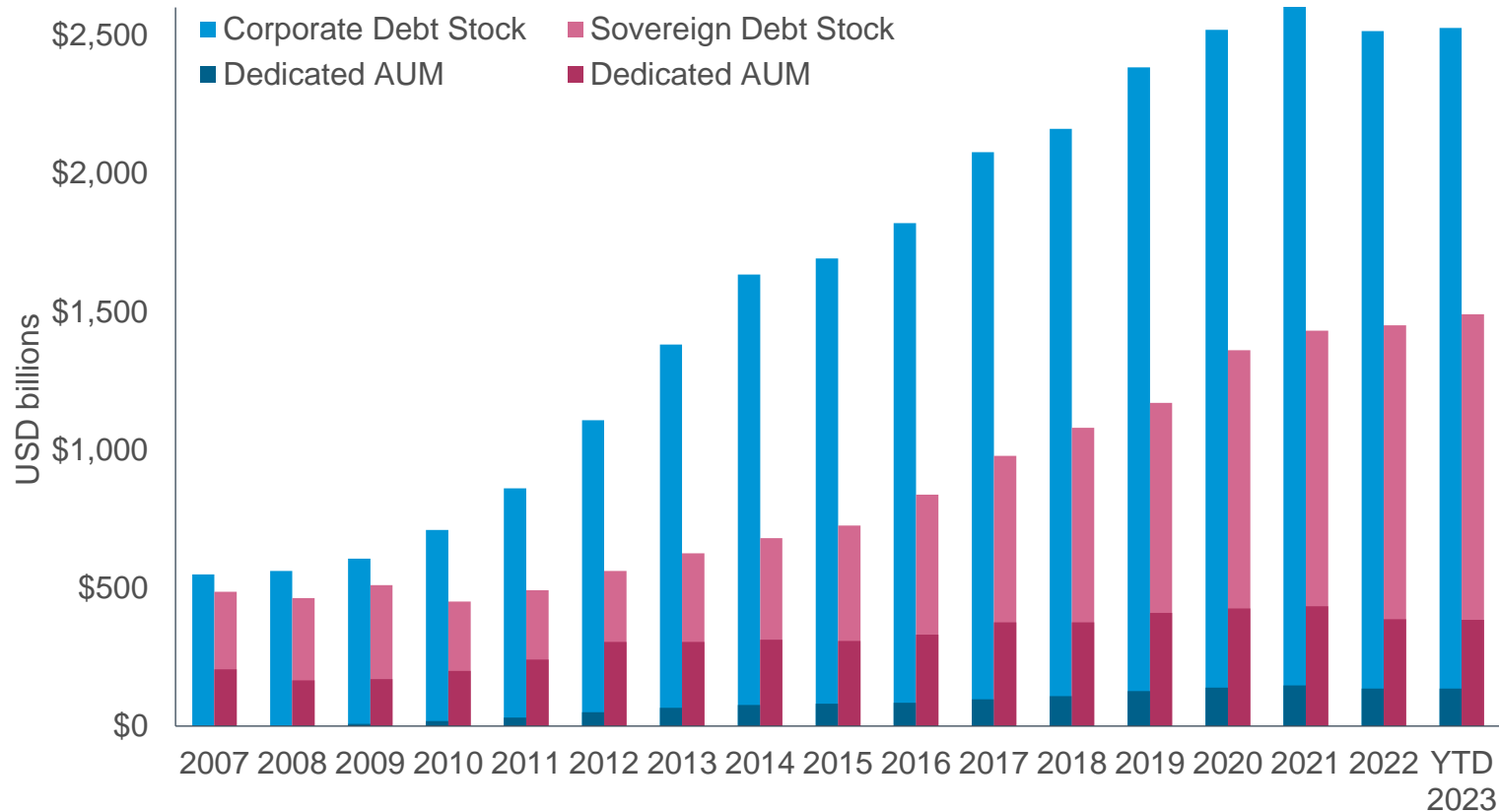
EM corporate offers a mix of sectors and credit quality, while offering more diverse regional exposure than EM equity.

Source: J.P. Morgan, MSCI. Data analysis by T. Rowe Price. EM Equity: MSCI Emerging Markets Index. Spread: Strip spread. Other: Diversified, Pulp & Paper, and Transport. Information has been obtained from sources believed to be reliable, but J.P. Morgan does not warrant its completeness or accuracy. The index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright © 2023, J.P. Morgan Chase & Co. All rights reserved.

# Still under-owned

As of 30 September 2023

## EM Hard Currency Debt Stock Outstanding and Amount Managed in Dedicated Strategies



Dedicated investors only represent 12% of the capital in the EM debt market.

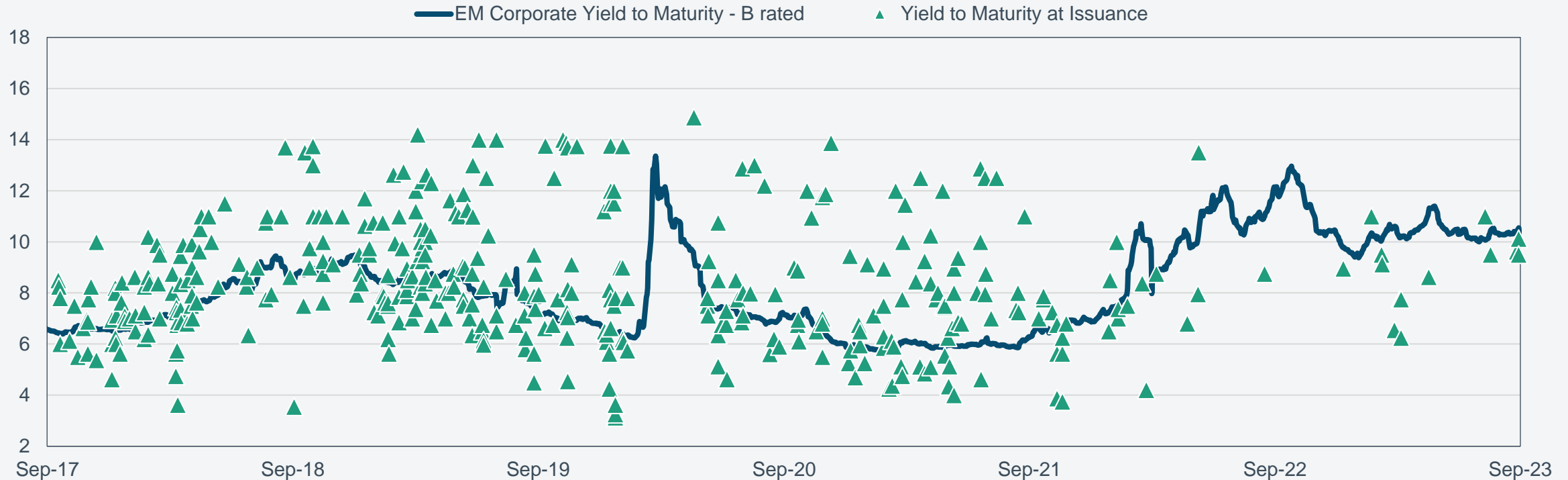
Dedicated capital is \$500 billion USD in a \$4,016 billion USD EM debt market.

Source: J.P. Morgan. Please refer the audience to the Additional Disclosures for further source information.  
Data Analysis by T. Rowe Price.

# Sources of EM corporate bond inefficiency – poor information

As of 30 September 2023

## Informational inefficiencies<sup>1</sup>



EMC single B bonds have been issued with coupons of 4% to 14%. Dispersion of new issue yields reflects the uncertainties and informational asymmetries inherent in the asset class which persist across time.

<sup>1</sup> The chart reflects B-rated bonds issued from emerging markets corporates in USD terms. It is a comprehensive universe including issues in and off the J.P. Morgan CEMBI Broad Diversified Index. Sources: J.P. Morgan Chase & Co., T. Rowe Price, Bond Radar.

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# Inefficiencies underpin alpha potential

As of 30 September 2023

## EM Corporate Bond Market

	Efficiently Priced Securities	Inefficiently Priced Securities	Distressed Credit
CEMBI Broad Weight (%) <sup>1</sup>	33.6	63.5	2.9
Spread (bps)	93	269	3,850
YTM (%)	5.7	7.4	43.4
Duration (years)	4.7	5.2	2.3
Contribution to Spread (bps)	31	171	112
% Spread Contribution <sup>1</sup>	10%	55%	36%

Inefficiently priced securities, typically carrying BBB, BB, and B credit ratings, offer meaningful opportunities to generate alpha for investors able to conduct the necessary due diligence.

<sup>1</sup> Market value weighted.

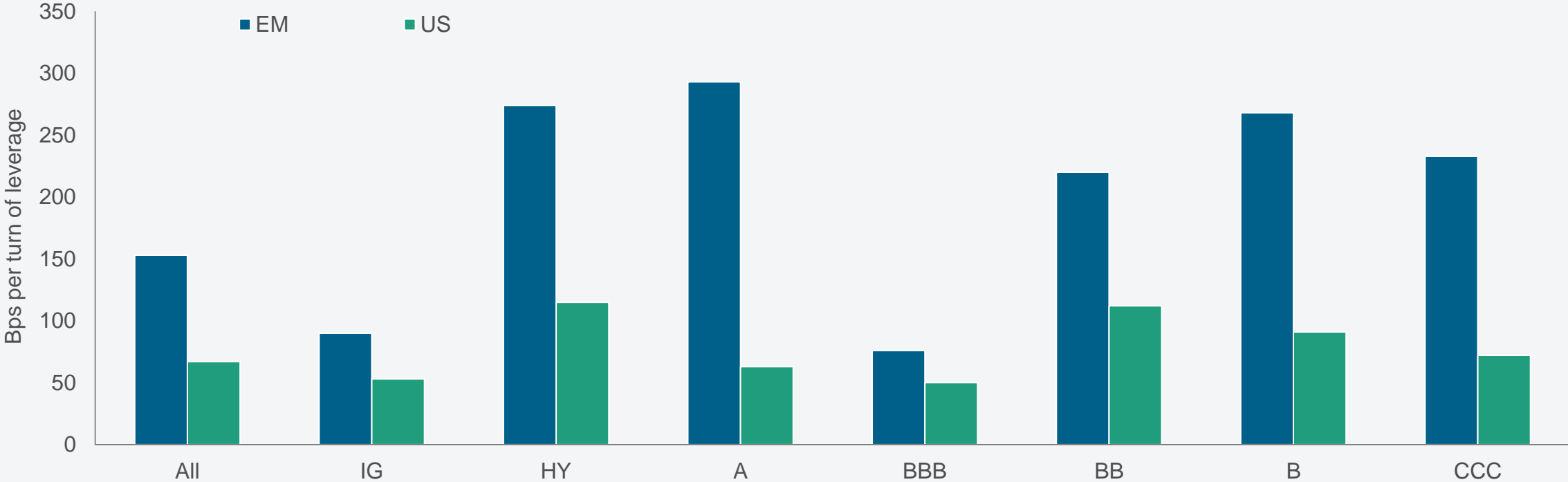
Sources: J.P. Morgan Chase & Co. and T. Rowe Price.

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# EM Corporate vs. US Corporate Credit

As of 30 September 2023

## Spread per Turn of Leverage



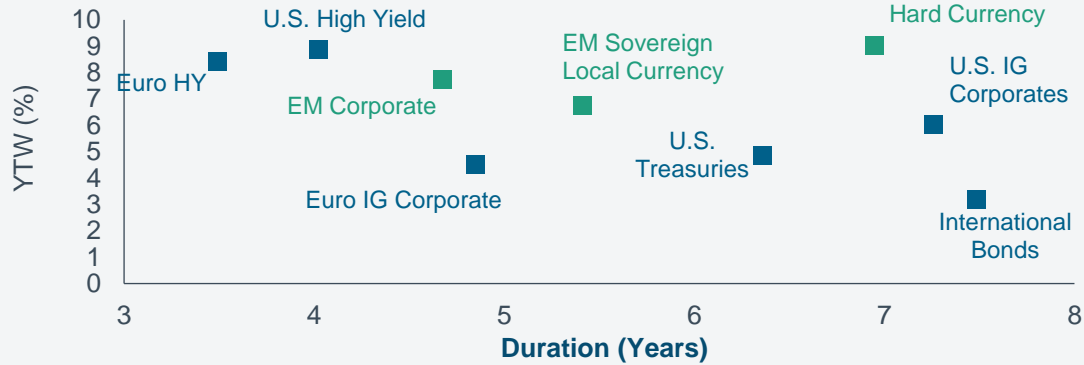
EM corporate credit offers significantly better spread to leverage than like-rated US credit. Single-A to BB EM issues provide 2-3x the spread of US credit peers, reflecting an unwarranted penalty from ratings agencies and a legitimate liquidity premium.

Source: ICE BAML USD EM and US credit indices. Please refer the audience to the Additional Disclosures for further source information.  
Note: Leverage is as of June 2022, spread as of March 2023.

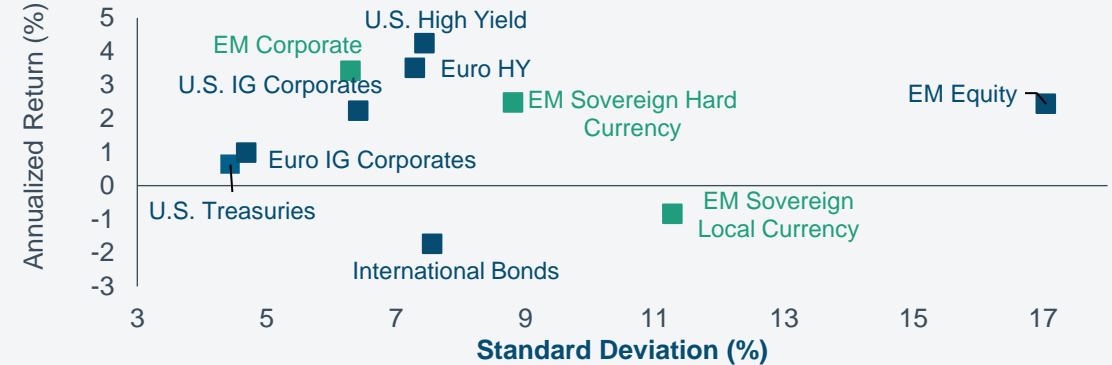
# EMD remains attractive in a global FI context

As of 30 September 2023

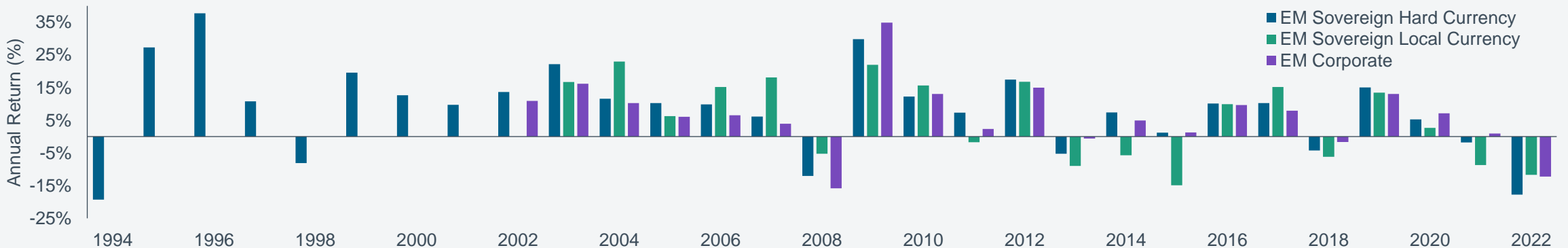
## Yield duration profile



## 10 year risk/return profile



## EM Debt annual returns



### Past performance is not a reliable indicator of future performance.

Source: Bloomberg Barclays, J.P. Morgan, MSCI. Returns are in U.S. dollar terms. Data analysis by T. Rowe Price.

Benchmarks: EM Sovereign Hard Currency: J.P. Morgan EMBI Global; EM Sovereign Local Currency: J.P. Morgan GBI – EM Global Diversified; EM Corporate: J.P. Morgan CEMBI Broad Diversified; Euro High Yield: Bloomberg Barclays European High Yield; US High Yield: Bloomberg Barclays U.S. High Yield; US Investment Grade: Bloomberg Barclays U.S. Corporate Investment Grade; Euro Investment Grade: Bloomberg Barclays European Corporate Investment Grade; U.S. Treasuries: Bloomberg Barclays U.S. Aggregate – U.S. Treasury; International Bonds: Bloomberg Barclays Global Aggregate ex U.S.; Bunds: Bloomberg Barclays Global Aggregate – German Bund; JGB: Bloomberg Barclays Global Aggregate – Japanese Government Bond; EM Equity: MSCI EM Index.

\*For additional Disclosures for further Source Information, please view additional Disclosures on page 14



# T. Rowe Price Funds SICAV- Emerging Markets Corporate Bond Fund





# T. Rowe Price Funds SICAV – Emerging Markets Corporate Bond Fund

## Objective and Risks

### Objective

To maximize the value of its shares through both growth in the value of, and income from, its investments.

### Investment Process

The fund is actively managed and invests mainly in a diversified portfolio of corporate bonds from emerging market issuers. Although the fund does not have sustainable investment as an objective, the promotion of environmental and/or social characteristics is achieved through the fund's commitment to maintain at least 10% of the value of its portfolio invested in Sustainable Investments, as defined by the SFDR. In addition to the E/S characteristics promoted, the fund also applies the investment manager's proprietary responsible screen (the T. Rowe Price Responsible Exclusion List). The fund may use derivatives for hedging, efficient portfolio management and investment purposes. The fund may also use derivatives to create synthetic short positions in currencies and debt securities. For full investment objective and policy details refer to the prospectus. The manager is not constrained by the fund's benchmark.

**Risks – the following risks are materially relevant to the fund** (refer to prospectus for further details):

- **China Interbank Bond Market** - The China Interbank Bond Market may subject the fund to additional liquidity, volatility, regulatory, settlement procedure and counterparty risks. The fund may incur significant trading and realisation costs.
- **Contingent convertible bond** - Contingent Convertible Bonds may be subject to additional risks linked to: capital structure inversion, trigger levels, coupon cancellations, call extensions, yield/valuation, conversions, write downs, industry concentration and liquidity, among others.
- **Country (China)** - Chinese investments may be subject to higher levels of risks such as liquidity, currency, regulatory and legal risks due to the structure of the local market.
- **Credit** - Credit risk arises when an issuer's financial health deteriorates and/or it fails to fulfill its financial obligations to the fund.
- **Default** - Default risk may occur if the issuers of certain bonds become unable or unwilling to make payments on their bonds.
- **Derivative** - Derivatives may be used to create leverage which could expose the fund to higher volatility and/or losses that are significantly greater than the cost of the derivative.
- **Distressed or defaulted debt securities** - Distressed or defaulted debt securities may bear substantially higher degree of risks linked to recovery, liquidity and valuation.
- **Emerging markets** - Emerging markets are less established than developed markets and therefore involve higher risks.
- **Frontier markets** - Frontier markets are less mature than emerging markets and typically have higher risks, including limited investability and liquidity.
- **High yield bond** - High yield debt securities are generally subject to greater risk of issuer debt restructuring or default, higher liquidity risk and greater sensitivity to market conditions. Interest rate - Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates.
- **Interest rate** - Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates.
- **Liquidity** - Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price.
- **Total Return Swap** - Total return swap contracts may expose the fund to additional risks, including market, counterparty and operational risks as well as risks linked to the use of collateral arrangements.

# T. Rowe Price Funds SICAV – Emerging Markets Corporate Bond Fund

Objective and Risks (Cont'd)

## General Fund Risks

- **ESG and sustainability** - ESG and Sustainability risk may result in a material negative impact on the value of an investment and performance of the fund.
- **Geographic concentration** - Geographic concentration risk may result in performance being more strongly affected by any social, political, economic, environmental or market conditions affecting those countries or regions in which the fund's assets are concentrated.
- **Hedging** - Hedging measures involve costs and may work imperfectly, may not be feasible at times, or may fail completely
- **Investment fund** - Investing in funds involves certain risks an investor would not face if investing in markets directly.
- **Management** - Management risk may result in potential conflicts of interest relating to the obligations of the investment manager.
- **Market** - Market risk may subject the fund to experience losses caused by unexpected changes in a wide variety of factors.
- **Operational** - Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

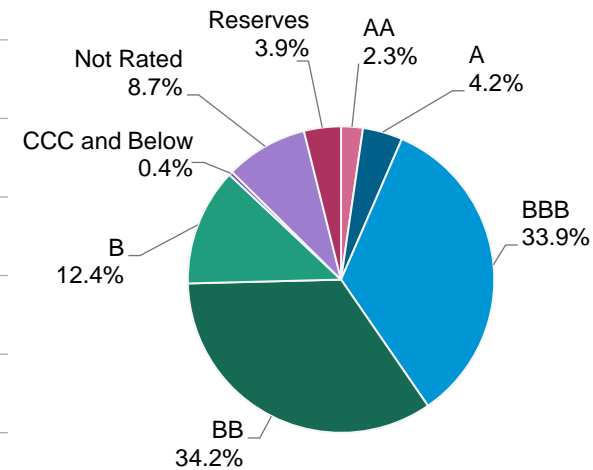
# Summary statistics

As of 30 September 2023

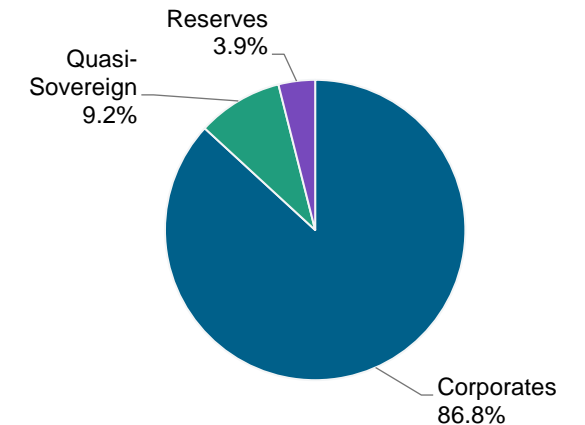
## T. Rowe Price Funds SICAV—Emerging Markets Corporate Bond Fund

	T. Rowe Price Funds SICAV—Emerging Markets Corporate Bond Fund	J.P. Morgan CEMBI Broad Diversified
Average Credit Quality <sup>1</sup>	BB+	BBB-
Weighted Average Duration (Years)	4.20	4.11
Number of Issuers	145	742
Number of Countries	41	63
Yield to Maturity	7.17%	7.83% <sup>2</sup>
Yield to Worst	7.10%	7.73% <sup>2</sup>

### Rating Breakdown



### Sector Breakdown



<sup>1</sup> Credit ratings for the securities held in the fund are provided by Moody's, Standard & Poor's and Fitch and are converted to the Standard & Poor's nomenclature. A rating of "AAA" represents the highest-rated securities, and a rating of "D" represents the lowest-rated securities. When a rating is available from all three agencies, the median rating is used. If there are two ratings, the lower rating is used and if only one rating is available, that rating is used. If a rating is not available, the security is classified as Not Rated (NR). The rating of the underlying investment vehicle is used to determine the creditworthiness of credit default swaps and sovereign securities. The fund is not rated by any agency.

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<sup>2</sup> Yield to maturity and yield to worst calculated using weighted average methodology. Using J.P. Morgan's super-bond method results in a yield to maturity for the index of 7.19% and a yield to worst for the index of 7.16%.

All numbers are percentages.

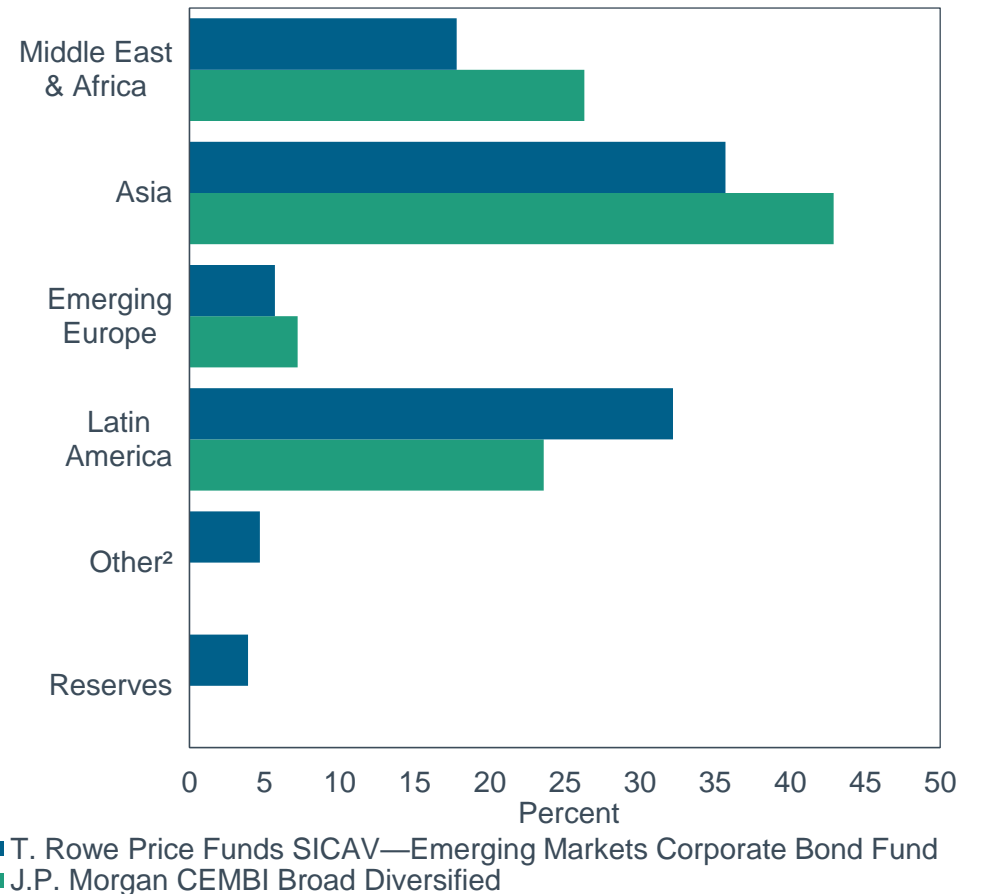
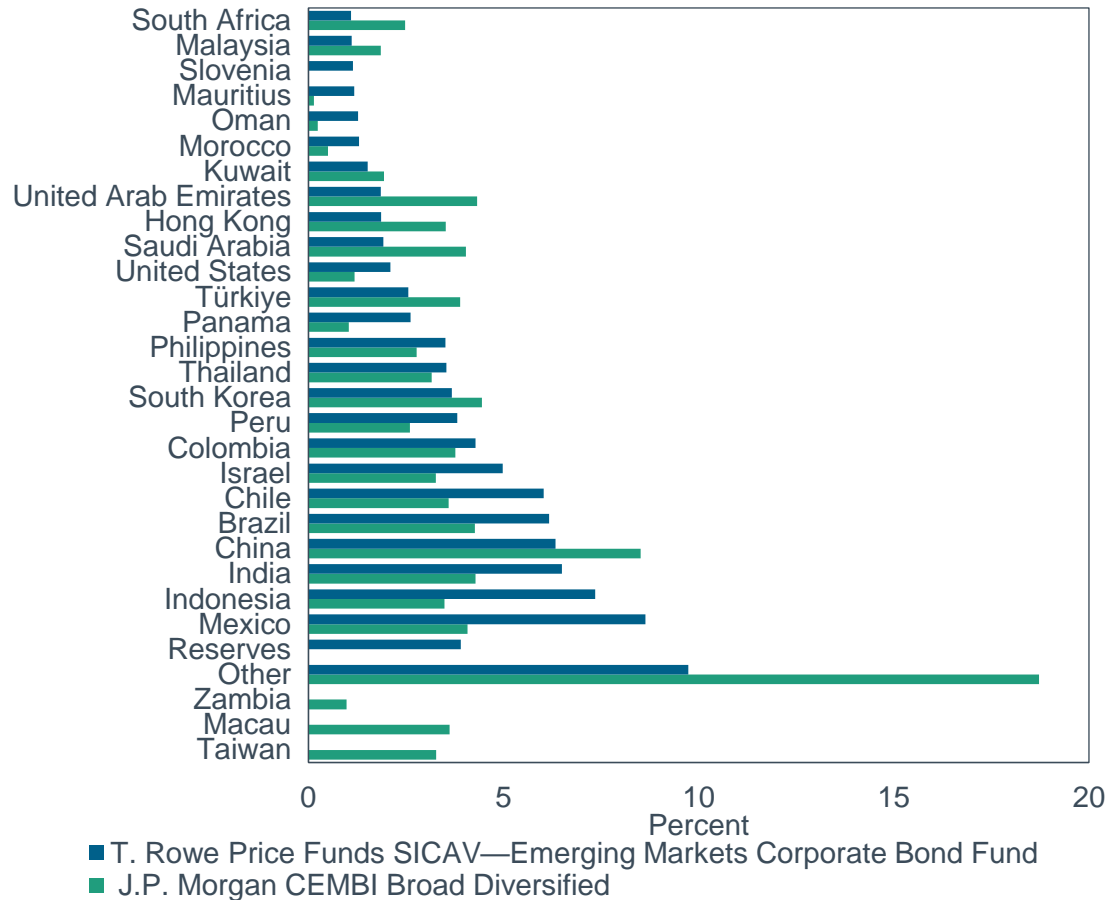
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# Country and regional exposure

As of 30 September 2023

## T. Rowe Price Funds SICAV—Emerging Markets Corporate Bond Fund Allocation



<sup>1</sup> Other includes: Argentina, Costa Rica, Georgia, Ghana, Guatemala, Hungary, Jamaica, Paraguay, Singapore, Tanzania, United Kingdom, Uzbekistan, Vietnam.

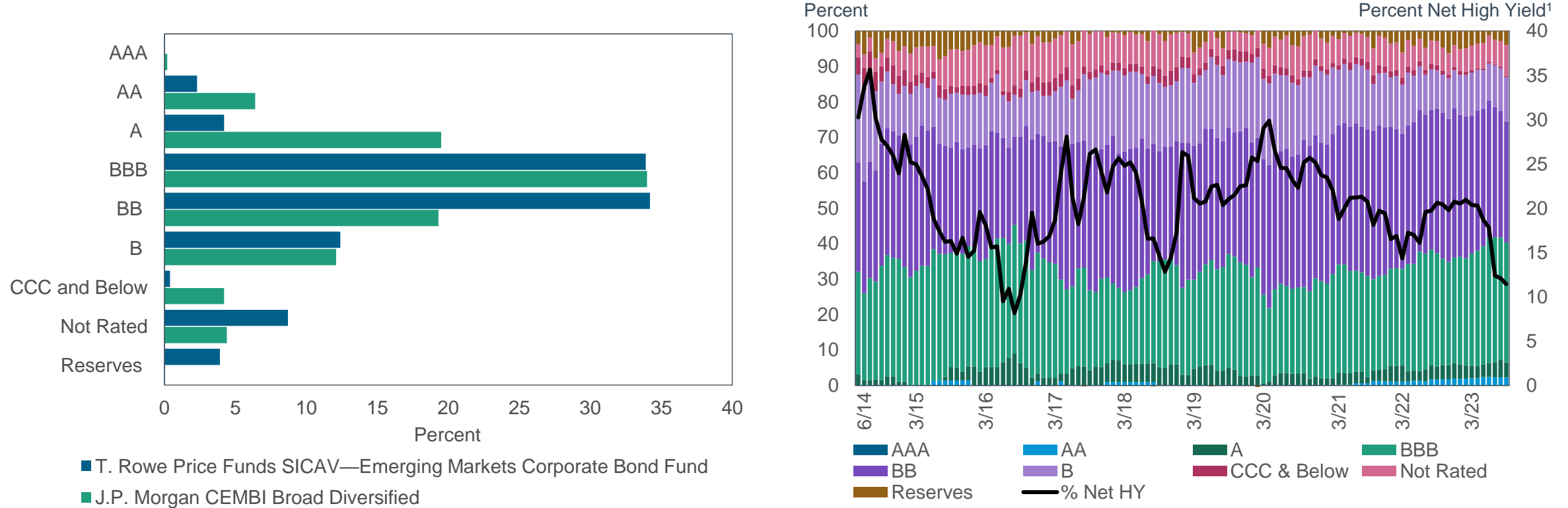
<sup>2</sup> Developed Markets.

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# Credit quality distribution

As of 30 September 2023

## T. Rowe Price Funds SICAV—Emerging Markets Corporate Bond Fund Allocation



<sup>1</sup> Represents percentage of the fund's net high yield exposure vs. the J.P. Morgan CEMBI Broad Diversified as of each quarter end.

Credit ratings for the securities held in the fund are provided by Moody's, Standard & Poor's and Fitch and are converted to the Standard & Poor's nomenclature. When a rating is available from all three agencies, the median rating is used. If there are two ratings, the lower rating is used and if only one rating is available, that rating is used. If a rating is not available, the security is classified as Not Rated (NR). The rating of the underlying investment vehicle is used to determine the creditworthiness of credit default swaps and sovereign securities. The fund is not rated by any agency.

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