T. Rowe Price

T. Rowe Price Funds SICAV

Global Impact Credit Fund

Dual mandate: impact and alpha

Fund snapshot

- An impact-focused, high-conviction global credit fund that seeks benchmark outperformance with a positive environmental and social impact
- Aligned to the United Nations' 17 Sustainable Development Goals (SDGs)
- Investment decisions are aligned to three defined impact pillars: climate and resource impact, social equity and quality of life, and sustainable innovation and productivity

Asset class	Global Fixed Income
Benchmark *	Bloomberg Global Aggregate Credit Index Hedged to USD
Inception	December 2021
Portfolio Manager	Matt Lawton
Style	High conviction
No of holdings	75-150
ISIN	LU2531917677 (Q USD) LU2531917594 (I USD)

Fund overview

"Climate change issues are near and dear to me, so managing the Global Impact Credit Strategy is an ideal way to combine a professional pursuit with my personal interests. I see this as a parallel with the strategy's dual core objectives of environmental and social impact, as well as financial return. Every company in our portfolio is subject to rigorous and inclusionary screening, as well as a comprehensive analysis of the environmental or social impact it is delivering."

Matt Lawton | Portfolio Manager

The Global Impact Credit Fund has a dual mandate which seeks to deliver both benchmark outperformance and positive environmental or social impact, by investing in durable, growing businesses with sustainable operations. The fund has sustainable investment as an objective that is achieved through the fund's commitment to maintain at least 70% of the value of its portfolio invested in Sustainable Investments, as defined by SFDR. We apply both impact exclusions and positive impact inclusion criteria. In addition, the fund is aligned to the UN Sustainable Development Goals (UNSDGs), a globally recognized framework of 17 goals designed to end poverty, protect the planet and ensure prosperity.

Reasons to consider this fund

Positive impact

Investors in T. Rowe Price's Global Impact Credit Fund will play a role in the global reallocation of capital to help address rising environmental and social pressures to achieve more sustainable solutions. According to the World Bank, up to $2.5trn in capital may be needed annually until 2030 to achieve the United Nations' Sustainable Development Goals.

Alpha Opportunity

In our view, generating financial returns with a sustainable impact can coexist. The Global Impact Credit Fund aims to generate income and preserve capital, while also producing a positive environmental or social impact.

Research-driven

Our fundamental research platform and dedicated Responsible Investing (RI) team—which is focused on environmental, social, and governance (ESG) issues—provide the breadth of resources and global perspective necessary in building a positive impact portfolio.

When investing in funds, certain risks apply, which include those specific to ABS and MBS, contingent convertible bond, credit, default, derivatives, distressed or defaulted debt, emerging markets, liquidity and high yield bonds.The fund can also be affected by changes in Interest rates. For a full list of risks applicable to this fund, please refer to the prospectus.

* The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

** Sustainable Finance Disclosure Regulation (SFDR).

An Opportunity to Invest in the Debt of Positive-Impact Businesses

Quick takeaways

- Investors increasingly wish to invest in the debt of companies that commit to producing a positive environmental or social impact
- We target durable, growing businesses with a clearly identified impact thesis
- Our investment process is not limited to green bonds as we look to a broad opportunity set spanning across the corporate and credit universe to identify the highest impact-aligned issuers. Fundamental research and a commitment to engage with the company management are critical for credit impact investing

We are living in a low-growth, high-disruption world. Societal, governmental, regulatory, and fiduciary pressures are driving change on a range of environmental and social fronts.

As companies increasingly shift their investment to address global pressure points, the opportunities are greater than ever before to invest in the public debt of businesses that are creating a true positive impact on society and the planet.

We target durable, growing businesses with a clearly identified impact thesis. Our credit selection is not limited to green bonds: the fixed income opportunity set spans the full corporate and credit universe of high impact-aligned issuers.

Impact investing in the credit markets is about more than simply owning the debt of certain types of company, however. It involves directing fresh capital toward desired impact outcomes, conducting impact-oriented engagement with companies, and generating an associated positive feedback loop.

Engagement is a crucial tool to enhance our impact analysis of a company. We typically seek to understand how an issuer is progressing on its impact journey as well as partner with them to accelerate that journey and achieve desired outcomes.

Fig. 1: Our impact charter

Material

Every stock is aligned with clearly defined impact pillars, using revenue inclusion criteria, always accounting for dimensions of positive future change.

Measurable

Our approach is multi-dimensional and stock-based, using insights from our research platform and company engagements.

Additional

We commit to using our scale and resources to promote and progress the impact agenda.

Resilient

In an era of disruption and extreme outcomes, patience, a forward-looking approach and skillful portfolio construction is important in pursuing good client outcome.

Why T. Rowe Price for Global Impact Credit?

T. Rowe Price's Global Impact Credit Fund involves a robust and repeatable investment process that seeks to deliver positive impact and excess returns against the benchmark across credit market cycles.

Our investment philosophy is centered around creating a material and measurable impact through our investments, while also promoting impact through our scale and resources and through collaborating with clients to achieve desired, long-term outcomes.

We measure potential impact credit investments against our three defined impact pillars (see below) and the UN Sustainable Development Goals (UNSDGs), a globally recognized framework of 17 goals designed to end poverty, protect the planet and ensure prosperity. Every investment is subject to a rigorous impact screening. We seek alpha opportunities across credit market sectors, including investment grade, emerging market and high yield bonds.

Collaboration between our impact investing teams is also key when finding true impact investments. Matt regularly meets with our impact investing teams to discuss new ideas. Through these meetings, Matt can analyze and enrich impact ideas while maintaining full discretion over the portfolio's investment decisions and overall construction.

Four principles act as the foundation of our global impact credit philosophy.

Fig. 2: Global impact credit philosophy

Positive measurable impact

A focus on companies creating quantifiable **positive environmental or social impact.**

Sustainability

We seek debt issuers that are at a long-term **advantage from a capital market, competitive and economic returns perspective.**

Additionality and Resiliency

We look for companies on the **right side of secular change** in an era of shifting preferences.

Research is critical

Superior impact and fundamental research matter to returns.

Our Investment Approach

Quick takeaways

- We choose bonds to produce a measurable impact against 3 pillars (climate and resource impact, social equity and quality of life, sustainable innovation and productivity) and 8 sub-pillars
- We hold every impact investment to a high standard and have robust reporting in place to measure impact
- We apply inclusionary screening via a framework to quantify a company's impact
- We manage portfolio exclusions via an actively monitored list aligned to common ESG values
- We engage with companies on ESG issues, including ESG-labelled debt and sustainable finance frameworks

Impact strategies are investments made with the intention of generating a positive environmental or social impact alongside a financial return.

But how do we measure that impact? We look for bonds that produce a measurable impact against 3 pillars (climate and resource impact, social equity and quality of life, sustainable innovation and productivity). Within those pillars, we look for an impact against 8 more detailed sub-pillars (reducing greenhouse gases, promoting healthy ecosystems, nurturing circular economies, enabling social equity, improving healthcare, enhancing quality of life, sustainable technology, and building sustainable industry and infrastructure).

Each debt issuer within our Global Impact Credit portfolio maps to one of these sub-pillars.

Fig. 3: Three impact pillars guide our decision-making

To ensure the sustainability of returns, we seek debt issuers that possess a long-term competitive advantage from a capital market, competitive and economic returns perspective.

Our approach to identifying an impact universe also includes a five dimensions of impact analysis to embed forward-looking insights as we carry out our impact due diligence. Our due diligence analysis helps us to formalize an impact thesis, highlight negative externalities and risks, and define key performance indicators (KPIs) for each security to assist in the measurement of a company's impact in the present and over longer time periods. This analysis also gives us the opportunity to consider the engagement program we want to undertake for a given company.

We hold every impact investment to a high standard and have robust reporting in place to measure impact. This involves the assessment of a debt issuer's ESG profile, a check on the use of proceeds from bond issuance and post-issuance reporting.

We also manage portfolio exclusions via an actively monitored list aligned to common ESG values. And after investing, we engage actively with companies on ESG issues, including ESG-labelled debt and sustainable finance frameworks.

We construct a high-conviction credit portfolio of around 75-150 bonds, using traditional fixed income market analysis of credit quality, sector and yield curve positioning and relative value.

Finally, we monitor and report on the impact of the credit portfolio, quantifying risks and tracking the evolution (and any impairment) of the impact thesis.

A high-conviction impact portfolio

The Global Impact Credit Fund is actively managed, investing in a diversified portfolio of corporate bonds of all types from issuers around the world, and offers investors the opportunity to generate a financial return whilst achieving a positive environmental and social impact.

As asset managers play an increasingly important role in the global sustainability debate, impact investing is likely to become a mainstream approach in the fixed income markets. This shift is backed by a growing population of investors who want to be part of global and sustainable solutions. Asset managers now have a unique opportunity to play a key role in helping deliver positive environmental and social outcomes that the world is increasingly seeking—aligning clients, investors, and business interests in the process.

Benchmark *	Bloomberg Global Aggregate Credit Index Hedged to GBP
High Yield	Max. 30%
Emerging Markets Exposure	Max. 20%
Non-Corporate Credit	Max. 50%
Duration management	+/- 1 year vs. the benchmark
Tracking Error Range	100-250 bps

* The manager is not constrained by the fund's benchmark, which is used for performance comparison purposes only.

Risks - the following risks are materially relevant to the fund:

ABS and MBS risk – Asset-Backed Securities (ABS) and Mortgage-Backed Securities (MBS) may be subject to greater liquidity, credit, default and interest rate risk compared to other bonds. They are often exposed to extension and prepayment risk.

Contingent convertible bond risk – 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.

Credit risk – Credit risk arises when an issuer's financial health deteriorates and/or it fails to fulfill its financial obligations to the fund.

Default risk – Default risk may occur if the issuers of certain bonds become unable or unwilling to make payments on their bonds.

Derivatives risk – derivatives may result in losses that are significantly greater than the cost of the derivative.

Distressed or defaulted debt securities risk – Distressed or defaulted debt securities may bear substantially higher degree of risks linked to recovery, liquidity and valuation.

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

High yield bond risk – 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 risk – Interest rate risk is the potential for losses in fixed-income investments as a result of unexpected changes in interest rates.

Liquidity risk – Liquidity risk may result in securities becoming hard to value or trade within a desired timeframe at a fair price.

General fund risks

Counterparty risk – Counterparty risk may materialise if an entity with which the fund does business becomes unwilling or unable to meet its obligations to the fund.

Equity risk – Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely

ESG and Sustainability risk – ESG and Sustainability risk may result in a material negative impact on the value of an investment and performance of the fund.

Geographic concentration risk – 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 risk – Hedging measures involve costs and may work imperfectly, may not be feasible at times, or may fail completely.

Investment fund risk – Investing in funds involves certain risks an investor would not face if investing in markets directly.

Management risk – Management risk may result in potential conflicts of interest relating to the obligations of the investment manager.

Market risk – Market risk may subject the fund to experience losses caused by unexpected changes in a wide variety of factors.

Operational risk – Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

Important information

The Fund is a sub-fund of the T. Rowe Price Funds SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier and which qualifies as an undertaking for collective investment in transferable securities ("UCITS"). Full details of the objectives, investment policies and risks are located in the prospectus which is available with the key investor information documents (KIID) and/or key information document (KID) in English and in an official language of the jurisdictions in which the Funds are registered for public sale, together with the articles of incorporation and the annual and semi-annual reports (together "Fund Documents"). Any decision to invest should be made on the basis of the Fund Documents which are available free of charge from the local representative, local information/paying agent or from authorised distributors. They can also be found along with a summary of investor rights in English at www.troweprice.com. The Management Company reserves the right to terminate marketing arrangements.

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