T. ROWE PRICE STRATEGY FOCUS
ON GLOBAL SELECT EQUITY

November 2021

STRATEGY SUMMARY

- The Global Select Equity Strategy applies an active, style-balanced approach to a global opportunity set in order to create a concentrated, global, sector-diversified portfolio of 30–45 high-conviction investments with an aim to provide consistent, positive excess returns against the MSCI World Index Net over a full market cycle.
- The strategy aims to have 60%–80% stock-specific risk and approximately 90% active share.
- We look to own durable and resilient companies with clear reasons for why we believe they are expected to continue to win.
- Environmental, social, and governance (ESG) considerations are fully integrated into the portfolio's investment process and helps enhance investment decisions in order to remain on what we believe is the right side of change.
- By building the portfolio from the bottom up and taking a multifaceted view of risk, we believe we can neutralize the portfolio's exposure to macro variables.
- We believe our focus on fundamental research while investing across the style spectrum with a quality tilt and multilayered approach to risk management can help us build a portfolio that performs well across a full market cycle.

Peter Bates,
Portfolio Manager

FEATURES

An Experienced Portfolio Manager With a Global Perspective

Portfolio Manager Peter Bates has 20 years of investment experience and over 17 years of experience at T. Rowe Price. As a former industrials analyst and portfolio manager of the Global Industrials Equity Strategy, Mr. Bates brings a unique and global perspective to investing that helps him navigate market complexity and cyclicality. Throughout his tenure at T. Rowe Price, Mr. Bates has formed deep relationships with other portfolio managers and analysts from around the globe, including those with sector and regional specialties. His experience leveraging the firm's global research platform and knowledge of multinational companies support a natural and effective evolution to managing a concentrated, yet globally sector-diversified, portfolio.

Global Research Resources

A Truly Global Research Platform

T. Rowe Price has one of the industry's strongest commitments to in-house research. We aim to bring our clients better insights through deep industry expertise, which can potentially lead to stronger long-term investment results. The investment process of the strategy is designed to take maximum advantage of the firm's broad geographic and industry capabilities. Our global research platform provides the breadth of resources and cross-collaboration needed to help uncover opportunities across a wide opportunity set. We believe that this research advantage can help identify durable and improving businesses that we can own with conviction when the balance of risk and return is favorable. Our Responsible Investment team is also part of our global research platform, providing Mr. Bates and our global investment platform research and insights on current and evolving ESG issues impacting individual securities.

Sector and Regional Advisors

Mr. Bates also works closely with several global sector and regional portfolio managers and analysts who specialize in specific areas and can provide a more informed view of either investing globally across a sector or local market dislocations and opportunities that may affect the prospects of the stocks in the portfolio.

Disciplined Investment Approach

We apply a consistent investment framework in striving to build a high-conviction, concentrated portfolio identifying strong businesses with durable competitive advantages across a wide spectrum of companies. These companies can be disruptors, steady growers, or cyclicals and turnarounds. Across all three groups of companies, Mr. Bates generally focuses on investing in profitable, mature, and globally established businesses that are well managed and capable of generating solid revenue and cash flow. In Mr. Bates' eyes, these are the hallmarks of a good company that can add value to shareholders no matter the type of market environment.

The portfolio seeks to have a meaningful exposure to steady growth but could be overweight disruptors or cyclical turnarounds at times. Constructing a style-balanced portfolio is how we believe we will be able to add value for clients over the long term, regardless of the market environment.

Stock Selection

Mr. Bates' framework aims to focus on the following when identifying companies:

- Quality businesses with good risk/return characteristics
- Sustainable competitive advantages—pricing power and differentiated capabilities with scale advantages
- Established businesses with improving fundamentals and returns with a clear strategy and good execution through the business cycle
- Disrupting businesses gaining share. Large addressable market with high growth and opportunity for extreme outcomes

ESG Integration

The process of ESG integration takes place on two levels: first, with our research analysts as they incorporate ESG factors into company valuations and ratings; and second, with the portfolio manager as he considers these ESG factor exposures at the portfolio level. Both the analysts and Mr. Bates can leverage dedicated, in-house resources to assist in analyzing ESG criteria, including our proprietary ESG model known as the Responsible Investing Indicator Model (RIIM), which systematically and proactively screens the responsible investing profile of an investment. Mr. Bates meets regularly with our Responsible Investing team to review the portfolio through an environmental, social, and ethical lens.

Risk Management

Stock-specific risk is managed through position sizes, valuation, and business quality. Mr. Bates regularly meets with our risk team to review and understand the portfolio's exposures to both idiosyncratic risk and macro factors.

We expect the majority of portfolio risk (approximately 60%–80%) to come from stock-specific risk, as we are building the portfolio from the bottom up and focusing on durable and resilient companies with clear reasons why they are expected to continue to win. Our valuation framework and knowledge of a company's fundamental and ESG merits help us manage idiosyncratic risk. Position sizes and individual security characteristics help us to diversify the portfolio's sources of risk without depreciating returns.

At a macro level, our multidimensional approach to risk management helps us to neutralize portfolio-defining macro variable exposures with the goal of avoiding unintended bets.

Global Select Equity Strategy Advantage

The Global Select Equity Strategy seeks to find the right balance between conviction and diversification in pursuit of returns. The result is a global portfolio of 30 to 45 high-conviction ideas meeting our risk/return criteria, with a typical investment horizon of two to three years. The portfolio aims to have 60%–80% stock-specific risk and approximately 90% active share. Multidimensional risk management includes stock-level risk managed through position sizes, diversification, valuation, and business quality. The portfolio leverages the competitive advantage of T. Rowe Price, our global research, and the disciplined investment framework managed by Peter Bates.

Risks—the following risks are materially relevant to the portfolio:

Currency risk - changes in currency exchange rates could reduce investment gains or increase investment losses.

Emerging markets risk - emerging markets are less established than developed markets and therefore involve higher risks.

Issuer concentration risk - to the extent that a portfolio 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.

Sector concentration risk - the performance of a portfolio that invests a large portion of its assets in a particular economic sector (or, for bond portfolios, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market.

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

General Portfolio Risks

Capital risk – 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 portfolio and the currency in which you subscribed, if different.

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

ESG and Sustainability risk - May result in a material negative impact on the value of an investment and performance of the portfolio.

Geographic concentration risk – to the extent that a portfolio 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 portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment portfolio risk – investing in portfolios 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 portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Operational risk –operational failures could lead to disruptions of portfolio operations or financial losses.

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T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

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