T. Rowe Price®
INVEST WITH CONFIDENCE

WEATHER THE STORMS OF VOLATILITY WITH AN ACTIVE APPROACH

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Today’s discussion

A disrupted market environment supports the case for active management

The difference between Growth and Value stocks has turned “gray”

Higher rates and economic uncertainty have created an opportunity in credit

Growing crosswinds in global economy

Monetary Policy

- High inflation has caused aggressive tightening among global Central Banks
- Magnitude of quantitative tightening (QT) has unknown risks
- Risk of disruption in the "financial plumbing" as result of Fed reducing liquidity

Economic Uncertainty

- Real wage growth offset by higher cost of living
- Higher rates could cause spillover effects in housing and consumption
- Growing risk of "profits recession"

Geopolitical Tensions

- Increased geopolitical tension following Ukraine invasion
- Indirect impact of invasion = higher energy / food prices
- Increased nationalism

Equity valuations, while lower, do not yet signal time to be aggressive.

Heightened volatility creates opportunity in Fixed Income

As of July 26, 2022

- Yield levels are important, but it’s really *yield volatility* that is the foundation for all financial markets. Right now, it is extremely elevated—and persistently so—relative to the post-GFC period.

- This is creating volatility across all markets and creating potential opportunity for active managers.

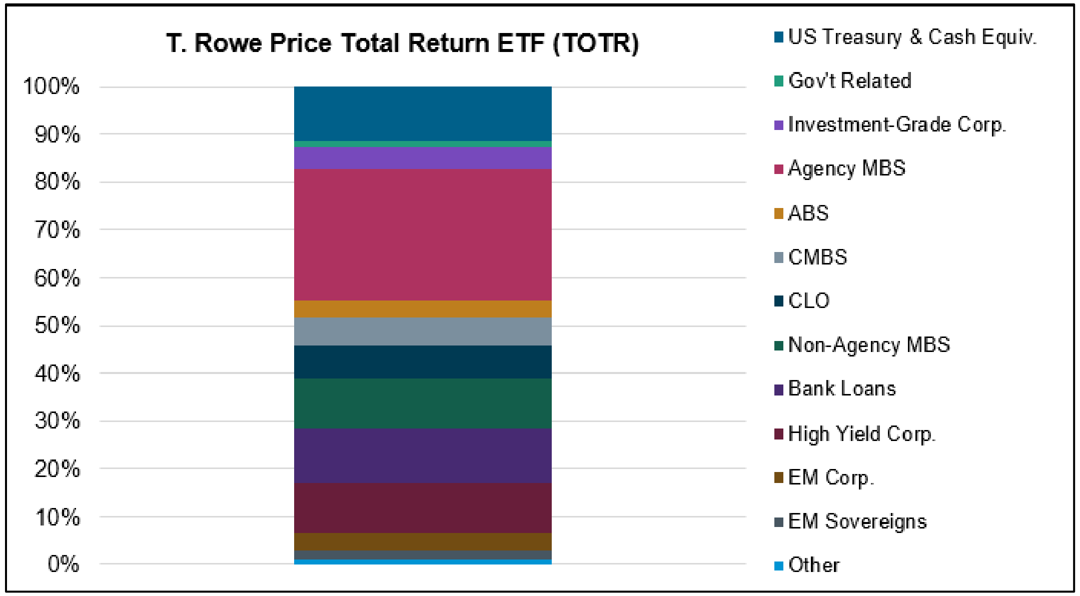
- Fixed Income provides diversification for an overall portfolio, but for Fixed Income to do its job right now, an active approach may be required.

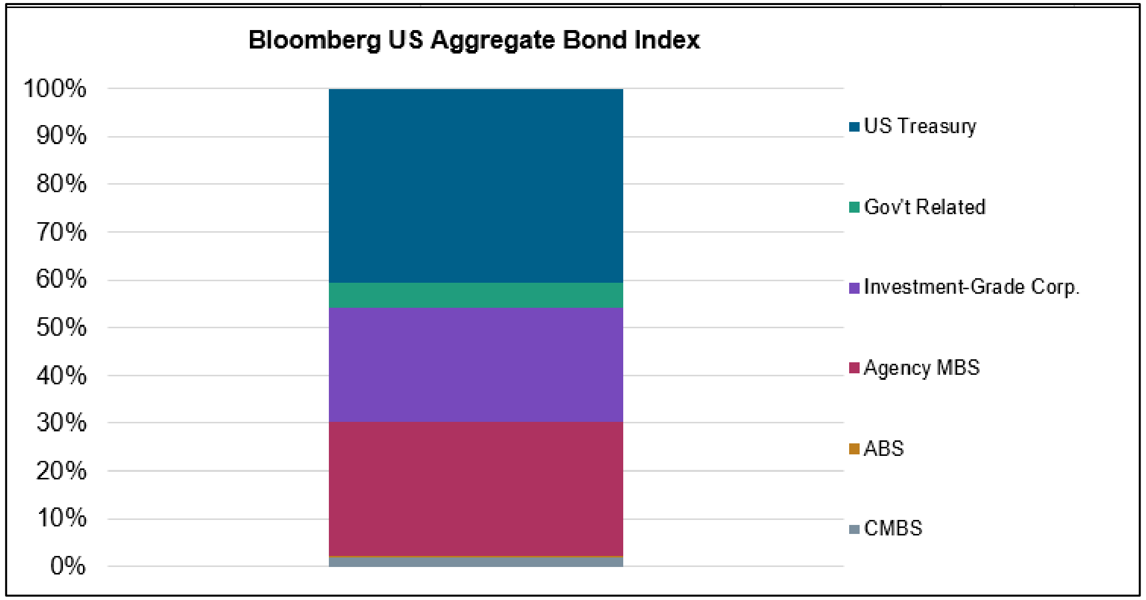
Source: T. Rowe Price
GFC = Great Financial Crisis of 2007-2008

Large disparity between active and passive Fixed Income right now

As of June 30, 2022

SECTOR BREAKDOWN





- An actively managed bond fund can broaden the opportunity set beyond the benchmark to seek a yield premium and better diversify risk.

Sources: Morningstar and T. Rowe Price, Bloomberg
A yield premium is the additional interest an investor receives for longer-term debt.

Navigating uncertain times: Our positioning

Defensive—Low volatility focus

- Southern Company
- Philip Morris International
- Republic Services
- Coca-Cola

Quality—Good fundamentals with reasonable valuation

- Elevance Health
- Danaher
- Alphabet
- Fiserv

Cyclical—Concerns partially discounted

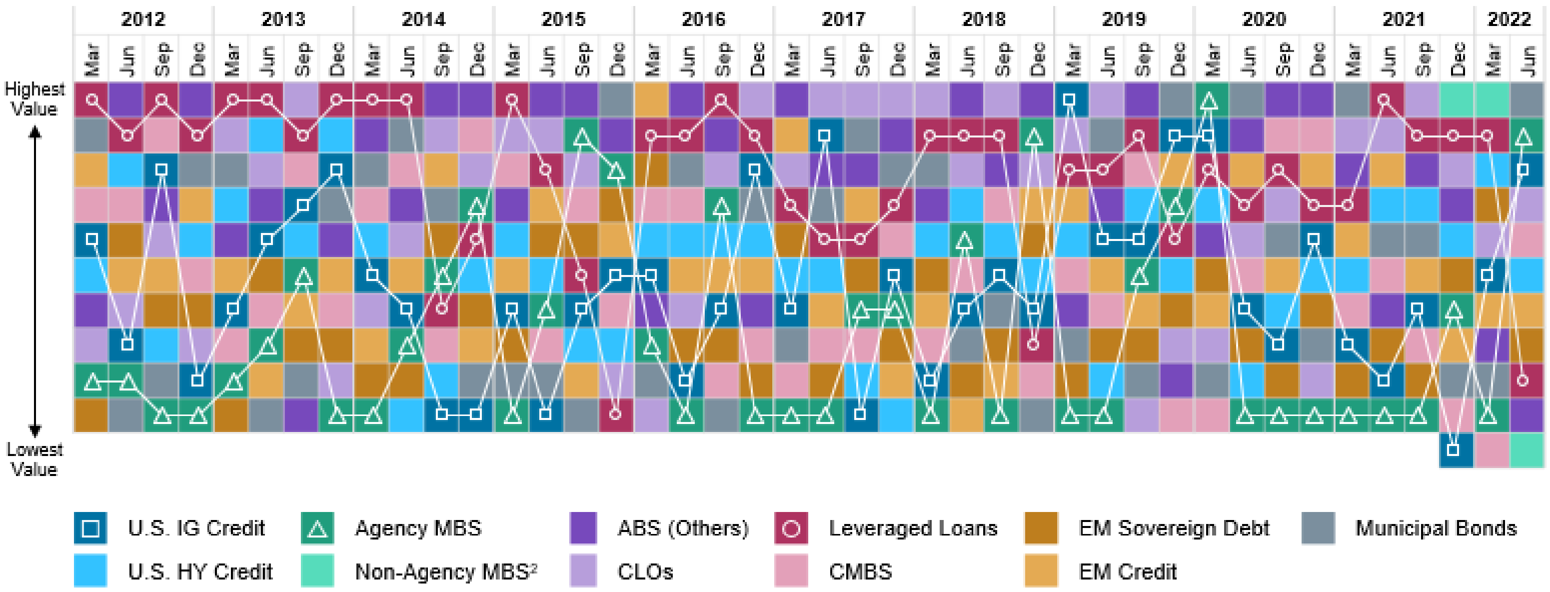
- Progressive
- Wells Fargo
- Eaton
- KLA

The securities listed above were held in the T. Rowe Price Value Fund as of 6/30/2022. The specific securities identified and described are shown for illustrative purposes only and do not represent all of the securities purchased or sold by T. Rowe Price. No assumptions should be made that investments in the securities identified and discussed were or will be profitable. The information provided should not be considered as a recommendation to purchase or sell a particular security and there is no assurance, as of the date of publication, that the securities purchased remain in the fund or that securities sold have not been repurchased. The securities purchased do not represent the entire fund holdings and, in the aggregate, may represent a small percentage of the fund's holdings. Please refer to page 9 for top 10 holdings information.

Opportunities for active sector allocation

As of June 30, 2022

QUARTERLY RISK-ADJUSTED EXCESS RETURNS[1]



- For decades, owning the "index" was more than enough for investors to meet their return and diversification goals.
- Today, rates are not only lower, but there is a lot of variation and dispersion in FI sector returns through time.
- This means two things: 1) proper diversification is key, and 2) investors may need to be flexible and active to capture tactical opportunities.

Past performance cannot guarantee future results. Index performance is for illustrative purposes only and is not indicative of any specific investment. Investors cannot invest directly in an index.
[1] Excess returns are sector returns relative to Treasuries of a similar duration. These excess returns are then adjusted for risk by dividing by the standard deviation of returns.
[2] Data available June 30, 2021.
IG is investment grade. MBS is mortgage-backed securities. ABS is asset-backed securities. EM is emerging markets. HY is high yield. CLO is collateralized loan obligations. CMBS is commercial mortgage-backed securities.
Please refer to slide 10 for more information about the indices used.

Today’s summary

Today’s investment landscape has become “gray”

Active management may be needed to improve investment outcomes

Additional Disclosures

Top 10 Issuers, T. Rowe Price Value Fund (as of 6/30/22)

	Industry	% of Fund	% of Russell 1000 Value Index
Becton, Dickinson & Company	Health Care Equip & Supplies	3.9%	0.4%
Elevance Health	Health Care Providers & Svcs	3.3	0.5
Southern Company	Electric Utilities	3.2	0.4
JPMorgan Chase	Banks	2.9	1.9
TotalEnergies	Oil, Gas & Consumable Fuels	2.9	0.0
Microsoft	Software	2.7	0.0
Johnson & Johnson	Pharmaceuticals	2.7	2.6
AstraZeneca	Pharmaceuticals	2.6	0.0
AbbVie	Biotechnology	2.6	0.0
Chubb	Insurance	2.5	0.5

Additional Disclosures

Slide 7: Bloomberg Indices: U.S. IG Credit: Bloomberg US Corporate Investment Grade Index; Agency MBS: Bloomberg US MBS Index; ABS: Bloomberg ABS Non-AAA Index; CMBS: Bloomberg Non-Agency CMBS Agg Eligible Index; U.S. High Yield Credit: Bloomberg US Corporate High Yield Index; Municipal Bonds: Bloomberg Taxable Muni Index. Leveraged Loans: Credit Suisse Leveraged Loans Index. JP Morgan Indices: EM Sovereign Debt: JP Morgan EMBI Global Diversified Index; EM Credit: JP Morgan CEMBI Broad and Diversified Index; CLOs: JP Morgan CLOIE 50% AAA + 50% BBB; Non-Agency MBS: JP Morgan CRT 70% M1 + 30% M2.

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