T. Rowe Price

ASSET ALLOCATION VIEWPOINTS AND GLOBAL INVESTMENT ENVIRONMENT

Q4 2017

Q4 2017 Global Environment

As of December 31, 2017

MAJOR MARKET THEMES	Synchronized Global Growth	Global Earnings Strength	Extended Equity Valuations	U.S. Tax Reform Impact
	Flattening U.S. Yield Curve	Monetary Stimulus Fading	More Stable U.S. Dollar	Widespread Disruption from New Technologies
KEY MARKET RISKS	Monetary Policy Missteps	Rising Geopolitical Tensions	Sharp Acceleration in Inflation	U.S. Profit Margin Pressure
	Sharper Decline in Chinese Growth	Sustainability of Commodity Prices	Rising Political Risk in Emerging Markets	Increase in Volatility

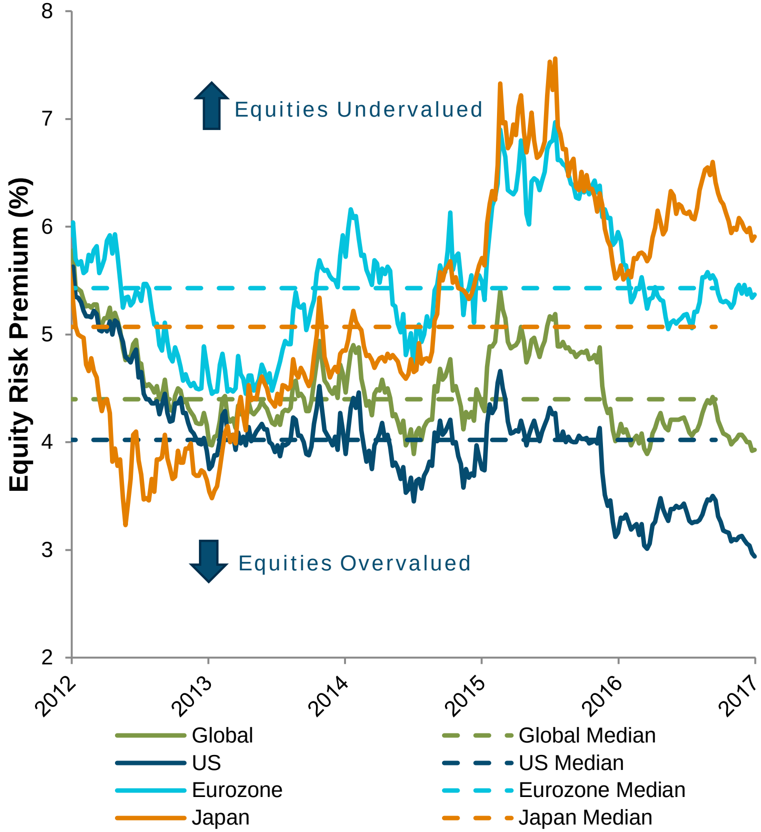
Stocks vs. Bonds

As of December 31 2017

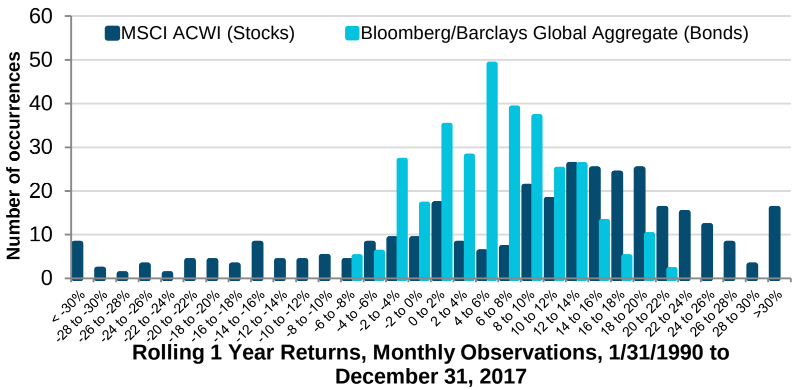
We remain modestly underweight to stocks relative to bonds as equity valuations appear extended against a backdrop of improving, yet still modest, economic growth and potential for increased volatility, as central banks cautiously rein in policy.

EQUITY RISK PREMIUMS

December 31, 2012 to December 31, 2017



PERFORMANCE DISPERSION, STOCKS VS. BONDS



- We expect the broadening of global growth seen since the end of last year to continue in 2018, albeit at still modest levels, as improving global trade provides a boost for more export-oriented developed and emerging economies. Tax policy changes in the U.S. could provide a near-term boost to U.S. profit growth this year, but the longer-term economic impact is less certain.
- While fundamentals remain broadly supportive and volatility is low, tightening financial conditions, higher interest rates, and political risks could be headwinds.
- Valuations are elevated across asset classes, leaving risk skewed to the downside. Fixed income typically offers less downside risk in periods of market stress.

Sources: Absolute Strategy Research, FactSet, T. Rowe Price, and MSCI. Note: Medians shown cover the last 5 years.

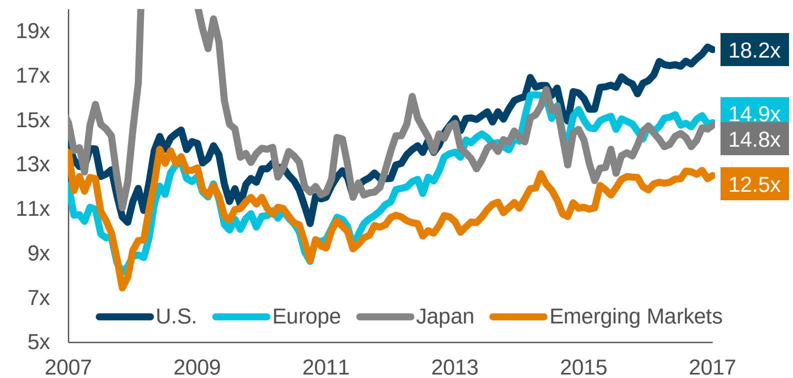
Regional Equity Positioning

As of December 31, 2017

We increased our overweight to Global ex-U.S. stocks relative to U.S. stocks based on further improvement in economic fundamentals, diminished political risk, and upside potential to corporate earnings outside the U.S., notably within the Europe.

PRICE-TO-EARNINGS

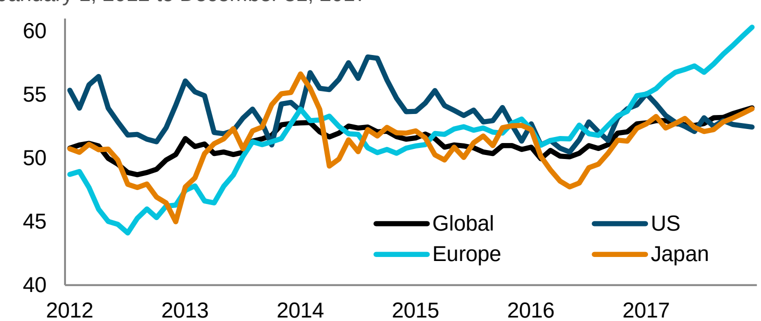
Next 12-Months, Dec 31, 2007-Dec 31, 2017



Earnings Growth	2014	2015	2016	2017 Estimate	2018 Estimate
S&P 500	6.8%	-0.1%	0.5%	10.2%	11.9%
MSCI Europe	-12.9%	-7.3%	-7.2%	30.8%	8.8%
MSCI Japan	18.6%	2.0%	1.2%	16.0%	11.4%
MSCI Emerging Markets	-11.0%	-19.4%	7.0%	28.2%	13.6%

GLOBAL PMI's (PURCHASING MANAGERS INDEX

January 1, 2012 to December 31, 2017



- Most major developed markets are in earlier stages of the economic cycle relative to the U.S. and remain supported by aggressive quantitative easing actions and relatively more attractive valuations.
- Europe is supported by modestly more attractive relative valuations, stable and improving growth, higher potential earnings upside, and still supportive monetary policies.
- Japanese equity valuations are the most attractive amongst developed markets and earnings are supported by strengthening global trade.
- Emerging markets growth has improved and should benefit from further expansion in global trade, although they remain vulnerable to potentially hawkish trade policies and a decline in commodity prices.

Sources: [IMF] Haver Analytics, Markit, and MSCI. United States is represented by the S&P 500 Index. Other countries/regions represented by their corresponding MSCI Index. Earnings Growth estimates provided by FactSet.

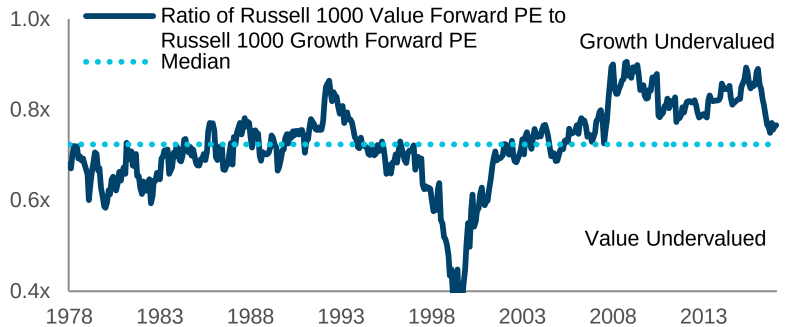
U.S. Growth vs. U.S. Value

As of December 31, 2017

We decreased our overweight to growth stocks following a period of outperformance and are now neutral growth stocks relative to value stocks. While we expect secular growth companies to continue to benefit in a low growth environment, valuations are less compelling and risk is concentrated.

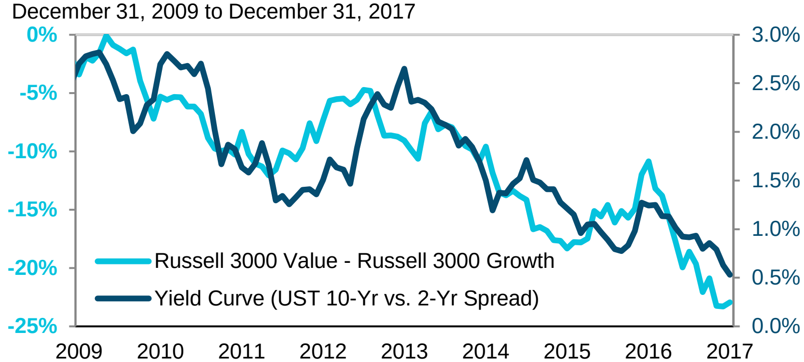
U.S. GROWTH VS. U.S. VALUE

Ratio of 12-Months Forward P/E Ratio
December 1, 1978–December 31, 2017



YIELD CURVE AND VALUE VS. GROWTH RETURNS

December 31, 2009 to December 31, 2017



Sectors and Weights	Russell 1000 Growth	Russell 1000 Value	Weight Difference
Discretionary	18.1%	6.8%	11.3%
Staples	6.8	8.6	-1.8
Energy	**0.9**	**11.0**	**-10.1**
Financials	**3.4**	**26.6**	**-23.2**
Health Care	12.8	13.5	-0.7
Industrials	12.8	8.4	4.4
IT	37.9	8.5	29.4
Materials	3.7	3.0	0.7
Real Estate	2.5	4.7	-2.2
Telecom.	1.0	3.0	-2.0
Utilities	0.0	5.9	-5.9
Total	100.0	100.0	0.0

- Growth stocks have significantly outperformed value for an extended period, led by a narrow group of tech and consumer-related companies, resulting in less compelling valuations and a concentrated risk profile.
- In addition to a near-term profit boost next year, tax reform could be more supportive for value stocks given their higher exposure to cyclical sectors, especially if tax changes spark a durable increase in economic growth and a steeper yield curve.

Sources: FactSet, Russell, Bureau of Economic Analysis, and T. Rowe Price.

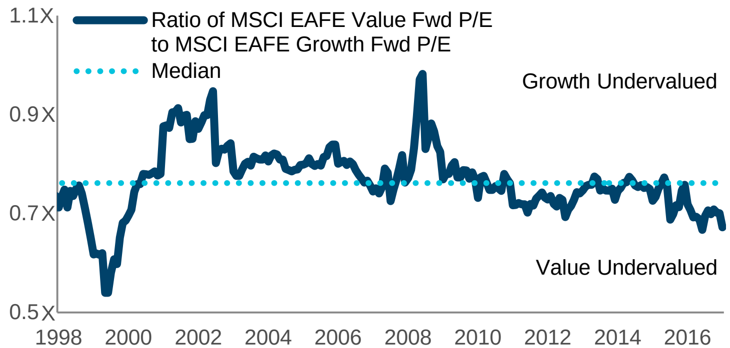
International Growth vs. International Value

As of December 31, 2017

We are overweight value stocks relative to growth stocks as cyclical sectors within growth are expensive relative to historical averages. Value-oriented stocks, should benefit from signs of more durable and synchronized economic growth, higher interest rates, and more stable commodity prices.

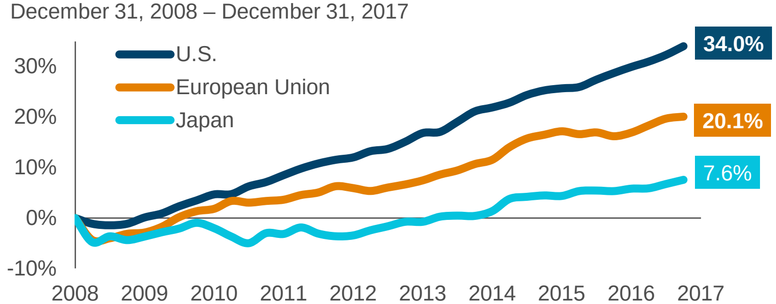
EAFE GROWTH VS. VALUE

Ratio of 12-Month Forward P/E (Price to Earnings) Ratios
December 31, 1998–December 31, 2017



CUMULATIVE GDP (GROSS DOMESTIC PRODUCT) GROWTH

December 31, 2008 – December 31, 2017



Sources: FactSet, MSCI, and T. Rowe Price.
MSCI index returns shown with gross dividends reinvested.

Sectors and Weights	MSCI EAFE Growth	MSCI EAFE Value	Weight Difference
Discretionary	13.5%	11.1%	2.4%
Staples	18.6	3.7	14.9
Energy	**1.5**	**9.2**	**-7.6**
Financials	**7.8**	**34.8**	**-27.0**
Health Care	13.4	6.8	6.6
Industrials	19.2	10.0	9.2
IT	11.2	1.7	9.5
Materials	10.1	6.2	3.9
Real Estate	2.0	5.1	-3.1
Telecom.	1.3	6.5	-5.2
Utilities	1.4	5.0	-3.6
Total	100.0	100.0	0.0

- In Europe and Japan, value stock valuations are modestly more attractive than growth stocks.
- The U.S. is further along in its economic expansion cycle than Europe and Japan, which is notable because value stocks tend to be more cyclical.
- Stability in energy prices and higher interest rates would be more beneficial to value stocks due to the higher weighting of energy and financials in value benchmarks.

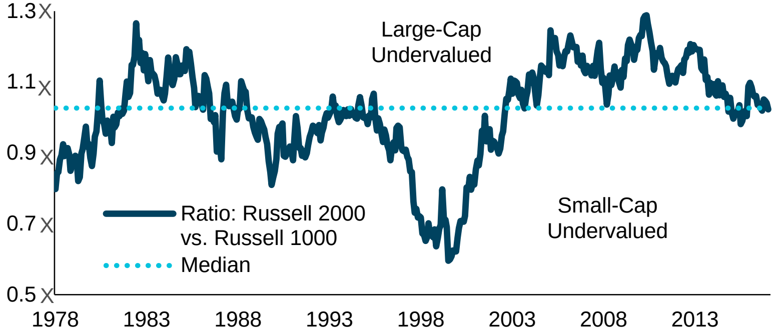
U.S. Large-Cap vs. U.S. Small-Cap

As of December 31, 2017

We increased our overweight to U.S. small-cap stocks relative to large-caps. Following a period of underperformance, relative valuations have moved in-line with history. Smaller cap companies could also receive a larger benefit from tax reform and are more levered to U.S. economic growth.

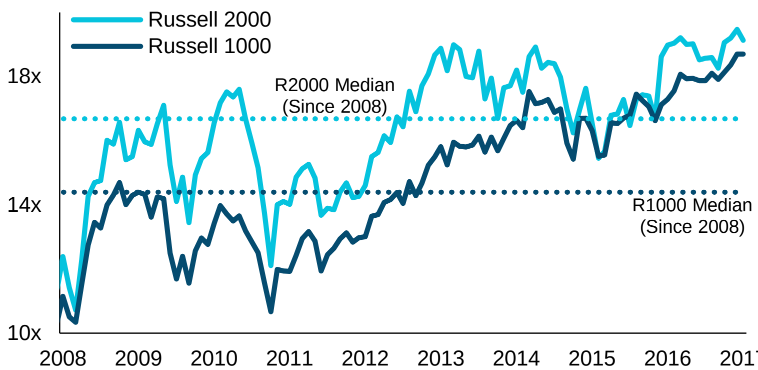
U.S. SMALL-CAP STOCKS VS U.S. LARGE-CAP STOCKS

Ratio of 12-Month Forward P/E (Price to Earnings) Ratio*
December 31, 1978–January 1, 2018



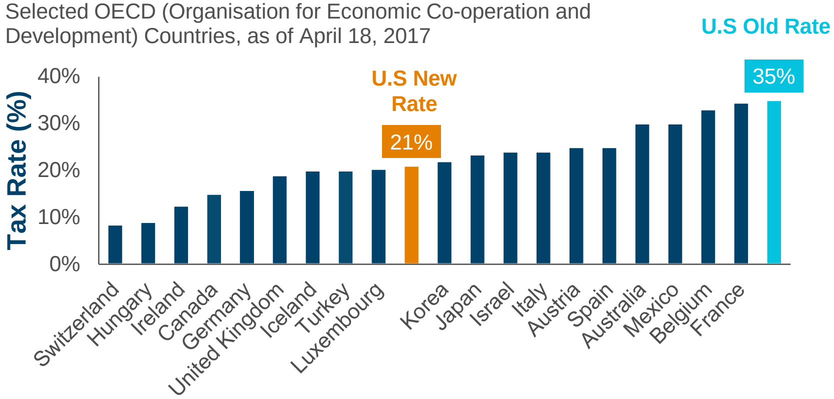
U.S. SMALL VS. LARGE ABSOLUTE VALUATIONS

12-Month Forward P/E Ratio*
December 1, 2008–December 1, 2017



CORPORATE INCOME TAX RATE

Selected OECD (Organisation for Economic Co-operation and Development) Countries, as of April 18, 2017



- Lower personal and corporate taxes should provide catalysts for small-caps to outperform given their higher sensitivity to the domestic economy and higher marginal tax rates.
- While large caps have outperformed, they have been narrowly led by a few technology and consumer-related companies.
- Recent underperformance by small-caps has brought relative valuations with large caps in-line with historical averages.
- While we see small caps as relatively more attractive than large caps, there is significant dispersion on a company by company basis among small caps. It is particularly important to have a selective approach in this area.

Sources: FactSet, Russell, Standard & Poor's, and T. Rowe Price. *Companies with negative earnings are excluded from the calculation.

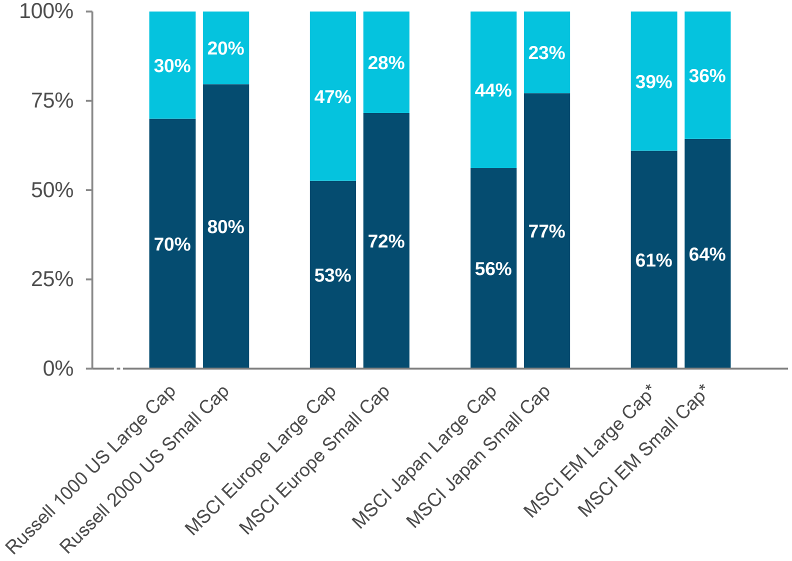
International Large-Cap vs. International Small-Cap

As of December 31, 2017

We are modestly overweight small-cap stocks as they provide select opportunities within domestic economies that are in earlier stages of recovery than the U.S.

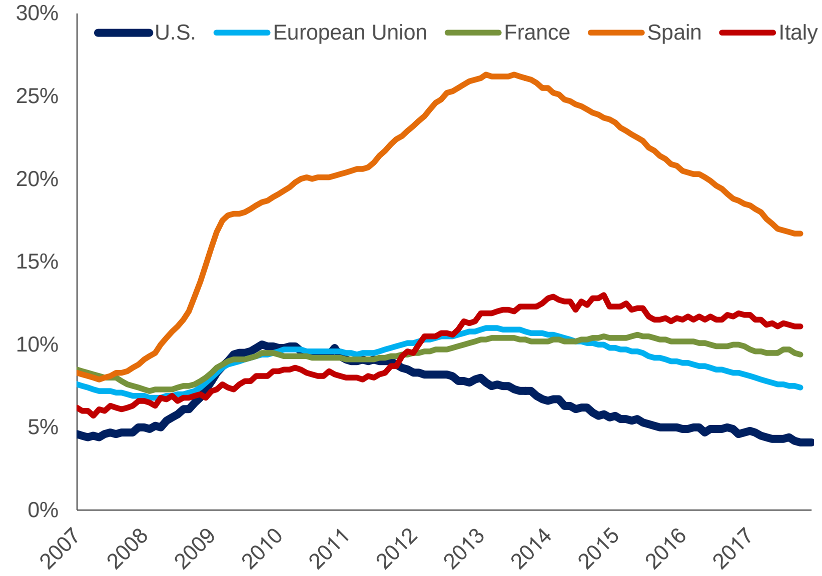
DOMESTIC VS. FOREIGN REVENUE EXPOSURE

As of December 31, 2017



UNEMPLOYMENT RATES

January 31, 2007 to December 31, 2017



- Economic growth in Europe is improving, borrowing costs are low, credit is expanding and employment is rising, which should be supportive for domestically-oriented, smaller companies.
- Monetary policy also remains a substantial force to support growth in Europe and Japan in contrast to the U.S. where the Fed has been tightening policy.

Sources: FactSet, MSCI, Russell, and T. Rowe Price.
MSCI index returns shown with gross dividends reinvested. *Revenue from other Emerging Markets

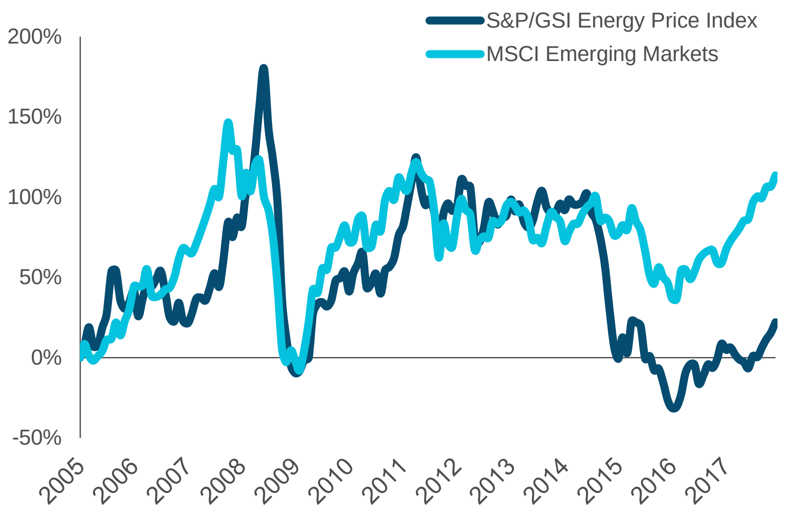
Emerging vs. Developed Markets Equity

As of December 31, 2017

We are neutral emerging markets stocks relative to developed market stocks. Emerging markets growth has improved, supported by stronger global trade and higher commodity prices. Lower inflation has also provided latitude for some emerging market central banks to be accommodative.

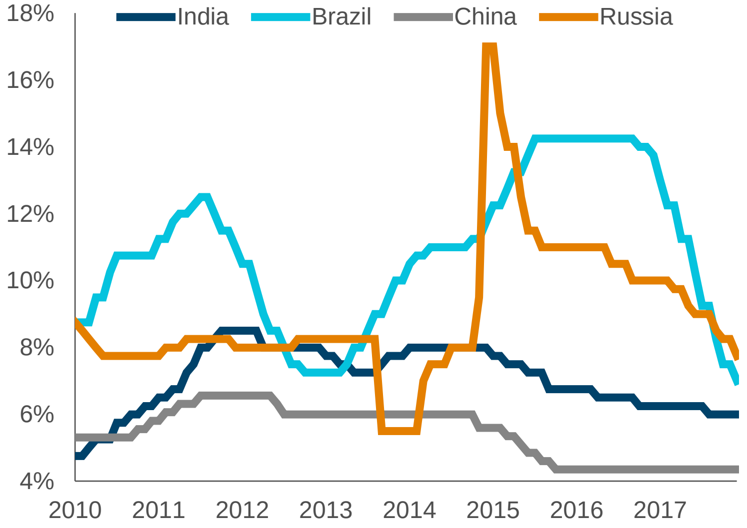
EM (EMERGING MARKETS) EQUITIES VS. ENERGY PRICES

Cumulative Performance, January 31, 2005 to December 31, 2017



CENTRAL BANK RATES

January 1, 2010 to December 31, 2017



- Emerging markets absolute valuations are lower than developed markets, but are expensive versus their historical averages and remain vulnerable to the pace of Chinese growth and increased political uncertainty.
- We expect Chinese growth to trend modestly lower, as President Xi Jinping's government emphasizes quality over quantity as they work to contain financial leverage and property speculation.
- While near-term concerns over protectionist trade policies, higher developed markets interest rates and a stronger U.S. dollar have receded, they remain credible threats to capital flows and stability.
- While a pull-back in commodity prices could also be a headwind, the composition of emerging markets has evolved with the development of an indigenous technology sector, lessening the sensitivity to energy and commodity prices.

Sources: FactSet, MSCI, GSCI and T. Rowe Price.

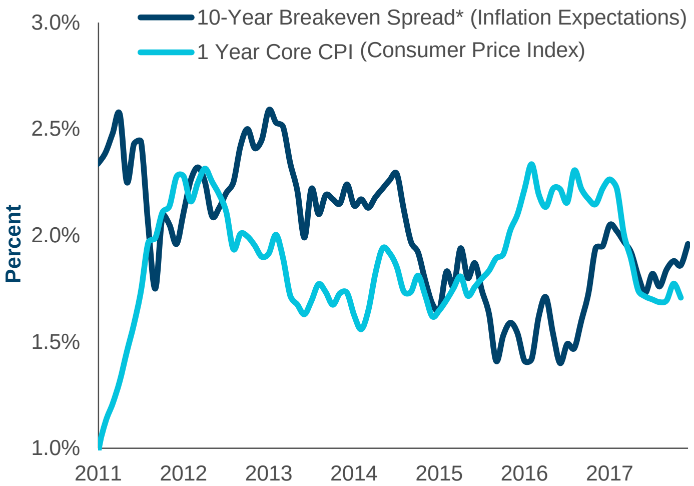
Global Equities vs. Real Assets Equities

As of December 31, 2017

We are underweight to real assets equities as we remain cautious on the prospects for energy and commodity prices, given continued concerns over supply and demand imbalances.

BREAKEVEN SPREADS* AND INFLATION

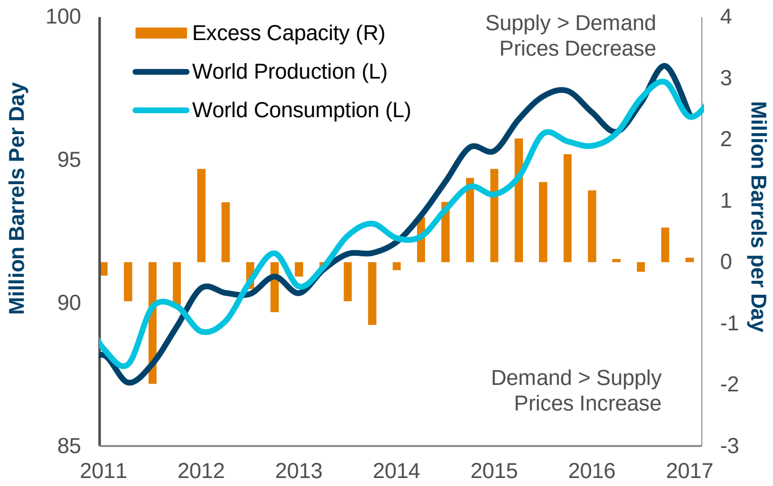
January 1, 2011–December 31, 2017



GLOBAL OIL DYNAMICS

Production vs. Consumption

March 1, 2011-April 1, 2017



- While the potential for U.S. infrastructure spending has increased, the impact on industrial-related commodities remains uncertain as to the probability, timing and scope of the spending.
- Despite OPEC's (Organization of Petroleum Exporting Countries) continued efforts to limit production, oil prices will likely be challenged by additional supply as U.S. producers respond to rising prices with increased production. U.S. shale producers have become a larger contributor to global oil supply and with their increased efficiency can now operate profitably at lower price levels.
- Fundamentals for developed market REITs (Real Estate Investment Trusts) remain positive, supported by improving economic environments and limited supply. While REITs remain sensitive to rising interest rates, they should be supported near-term if U.S. rate increases proceed at a modest pace.

*Difference between 10-year nominal Treasury yield and 10-year Treasury inflation protected securities (TIPS) yield.

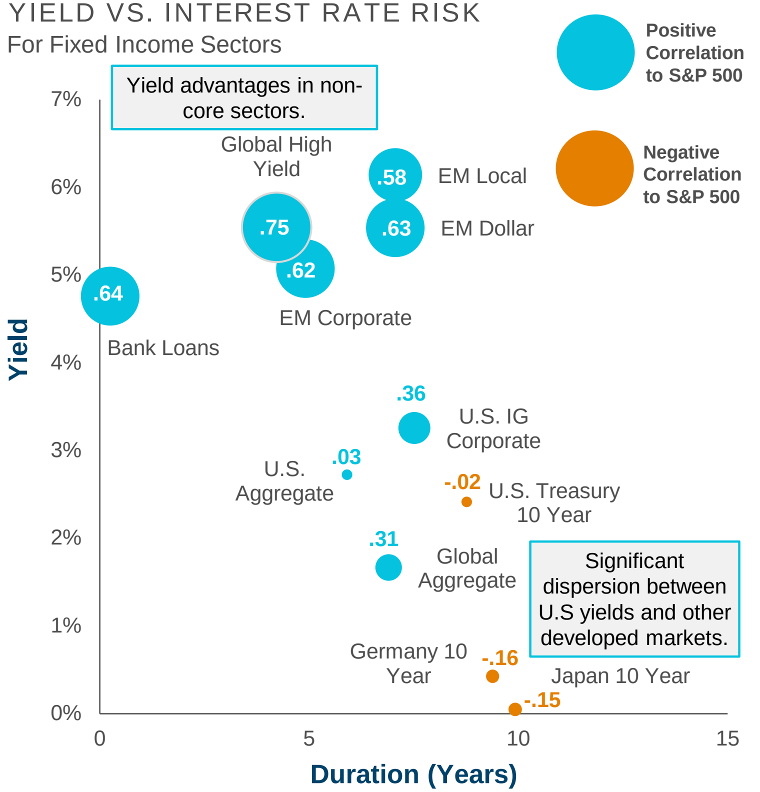
Sources: FactSet, Energy Information Agency, Haver Analytics, and T. Rowe Price.

Global Fixed Income

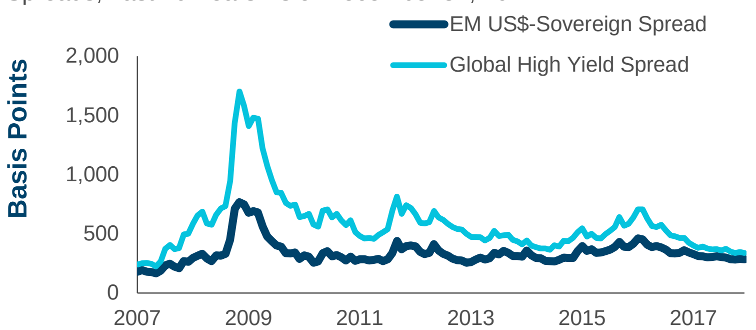
As of December 31, 2017

Developed market sovereign yields remain at very low levels, driven by aggressive QE (Quantitative Easing) measures. EM (Emerging Markets) and high yield credit sectors offer more attractive yield and lower duration—however, credit spreads are very tight relative to history as yield-hungry investors have bid up prices in these sectors.

YIELD VS. INTEREST RATE RISK
For Fixed Income Sectors



HIGH YIELD AND EMERGING MARKETS
Spreads, Last 10 Years As of December 31, 2017



Yields, Last 10 Years As of December 31, 2017

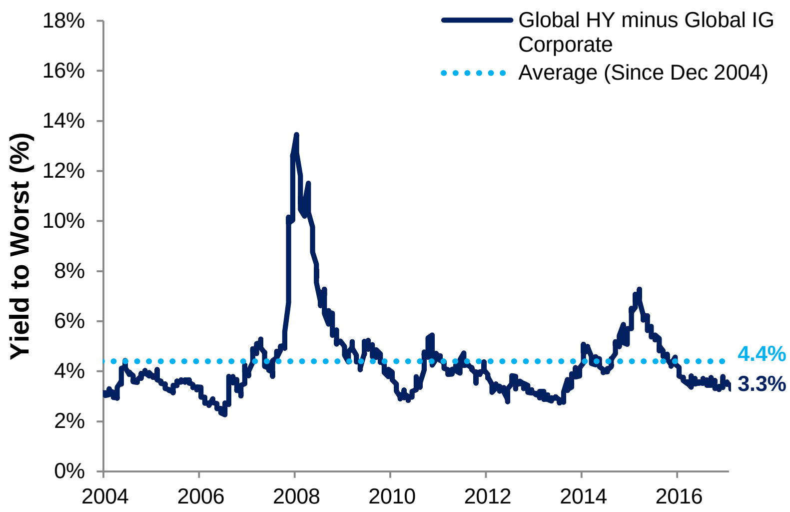
Sources: JP Morgan, S&P/LSTA, and T. Rowe Price. Bloomberg Barclays **Correlation is based on the past 10 years of monthly returns.**
Indices used: Global High Yield = Bloomberg Barclays Global High Yield; EM Local = JP Morgan GBI-EM Global Diversified; EM Dollar = JP Morgan EMBI Global; EM Corporate = JP Morgan CEMBI Broad Diversified; Bank Loans = S&P/LSTA U.S. Leveraged Loan; U.S. IG Corporate = Bloomberg Barclays U.S. Investment Grade Corporate; U.S. Aggregate = Bloomberg Barclays U.S. Aggregate; Global Aggregate = Bloomberg Barclays Global Aggregate; U.S. Treasury 10 Year, Germany 10 Year, and Japan 10 Year are based on benchmark government bonds

U.S High Yield vs. U.S. Investment Grade

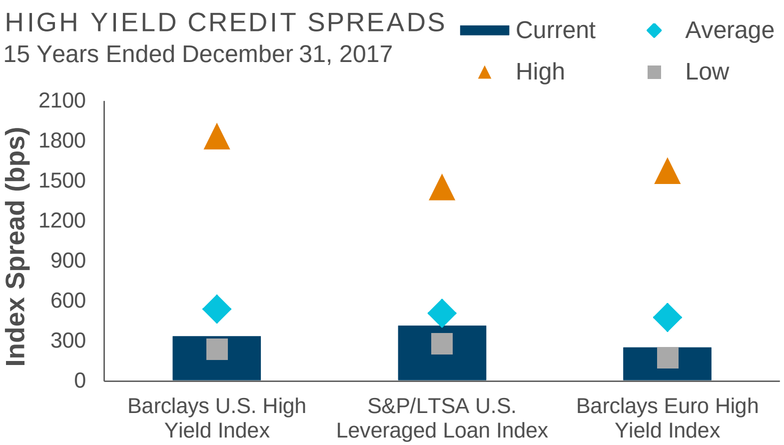
As of December 31, 2017

We remain underweight to high yield bonds relative to U.S. investment grade bonds as valuations are trending above historical averages following strong high yield sector performance. With HY (high yield) spreads currently at low levels, the risk/reward profile is unfavorable.

HIGH YIELD VS. INVESTMENT GRADE (IG) CORPORATE YIELDS
December 31, 2004 to December 31, 2017



HIGH YIELD CREDIT SPREADS
15 Years Ended December 31, 2017



	Global High Yield	Global Investment Grade Corporate
Current Option Adjusted Spread (bps)	**375**	**94**
Current YTW (Yield to Worst) (%)	**5.9**	**2.6**
Duration (Years)	**3.5**	**6.7**

- While high yield bonds continue to have a yield advantage over investment grade bonds, current valuations provide less downside risk management to a potential rise in market-event risk or sector specific risk, such as energy.
- Although the credit cycle is likely in its later stages, high yield corporate fundamentals remain broadly positive with low default expectations. The impact of tax policy on high yield is mixed as limits on interest deductibility could be a headwind, while less supply could provide support.

Sources: Factset, Bloomberg Barclays, JP Morgan, Russell and T. Rowe Price.
Spread and yield data based on J.P. Morgan Global High Yield and Bloomberg Barclays Global Aggregate Corporate Bond Indices. Default rates based on J.P. Morgan high yield universe.

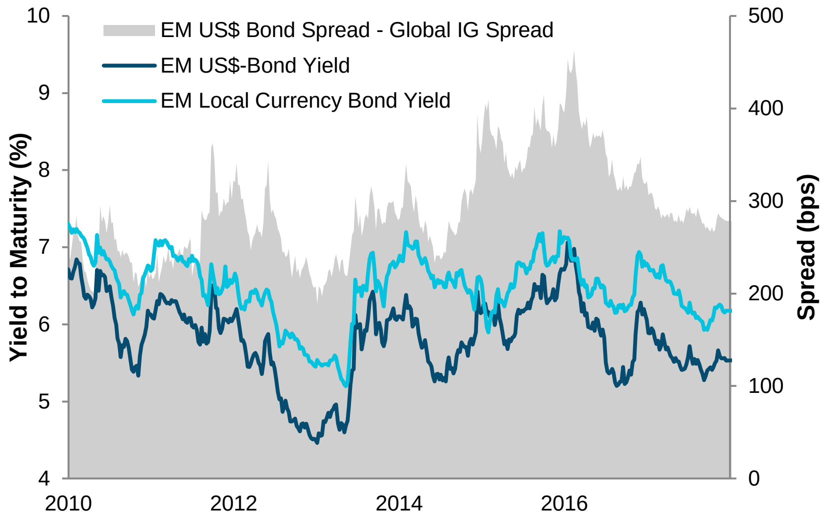
Emerging Markets (EM) Debt vs. U.S. Investment Grade

As of December 31, 2017

We moved to an underweight emerging markets bonds relative to U.S. investment grade bonds as valuations for emerging markets bonds have become less compelling. Emerging markets bonds face increased risks within several key countries, including Turkey, South Africa, Mexico and Brazil.

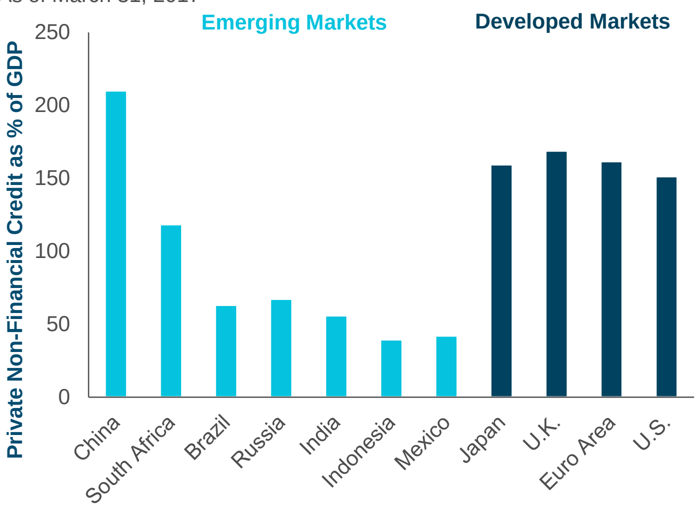
EM YIELDS & SPREADS

January 1, 2010 to December 31, 2017



CORPORATE DEBT TO GDP (GROSS DOMESTIC PRODUCT)

As of March 31, 2017



- While emerging market economies benefitted from the rise in commodity prices, concerns remain about the potential impacts of protectionist trade policies, higher developed market interest rates and a stronger U.S. dollar.
- Considerable disparity still exists amongst emerging markets countries in their fiscal positions, exposure to commodity prices, political stability and progress toward reforms. The flexibility for emerging markets countries to use fiscal and monetary policy to offset weak growth or defend their currencies varies.
- Political uncertainty in emerging markets is elevated with numerous elections upcoming in 2018.

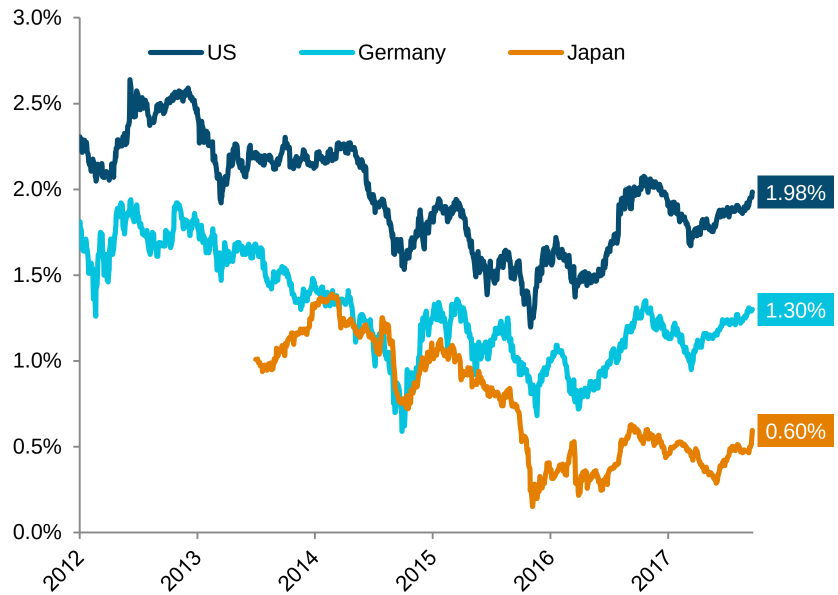
Sources: JP Morgan, [IMF] Haver Analytics, Bank for International Settlements, and T. Rowe Price.
Indices used: US$-Bond = JP Morgan EMBI Global Index; Local Currency Bond = JP GBI – EM Global Diversified Composite

Non-Dollar Bonds vs. U.S. Investment Grade

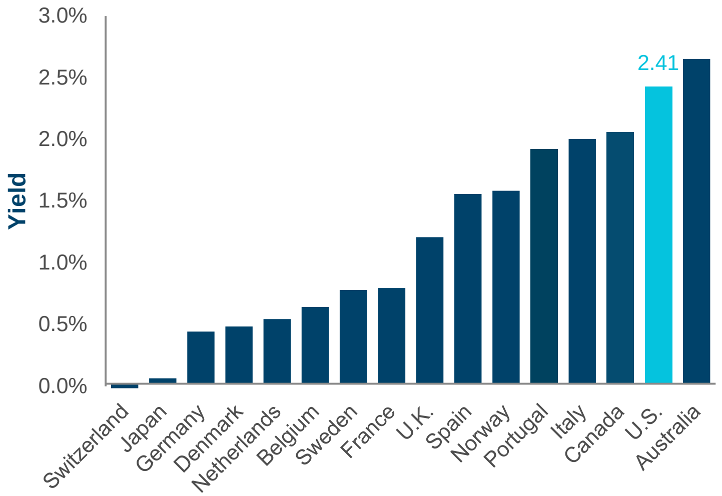
As of December 31, 2017

We increased our underweight to Developed Market ex-USD bonds relative to U.S. investment grade bonds as bond yields and extended duration profiles outside the U.S. continue to offer an unattractive risk-to-return trade-off.

10 YEAR INFLATION EXPECTATIONS
(TIPS Breakeven Rates) As of December 31, 2017



10-YEAR SOVEREIGN YIELDS (%)
As of December 31, 2017



As of 12/31/17	Duration (years)	Yield to Maturity
US Aggregate	6.0	2.7
Global Aggregate ex-USD	7.8	0.8

- After declining for much of last year against major developed and emerging market currencies, the U.S. dollar may find support as the Fed advances on its path to tighter policy and unwinds its balance sheet.
- Economic growth is improving in Europe and the ECB (European Central Bank) is taking initial steps to begin tapering its asset purchases, which could put upward pressure on European yields, but also provide support for the euro.
- Inflation expected to increase globally in 2018, which could put upward pressure on yield and accelerate central bank tightening.

Sources: [IMF] Haver Analytics, Bloomberg Barclays, JP Morgan, and T. Rowe Price.

Important Information

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There are inherent risks associated with investing in the stock market, including possible loss of principal, and investors must be willing to accept them. The stocks of larger companies generally have lower risk and potential return than the stocks of smaller companies. Since small companies often have limited product lines, markets, or financial resources, investing in them involves more risk than investments primarily in large, established companies. The value approach carries the risk that a stock judged to be undervalued is actually appropriately priced. International investing involves unique risks, including currency fluctuation. Bond yields and prices will vary with interest rate changes. Investors should note that if interest rates rise significantly from current levels, bond fund total returns will decline and may even turn negative in the short term. High yield, lower-rated bonds generally involve greater risk to principal than investments in higher-rated securities.

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International Monetary Fund/Haver Analytics.

Performance Statistics Glossary

Core Consumer Pricing Index (CPI): A method for measuring core inflation. It is the consumer price index (CPI) excluding energy and food prices. There are many other methods for calculating core inflation, but this is the most popular measurement. This method has become the most widely used because food and energy prices can be very volatile, and this wide amount of movement would unfairly bias the measure of inflation.

Credit Spread: The difference in yield between two bonds of similar maturity but different credit quality.

Equity Risk Premium: the additional return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds.

Earnings Per Share (EPS): Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

Gross domestic product (GDP): Gross domestic product is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Yield To Maturity (YTM): Yield to maturity is the total return anticipated on a bond if the bond is held until the end of its lifetime. Yield to maturity is considered a long-term bond yield, but is expressed as an annual rate.

Yield to Worst (YTW): the minimum potential yield that can be received on a bond without the issuer actually defaulting

Yield: The yield is the income return on an investment, such as the interest or dividends received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value or face value.

MSCI ACWI (All Country World Index): Represents the Modern Index Strategy and captures all sources of equity returns for 23 developed and 24 emerging markets.

MSCI EAFE Index: is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

Purchasing Managers' Index: is an indicator of the economic health of the manufacturing sector based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Price/Earnings(P/E) Ratio: The price-to-earnings ratio shows the "multiple" of earnings at which a stock is selling. The P/E ratio is calculated by dividing a stock's current price by its current earnings per share. A high multiple means that investors are optimistic about future growth and have bid up the stock's price.

Price-to-Earnings Ratio (12 Months Forward): P/E is a valuation measure calculated by dividing the price of a stock by the analysts' forecast of the next 12 months expected earnings. The ratio is a measure of how much investors are willing to pay for the company's future earnings. The higher the P/E, the more investors are paying for a company's earnings growth in the next 12 months.

Performance Statistics Glossary

Russell 1000 Value Index: measure the performance of those Russell 1000 companies with lower price/book ratios and lower forecasted growth values. You cannot invest directly in an index.

Russell 1000 Growth Index: measures the performance of those Russell 1000 companies with higher price/book ratios and higher forecasted growth values. You cannot invest directly in an index.

Russell 3000 Value Index: measures the performance of those Russell 3000® Index companies with lower price/book ratios and lower forecasted growth values. You cannot invest directly in an index.

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