



THE PROSPECTS FOR EMERGING MARKET DEBT

November 2020

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The opportunity in EM debt

What you get from EM debt

Attractive risk-return	Growth	Quality	Diversification
Attractive yield and return without excess volatility	Access to growth markets	'BBB' average rating, with better fundamentals than DM	Diversification from traditional fixed income
✓	✓	✓	✓

Potential for attractive risk-adjusted returns in your portfolio

How to access returns in EM debt

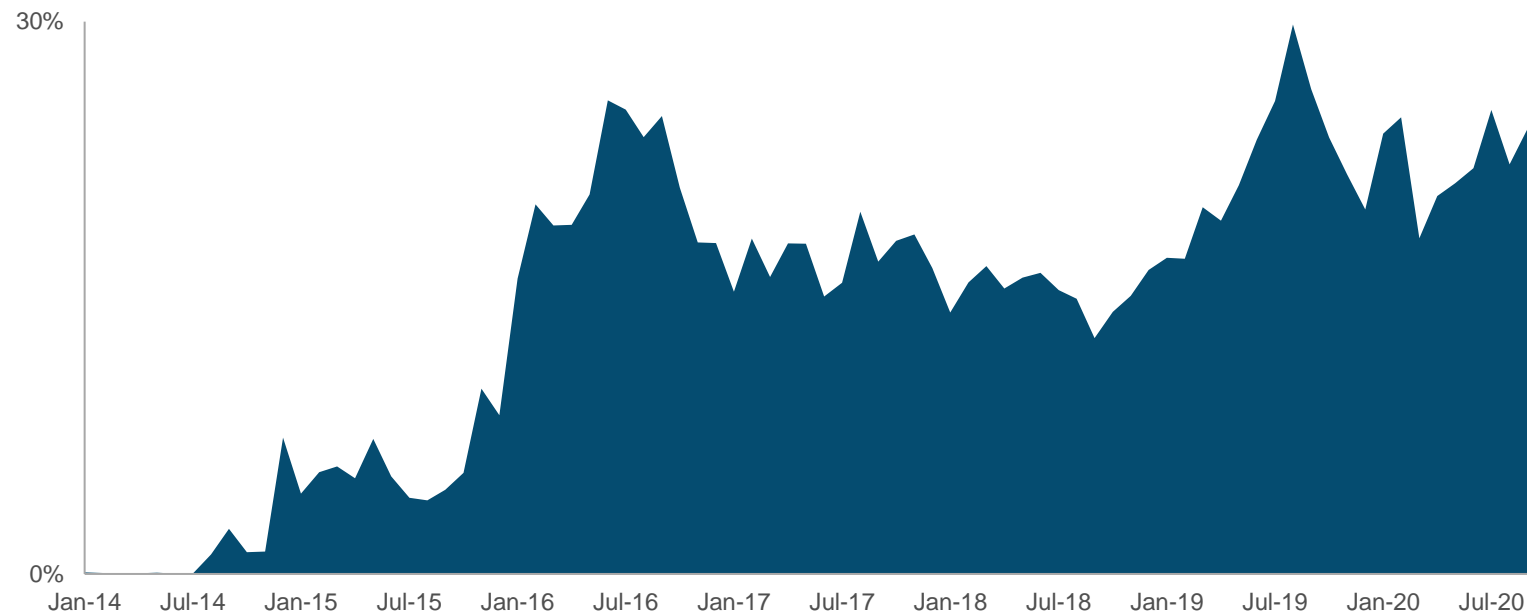
Hard currency		Local currency
Corporate	Sovereign	Rates and FX
<ul style="list-style-type: none">▪ Most defensive way to access emerging markets▪ High quality issuers offer strong risk-adjusted returns▪ Significant return potential, yield premium and diversification versus developed market bonds	<ul style="list-style-type: none">▪ Offering high yields and genuine inefficiency▪ Access to the largest range of markets, including high yielding frontiers▪ Yield premium and diversification versus developed market sovereign bonds	<ul style="list-style-type: none">▪ Access to opportunities in local EM interest rate cycles and currency exposure▪ Attractive real and nominal yields compared to developed rates markets

Multiple sources of returns in EM debt

Global bond yields turning negative

Periods ended 30 September 2020

PROPORTION OF GLOBAL BONDS WITH NEGATIVE YIELD



Emerging market debt; higher yields and shorter duration bonds vs. developed market bonds.

Past performance is not a reliable indicator of future performance.

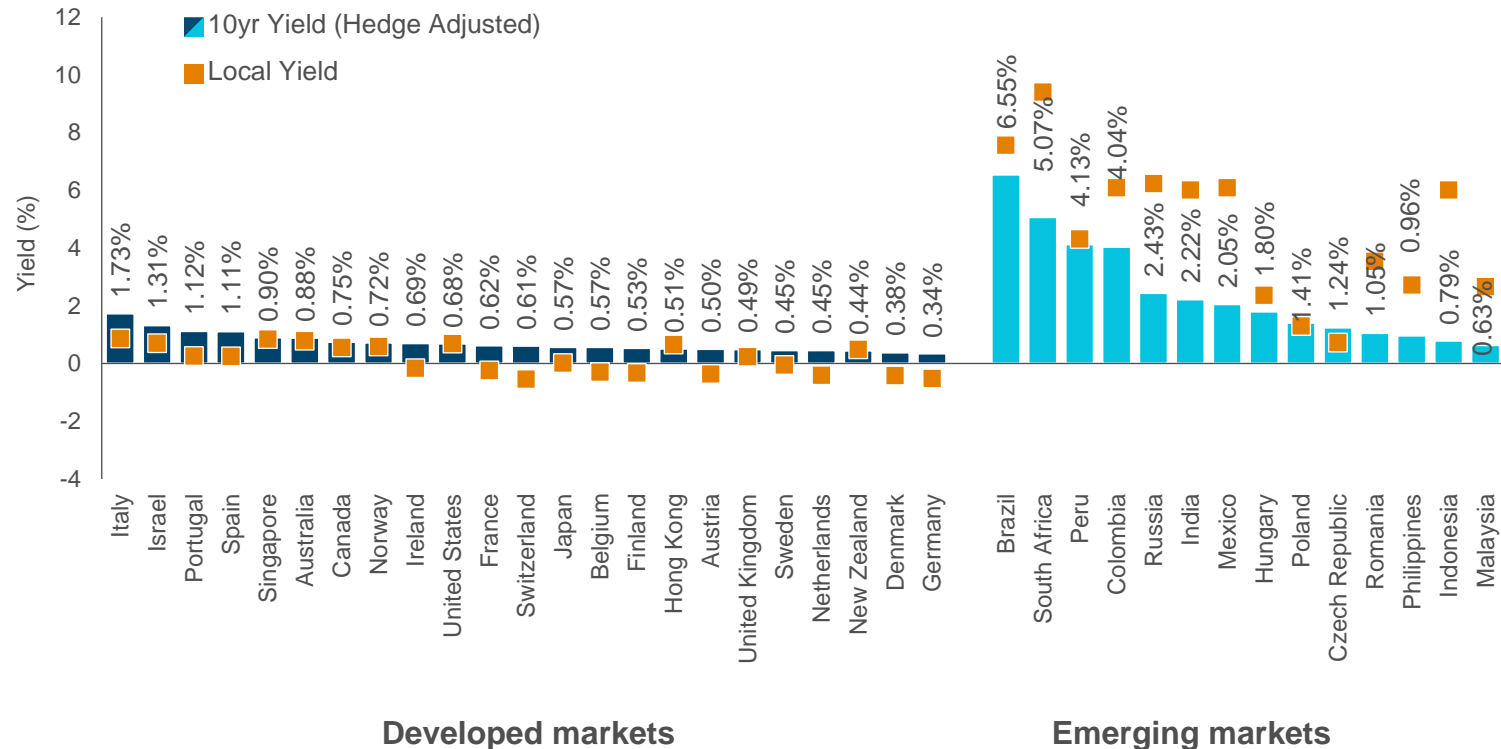
Source for Bloomberg Barclays index data: Bloomberg Index Services Limited. Analysis by T. Rowe Price. Please refer to the additional disclosures for further source information.

Wide opportunity to find attractive yields

As of September 30, 2020

CAN OFFER HIGHER YIELDS AND DIVERSIFICATION POTENTIAL

10-year USD-hedged Sovereign Bond Yields

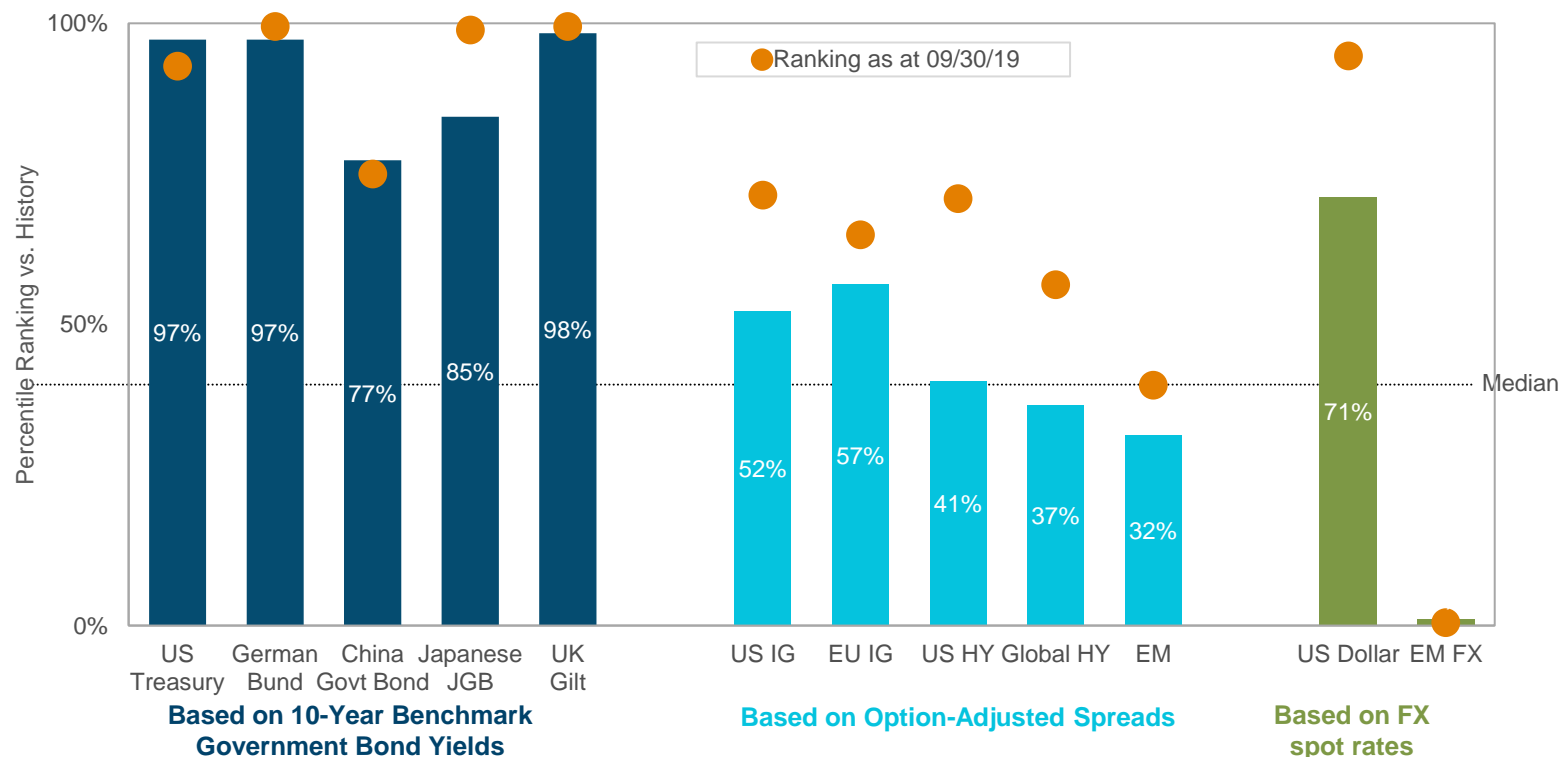


Source: Bloomberg Finance L.P. Please refer to the additional disclosures for further source information.

Supportive valuations

Periods ended 30 September 2020

VALUATION COMPARISON: PERCENTILE RANKINGS VS PAST 15 YEARS



EM FX stands out on relative valuation metrics over the past 15-years.

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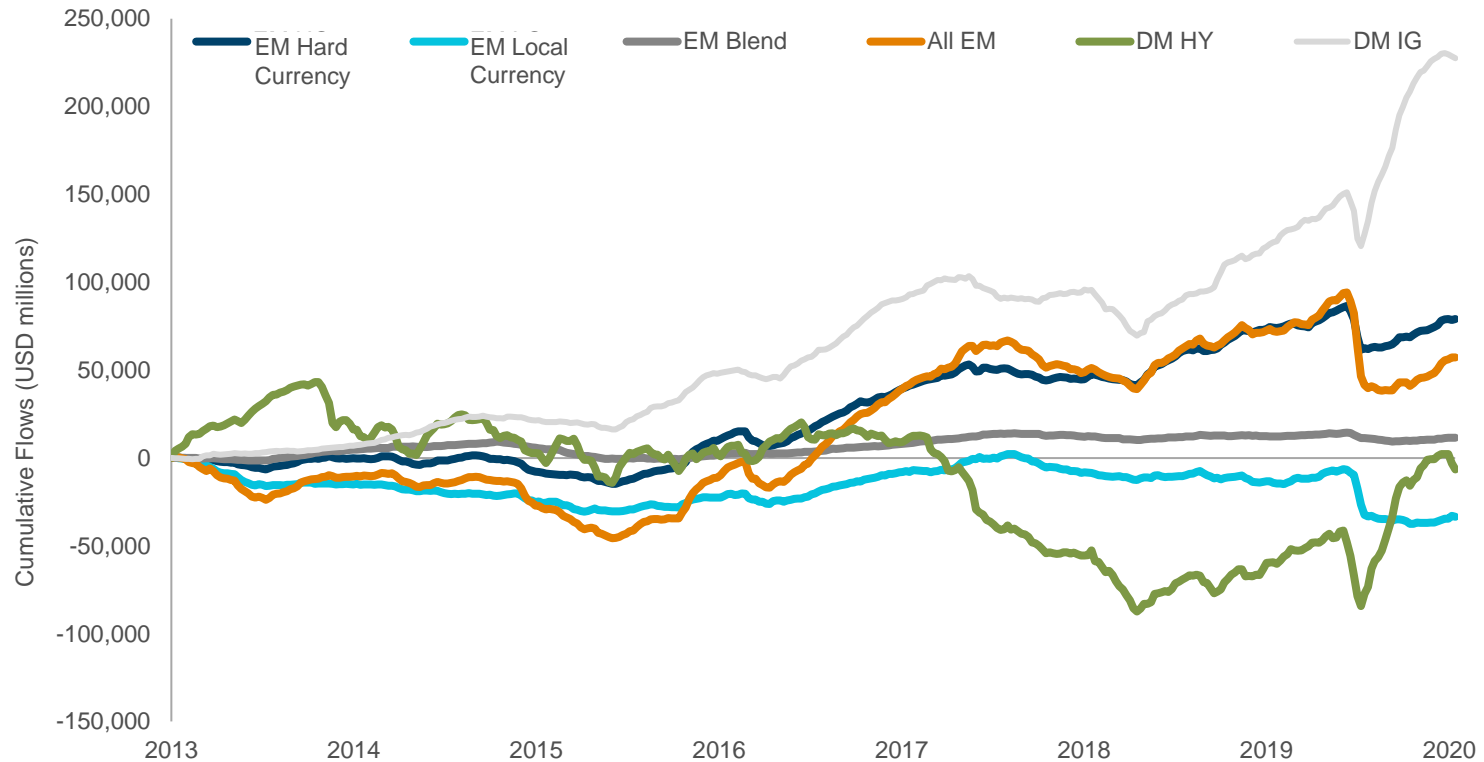
Indices used, from left to right above, beginning with U.S. IG Corp.: Bloomberg Barclays U.S. Investment Grade Corporate, Bloomberg Barclays Euro Aggregate Credit, Bloomberg Barclays U.S. Aggregate Credit – Corporate High Yield, Bloomberg Barclays Global High Yield, Bloomberg Barclays Emerging Markets USD Aggregate.

Source for Bloomberg Barclays index data: Bloomberg Index Services Limited. Please refer to the additional disclosures for further source information.

EMD continued to recoup outflows

Periods ended 30 September 2020

CUMULATIVE FUND FLOWS BY ASSET CLASS

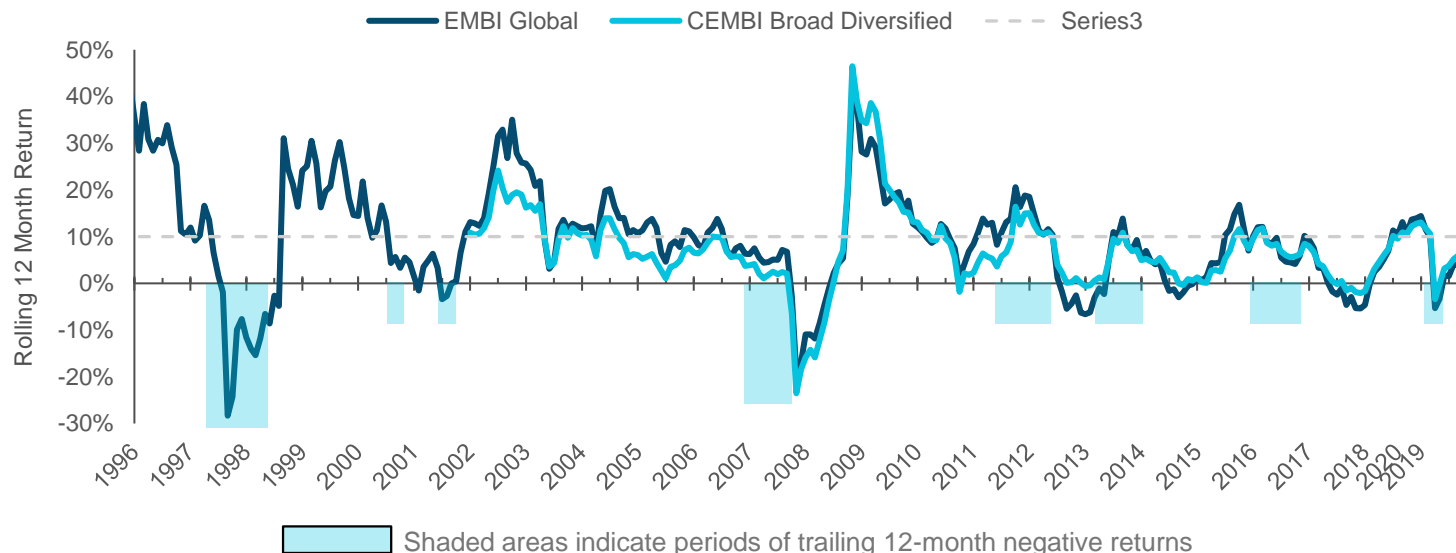


EM asset flows have been moderate as developed markets surge.

Source: EPFR/Haver Analytics.

History of consistent rebounds

As of 30 September 2020



EMBI Global Returns			
Start of Negative 12-Month Trailing Return Period	Number of Months from Start to Double Digit Return	Total Cumulative Return	Max Drawdown
August-1998	19	13.4%	-27.3%
February-2002	11	11.1%	-5.4%
June-2002	6	12.1%	-4.5%
September-2008	10	11.0%	-14.9%
July-2013	11	10.0%	-2.7%
June-2015	12	10.3%	-2.0%
May-2018	13	10.2%	-1.8%
March-2020	3	11.2%	-12.6%

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Total Cumulative Return is the cumulative return over the period lasting the number of months provided in the second column beginning with the month given in the first column. Max Drawdown is the lowest monthly cumulative return reached during this period.

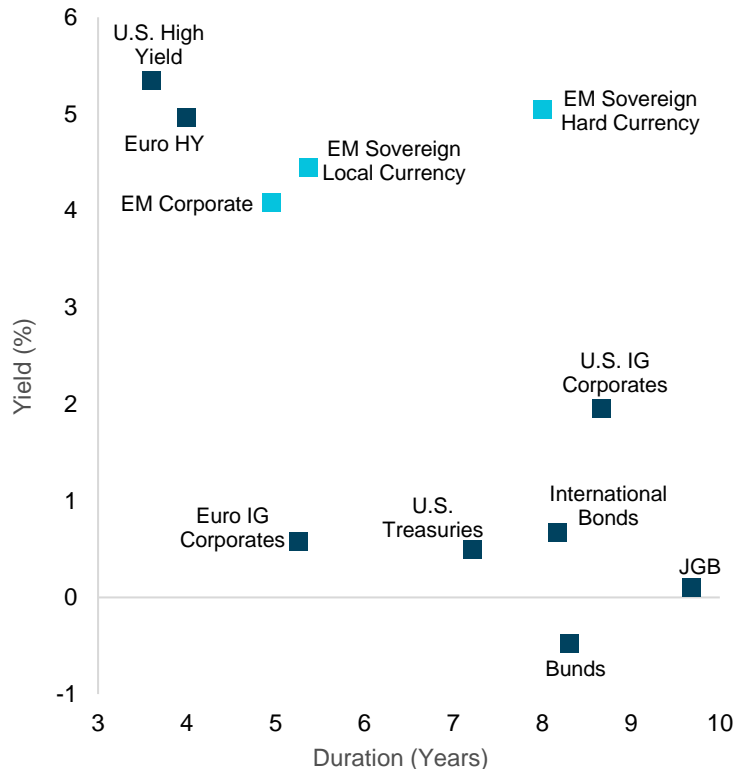
Chart refers to the J.P. Morgan EMBI Global Index and the J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified. Table refers to the J.P Morgan EMBI Global Index.

Source: J.P. Morgan. Please refer to the additional disclosures for further source information.

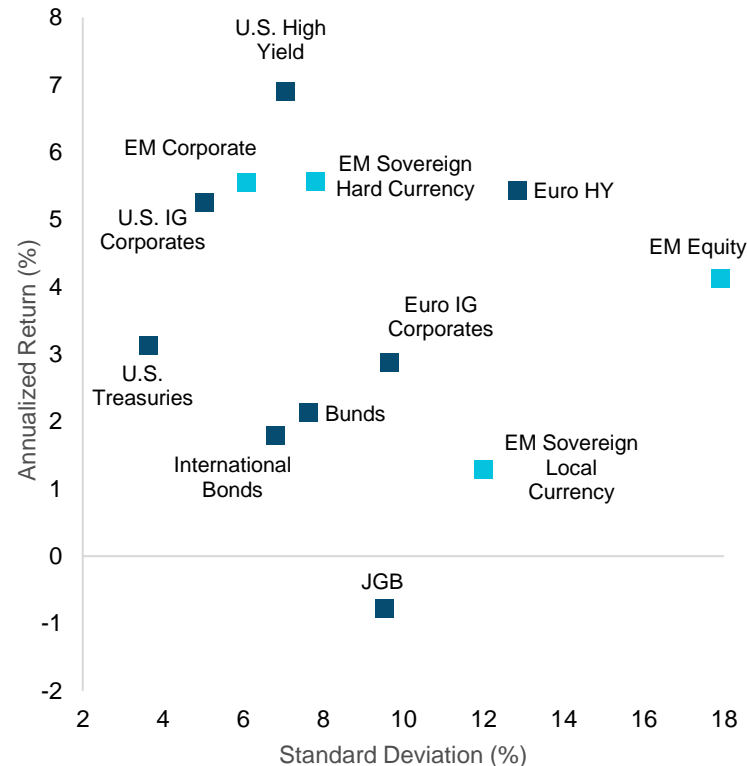
EMD remains attractive in a global FI context

As of 31 August 2020

YIELD DURATION PROFILE



10 YEAR RISK/RETURN PROFILE



Past performance is not a reliable indicator of future performance.

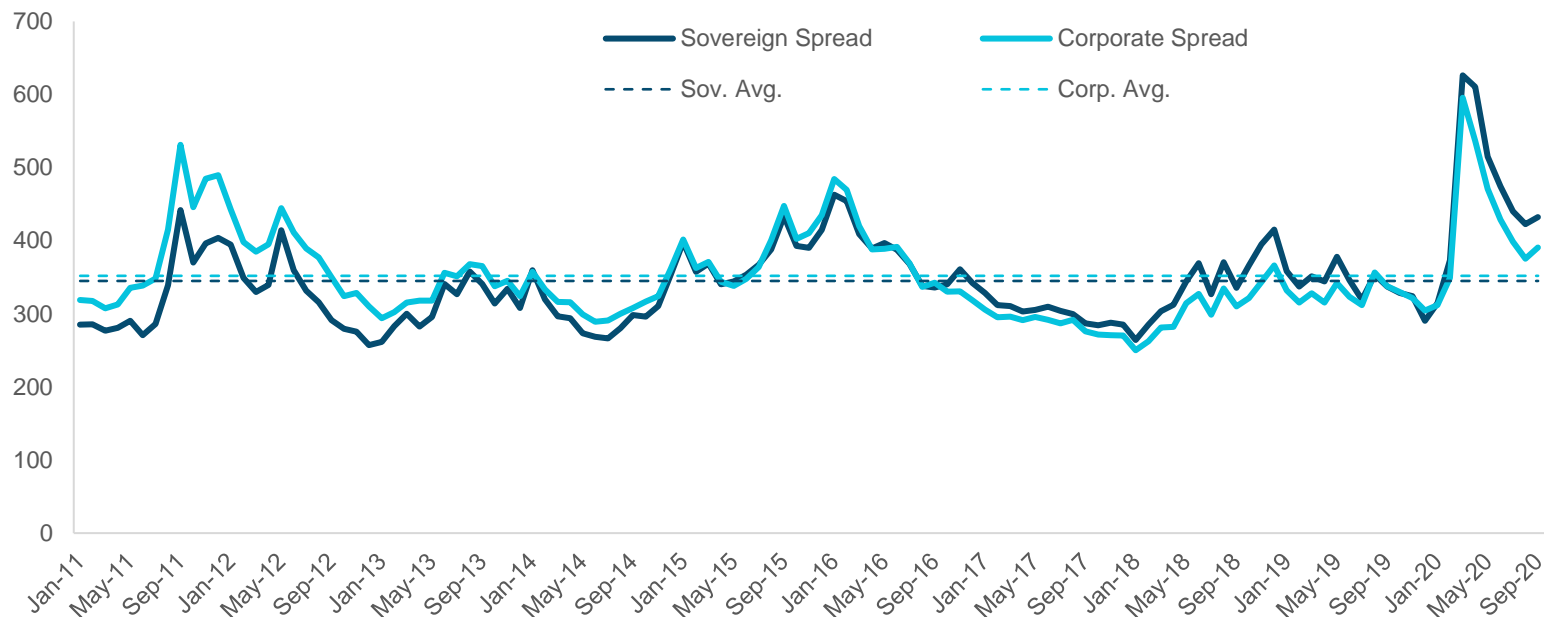
Source: Bloomberg Barclays, J.P. Morgan, MSCI. Returns are in U.S. dollar terms. Data analysis by T. Rowe Price.

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.

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Spreads remain attractive

As of 30 September 2020



EMD offers good value vs. history

Spreads are wide to history and tend to overcorrect—pointing to 1-year returns in the 5-7% range

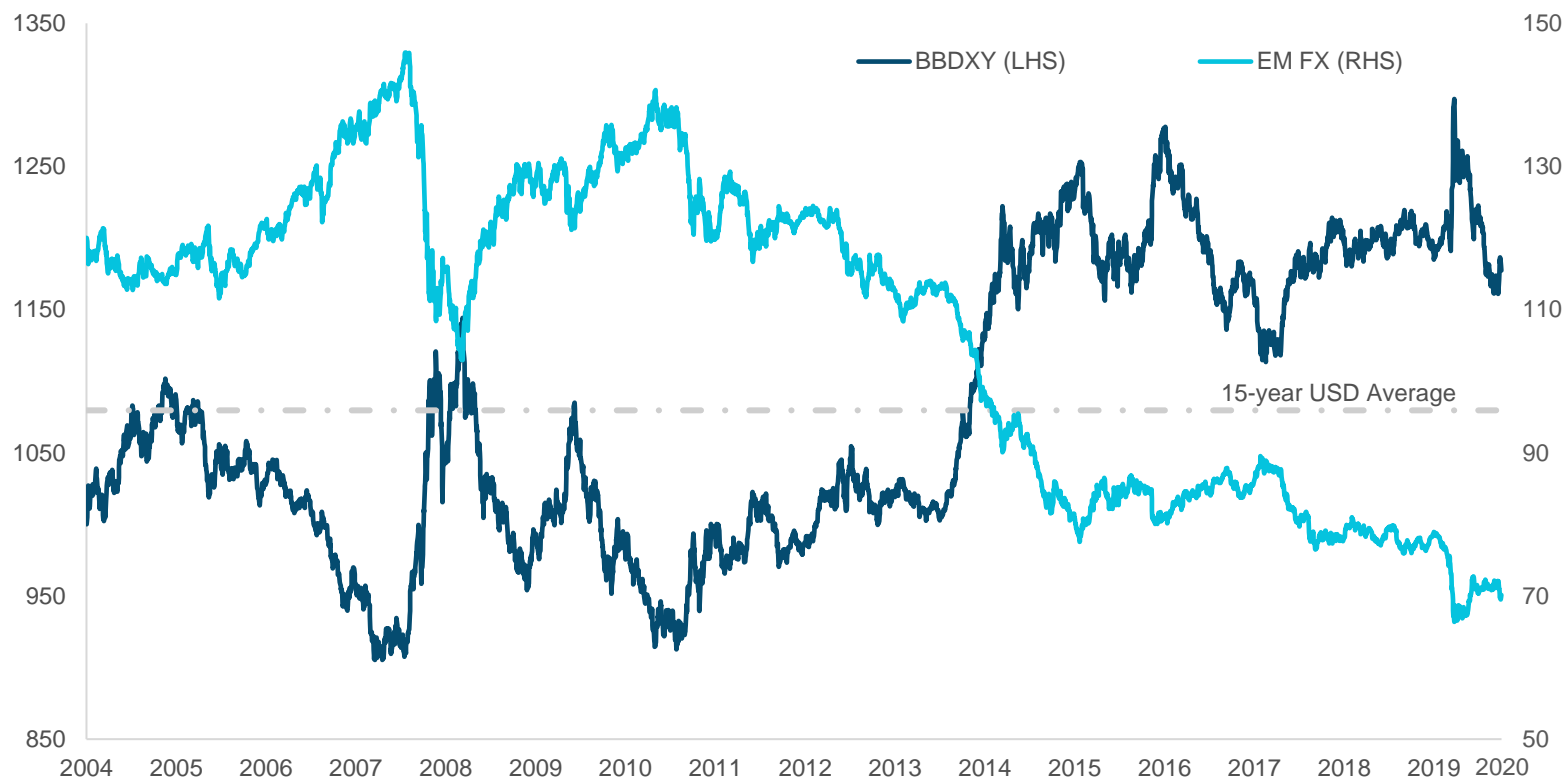
Past performance is not a reliable indicator of future performance.

Source: JP Morgan. Data analysis by T. Rowe Price.

Sovereign is based on the J.P. Morgan EMBI Global. Corporate is based on the J.P. Morgan CEMBI Broad Diversified. Please refer to the additional disclosures for further source information.

As the dollar shine fades...

Periods Ended 30 September 2020
Figures are Calculated in U.S. Dollars



An elongated dollar bull market has led to a cheap EM FX outlook.

Past performance is not a reliable indicator of future performance.

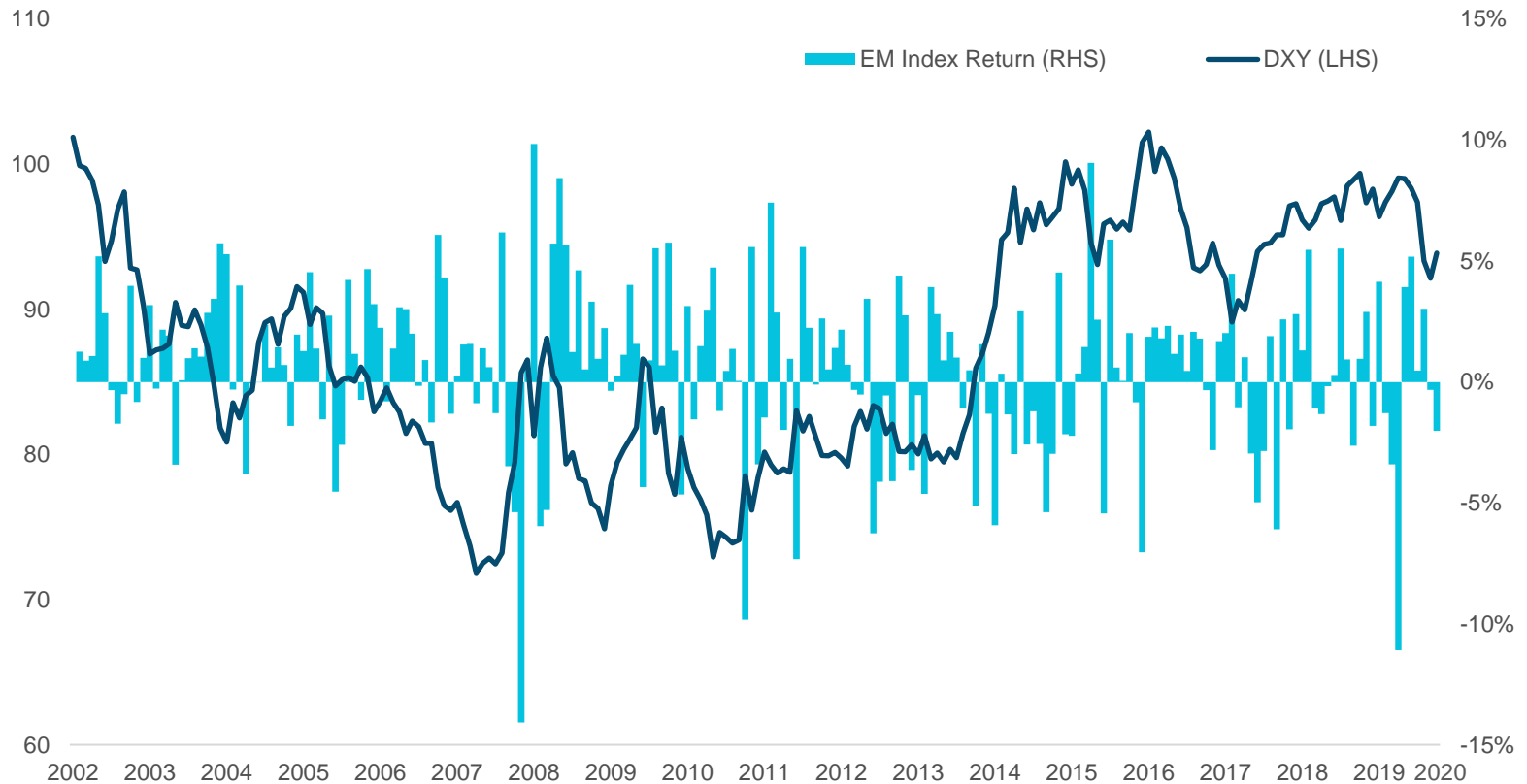
Source: Bloomberg. Please refer to the additional disclosures for further source information.

BBDXY is the Bloomberg dollar spot index. EM FX Index is the J.P. Morgan GBI-EM Global Diversified FX component return relative to the USD.

... EM local markets conditions become more favourable

Periods Ended 30 September 2020
 Figures are Calculated in U.S. Dollars

MONTHLY EM INDEX RETURNS VS USD



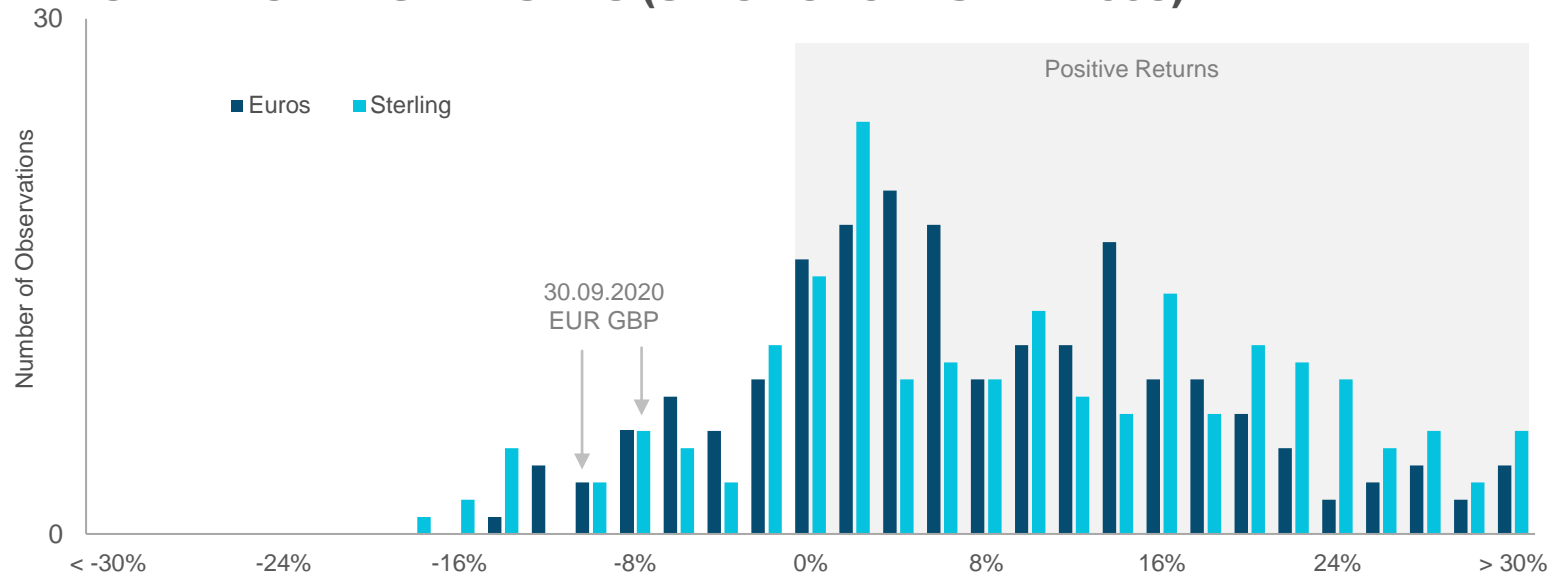
Dollar depreciation has historically driven EM FX outperformance.

Past performance is not a reliable indicator of future performance.
 DXY is the us dollar spot index. EM Index is the J.P. Morgan GBI-EM Global Diversified Composite.
 Sources: Bloomberg and J.P. Morgan. Please refer to the additional disclosures for further source information.

Enticing return profile in EUR and GBP

Periods Ended 30 September 2020

12-MONTH ROLLING RETURNS (SINCE 31 JANUARY 2003)



RISK AND RETURN STATISTICS

Figures are calculated using monthly data.	Performance Return Cumulative	Performance Return Annualized	Volatility	Return / Volatility
Euro	163.13%	5.60%	9.20%	0.61
Sterling	266.28%	7.59%	11.39%	0.67

One year look back returns are very low from a historical perspective.

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J.P. Morgan Government Bond Index-Emerging Markets Global Diversified.

Source: J.P. Morgan. Please refer to the additional disclosures for further source information.



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