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Going Back to Fundamentals:
**WHY DO WE INVEST IN
FIXED INCOME?**

Arif Husain, CFA
Head of International Fixed Income
11 November 2015

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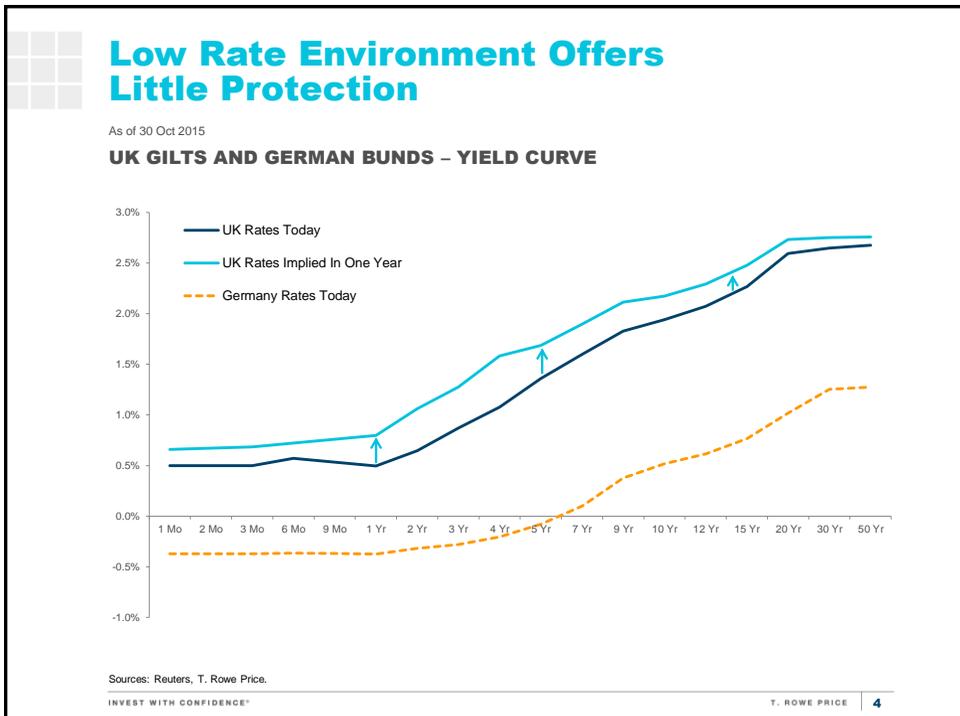
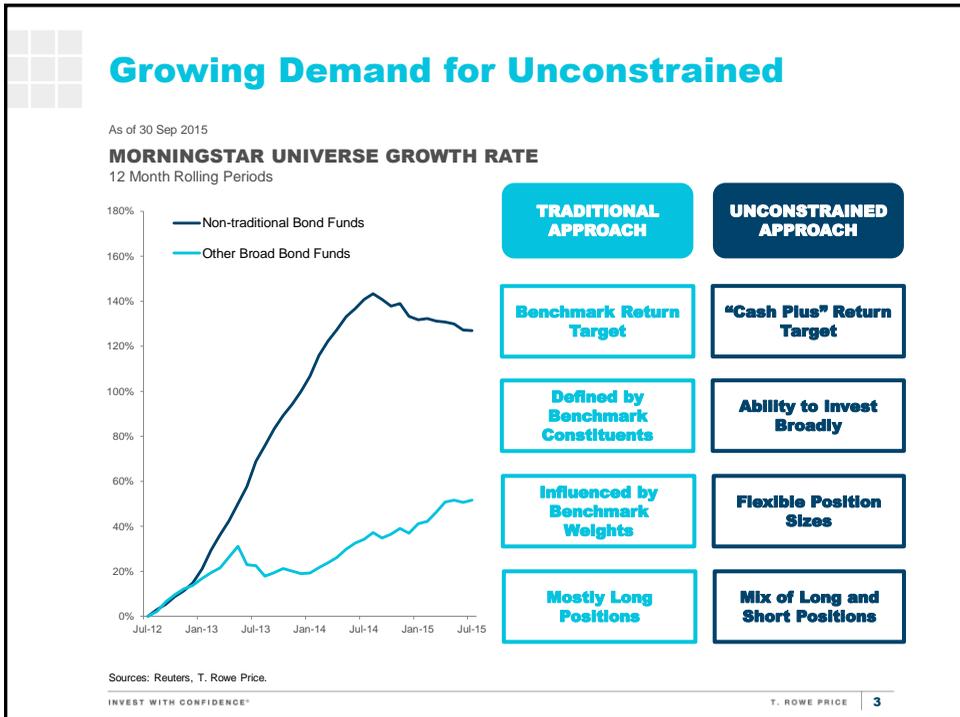
What are Fixed Income Investors Thinking?



- Access to Liquidity
- Concern Over Rising Rates
- Need for More Income
- Fear of Future Inflation
- Opportunity Capture
- Aligning Portfolios with Investment Objectives
- Improved Diversification

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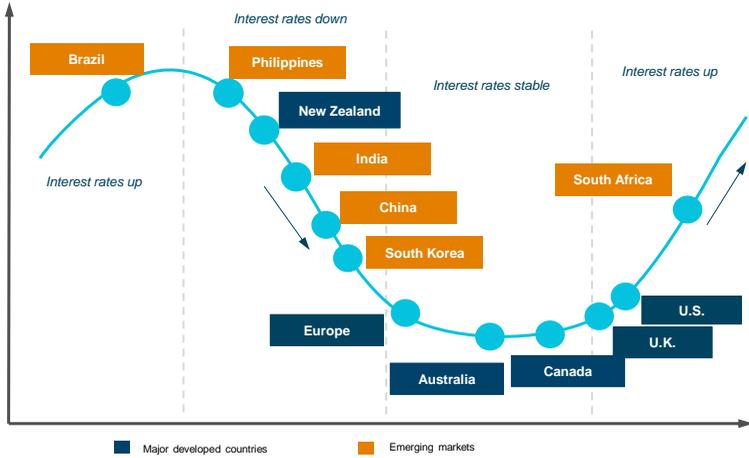
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Divergent Monetary Policies Create Interest Rate and Currency Opportunities

As of 30 Oct 2015

ILLUSTRATIVE INTEREST RATE CYCLE



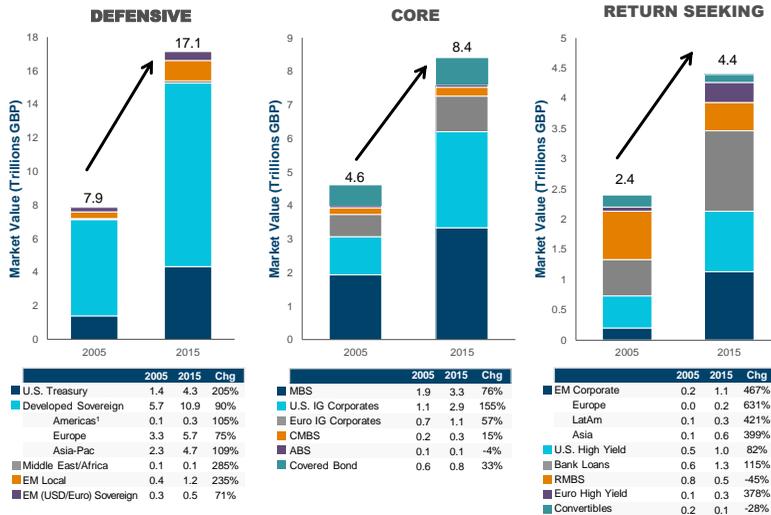
Source: T. Rowe Price

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A £30+ Trillion Opportunity Set

As of 30 Sep 2015

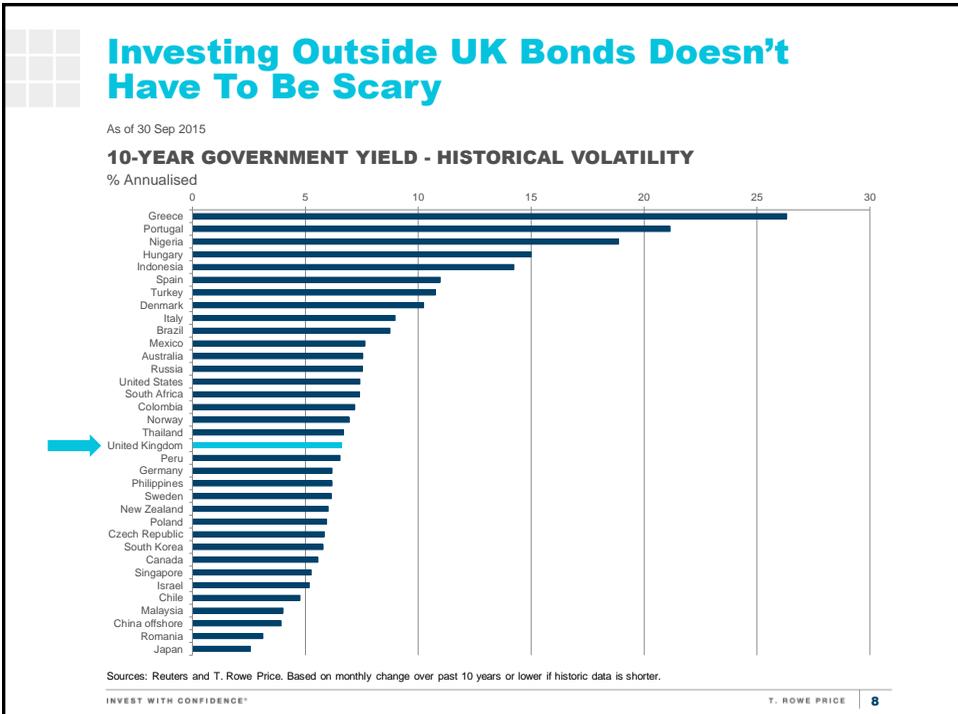
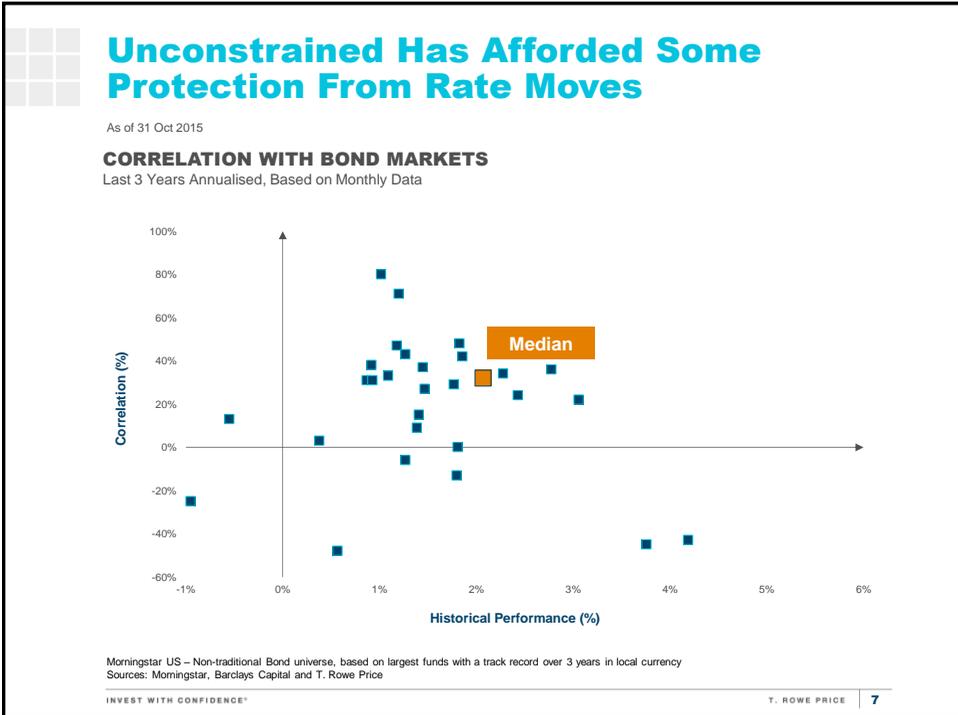


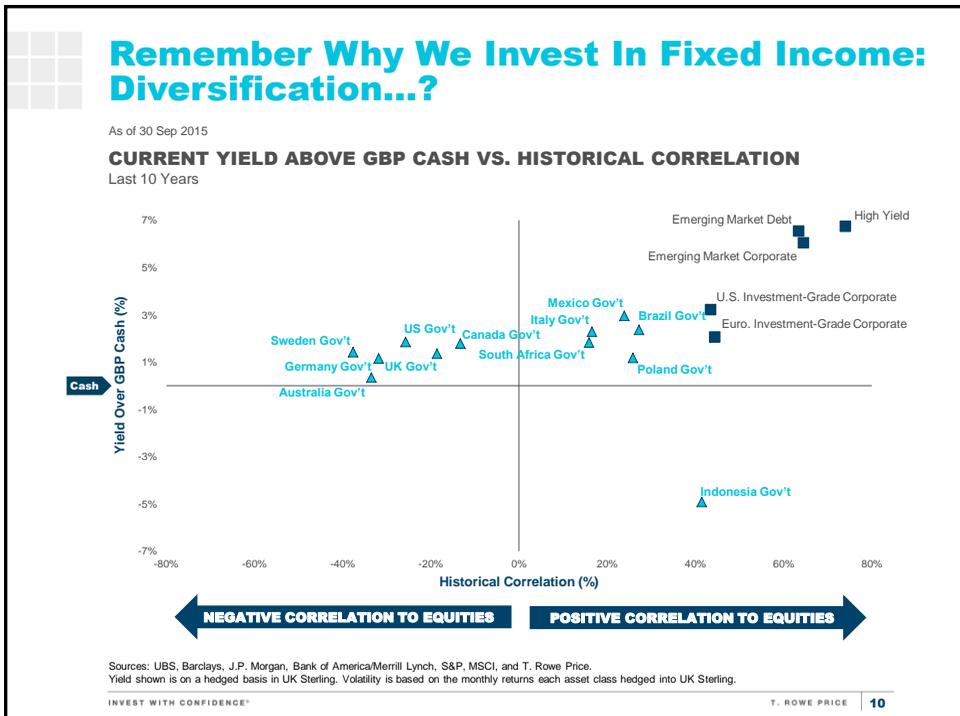
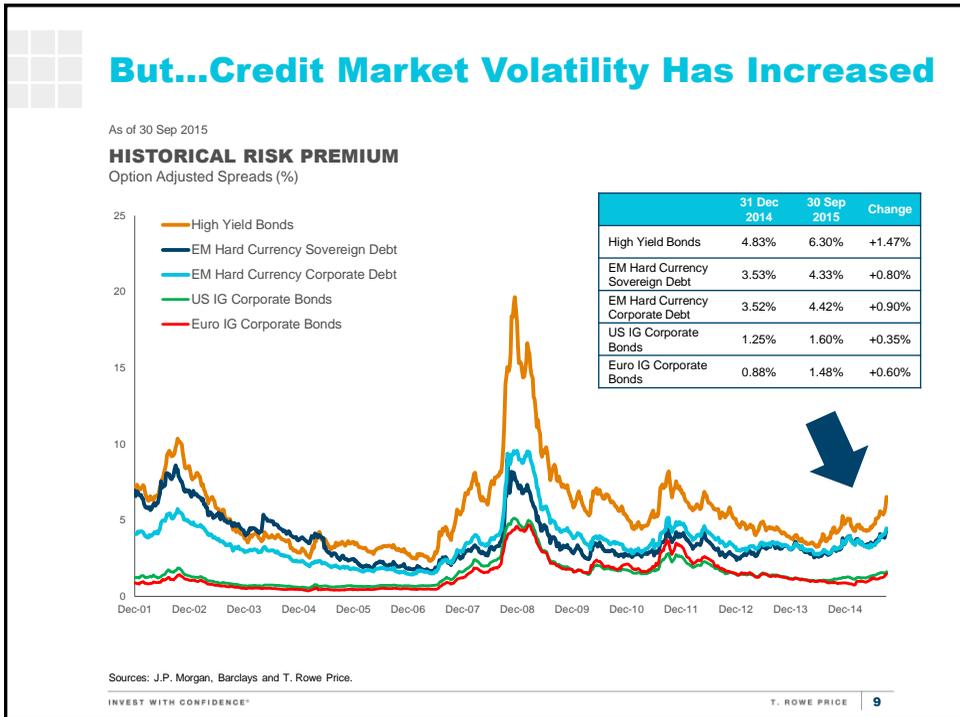
¹ Canada, Mexico, and Chile

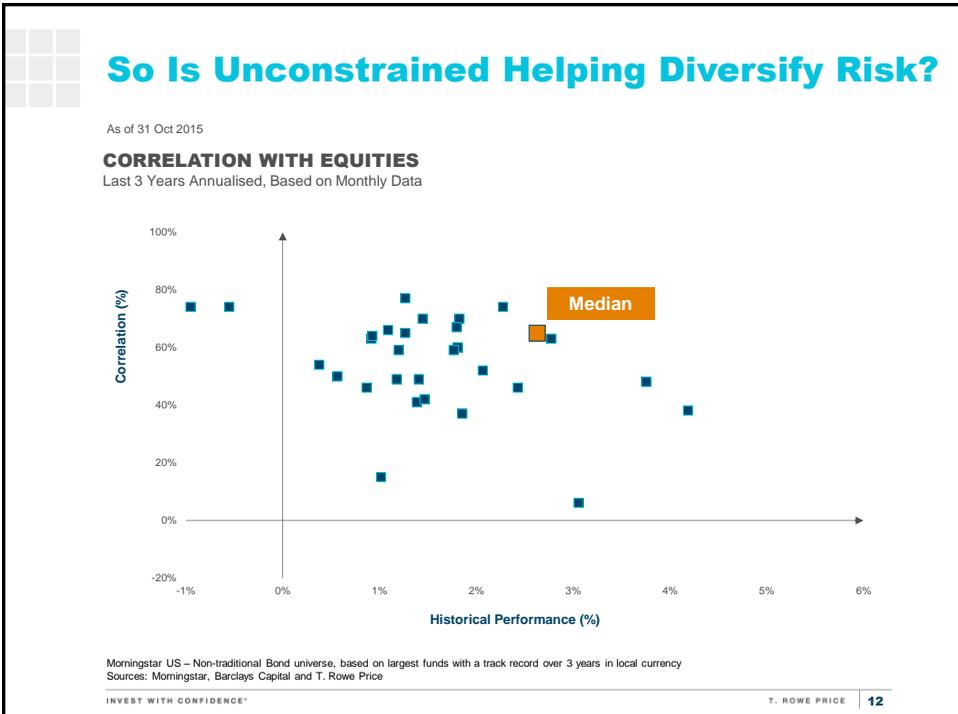
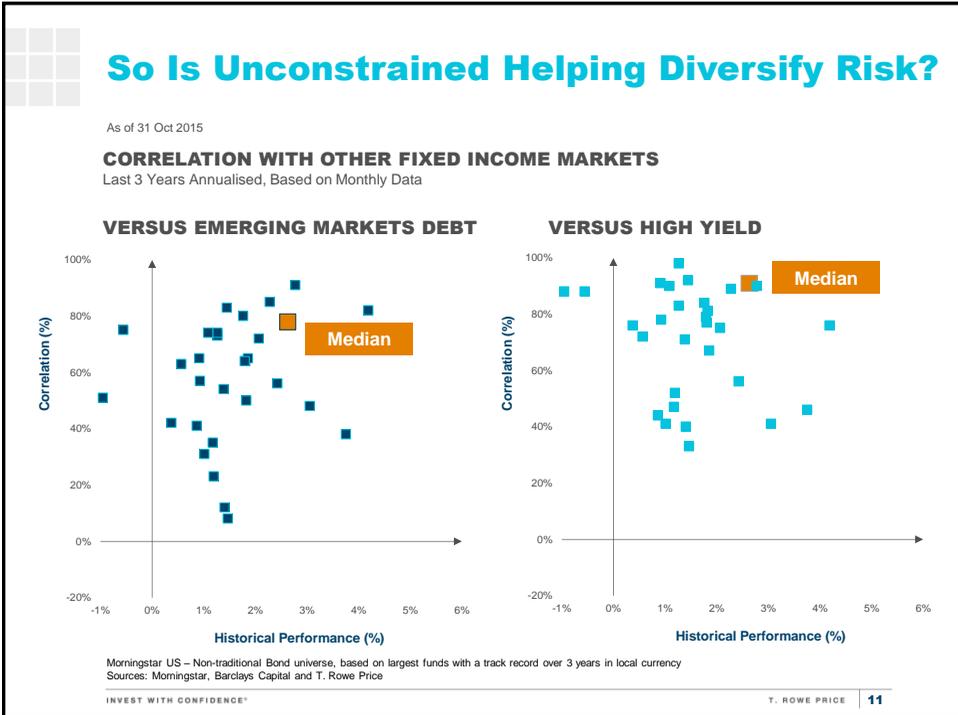
Sources: Bank for International Settlements, Bank of America/Merrill Lynch, Barclays, CoreLogic, J.P. Morgan Chase & Co., S&P/LSTA, Haver Analytics, and T. Rowe Price.

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Our Global Unconstrained Bond Approach

Sustainable income

- Globalisation of fixed income markets has opened new investment opportunities
- Traditional benchmarks not reflective of the expanded opportunity set
- Use of bottom-up credit research to enhance returns

Diversification and balance

- Diversification across geography, sectors and capital structure
- Diversification away from more risky fixed income markets such as high yield and EMD
- Diversification against equity risk and rise in volatility

Capital preservation and downside risk

- Focus on minimising probability and magnitude of capital loss
- Tactical management of duration profile and of currency management
- Focus on government allocation as opposed to pure credit risk

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Our Global Unconstrained Bond Approach

As of 30 Sep 2015

12-WEEK ROLLING CORRELATION WITH EQUITIES



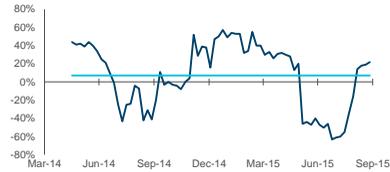
12-WEEK ROLLING CORRELATION WITH HIGH YIELD



12-WEEK ROLLING CORRELATION WITH DOMESTIC BONDS



12-WEEK ROLLING CORRELATION WITH EMERGING MARKETS



Based on the Dynamic Global Bond (AUD Hedged) representative portfolio. The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. Information regarding the representative portfolio and, where applicable, the other accounts in the composite is available upon request. Please see the GIPS® Disclosure page for additional information on the composite. Supplemental information.

Sources: ASXS&P index, BoA Merrill Lynch, JPMorgan and T. Rowe Price

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Final Thoughts...

- Low levels of interest rates are pushing investors to look for new areas of opportunities in fixed income
- By moving into unconstrained fixed income oriented solutions, investors should be fully aware of the risk they are taking
- T. Rowe Price Global Unconstrained Bond approach aims to deliver stable consistent return with a clear emphasis on delivering diversification vs. equity risk
- Focus on downside risk, transparency and liquidity should remain key aspects of any fixed income solution in our view

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THANK YOU

Presenter Bio



Arif Husain, CFA

Head of International Fixed Income

Arif Husain is head of International Fixed Income at T. Rowe Price. He is lead portfolio manager for the Global Unconstrained Bond Strategy and Global Aggregate Bond Strategy. He is also co-portfolio manager for the firm's International Bond and Institutional International Bond Strategies. He is a vice president of T. Rowe Price Group, Inc., and T. Rowe Price International Ltd.

Arif has 19 years of investment experience. Prior to joining the firm in 2013, he spent 14 years as director of both European Fixed Income and Euro Portfolio Management at AllianceBernstein. He was also a member of the global fixed income and absolute return portfolio management teams. Arif previously worked as assistant director of European Derivatives Trading at Greenwich NatWest and also traded interest rate swaps at Bank of America National Trust & Savings Association.

Arif received a B.Sc. (hons.) in banking and international finance from the City University, London Business School. He also earned the Chartered Financial Analyst designation.

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GIPS® Disclosure

Period Ended 31 Oct 2015
Figures Shown in Australian Dollars

DYNAMIC GLOBAL BOND (AUD HEDGED) COMPOSITE

	2014 ²	2015 YTD
Gross Annual Returns (%)	4.12	6.46
Net Annual Returns (%) ¹	3.84	6.18
Bloomberg AusBond Bank Bill Index (%)	2.26	1.97
Composite 3-Mr St. Dev.	N/A	N/A
Bloomberg AusBond Bank Bill Index (%) 3-Mr St. Dev.	0.19	0.10
Composite Dispersion	N/A	N/A
Comp. Assets (Millions)	130.3	178.0*
# of Accts. in Comp.	2	2*
Total Firm Assets (Billions)	916.0	1,038.4*

* As of 30 September 2015

¹ Reflects deduction of highest applicable fee schedule without benefit of breakpoints. Investment return and principal value will vary. Past performance cannot guarantee future results.

² 28 February 2014 through 31 December 2014

T. Rowe Price ("TRP") has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). TRP has been independently verified for the 10-year period ended June 30, 2014 by KPMG LLP. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

TRP is a U.S. investment management firm with various investment advisers registered with the U.S. Securities and Exchange Commission, the U.K. Financial Conduct Authority, and other regulatory bodies in various countries and holds itself out as such to potential clients for GIPS purposes. TRP further defines itself under GIPS as a discretionary investment manager providing services primarily to institutional clients with regard to various mandates, which include U.S., international, and global strategies but excluding the services of the Private Asset Management group. The minimum asset level for equity portfolios to be included in composites is \$5 million and prior to January 2002 the minimum was \$1 million. The minimum asset level for fixed income and asset allocation portfolios to be included in composites is \$10 million; prior to October 2004 the minimum was \$5 million, and prior to January 2002 the minimum was \$1 million. Valuations and performance are computed in U.S. dollars and converted to Australian Dollar. When converting U.S. dollar composite returns, benchmarks, dispersion and asset data, the same exchange rate source is used consistently. Total returns in non-U.S. dollar currencies are calculated by adjusting U.S. dollar performance by the percent change in the U.S. dollar/foreign currency exchange rate (as determined by an independent third party) for the time periods selected.

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the highest applicable management fee that would be charged based on the fee schedule appropriate to you for this mandate, without the benefit of breakpoints. Gross and net performance returns are net of nonreclaimable withholding taxes on dividends, interest income, and capital gains. Effective June 30, 2013, portfolio valuation and assets under management are calculated based on the closing price of the security in its respective market. Previously portfolios holding international securities may have been adjusted for after-market events. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within a composite for the full year. Dispersion is not calculated for the composites in which there are five or fewer portfolios.

Some portfolios may trade futures, options, and other potentially high-risk derivatives which generally represent less than 10% of a portfolio.

Benchmarks are taken from published sources and may have different calculation methodologies, pricing times, and foreign exchange sources from the composite.

Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow greater than or equal to 15% of portfolio assets. The temporary removal of such an account occurs at the beginning of the measurement period in which the significant cash flow occurs and the account re-enters the composite on the last day of the current month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request.

The firm's list of composite descriptions and/or a presentation that adheres to the GIPS® standards are available upon request.

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GIPS® Disclosure

Period Ended 31 Oct 2015
Figures Shown in U.S. Dollars

GLOBAL UNCONSTRAINED BOND COMPOSITE

	2015 YTD ¹
Gross Annual Returns (%)	4.40
Net Annual Returns (%) ²	4.11
3-Month US Libor Index (%)	0.22
Composite 3-Yr St. Dev.	N/A
3-Month US Libor Index (%) 3-Yr St. Dev.	0.01
Composite Dispersion	N/A
Comp. Assets (Millions)	62.6*
# of Accts. in Comp.	2*
Total Firm Assets (Billions)	729.2*

* As of 30 September 2015

¹Reflects deduction of highest applicable fee schedule without benefit of breakpoints. Investment return and principal value will vary. Past performance cannot guarantee future results.

²31 January 2015 through 30 June 2015.

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Fee Schedule

Period Ended 31 Oct 2015
Figures Shown in Australian Dollars

DYNAMIC GLOBAL BOND (AUD HEDGED) COMPOSITE

The Dynamic Global Bond (AUD Hedged) Composite comprises portfolios that seek to provide positive absolute return by investing primarily in an actively managed global portfolio of fixed income securities. Allocation to below investment-grade issues is also permissible. (Created February 2014)

First \$55 million	32.5 basis points
Next \$55 million	27.5 basis points
Above \$110 million	22.5 basis points on all assets ¹
Above \$275 million	17.5 basis points on all assets ¹
Minimum separate account size	\$110 million

Period Ended 31 Oct 2015
Figures Shown in U.S. Dollars

GLOBAL UNCONSTRAINED BOND COMPOSITE

Global Unconstrained Bond Composite. The Global Unconstrained Bond Composite strategy seeks to deliver consistent fixed income returns through a flexible, dynamic and diversified allocation to debt instruments from around the world. The strategy adopts a holistic and rigorous approach to risk management to protect clients on the downside, and particularly seeks to provide adequate diversification at times of equity markets' correction. (Created January 2015)

First \$50 million	37.5 basis points
Next \$50 million	32.5 basis points
Above \$100 million	30 basis points on all assets ¹
Above \$250 million	25 basis points on all assets ¹
Minimum separate account size	\$100 million

¹A transitional credit is applied to the fee schedule as assets approach or fall below the breakpoint

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Important Information

The views contained herein are as of 30 October 2015 and may have changed since that time. Unless indicated otherwise the source of all market data is T. Rowe Price.

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2015-GL-2904

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