T. Rowe Price

ASSET ALLOCATION VIEWPOINTS AND GLOBAL INVESTMENT ENVIRONMENT

Q3 2017

Q3 2017 Global Environment

As of September 30, 2017

MAJOR MARKET THEMES

Improving Global Growth	Strong Earnings Results	Optimistic Equity Valuations	Monetary Stimulus Fading	Likelihood of U.S. Tax Reform	Impact of U.S. Dollar

KEY MARKET RISKS

Potential for Monetary Policy Missteps	Does Tax Reform Deliver?	Sustainability of Energy Prices	Potential for Protectionist Trade Policies	Rising Geopolitical Tensions	U.S. Profit Margins May Have Peaked

REGIONAL THEMES

United States

- Fed tightening advances, despite minimal evidence of inflation accelerating
- Trump's ability to enact tax reform and increase infrastructure spending remain highly uncertain
- Resilient economic growth with minimal recession risks
- Strength in corporate earnings and revenue growth, balanced by risks of margin contraction

Europe

- Sustained GDP (Global Domestic Product) and earnings growth
- European Central Bank (ECB) hinting at moderation of quantitative easing (QE) policy but remains supportive
- Lessened political risk but uncertainty remains, driven by Italian elections, Brexit negotiations, and Catalonia
- Initial progress made on cleaning up the banking system

Japan

- "Abenomics" continues to make slow progress
- Upcoming snap elections will confirm the level of commitment to Abe's policies
- QE remains intact, with a focus on yield levels
- Rising global growth and stable Yen supports exporters
- Corporate governance gradually improving

Emerging Markets / China

- Improved growth outlook is challenged by the sustainability of commodity prices
- Still on target for a "soft landing", elevated debt levels and yuan devaluation remain key risks
- Weaker dollar is a tailwind, but may not be sustained
- Valuations have risen, particularly in technology

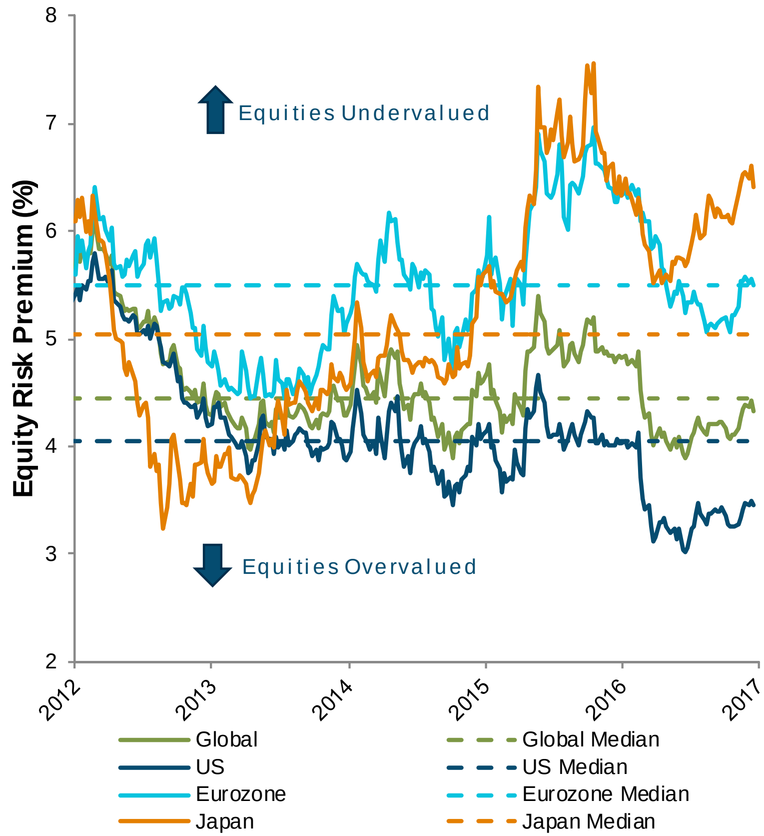
Stocks vs. Bonds

As of September 30, 2017

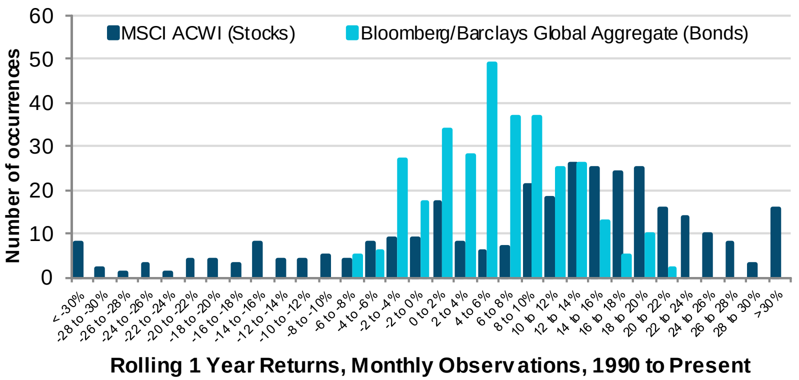
We are underweight to stocks relative to bonds as equity valuations appear extended against a backdrop of continued modest economic growth and uncertainty surrounding the likelihood of pro-growth policies providing a catalyst for further upside.

EQUITY RISK PREMIUMS*

September 2012 to September 2017



PERFORMANCE DISPERSION, STOCKS VS. BONDS



- Because valuations are elevated across asset classes, downside risk currently appears greater than upside risk. Fixed income asset classes typically offer significantly less downside risk in periods of market stress.
- For lofty equity valuations to be justified, earnings expectations, which are already quite optimistic, need to be met. Because expectations are so high, an upside surprise may be difficult to achieve.
- While remaining broadly accommodative, global monetary authorities are expected to begin to reign in ultra-loose accommodation, which could put upward pressure on yields. However, we expect any rise in interest rates to be limited as economic growth remains subdued and structural demand for bonds remains high.

Sources: Absolute Strategy Research, FactSet, T. Rowe Price, MSCI, and Standard & Poor's.

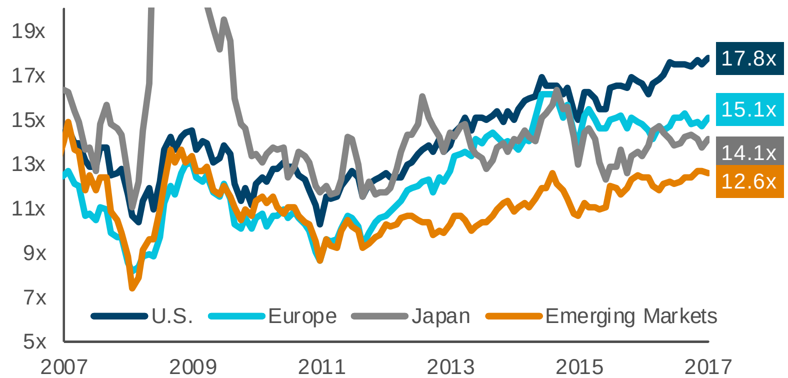
*Note: Medians shown cover the last 5 years.

Regional Equity Positioning

As of September 30, 2017

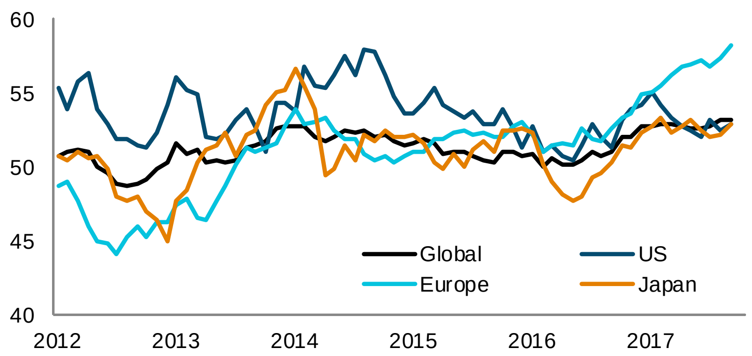
We are overweight European and Japanese stocks based on improving economic fundamentals, diminished political risk and upside to corporate earnings in these areas. Valuations also remain modestly more attractive in these areas relative to the U.S., particularly Japan.

PRICE-TO-EARNINGS
Next 12-Months, Sept 2007-Sept 2017



Earnings Growth	2014	2015	2016	2017 Estimate	2018 Estimate
S&P 500	6.8%	-0.1%	0.5%	9.7%	11.1%
MSCI Europe	-12.9%	-7.3%	-7.2%	30.1%	7.8%
MSCI Japan	18.6%	2.0%	1.2%	18.6%	6.9%
MSCI Emerging Markets	-11.0%	-19.4%	7.0%	22.9%	12.4%

GLOBAL PMI's (PURCHASING MANAGERS' INDEX)
January 2012 to September 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 diminished political uncertainty following President Macron's and Chancellor Merkel's victories, strengthening economic and earnings growth 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 economic growth continues to improve along with corporate earnings and, while still vulnerable to commodity prices, showed resilience to the latest decline in energy prices.

Sources: FactSet, Haver Analytics, [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. Details on regional policy uncertainty indices can be found at www.policyuncertainty.com.

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

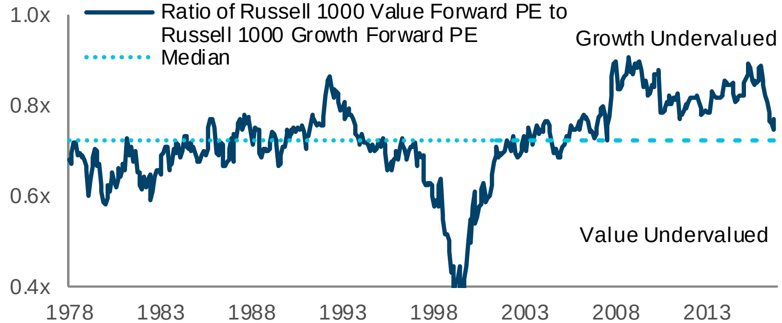
As of September 30, 2017

We reduced our overweight to growth stocks relative to value stocks following a period of significant outperformance. While relative valuations continue to favor growth stocks, they have become less pronounced following a period of recent outperformance.

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

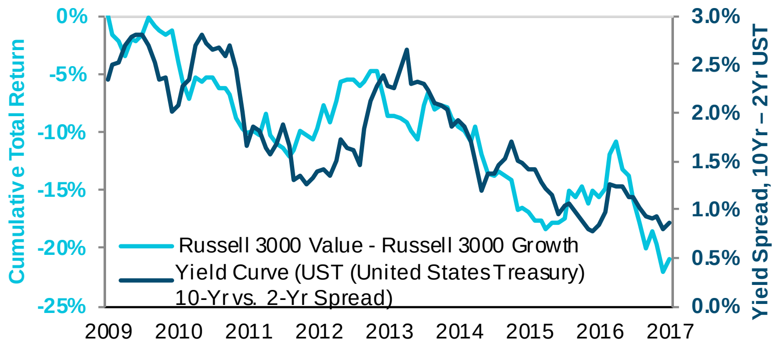
Ratio of 12-Months Forward Price to Earnings (P/E) Ratio

December 1978–September 2017



YIELD CURVE AND GROWTH VS. VALUE RETURNS

September 2009 to September 2017



Past performance is not a reliable indicator of future performance.

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

Sectors and Weights	Russell 1000 Growth	Russell 1000 Value	Weight Difference
Discretionary	17.7%	6.8%	11.0%
Staples	6.7	8.7	-2.0
Energy	**0.9**	**10.9**	**-10.0**
Financials	**3.4**	**26.0**	**-22.6**
Health Care	13.8	13.9	-0.1
Industrials	12.5	8.6	3.9
IT	37.5	8.1	29.5
Materials	3.8	2.9	0.9
Real Estate	2.6	4.8	-2.3
Telecom.	1.0	3.2	-2.2
Utilities	0.0	6.2	-6.1
Total	100.0	100.0	0.0

- While increased spending, tax cuts and deregulation should provide support for cyclical sectors, like financials and energy, the scope and prospects for these measures receiving congressional approval remain uncertain.
- Value stocks may find support from financials following positive results from banking sector stress tests, which will allow banks to increase buybacks & dividends, although the sector remains dependent on the direction and term structure of U.S. yields.

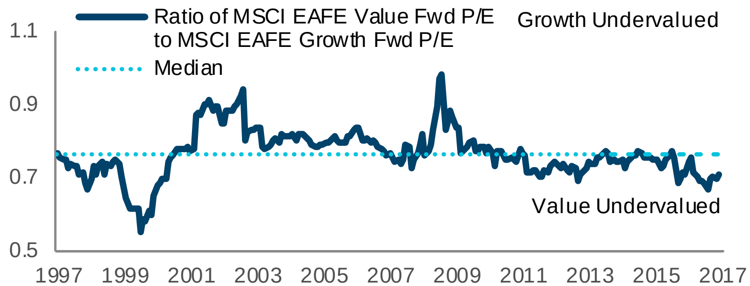
International Growth vs. International Value

As of September 30, 2017

We increased our overweight to value stocks relative to growth stocks based upon more attractive valuations and potential for improving economic growth, lessened political risk, and higher interest rates benefiting certain cyclical areas (European banks).

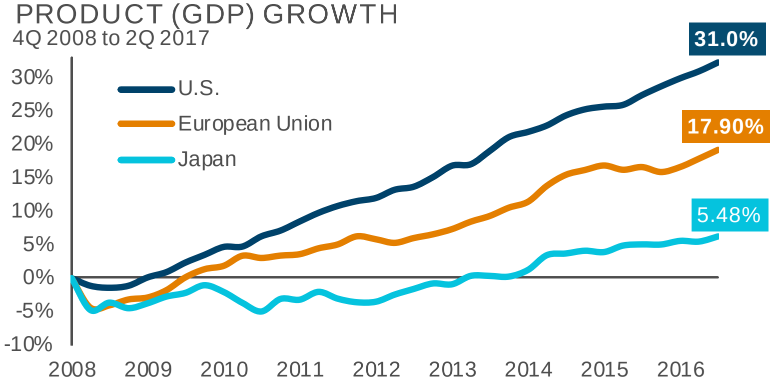
EAFE (EUROPE, AUSTRALASIA, AND FAR EAST) GROWTH VS. VALUE

Ratio of 12-Month Forward Price to Earnings (P/E) Ratios
September 1997–September 2017



CUMULATIVE GROSS DOMESTIC PRODUCT (GDP) GROWTH

4Q 2008 to 2Q 2017



Past performance is not a reliable indicator of future performance.
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	15.1%	9.3%	5.7%
Staples	19.7	2.8	17.0
Energy	**0.9**	**9.2**	**-8.3**
Financials	**7.2**	**35.6**	**-28.4**
Health Care	13.2	8.1	5.1
Industrials	18.1	10.7	7.4
IT	9.5	3.1	6.4
Materials	9.9	5.9	4.1
Real Estate	2.5	4.6	-2.1
Telecom.	2.7	5.4	-2.7
Utilities	1.2	5.4	-4.2
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.

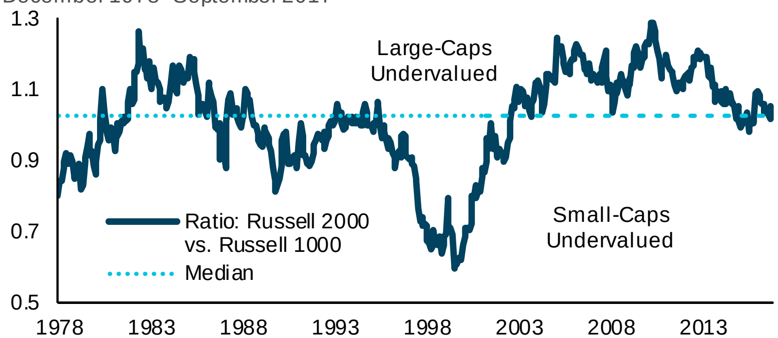
U.S. Large-Cap vs. U.S. Small-Cap

As of September 30, 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 and an improvement in the domestic economy offers a potential catalyst for upside relative to large-caps.

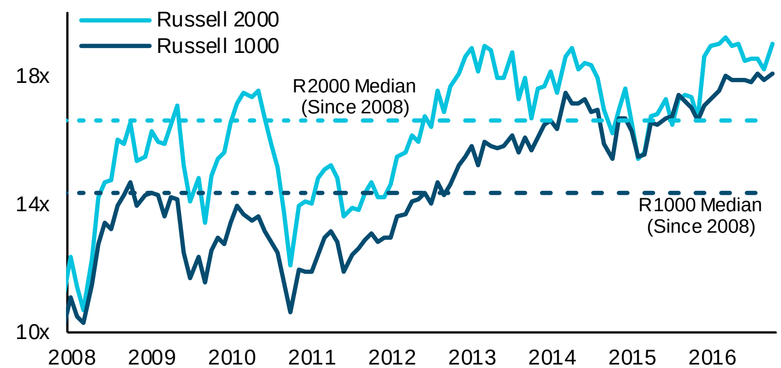
U.S. SMALL-CAP STOCKS VS U.S. LARGE-CAP STOCKS

Ratio of 12-Month Forward Price to Earnings (P/E) Ratio
December 1978–September 2017



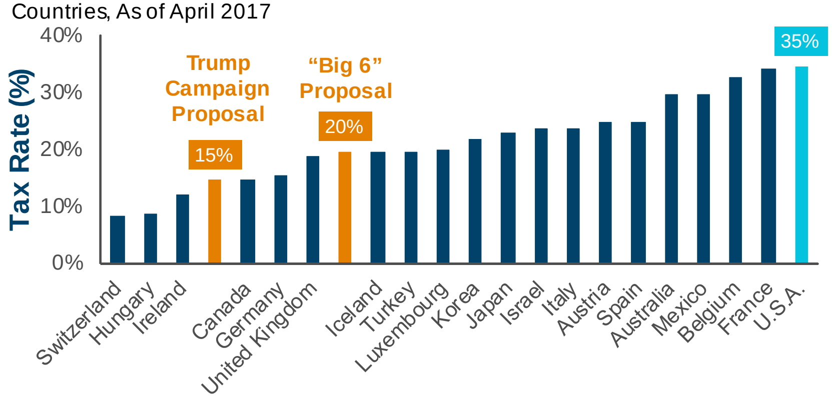
U.S. SMALL VS. LARGE ABSOLUTE VALUATIONS

12-Month Forward P/E Ratio
December 2008–September 2017



CORPORATE INCOME TAX RATE

Selected OECD (Organization for Economic Co-Operation and Development) Countries, As of April 2017



- Small-cap stocks have lagged large-caps since the start of this year as expectations for pro-growth policies have faded, including lower corporate taxes.
- The potential for lower personal and corporate taxes could 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.
- Opportunities to add value through security selection are currently much more plentiful within the small cap universe than among large caps.

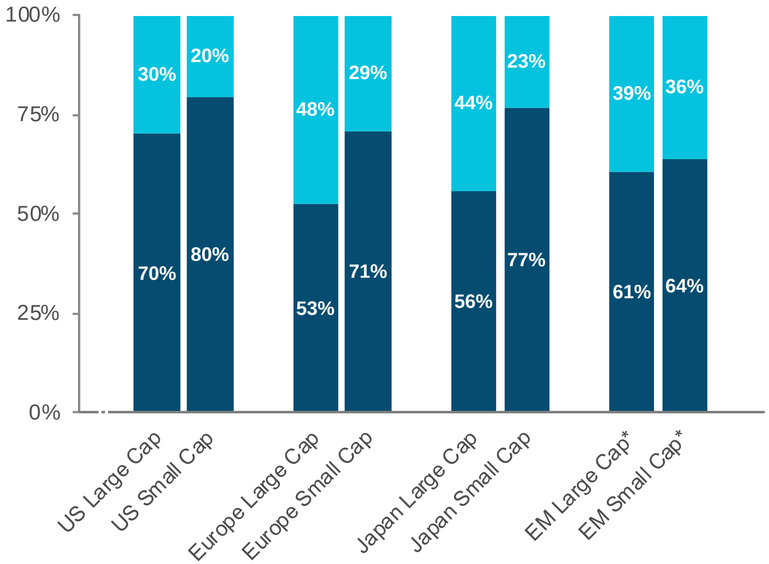
Past performance is not a reliable indicator of future performance.
Sources: FactSet, Russell, Standard & Poor's, and T. Rowe Price.

International Large-Cap vs. International Small-Cap

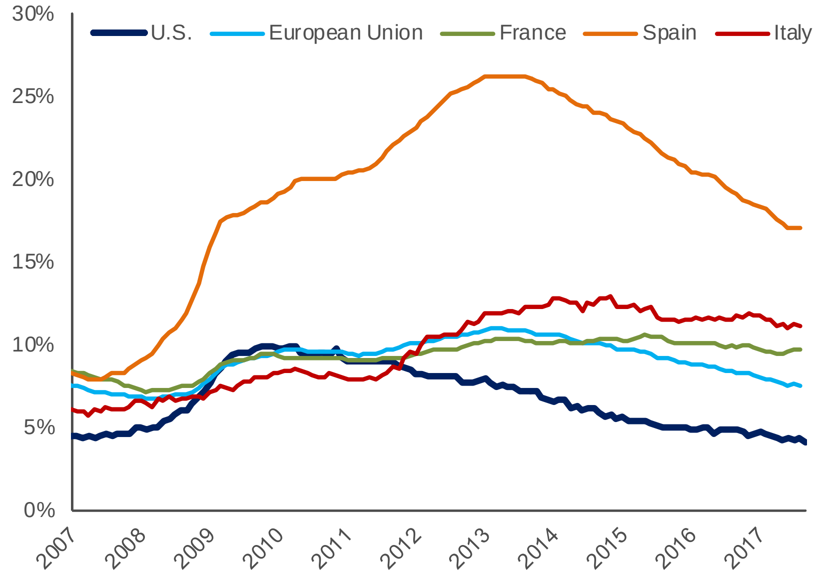
As of September 30, 2017

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 September 30, 2017



UNEMPLOYMENT RATES
January 2007 to August 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.
- Accommodative monetary policy also remains a substantial force to support growth in most developed markets, in contrast to the U.S. where the Fed has been tightening policy.

Past performance is not a reliable indicator of future performance.
Sources: FactSet, MSCI, Russell, and T. Rowe Price.
*Revenue from other Emerging Markets

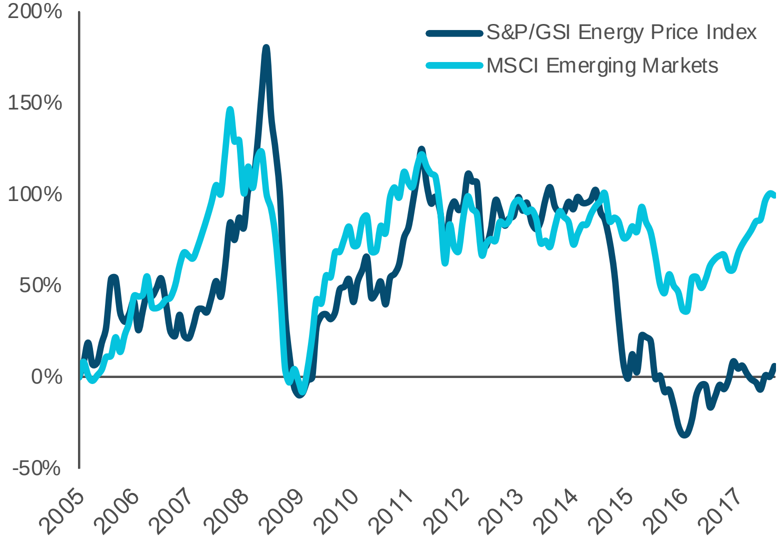
Emerging vs. Developed Markets Equity

As of September 30, 2017

We moved to neutral (from underweight) to emerging markets (EM) stocks relative to developed market stocks. While emerging markets valuations are modestly above their historical averages, they are at more reasonable levels as compared to those of most developed markets.

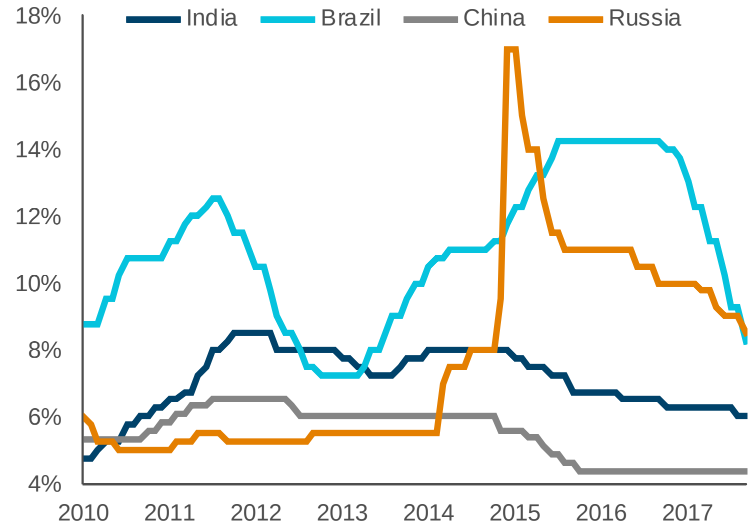
EM EQUITIES VS. ENERGY PRICES

Cumulative Performance, January 2005 to September 2017



CENTRAL BANK RATES

January 2010 to September 2017



- Economic and earnings growth trends amongst emerging markets have improved and near-term risk of restrictive trade policies being implemented has diminished.
- Broad emerging markets growth is expected, supported by a return to growth of the large commodity-related economies of Brazil and Russia.
- The potential for a modest slowdown in China and lower energy prices continue to pose a risk.
- Low inflation across EM economies has contributed to higher real yields, providing flexibility for central banks to employ growth-oriented policies.
- While emerging markets remain at risk from a stronger U.S. dollar and higher interest rates, expectations for the pace of further Fed tightening are less pronounced following a series of low U.S. inflation reports.

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

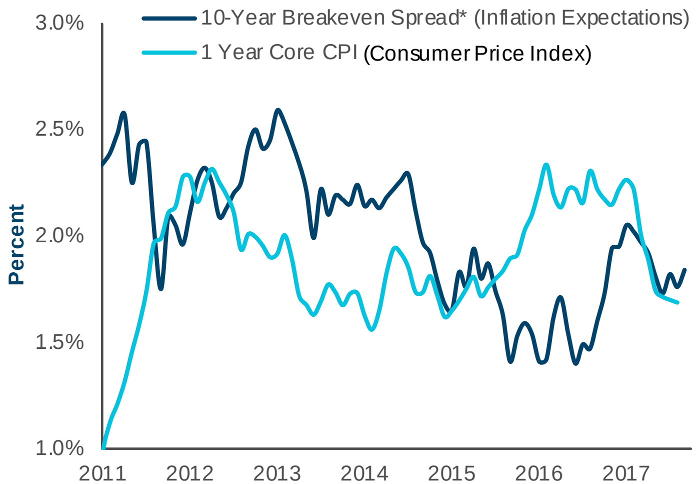
Global Equities vs. Real Assets Equities

As of September 30, 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

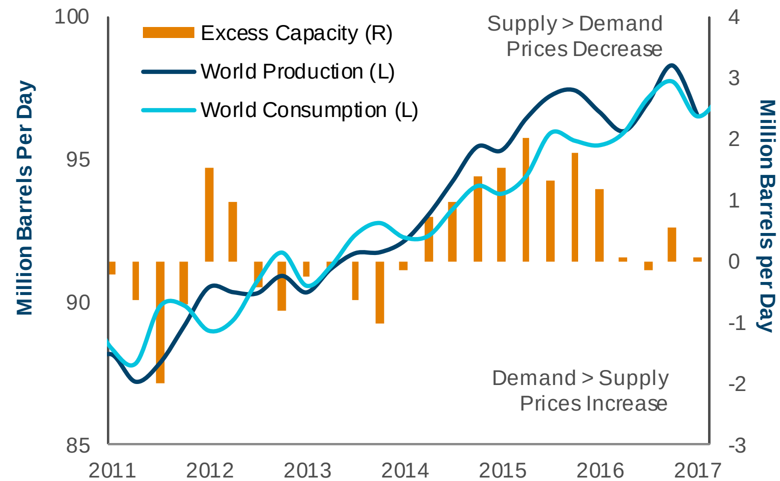
January 2011–September 2017



GLOBAL OIL DYNAMICS

Production vs. Consumption

January 2011-March 2017



- While the potential for U.S. infrastructure spending increased post-election, the impact on industrial-related commodities remains uncertain as to the probability, timing and scope of the spending. Global demand for industrial metals is expected to remain subdued as China continues on a slower growth path.
- Despite OPEC's (Organization of Petroleum Exporting Countries) continued efforts to limit production, oil prices have been challenged by additional supply as U.S. producers respond to even modest price increases 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 Real Estate Investment Trusts (REITs) remain broadly positive, supported by modestly improving economic environments and limited supply outside the U.S. U.S. REITs seeing modest slowdown in rental income growth as the economy moves later in the cycle.

*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.

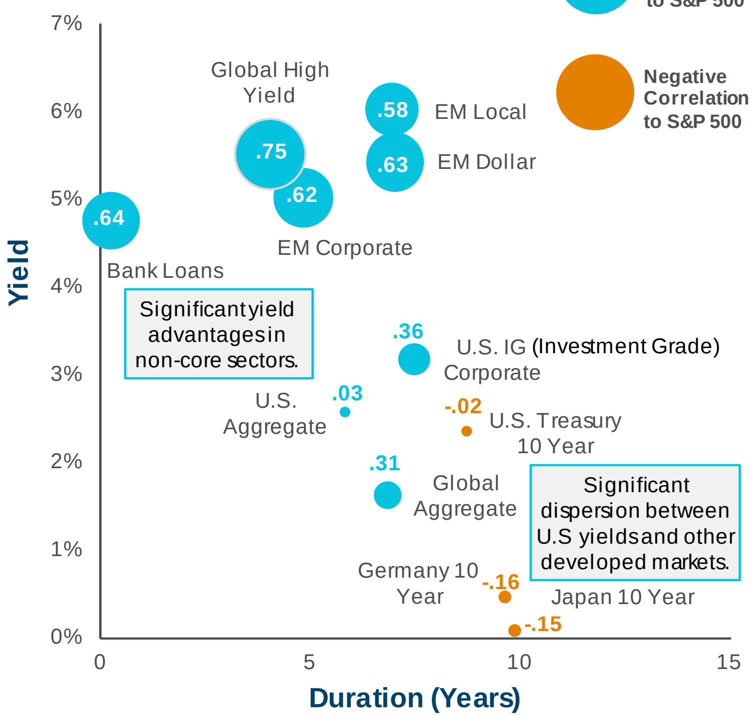
Global Fixed Income

As of September 30, 2017

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

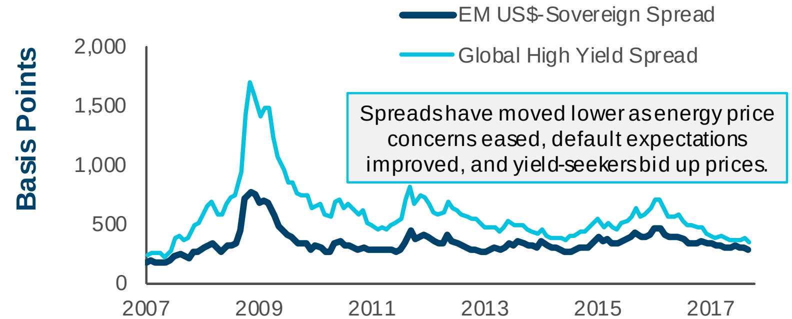
YIELD VS. INTEREST RATE RISK

For Fixed Income Sectors

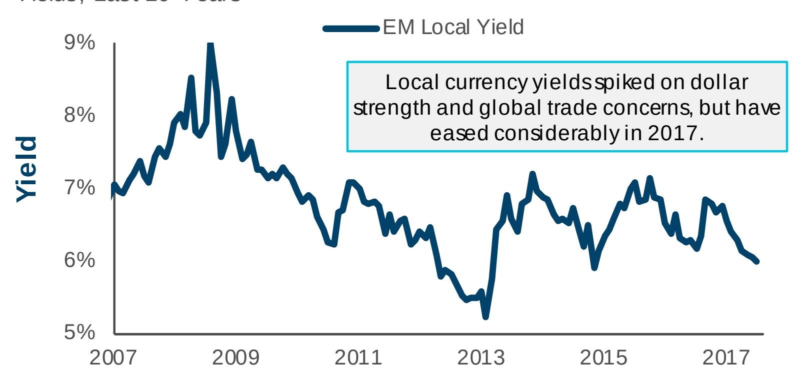


HIGH YIELD AND EMERGING MARKETS

Spreads, Last 10 Years



Yields, Last 10 Years



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

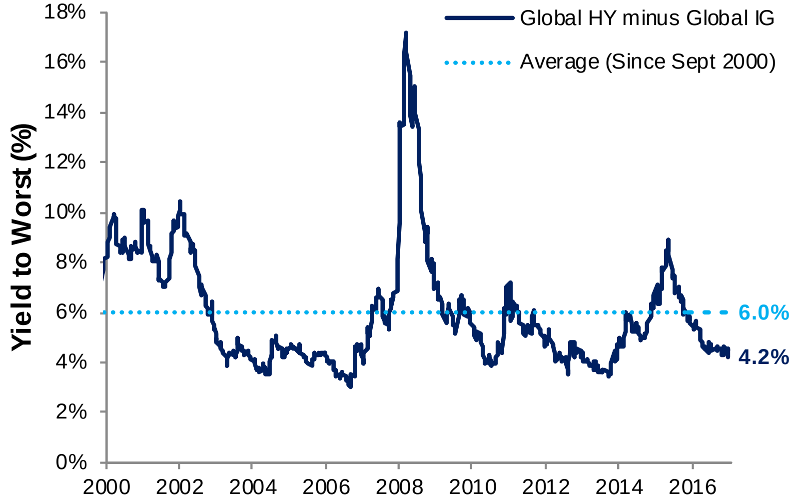
U.S High Yield vs. U.S. Investment Grade

As of September 30, 2017

We increased our underweight to high yield bonds relative to U.S. investment grade bonds as valuations are trending well above historical averages following a period of strong high yield sector performance. The risk/reward profile is less attractive in this area.

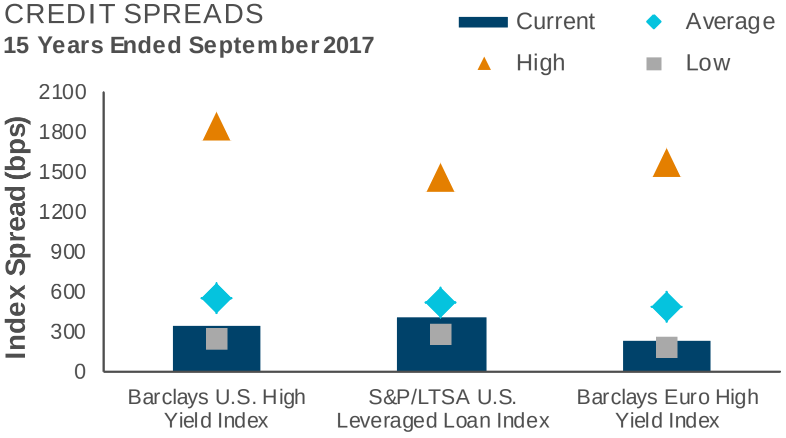
HIGH YIELD (HY) VS. INVESTMENT GRADE (IG) YIELDS

June 2000 to June 2017



CREDIT SPREADS

15 Years Ended September 2017



	High Yield	Investment Grade
Current Option Adjusted Spread (bps)	406	38
Current Yield to Worst (YTW) (%)	5.8	1.6
Duration (Years)	3.5	7.0

- While high yield bonds continue to have a yield advantage over investment grade bonds, current valuations provide less downside protection to a potential rise in market-event risk or sector specific risk, such as energy.
- While the current credit cycle appears extended with leverage increasing, improving earnings and low default expectations should provide support for credit spreads over the near to medium term.

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 Bond Indices. Default rates based on J.P. Morgan high yield universe. Debt/equity ratios based on Russell 1000 and Russell 2000.

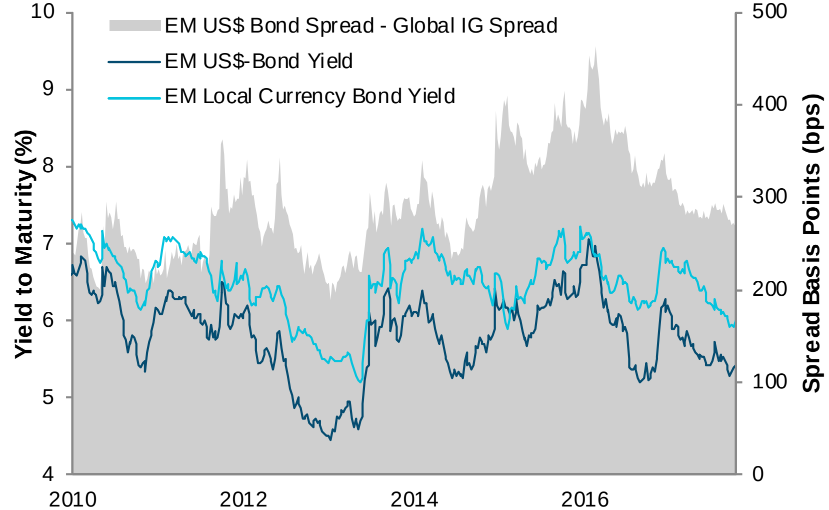
Emerging Markets (EM) Debt vs. U.S. Investment Grade

As of September 30, 2017

We are neutral emerging markets bonds relative to U.S. investment grade bonds as valuations for emerging markets bonds have become less compelling following this year's strong performance.

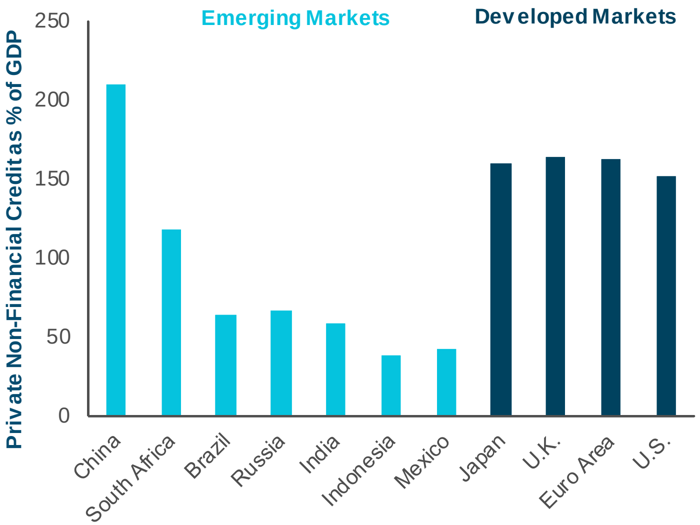
EM YIELDS & SPREADS

January 2010 to September 2017



CORPORATE DEBT TO GDP (GLOBAL DOMESTIC PRODUCT)

As of Q1 2017



- Emerging market economies are broadly in better fiscal positions than they were during the taper-tantrum sell-off in 2013 and any increase in developed market fiscal spending could be supportive for emerging markets exports.
- 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.

Past performance is not a reliable indicator of future performance.

Sources: JP Morgan, [IMF] Haver Analytics, Bank for International Settlements, and T. Rowe Price.

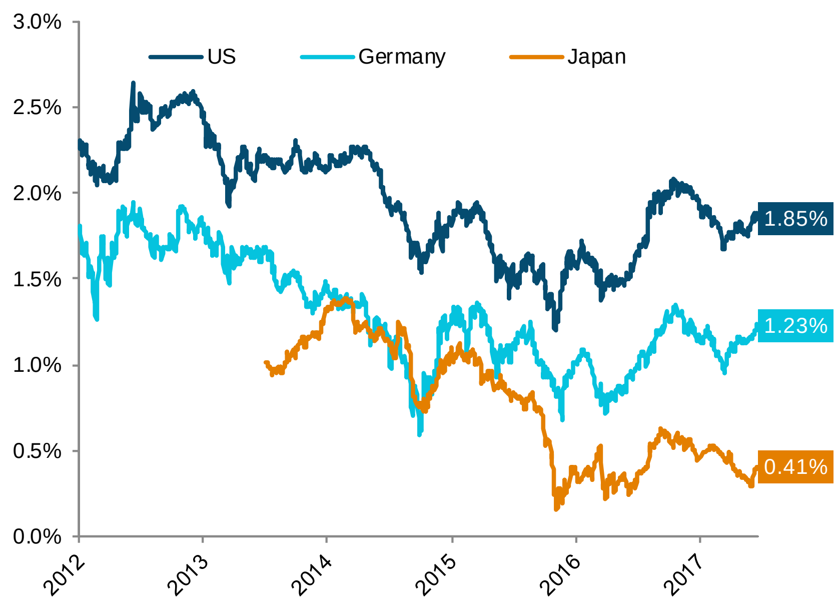
Indices used: US$-Bond = JP Morgan EMBI Global Index; Local Currency Bond = JP GBI – EM Global Diversified Composite

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

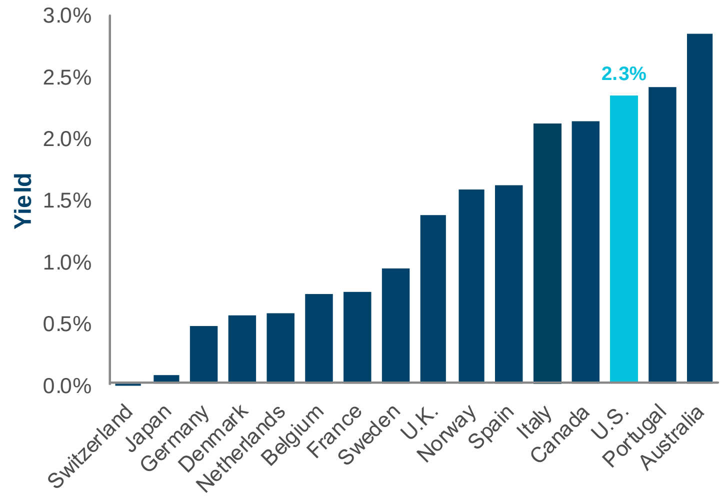
As of September 30, 2017

We remain underweight to non-dollar bonds relative to U.S. investment grade bonds as low 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)



10-YEAR SOVEREIGN YIELDS (%)
As of September 2017



As of 9/30/17	Duration (years)
US Aggregate	6.0
Global Aggregate ex-USD	7.8

- The U.S. dollar may find support as the Fed advances on its path to tighter policy and begins to wind down its balance sheet later this year ahead of other central banks.
- The euro appears fairly valued after a significant rally this year in response to improving domestic growth and rising expectations for the European Central Bank (ECB) to announce tapering of bond purchases.

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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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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