T. Rowe Price

ASSET ALLOCATION VIEWPOINTS AND GLOBAL INVESTMENT ENVIRONMENT

Q1 2018

Q1 2018 Global Environment

As of March 31, 2018

MAJOR MARKET THEMES	Global Growth Momentum Peaking	Global Earnings Strength	Extended Equity Valuations	Higher Volatility
	Higher U.S. Interest Rates and Inflation	Monetary Stimulus Fading	Impacts of U.S. Tax Reform	Impacts of Disruptive Technology
KEY MARKET RISKS	Trade Wars / Rising Geopolitical Tensions	Acceleration in Inflation / Rates	Sharp Increase in Volatility	Increase in Regulation of Technology Companies
	Monetary Policy Missteps / Fed Overshoot	Earnings Disappointment	Rising Political Risk in Emerging Markets	Sustainability of Commodity Prices

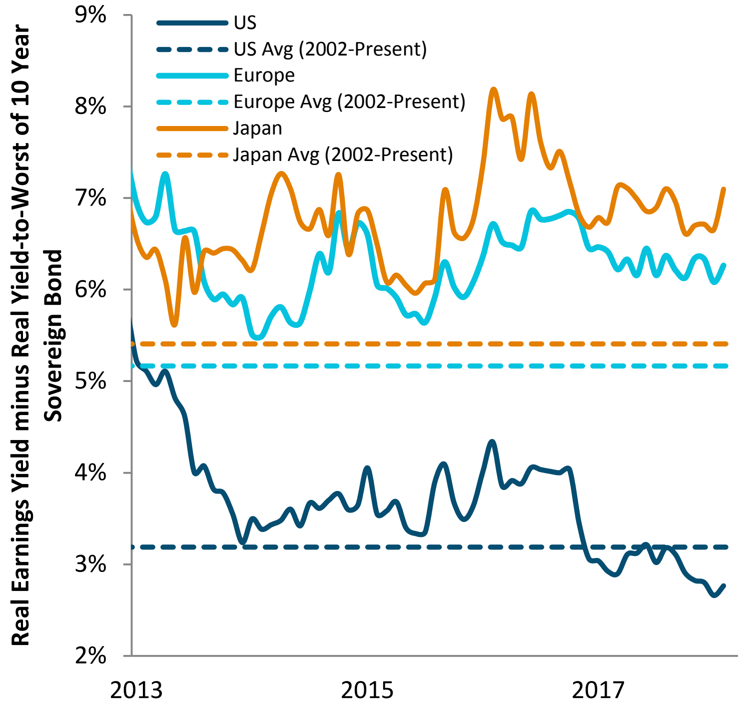
Stocks vs. Bonds

As of March 31, 2018

We increased our underweight to equities as valuations remain elevated against a backdrop of increasing risks from higher inflation, rates and volatility. Improving economic growth and earnings environment provide support, but appear fully reflected in valuations and vulnerable to disappointment.

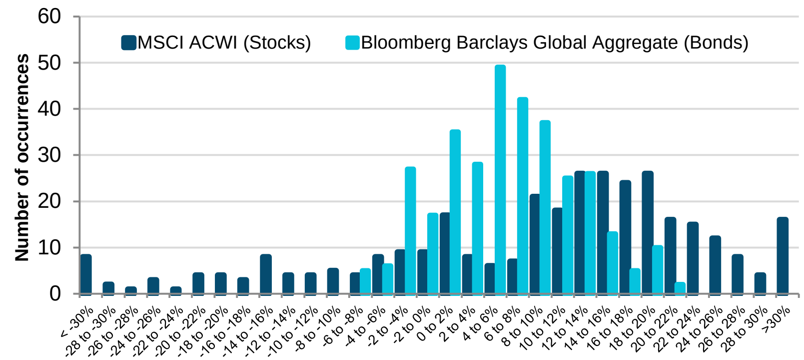
EQUITY RISK PREMIUMS

January 1, 2013 to March 31, 2018



Equity risk premium is a comparison of equity yields to fixed income yields. Equity typically receives higher yield due to higher volatility of returns, this chart shows how much of a premium it is currently receiving based on earnings yield vs. 10 government bond yield.

PERFORMANCE DISPERSION, STOCKS VS. BONDS



Rolling 1 Year Returns, Monthly Observations, January 31 , 1990 to March 31, 2018

Valuations are elevated across asset classes, leaving risk skewed to the downside. Fixed income typically offers less downside risk in periods of market stress.

- Broad global growth improvement is likely near the cyclical peak as key developed markets are expanding above potential. U.S. economic activity has been boosted by late-cycle fiscal spending, tax cuts and deregulation but growth will likely peak in 2018 as fiscal stimulus benefits fade amidst modestly increasing inflation and a tight labor market.
- While fundamentals remain broadly supportive, tightening financial conditions, higher interest rates, and protectionist trade policies could be headwinds.

Sources: FactSet, MSCI, and Standard & Poor's. Data analysis by T. Rowe Price. US is represented by S&P 500, Europe is represented by MSCI Europe, and Japan is represented by MSCI Japan.

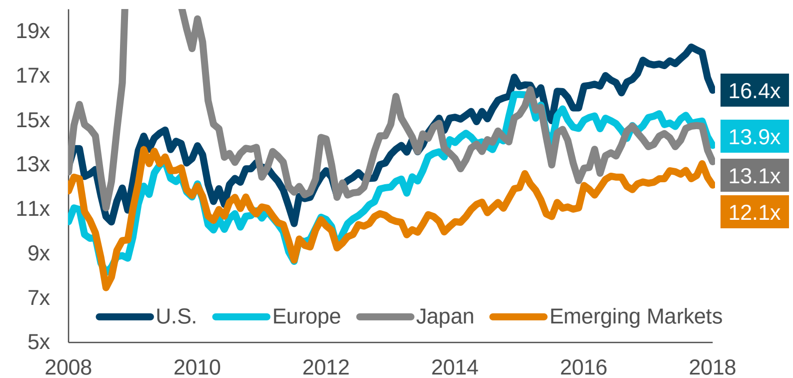
Regional Equity Positioning

As of March 31, 2018

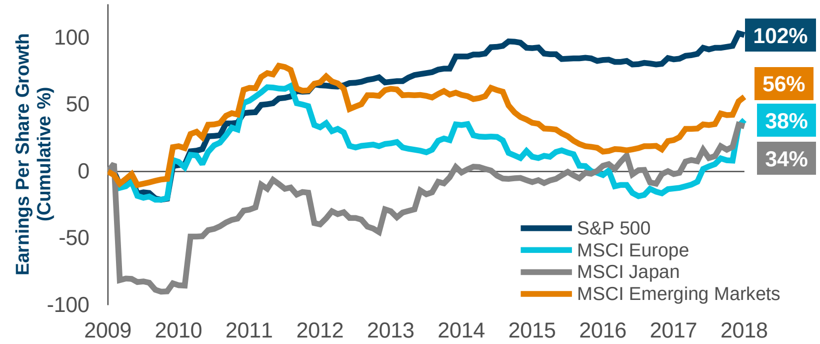
We remain overweight Global ex- U.S. stocks based on improvement in economic fundamentals, diminished political risk, and upside potential to corporate earnings relative to the U.S., notably within Europe.

PRICE-TO-EARNINGS

Next 12-Months, March 31, 2008 – March 31, 2018

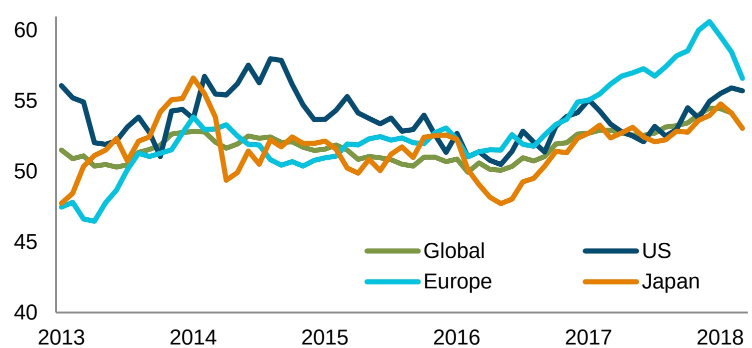


TRAILING EPS (EARNINGS PER SHARE) GROWTH BY REGION **March 31, 2009 – March 31, 2018**



GLOBAL PMI's (PURCHASING MANAGERS INDEX)

January 1, 2013 – March 31, 2018



- Major international developed market countries are in earlier stages of the economic cycle than the U.S. and still remain supported by aggressive quantitative easing measures and relatively more attractive valuations.
- European markets offer relatively more attractive valuations, improved growth backdrop, and higher potential earnings upside.
- Japanese equity valuations are attractive and economic growth is showing signs of stabilization.
- Emerging markets growth has improved and should benefit from strong global trade, although they remain vulnerable to the potential for protectionist trade policies and dependence on Chinese growth.

Sources: FactSet, [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.

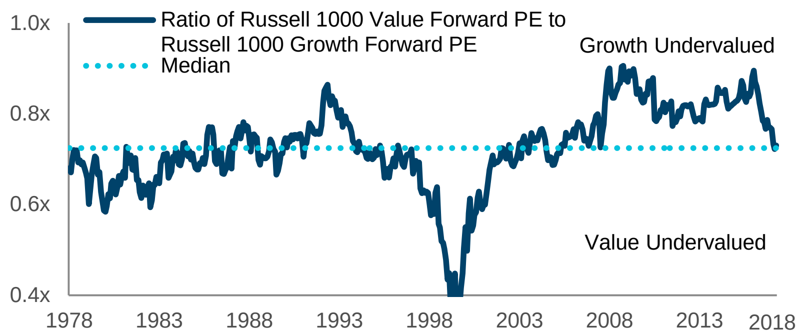
U.S. Growth vs. U.S. Value

As of March 31, 2018

We remain neutral to 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 as growth stocks have significantly outperformed value, led by a narrow group of tech-related companies.

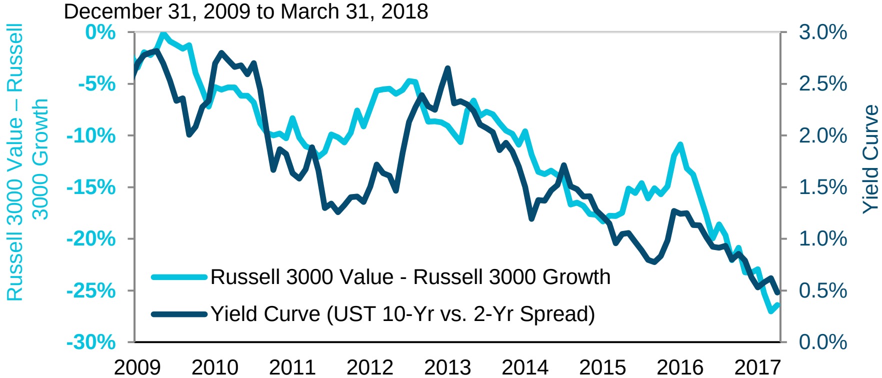
U.S. GROWTH VS. U.S. VALUE

Ratio of 12-Months Forward P/E (Price to Earnings) Ratio
December 1, 1978–March 28, 2018



YIELD CURVE AND GROWTH VS. VALUE RETURNS

December 31, 2009 to March 31, 2018



Sources: FactSet, Russell, Bureau of Economic Analysis, data analysis by T. Rowe Price.

Sectors and Weights	Russell 1000 Growth	Russell 1000 Value	Weight Difference
Discretionary	18.6%	6.8%	11.9%
Staples	6.4	8.1	-1.7
Energy	0.8	10.7	-9.9
Financials	3.5	27.1	-23.6
Health Care	12.5	13.6	-1.1
Industrials	12.7	8.2	4.5
IT	38.7	9.3	29.4
Materials	3.5	2.9	0.6
Real Estate	2.4	4.6	-2.2
Telecom.	0.9	2.9	-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-related companies, resulting in less compelling valuations and a concentrated risk profile—as evident in the recent sell-off.
- Tax reform could be more supportive for value stocks given their higher exposure to cyclical sectors, if tax changes translate to a durable expansion in economic growth and/or higher interest rates.

Past Performance is not indicative of future results.

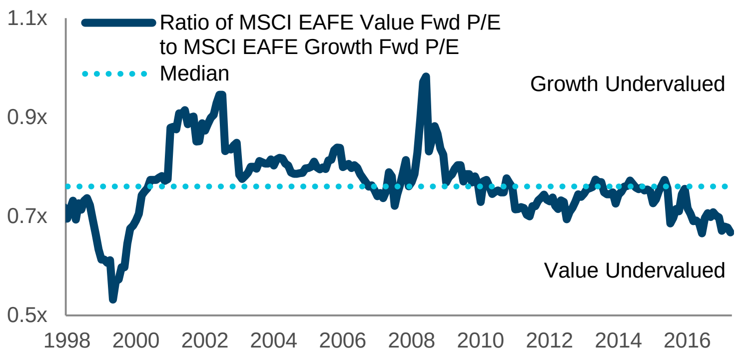
International Growth vs. International Value

As of March 31, 2018

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.

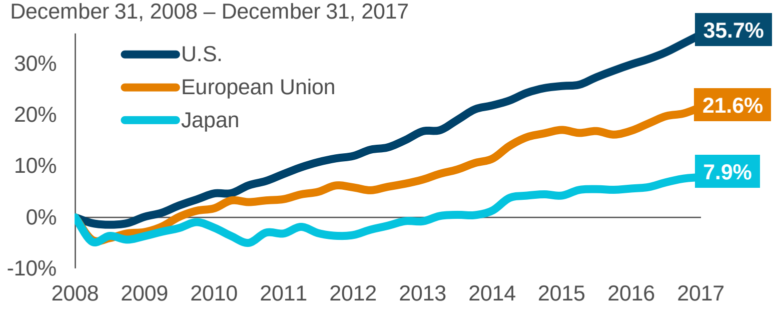
MSCI EAFE GROWTH VS. VALUE

Ratio of 12-Month Forward P/E (Price to Earnings) Ratios
December 31, 1998–March 28, 2018



CUMULATIVE GDP (GROSS DOMESTIC PRODUCT) GROWTH

December 31, 2008 – December 31, 2017



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

Sectors and Weights	MSCI EAFE Growth	MSCI EAFE Value	Weight Difference
Discretionary	13.8%	11.4%	2.4%
Staples	18.4	3.5	14.9
Energy	1.5	9.2	-7.8
Financials	7.9	34.5	-26.6
Health Care	13.3	6.9	6.4
Industrials	19.1	10.0	9.1
IT	11.5	1.5	10.0
Materials	9.9	6.1	3.8
Real Estate	1.9	5.2	-3.2
Telecom.	1.2	6.5	-5.2
Utilities	1.4	5.2	-3.8
Total	100.0	100.0	0.0

- In Europe and Japan, value stock valuations are modestly more attractive than growth stocks.
- Value stocks tend to outperform earlier in the business cycle. Growth in both Europe and Japan has been strong and monetary policy remains supportive.
- 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.

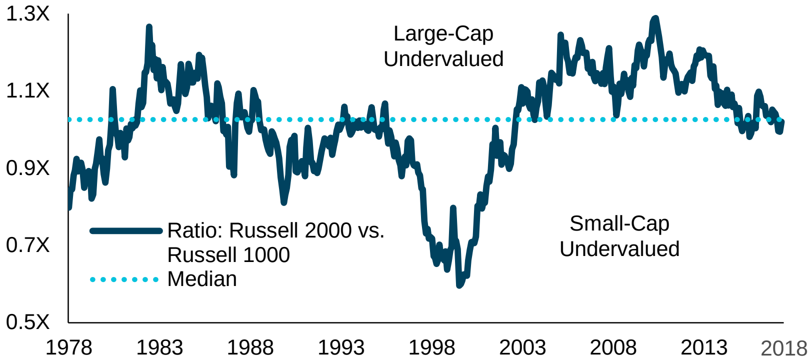
U.S. Large-Cap vs. U.S. Small-Cap

As of March 31, 2018

We further increased our overweight to U.S. small-cap stocks based on attractive relative valuations to history versus large-caps, potential benefits from lower corporate tax rates, and less exposure to trade policy risks.

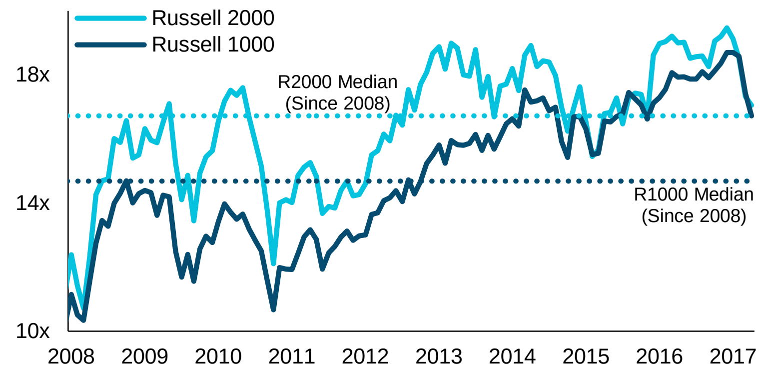
U.S. SMALL-CAP STOCKS VS U.S. LARGE-CAP STOCKS

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

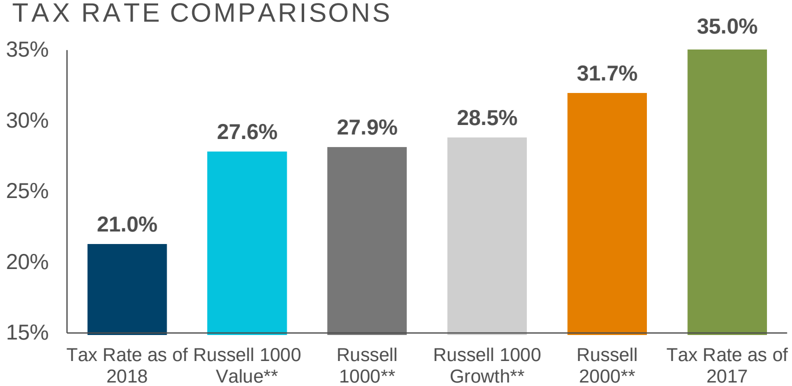


U.S. SMALL VS. LARGE ABSOLUTE VALUATIONS

12-Month Forward P/E Ratio*
December 1, 2008–March 31, 2018



TAX RATE COMPARISONS



- 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.
- Small-cap stocks are also less vulnerable to trade policy, and could benefit from tax policy related capex spending and a pickup in mergers and acquisitions.
- 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 and Russell. Data analysis by T. Rowe Price.
*Companies with negative earnings are excluded from the calculation.
**Based on the average tax paid over the fiscal years 2014-2016, excludes any company paying more than 100% or less than 0%

Past Performance is not indicative of future results.

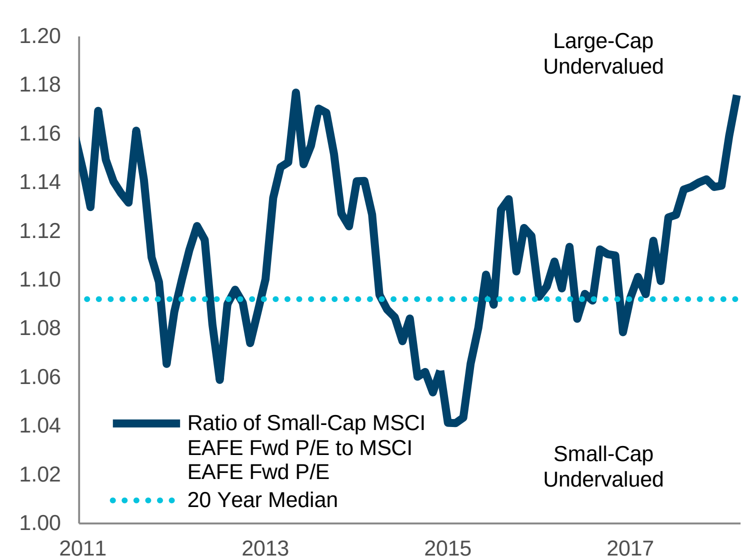
International Large-Cap vs. International Small-Cap

As of March 31, 2018

We initiated an underweight to Global ex-U.S. small-caps stocks, as relative valuations are less compelling. Global ex-U.S. small-caps may offer higher leverage to improving domestic growth trends, but are also more susceptible to shifts in sentiment and liquidity.

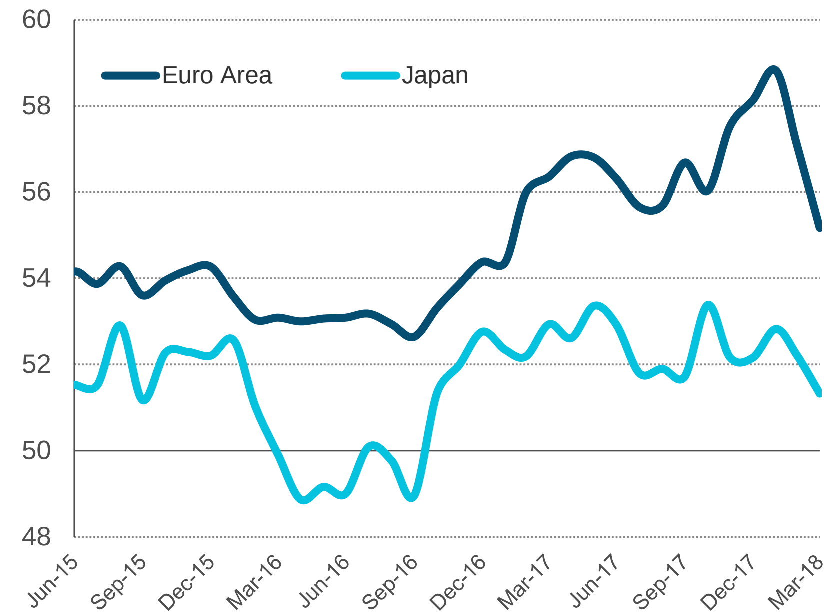
MSCI EAFE SMALL-CAP VS. EAFE LARGE-CAP

Ratio of 12-Month Forward P/E (Price to Earnings) Ratios
January 1, 2011–March 1, 2018



GLOBAL PMI'S (PURCHASING MANAGER'S INDEX)

June 30, 2015 to March 31, 2018



Above 50 is considered expanding while below 50 is considered contracting.

- Relative valuations are more challenging for small-caps after a sharp rally in 2017.
- Economic growth in Europe and Japan has been very strong, but may have peaked.

Sources: FactSet, MSCI, [Markit] Haver Analytics. Data analysis by T. Rowe Price.

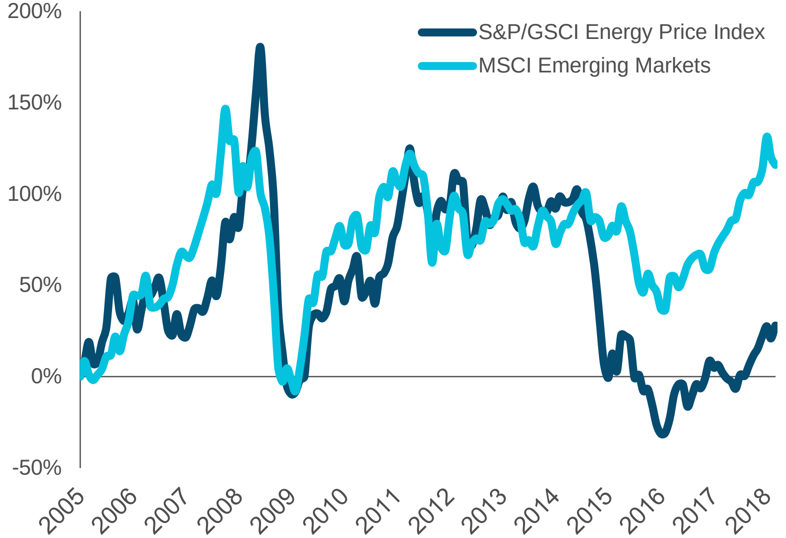
Emerging vs. Developed Markets Equity

As of March 31, 2018

We are neutral emerging markets (EM) stocks relative to developed market stocks. Emerging markets growth has improved with support from strong global trade, stable commodity prices, and strength among technology companies. However, rising trade tensions and idiosyncratic risks remain concerning.

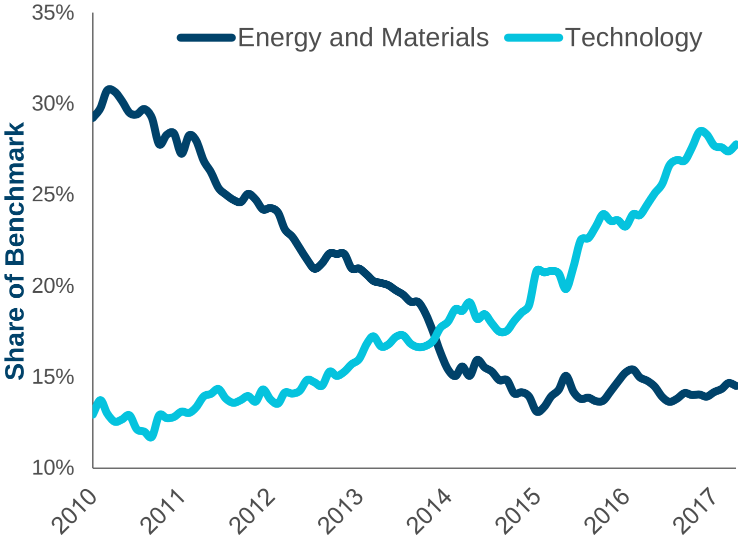
EM EQUITIES VS. ENERGY PRICES

Cumulative Performance, January 31, 2005 to March 31, 2018



MSCI EM SECTOR WEIGHTS

December 31, 2010 to March 31, 2018



- While emerging markets absolute valuations are lower than developed markets, they are expensive versus their historical averages and remain vulnerable to the pace of Chinese growth, increased political uncertainty and protectionist trade policies.
- 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 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 and MSCI. Data analysis by T. Rowe Price.

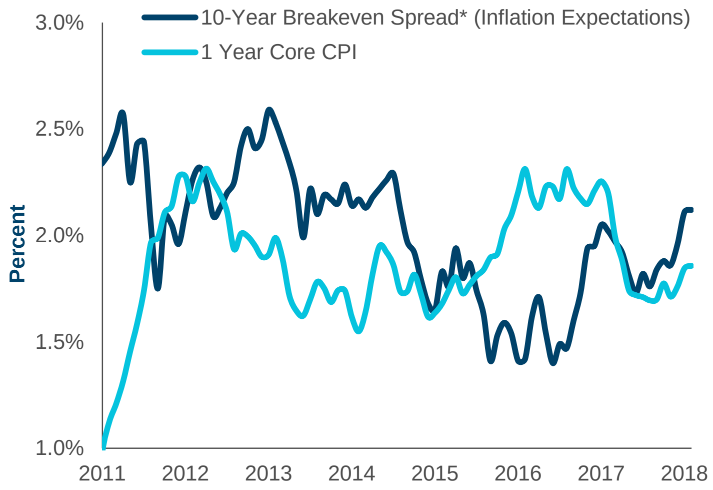
Global Equities vs. Real Assets Equities

As of March 31, 2018

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

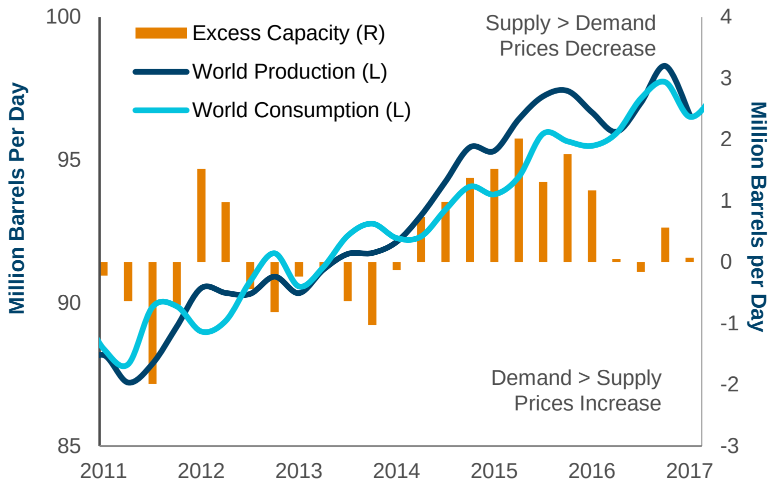
January 1, 2011– February 28, 2018



GLOBAL OIL DYNAMICS

Production vs. Consumption

March 1, 2011 – December 31, 2017



- 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.
- Industrial-related commodity prices are likely to remain under pressure from fading Chinese demand.
- Fundamentals for developed market REITs (Real Estate Investment Trusts) remain positive, supported by improving economic environment. While REITs remain sensitive to rising interest rates, they should be supported near-term if U.S. rate increases proceed at a modest pace. Valuations are also attractive after recent sell-off.

*Difference between 10-year nominal Treasury yield and 10-year Treasury inflation protected securities (TIPS) yield.
Sources: FactSet, Energy Information Agency, and [Bureau of Labor Statistics] Haver Analytics. Data analysis by T. Rowe Price.

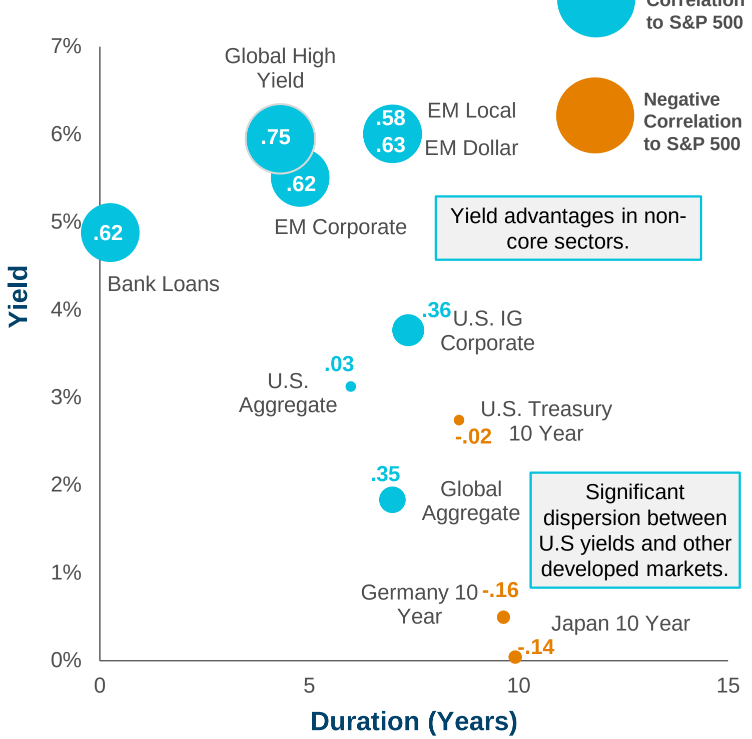
Global Fixed Income

As of March 31, 2018

Developed market sovereign yields remain at very low levels, driven by aggressive QE (Quantitative Easing) measures. EM (Emerging Market) and high yield credit sectors offer more attractive yield and lower duration—however, credit spreads are tight relative to history.

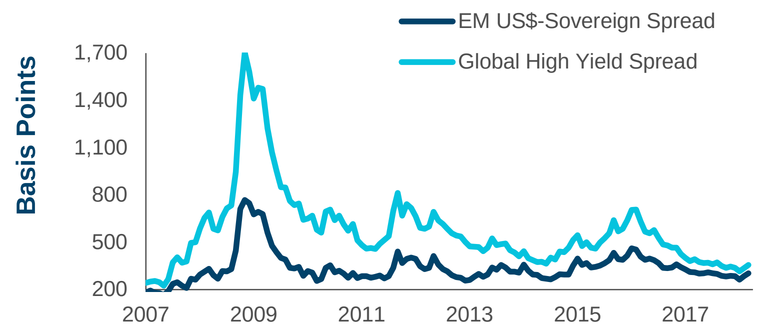
YIELD VS. INTEREST RATE RISK

For Fixed Income Sectors



HIGH YIELD AND EM SPREADS

Last 10 Years as of March 31, 2018



EM LOCAL YIELDS, LAST 10 YEARS

Last 10 years as of March 31, 2018

Sources: JP Morgan, S&P/LSTA, and Bloomberg Barclays. Data analysis by T. Rowe Price.   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

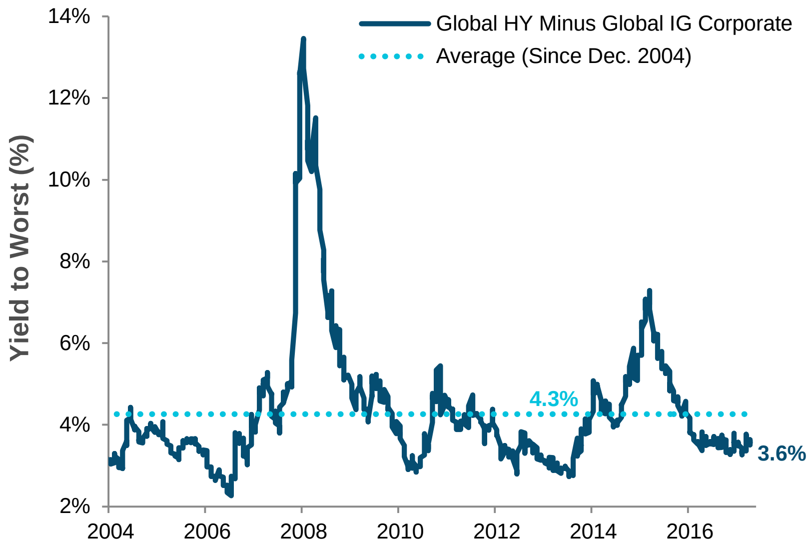
U.S High Yield vs. U.S. Investment Grade

As of March 31, 2018

We remain underweight to high yield (HY) bonds relative to U.S. investment grade bonds as valuations are trending well above historical averages. At the current prices, high yield offers limited opportunity for price appreciation and may be vulnerable to rising market volatility.

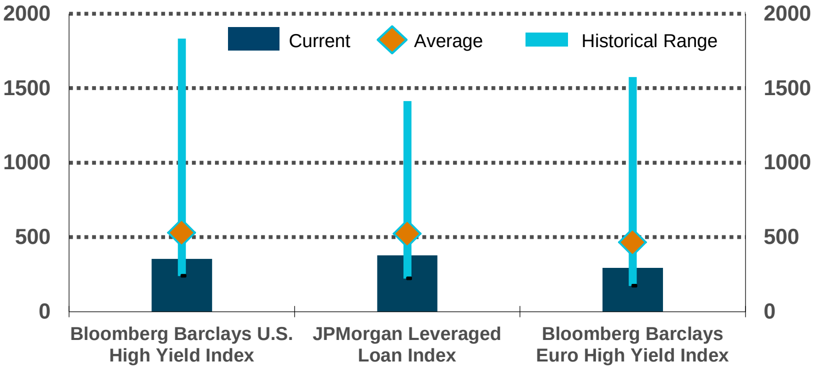
HIGH YIELD VS. INVESTMENT GRADE YIELDS

December 31, 2004 to April 1, 2018



HIGH YIELD CREDIT SPREADS

Last 15 Years as of March 31, 2018



	Global High Yield	Global Investment Grade Corporate
Current Option Adjusted Spread [1](bps)	358	107
Current Yield to Worst (%)	5.7	2.9
Duration (Years)	4.4	6.6

- While high yield bonds continue to have a yield advantage over investment grade bonds, current valuations provide less downside risk protection against 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 (especially among highly leveraged companies), while less supply could provide support.

[1]**Option-Adjusted Spread**: Measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.
Sources: Factset, Bloomberg Barclays, JP Morgan. Data analysis by T. Rowe Price.
Spread and yield data based on J.P. Morgan Global High Yield and Bloomberg Barclays Global Aggregate Corporate Bond Indices.

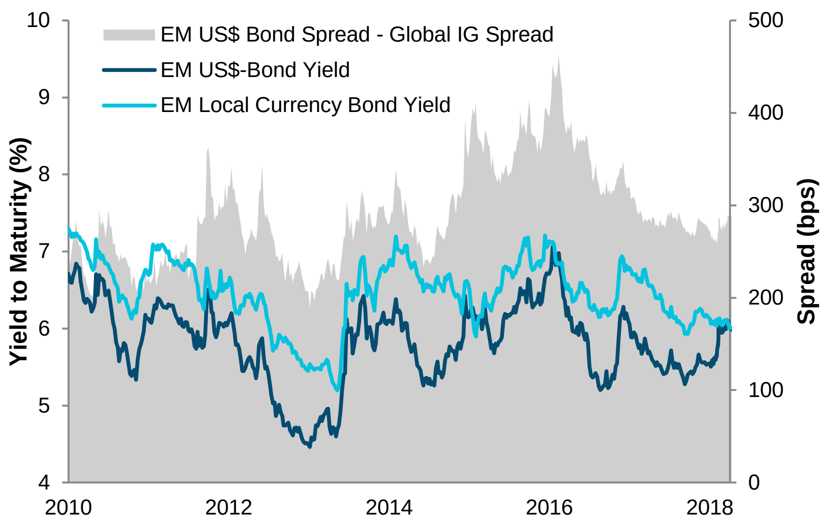
Emerging Markets (EM) Debt vs. U.S. Investment Grade

As of March 31, 2018

We remain underweight emerging markets bonds relative to U.S. investment grade bonds as valuations for emerging markets bonds have become less compelling following the risk-on rally. Emerging markets bonds face increased idiosyncratic risks and political uncertainty within several key countries.

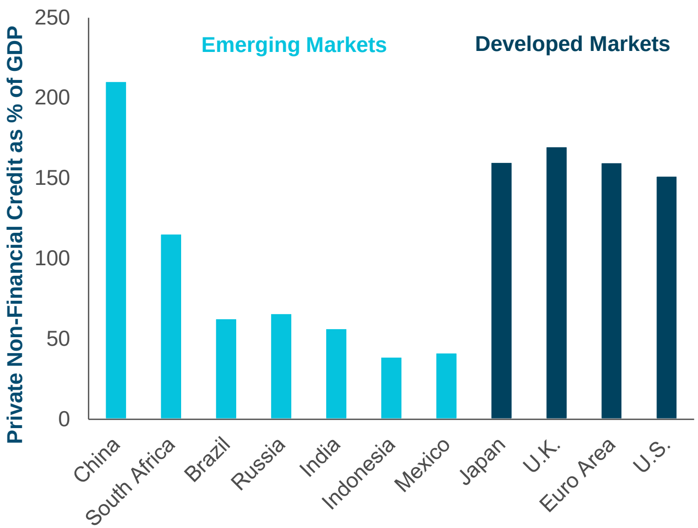
EM YIELDS & SPREADS

January 1, 2010 to March 31, 2018



CORPORATE DEBT TO GDP

As of September 30, 2017



- While emerging market economies benefitted from the stabilization of 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, and Bank for International Settlements. Data analysis by T. Rowe Price.
Indices used: US$-Bond = JP Morgan EMBI Global Index; Local Currency Bond = JP GBI – EM Global Diversified Composite

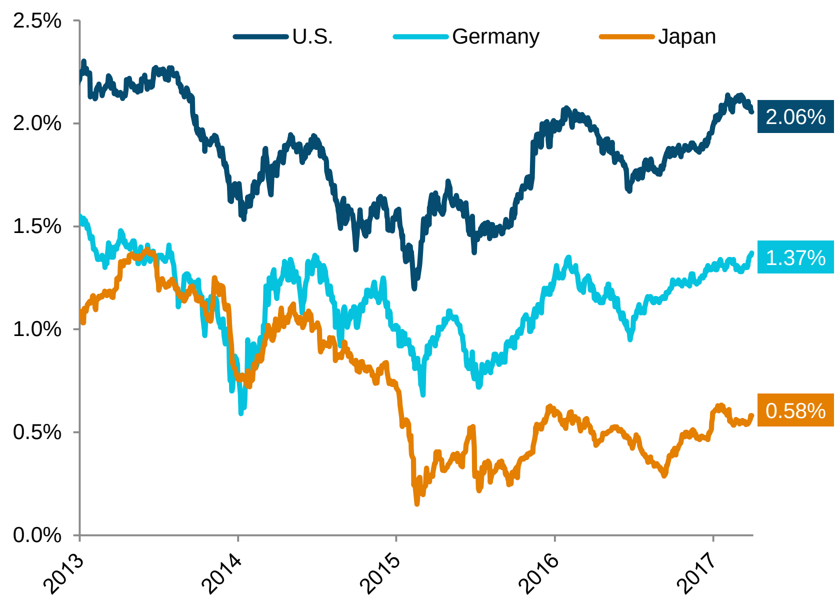
Non-Dollar Bonds vs. U.S. Investment Grade

As of March 31, 2018

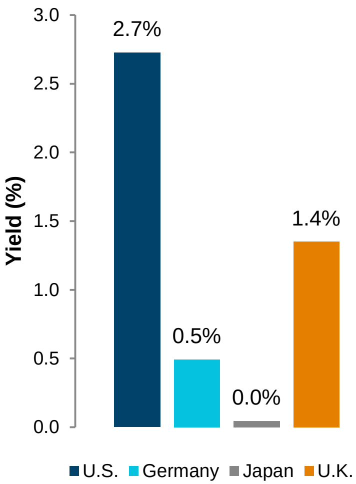
We increased our underweight to developed ex-U.S. investment grade bonds as low yields and extended duration profiles may be vulnerable to rising rates, particularly in Europe as the ECB (European Central Bank) winds down purchases and markets begin discounting rate hikes.

10 YEAR INFLATION EXPECTATIONS

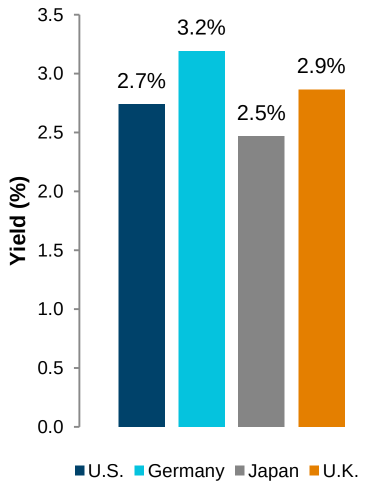
(TIPS Breakeven Rates) As of March 31, 2018



10-YEAR SOVEREIGN BOND YIELDS (UNHEDGED)



10-YEAR SOVEREIGN BOND YIELDS (USD HEDGED)



As of 3/31/18	Duration (years)	Yield to Maturity
US Aggregate	6.1	3.1
Global Aggregate ex-USD	8.0	0.8

- Developed ex-U.S. investment grade bonds hedged yield differential[1] is more compelling than unhedged for US investors; however, long duration and prospects for higher rates from low levels are risks.
- Economic growth is improving in Europe and the ECB 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 yields and accelerate central bank tightening.

[1]**Hedged Yield Differential:** The difference between the hedged yield and unhedged yield.

Sources: [IMF] Haver Analytics, Bloomberg Barclays, JP Morgan, and Factset. Data analysis by 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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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.

Duration: Duration is a measure of the sensitivity of the price - the value of principal - of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

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.

MSCI EAFE Growth: Captures large and mid-cap securities exhibiting overall growth style characteristics across developedmarkets countries around the world, excluding the US and Canada.

MSCI EAFE Value: Captures large and mid-cap securities exhibiting overall value style characteristics across developed marketscountries around the world, excluding the US and Canada.

Performance Statistics Glossary

MSCI Emerging Markets: Represents the performance of large- and mid-cap securities in 24 Emerging Markets

Option-Adjusted Spread: Measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

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.

Real Earnings Yield: The gap between forward earnings yield and forward total inflation rate is the S&P 500 forward real earnings yield.

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.

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

Yield to Maturity: Total return anticipated on a bond if the bond is held until it matures.

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