



# The Case for Asia Credit

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# The structural case for Asia credit

As of 30 September 2023



The universe has grown to **US\$0.9 trillion** now – an asset class that we believe investors should not overlook

**~ 75%** of USD bond issuance is purchased by Asian investors, helps explain why Asia credit has been relatively resilient to market setbacks



~ **83%** of the index consists of **investment-grade (IG)** issues. The ratio is higher than the wider emerging markets bonds universe\*

We believe **security selection** among BBB-B rated securities is key to differentiated performance



Asia credit can offer **attractive risk adjusted return** and act as **lower-volatility diversifier**

Asia credit spans a **diverse** set of markets and issuers, offering a wide range of opportunities.

Integrating **ESG analysis** is a key part of the investment process and critical to credit selection

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

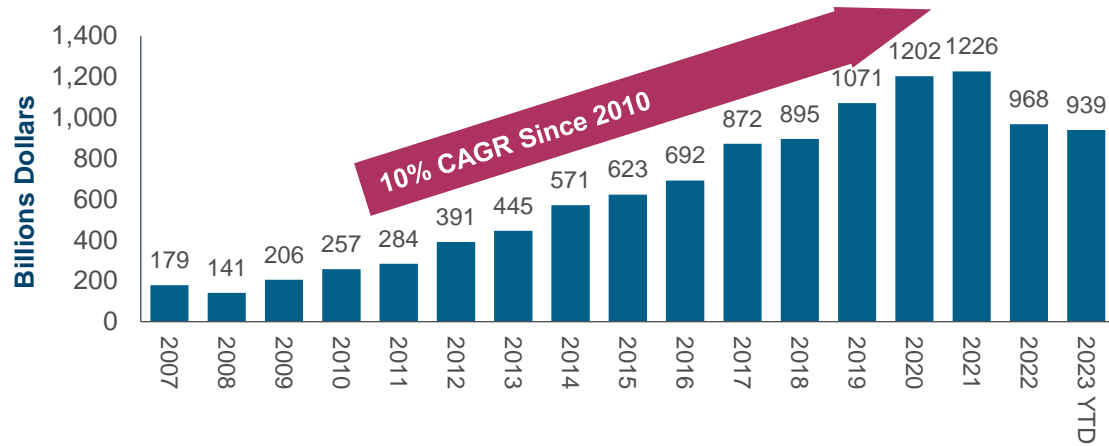
\* J.P. Morgan Asia Credit Index Diversified (which includes both hard currency sovereigns and corporates) has a higher IG weight than both the J.P. Morgan Emerging Markets Bond Index Global Diversified (hard currency sovereigns) and the J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (hard currency corporates).

Source: T. Rowe Price. This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action. The views contained herein are as of the date shown and may have changed since that time. Please refer to the Additional Disclosures section.

# Asian Credit asset class continues to grow, supported by local buyers

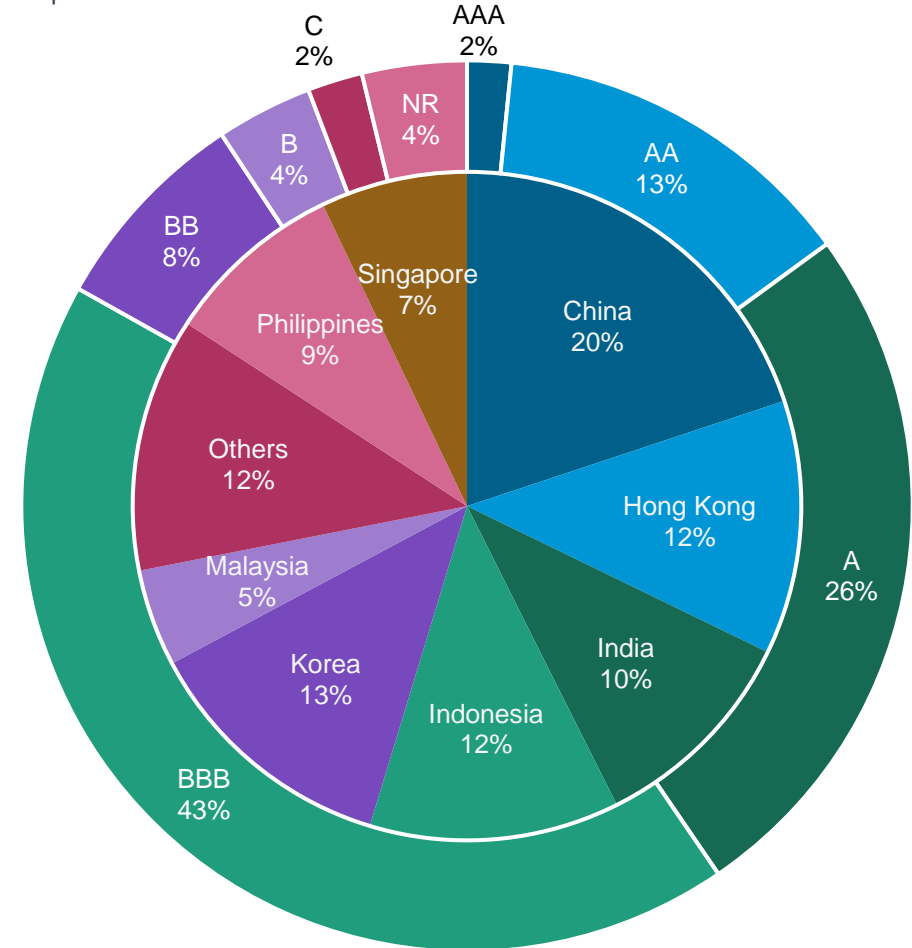
## Asia Credit asset class market cap (USD Billion)

As of 30 September 2023



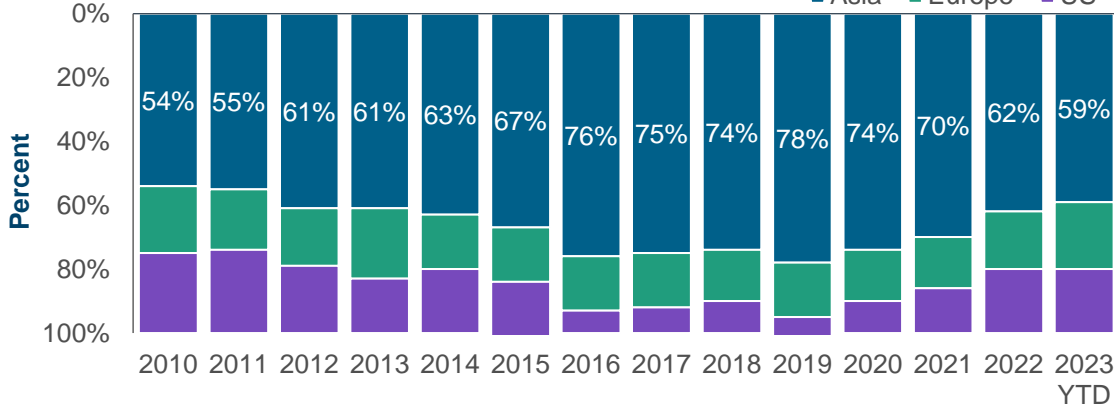
## Asia Credit\* by country and rating

As of 30 September 2023



## Allocation of Asia new issues by region

As of 30 June 2023



Sources: JP Morgan, Bond Radar, data analysis by T. Rowe Price.

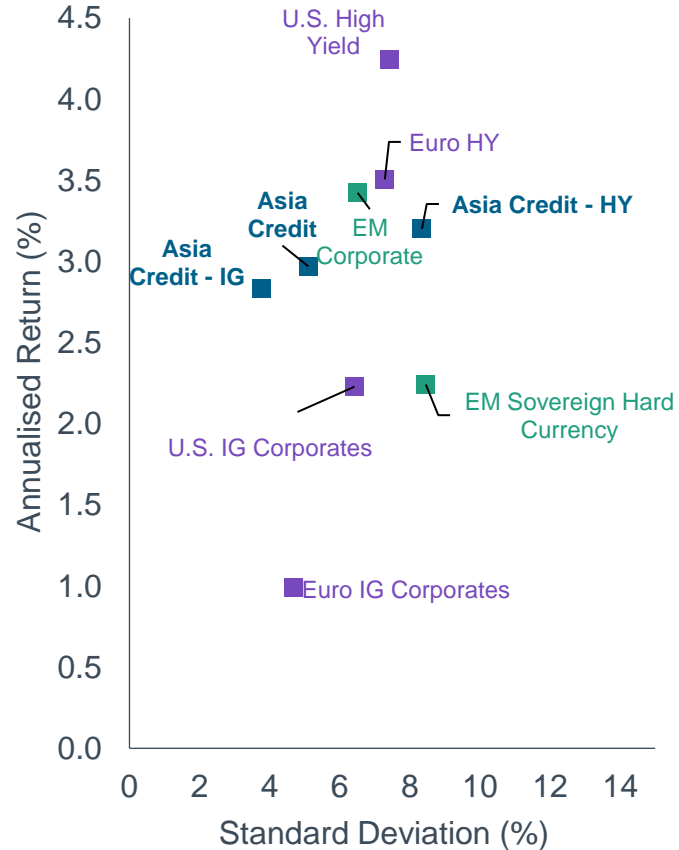
\*Asia Credit represented by J.P. Morgan Asia Credit Index Diversified.

Numbers may not total due to rounding.

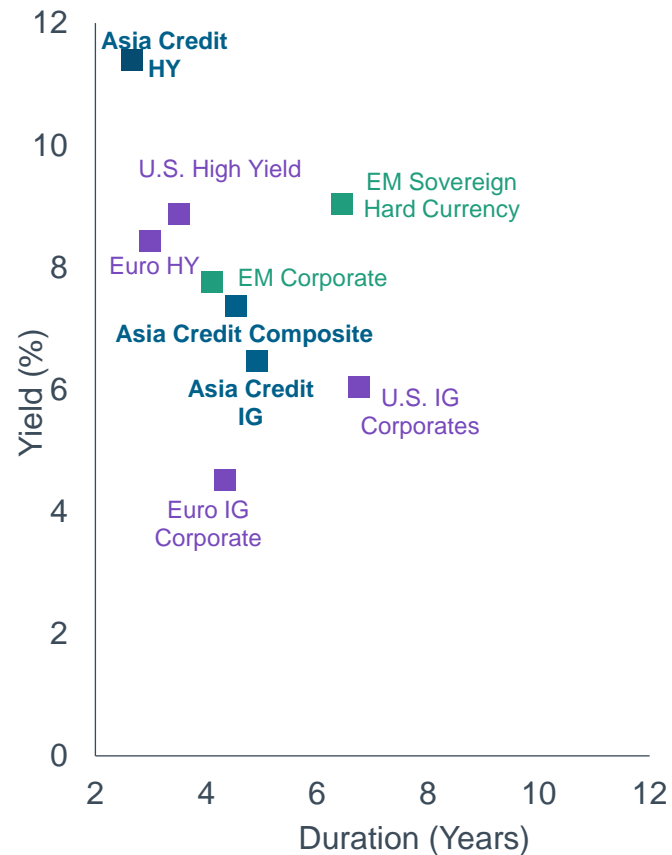
# Attractive risk adjusted returns and downside protection

As of 30 September 2023

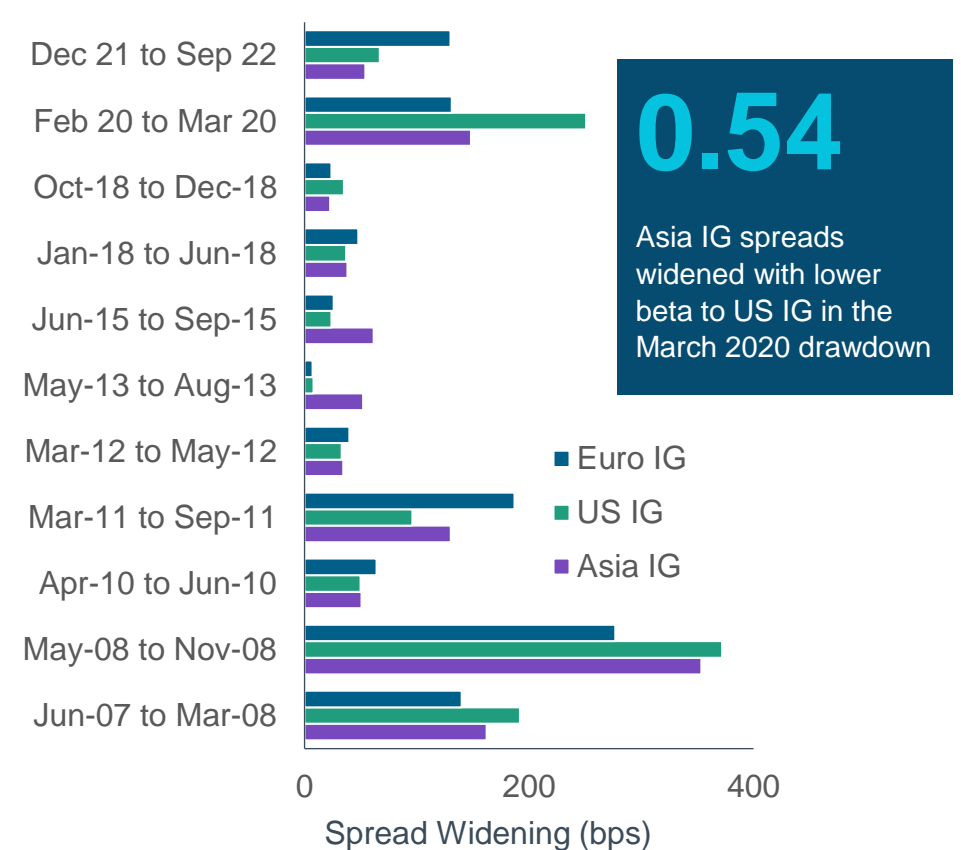
## 10-year risk/return profile



## Yield versus duration



## Asia IG hold up well in broad market selloffs



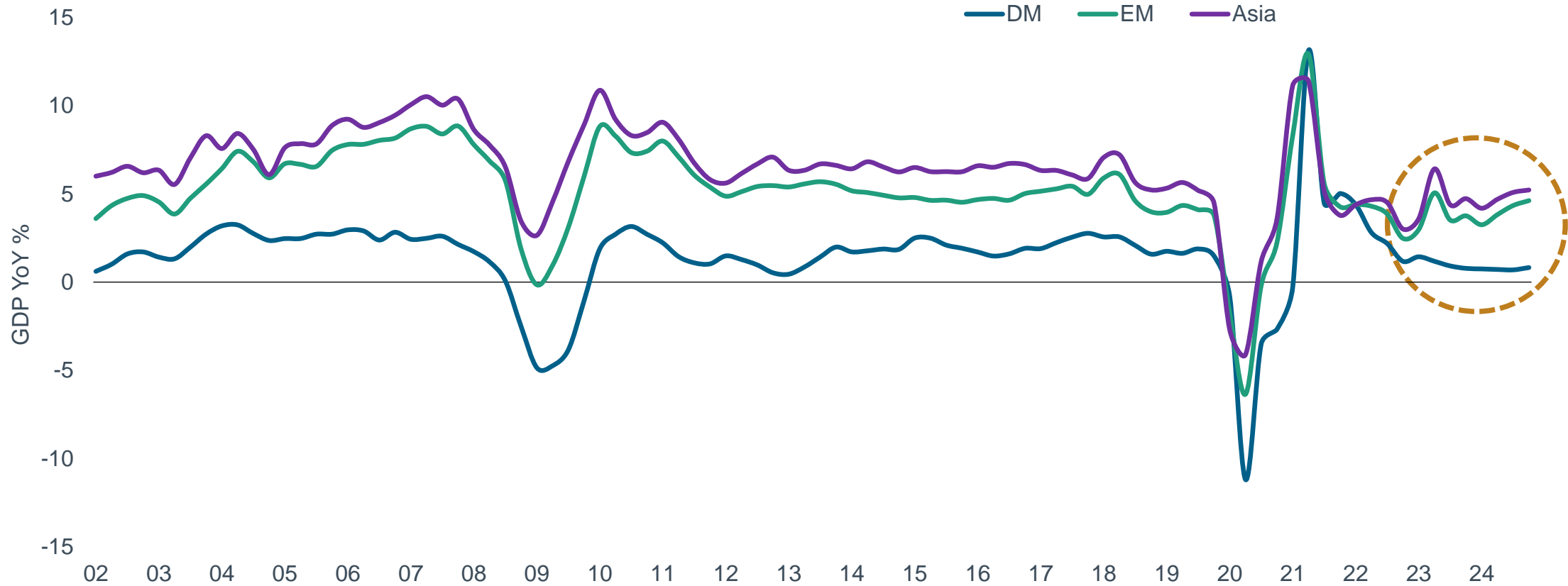
### Past performance is not a reliable indicator of future performance.

International bonds: Bloomberg Global Aggregate Treasuries Index, U.S. Treasuries: Bloomberg U.S. Treasury Index; U.S. IG Corporate: Bloomberg U.S. IG Corp. I.G. Index; U.S. High Yield: Bloomberg U.S. High Yield; EM Sovereign Hard Currency: J.P. Morgan Emerging Market Global Diversified Bond Index; EM Corporates: J.P. Morgan CEMBI Broad Diversified; EM Sovereign Local Currency: J.P. Morgan GBI EM GD Index; Euro IG Corporate: Euro Aggregate; Euro Corp I.G. Corporates Index; Euro HY: Bloomberg Pan-European High Yield; JGB: Bloomberg Asian Pacific Japan; Bunds: Bloomberg Global Treasury Germany; Asia Credit Composite: J.P. Morgan Asia Credit Diversified Index. Asia Credit IG: J.P. Morgan Asia Credit Index Diversified IG; Asia Credit High Yield: J.P. Morgan Asia Credit Index Diversified HY; EM Equity: MSCI Emerging Markets. This chart is shown for illustrative purposes only and does not represent the performance of any specific security, product or service. It is not possible to invest in an index. Source: Bloomberg Index Services Limited, JP Morgan, T. Rowe Price. Please refer to the Additional Disclosures page at the back of this presentation. Please refer to the Additional Disclosures section.

# Asia expected to be a driver of growth

As of 30 June 2023

## Relative EM/DM growth

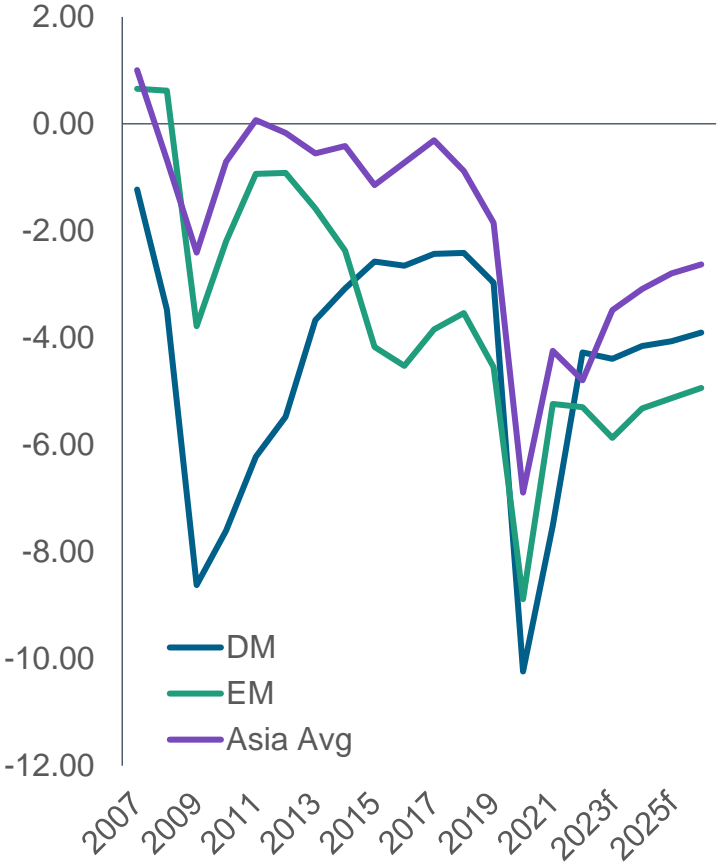


Source: HSBC. Figures beyond 2022 are IMF estimates.  
DM = Developed Markets. EM = Emerging Markets. YoY = Year on Year.  
There is no guarantee that any forecasts made will come to pass.

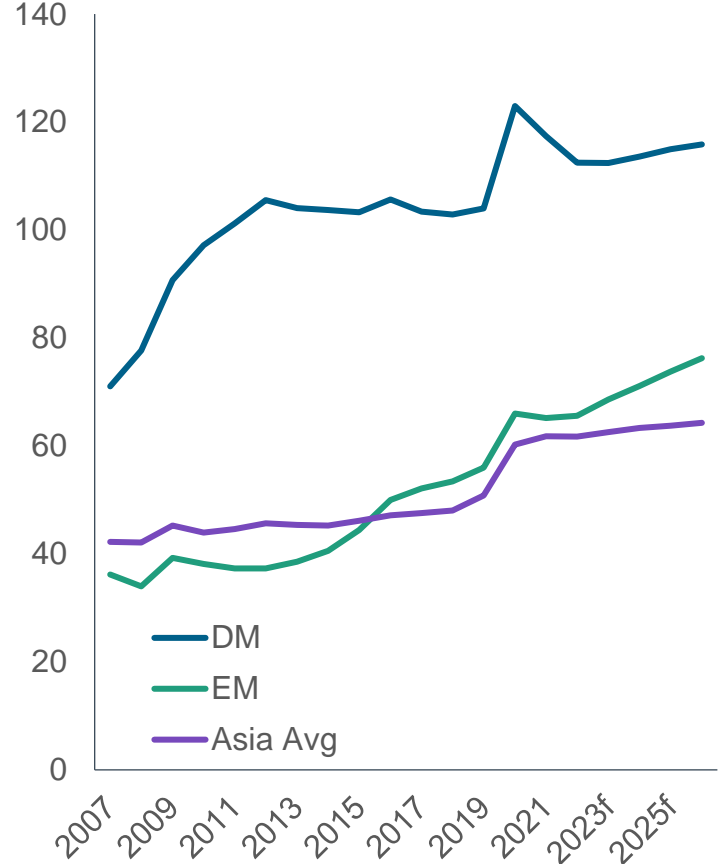


# Solid macroeconomic fundamentals across the region

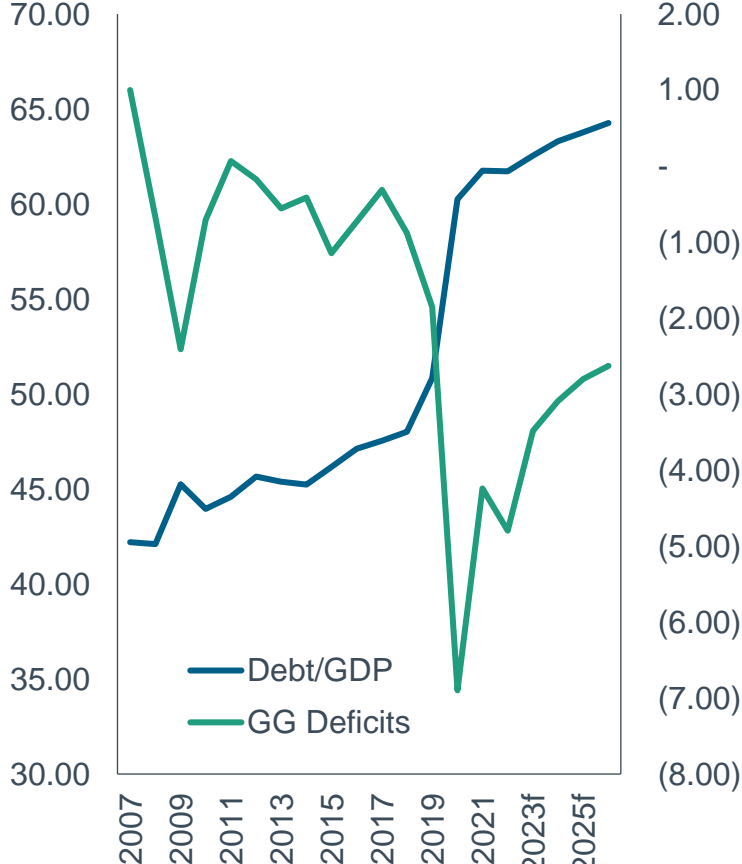
### Fiscal Balances/GDP



### Public Debt / GDP



### Fiscal Metrics

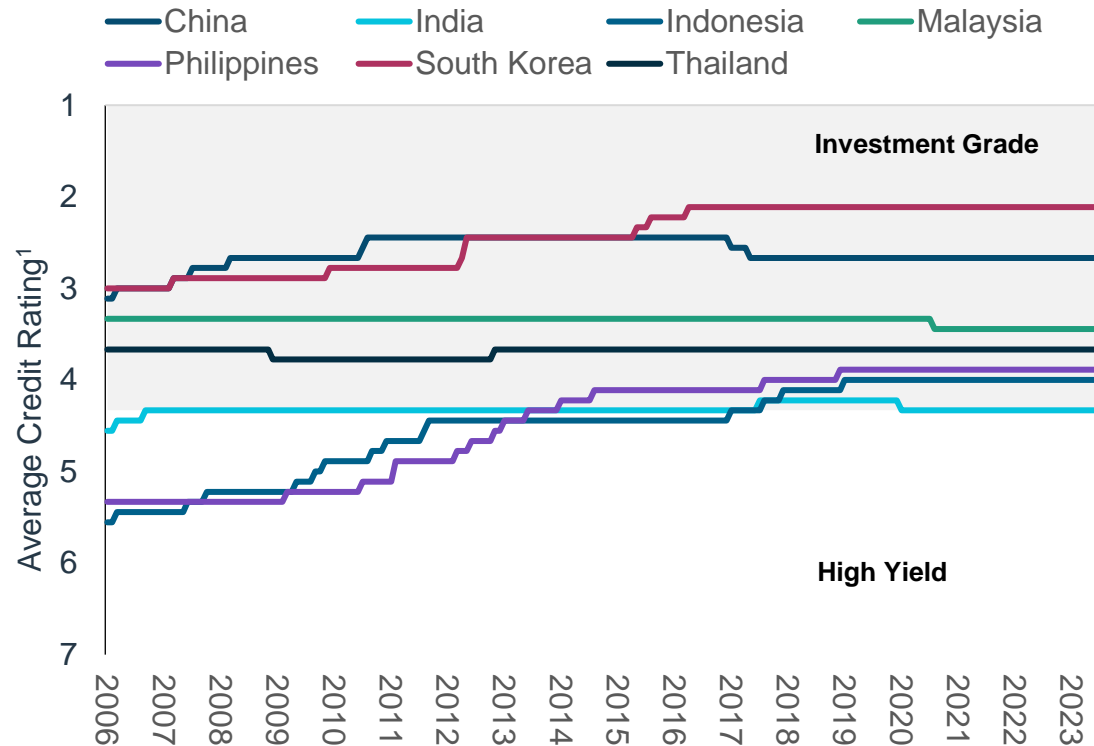


Source: Haver/IMF for all three charts; as of April 2023 (data frequency is annual but IMF put out its latest numbers/projections in an April publication).

# Asia has seen significant improvements in macro fundamentals

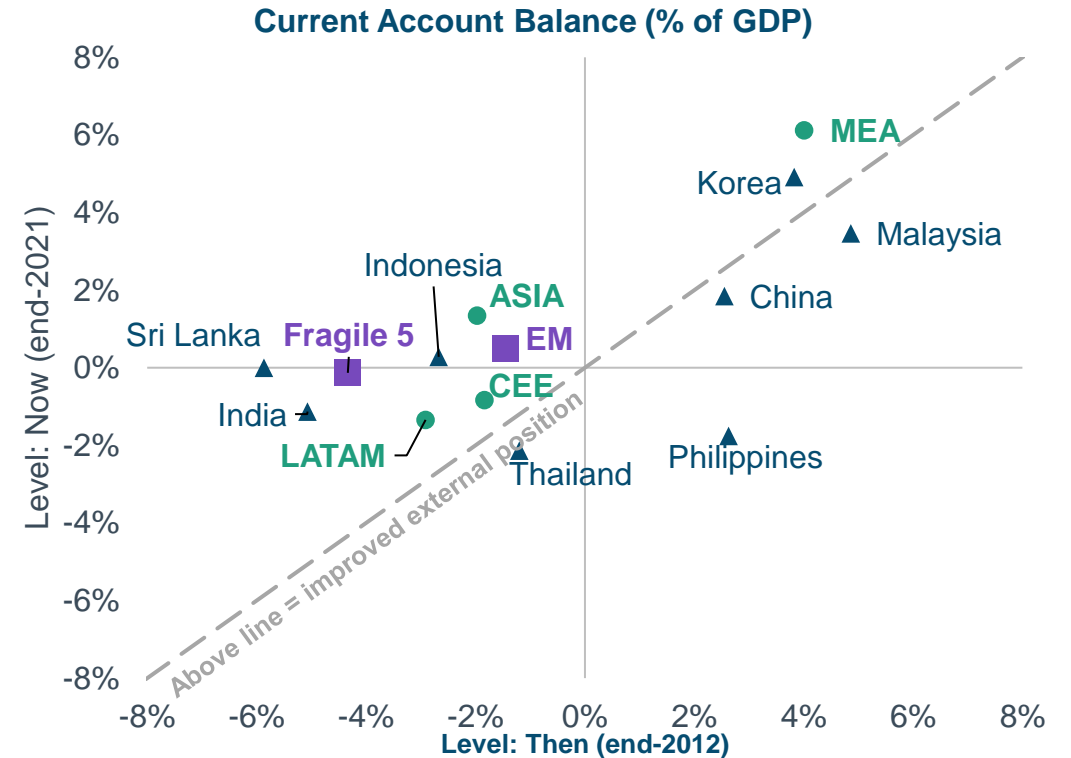
As of 30 September 2023

Positive historical rating trends for major Asia sovereigns<sup>1</sup>



As of end 2021

External vulnerabilities reduced compared to 2013 “taper tantrum”<sup>2</sup>



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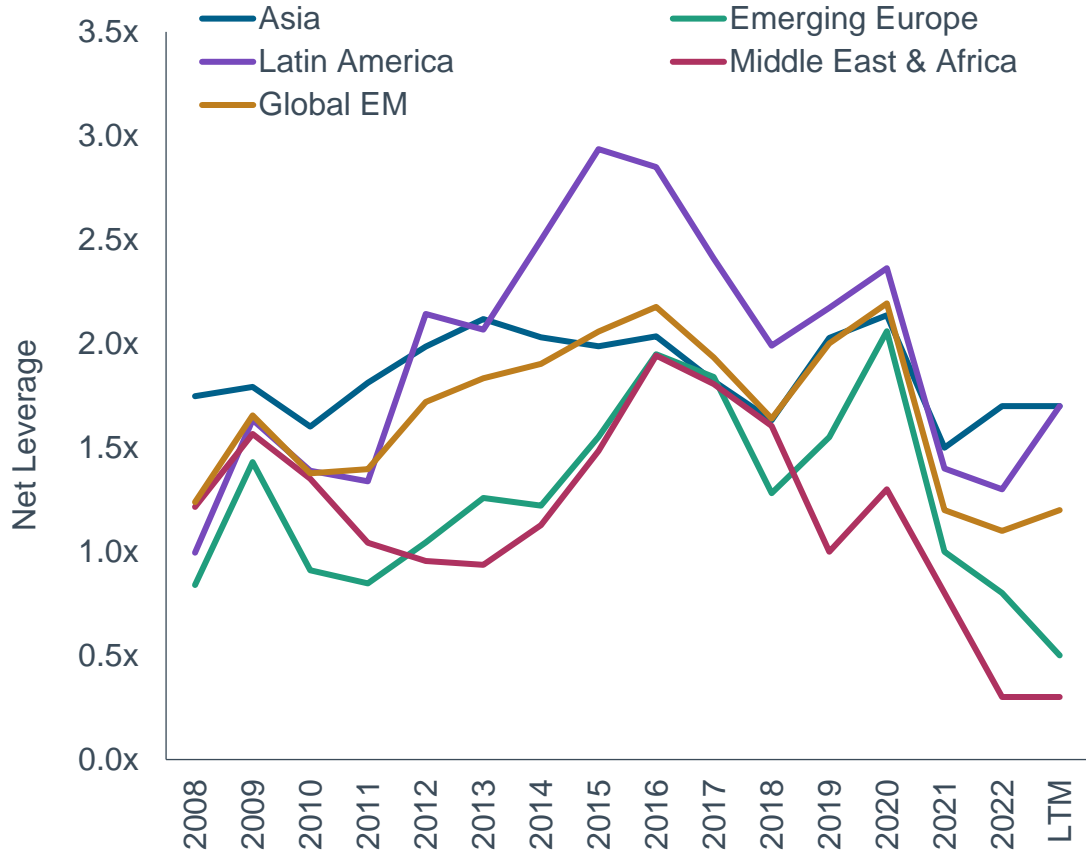
Left chart: <sup>1</sup> Moody's, S&P, Fitch. For illustrative purposes only.

Right chart: <sup>2</sup> Source: Haver, T. Rowe Price.

# Corporate fundamentals remain intact post-COVID

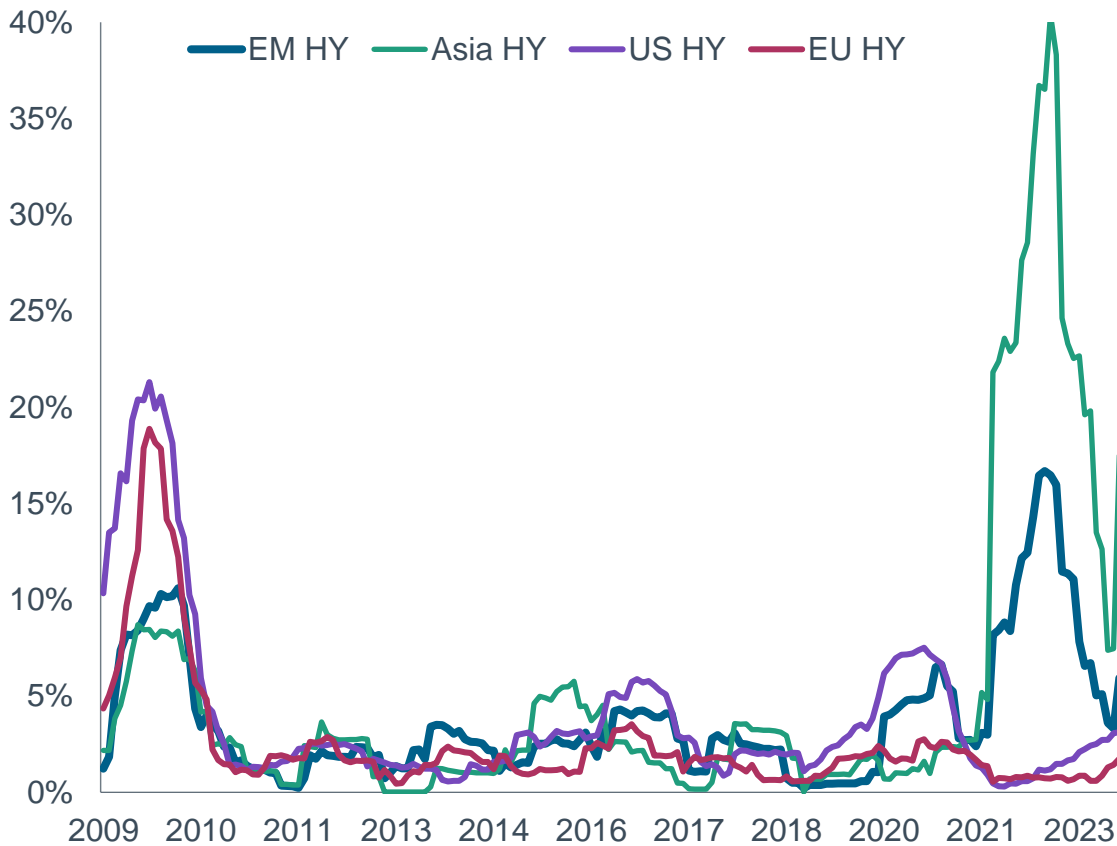
## Balance sheet trends appear stable

As of 30 September 2023



## HY defaults driven by China property

As of 31 October 2023



Source: Left Chart: J.P Morgan Chase, 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. Right Chart: Bank of America par default rates.

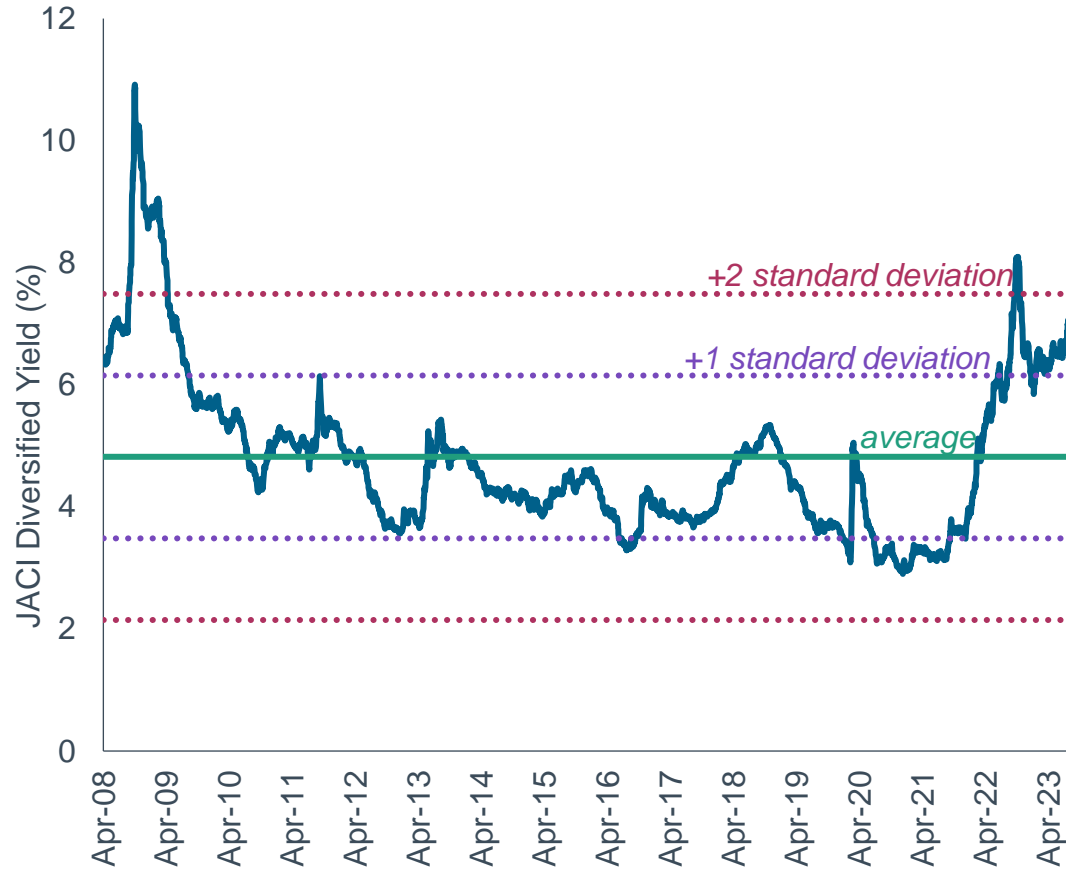
LTM = Last Twelve Months. EM = Emerging Markets. EU = European Union. HY = High Yield.



# All-in yields are attractive

As of 30 September 2023

## Index yields hovering near highs



## Spreads cheaper but not dislocated



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

Source: J.P. Morgan.

bps = basis points. One basis point equals 0.01%.

JACI Diversified = J.P. Morgan Asia Credit Index Diversified.



# T. Rowe Price Funds SICAV—Asia Credit Bond Fund



# T. Rowe Price Funds SICAV – Asia Credit 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 – Asia Credit 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

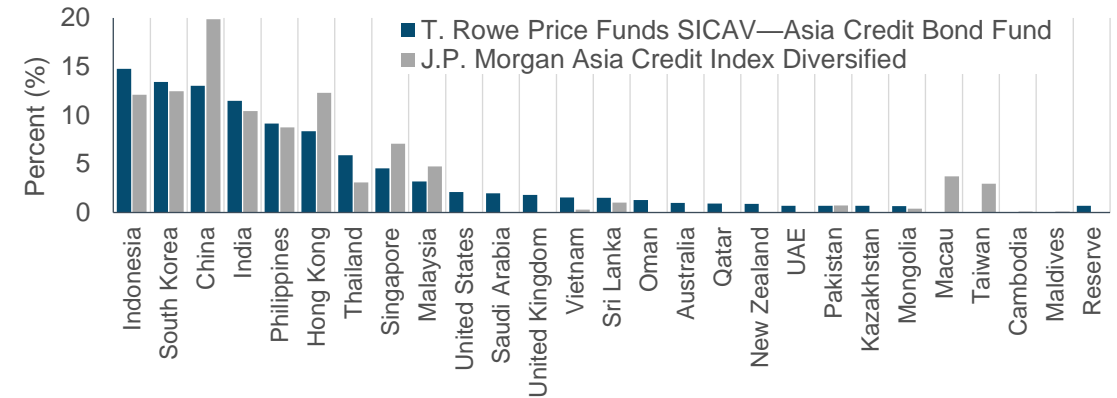
## T. Rowe Price Funds SICAV—Asia Credit Bond Fund vs. J.P. Morgan Asia Credit Index Diversified

As of 30 September 2023

### Credit Quality Exposure

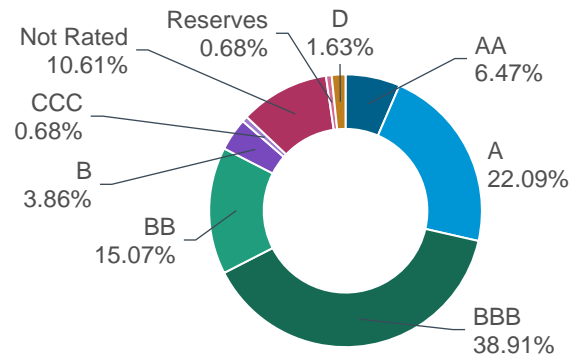
		J.P. Morgan Asia Credit Index Diversified
Average Credit Quality <sup>1</sup>	BBB	BBB+
Weighted Average Duration (Years)	4.67	4.24
Number of Issuers	102	515
Number of Markets	22	17
Yield to Maturity	6.18%	7.45% <sup>2</sup>
Yield to Worst	6.17%	7.38% <sup>2</sup>

### Country Exposure



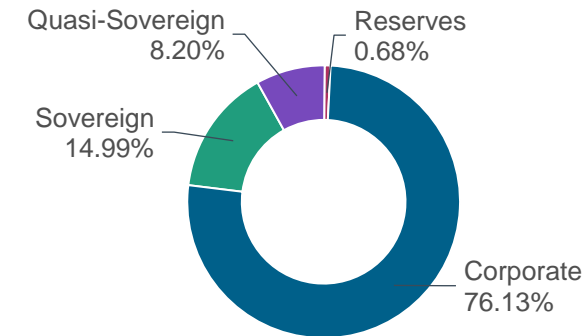
### Rating Breakdown

T. Rowe Price Funds SICAV—Asia Credit Bond Fund<sup>1</sup>



### Sector Breakdown

T. Rowe Price Funds SICAV—Asia Credit Bond Fund



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

<sup>1</sup> Sources for Credit Quality: 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.

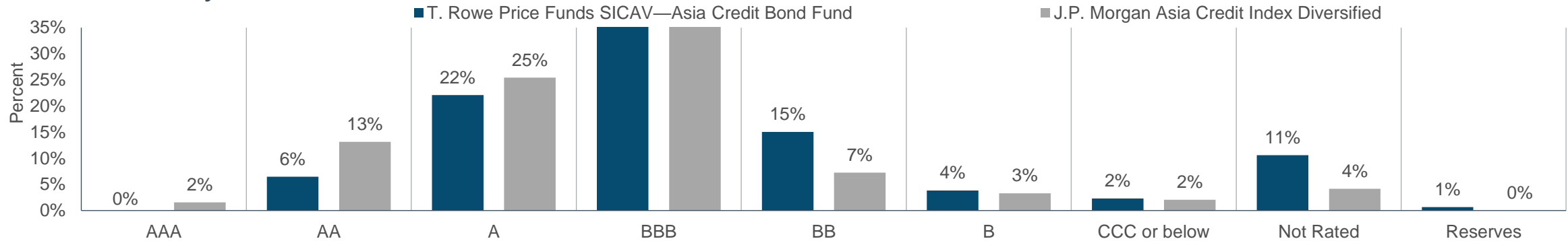
<sup>2</sup> Yield to maturity and yield to worst calculated using weighted average methodology. Using J.P. Morgan's super-bond method results in a yield to maturity for the index of 7.42% and a yield to worst for the index of 7.22%. Please see Additional Disclosures page for sourcing information.

# Credit Quality Distribution

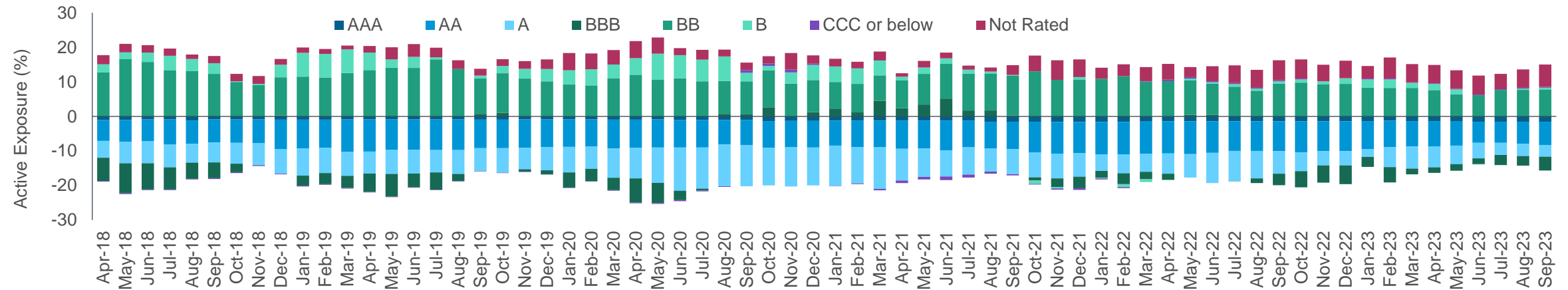
## T. Rowe Price Funds SICAV—Asia Credit Bond Fund vs. J.P. Morgan Asia Credit Index Diversified

As of 30 September 2023

### Credit Quality



### Historical Credit Active Allocation



Sources for Credit Quality: 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.

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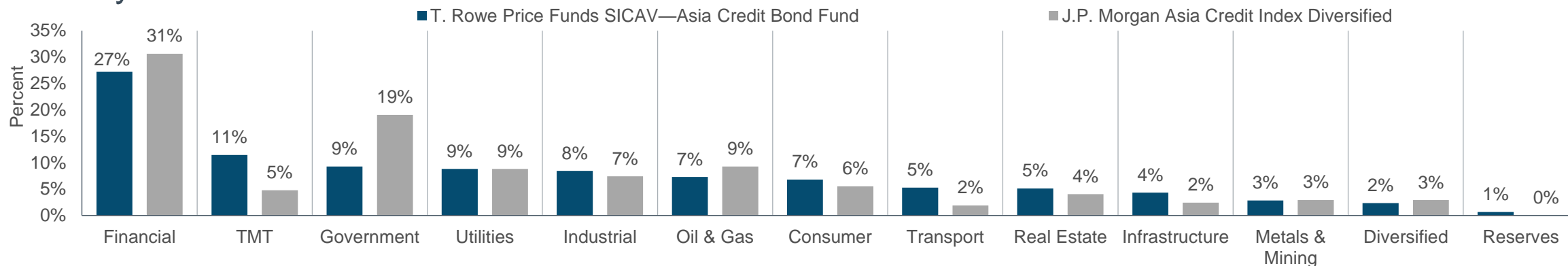


# Industry Exposure

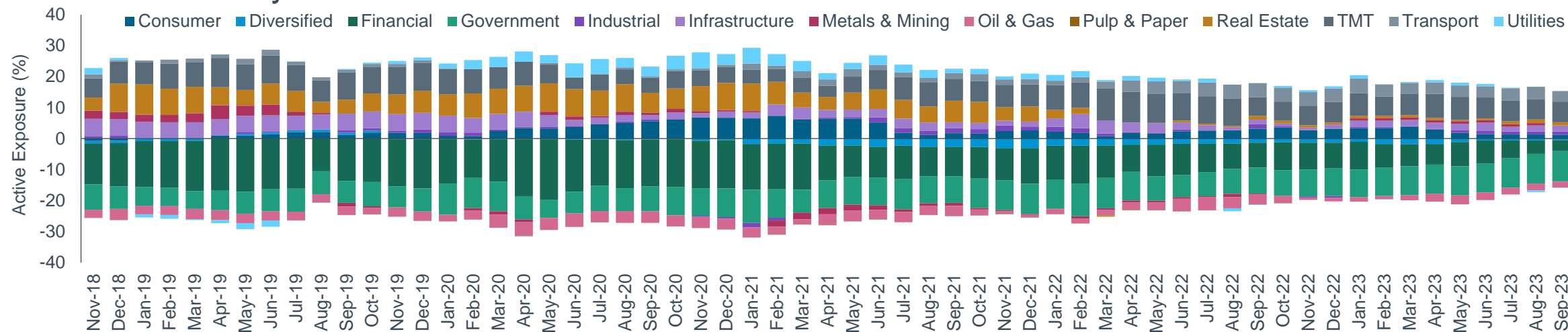
## T. Rowe Price Funds SICAV—Asia Credit Bond Fund vs. J.P. Morgan Asia Credit Index Diversified

As of 30 September 2023

### Industry



### Historical Industry Active Allocation



Industry classifications based on T. Rowe Price internal classifications. Please see Additional Disclosures page for sourcing information.

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