



QUARTERLY REVIEW

# Emerging Markets Local Currency Bond Fund – Multi-Class

As of September 30, 2019

## PORTFOLIO HIGHLIGHTS

The portfolio underperformed the J.P. Morgan Government Bond Index-Emerging Markets Global Diversified benchmark for the three-month period ended September 30, 2019.

### Relative performance drivers:

- Bond exposure had a negative impact relative to the benchmark. Our overweight to Argentina and underweight to Turkey formed the primary detractors. However, our exposure to Egypt and Mexico helped mitigate the losses.
- Currency selection also held back relative returns. Our Argentinean peso position hurt performance, while an out-of-benchmark position in the Egyptian pound aided returns.

### Additional highlights:

- Emerging market (EM) local currency bonds posted negative total returns over the quarter. While the three months saw both periods of weakness and market rallies, the global risk aversion linked to trade and growth uncertainty outweighed the favorable monetary backdrop. A stronger U.S. dollar also negatively impacted local currency returns.

## FUND INFORMATION

Symbol	PRELX
CUSIP	77956H674
Inception Date of Fund	May 26, 2011
Benchmark	J.P. Morgan GBI-EM Global Diversified
Expense Information (as of the most recent Prospectus)*	0.95% (Gross) 0.92% (Net)
Fiscal Year End	December 31
12B-1 Fee	–
Total Assets (all share classes)	\$452,914,125
Percent of Portfolio in Cash	5.1%

\* As a result of other class' contractual expense limitations, T. Rowe Price Associates, Inc. waived fund-level expenses proportionately across all classes. There is no guarantee that these impacts on this share class will continue for the length of the contractual waiver in place on the other class.

## PERFORMANCE

(NAV, total return)

	Inception Date	Three Months	Year-to-Date	One Year	Annualized			30-Day SEC Yield w/o Waiver <sup>o</sup>	
					Three Years	Five Years	Since Inception 5/26/11		
Emerging Markets Local Currency Bond Fund	May 26 2011	-1.28%	7.70%	9.75%	2.83%	0.22%	-0.21%	5.12%	5.08%
Emerging Markets Local Currency Bond Fund - Advisor Class	May 26 2011	-1.52	7.29	9.25	2.57	0.00	-0.38	5.11	4.17
Emerging Markets Local Currency Bond Fund - I Class	Dec 17 2015	-1.41	7.62	9.88	2.99	0.36	-0.13	5.24	5.20
J.P. Morgan GBI - EM Global Diversified		-0.79	7.86	10.13	3.06	0.55	0.30	–	–

## CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2012	2013	2014	2015	2016	2017	2018
Emerging Markets Local Currency Bond Fund	May 26 2011	17.69%	-10.18%	-5.80%	-15.20%	10.26%	15.76%	-7.63%
Emerging Markets Local Currency Bond Fund - Advisor Class	May 26 2011	17.71	-10.38	-5.78	-15.42	10.33	15.30	-7.75
Emerging Markets Local Currency Bond Fund - I Class	Dec 17 2015	17.69	-10.18	-5.80	-15.32	10.77	15.94	-7.35
J.P. Morgan GBI - EM Global Diversified		16.76	-8.98	-5.72	-14.92	9.94	15.21	-6.21

**Performance data quoted represents past performance and is not a reliable indicator of future performance. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance, visit [troweprice.com](http://troweprice.com). Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call 1-877-804-2315 or visit [troweprice.com](http://troweprice.com). Read it carefully.** The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.

The T. Rowe Price Fund shares the portfolio of an existing fund (the original share class of the fund referred to as the "investor class"). The total return figures for the I Class shares have been calculated using the performance data of the investor class up to the inception date of the I Class (12/17/15) and the actual performance results of the I Class since that date. Because the I Classes are expected to have lower expenses than the Investor Classes, the I Class performance, had it existed over the periods shown, would have been higher.

<sup>o</sup>Excludes the effect of contractual expense limitation arrangements.

This fund involves a high-risk approach to income from foreign bonds, and its share price could fluctuate significantly. The fund is subject to the risks unique to international investing, including unfavorable changes in currency values, as well as credit risk and interest rate risk.

The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details.

## PERFORMANCE REVIEW

### Macro concerns offset boost from dovish central banks

Emerging markets local currency bonds posted negative returns for the three-month period June to September. Sentiment was mixed during the quarter, but periods of global risk aversion linked to U.S.-China trade and wider global growth concerns weighed on emerging market assets at times. These bouts of volatility saw flows into core markets and boosted the U.S. dollar against most EM currencies, weakening local currency bond returns.

In response to the global growth backdrop, both developed and emerging market central banks continued to implement looser monetary policies. The U.S. Federal Reserve cut interest rates twice during the period. The European Central Bank also cut rates by 10 basis points (bps) in September and announced a restart of its monthly bond purchases for November. Several EM central banks also cut rates during the period. However, many of the dovish moves were largely anticipated by markets well in advance, limiting the impact on the third-quarter bond prices.

The U.S.-China trade negotiations remained difficult to predict. In August, the Trump administration announced an increase in tariffs on Chinese imports, which were met with countermeasures by Chinese authorities. However, the final weeks of the period saw both sides take conciliatory steps by delaying further increases.

Other idiosyncratic weaknesses across EM impacted local currency assets. A surprise result in Argentina's primary election saw Argentinean assets come under heightened pressure in August. However, Turkish assets improved over the period amid easing inflation and reports of a de-escalation in tensions with the U.S. in September.

### Mexico bonds boosted returns

Our overweight exposure to Mexico local currency bonds boosted our relative performance over the quarter. The country's central bank cut interest rates for the first time in five years in August and followed with another cut in September. With inflation in the country moderating, markets also began to anticipate continued monetary easing in the coming months.

### Rate cuts pushed Philippines bond prices higher

The Philippines also saw moderating inflation levels spur ongoing monetary easing by the central bank, which cut rates by 25bps twice during the quarter. This boosted Philippine government bond prices, resulting in our overweight position making a positive contribution to relative returns. Our overweight stems from a long-held favorable opinion of ongoing positive reform processes in the country's economy.

### Turkey underweight dragged amid rebound

Turkish assets enjoyed a recovery over the three-month period. A fall in the inflation outlook gave the Turkish Central Bank a degree of flexibility with its monetary policy. This helped stabilize the lira as well as spur a rally in government bonds. As a result, our underweight exposure to the volatile Turkish sector hurt our relative performance.

### Thailand exposure dragged

Our underweight to Thai government bonds also held back our quarterly relative performance. The country's central bank joined other EM countries in cutting interest rates during the quarter. The 25bps rate cut came in response to the recent strengthening of the Thai baht and a declining growth outlook.

### Egyptian pound maintained strength

The Egyptian pound continued its steady appreciation in the third quarter. The country's improving economic fundamentals and healthy currency reserves helped keep the currency on track even as political protests flared up in September. As a result, our out-of-benchmark exposure to the currency helped our relative performance.

### Surprise primary election hurt Argentinean peso

An early-August primary election in Argentina produced a surprise result when Alberto Fernandez heavily defeated current President Mauricio Macri, who is viewed as the more market-friendly candidate. This triggered a sharp sell-off in the peso, which has been one of the most volatile currencies over the past year. We had held an overweight position in the peso in August, which resulted in a negative quarterly contribution to performance.

## PORTFOLIO POSITIONING AND ACTIVITY

### Bond Allocation

- Our portfolio holds overweight positions in countries with the potential to maintain or ease monetary policy stances amid subdued inflation, such as Brazil where we added to an overweight exposure during the quarter. We also retained an overweight to Mexico.
- In Asia, we held our out-of-benchmark exposure to Sri Lanka amid contained inflation and attractive real yields. We also retained an overweight to India.
- In emerging Europe, we initiated an overweight to Russia during the period due to a supportive fiscal position and rising expectations of an extended rate cutting cycle. We remain underweight CEE countries, including Czech Republic, Hungary, and Poland. The region's government bond prices have risen in recent months along with core eurozone bonds and currently offer little further value, in our view.
- As we continue to seek attractive, risk-adjusted relative value, we expand our opportunity set beyond the benchmark. We continue to hold out-of-benchmark positions, including an allocation to Serbia.

### Currency Selection

- We hold overweight positions in currencies with stable underlying fundamentals and whose countries are undertaking structural reforms, such as the Indonesian rupiah. We also opened an overweight in the Indian rupee during the period.
- Elsewhere in Asia, we moderated our overweight to the Philippines peso during the quarter by taking some profits after its strong performance this year.
- In Latin America, we added to an overweight exposure in the Mexican peso. We believe the country's strong current accounts and healthy foreign currency reserves can help the peso maintain stability despite geopolitical risks. We also maintained an overweight to the Brazilian real. Conversely, we closed our overweight to the Argentinean peso during the period as we see the policy uncertainty in the coming months as a potential source of further volatility.
- The breadth of our research process allows us to evaluate currencies outside the benchmark where we see attractive opportunities. We continue to hold an off-benchmark position in the Egyptian pound. Primary surpluses paired with solid growth has improved Egypt's debt dynamics, significantly

reducing its debt/gross domestic product ratio recently. We also maintained our off-benchmark exposure to the Nigerian naira, Serbian dinar, and Sri Lankan rupee.

- The strategy retains a mix of developed and emerging market currency short positions in the Swiss franc, South Korean won, Singapore dollar, and Taiwanese dollar, which we use to fund our preferred overweight positions.

## MANAGER'S OUTLOOK

We remain constructive on the outlook for EM local currency bonds heading into the final quarter of 2019. The asset class remains one of the highest-yielding opportunities in the fixed income market. Valuations against other asset classes are also attractive.

The technical backdrop should remain supportive in the near term, helped by positive cyclical flows into EM asset classes. The accommodative stances by major developed market central banks should help contain global yields, keeping demand for EM bonds strong. Many EM central banks have already started cutting rates, and the benign inflation environment should provide the flexibility to continue easing if needed. Over the longer term, we also see the potential for the U.S. dollar to continue to decline against global currencies following an extended period of strength. This could improve the opportunities among emerging market currencies.

Global macro risks also remain areas to watch. Although the U.S.-China trade negotiations remain an ongoing risk, there is optimism that talks could produce a truce between the U.S. and China and prevent further tariff increases. An increase in fiscal or monetary stimulus in China would provide an additional boost to EM assets, but the country's authorities have so far remained focused on deleveraging.

Despite the wider growth concerns, fundamentals remain broadly supportive in emerging countries, including stable underlying economic growth, more disciplined government spending, largely balanced current accounts, and rational economic policy in most major markets. Should the looser monetary policy outlook translate into improved growth, EM local asset prices would likely rally further. Additionally, we see the potential for more fiscal stimulus globally, which would support EM assets.

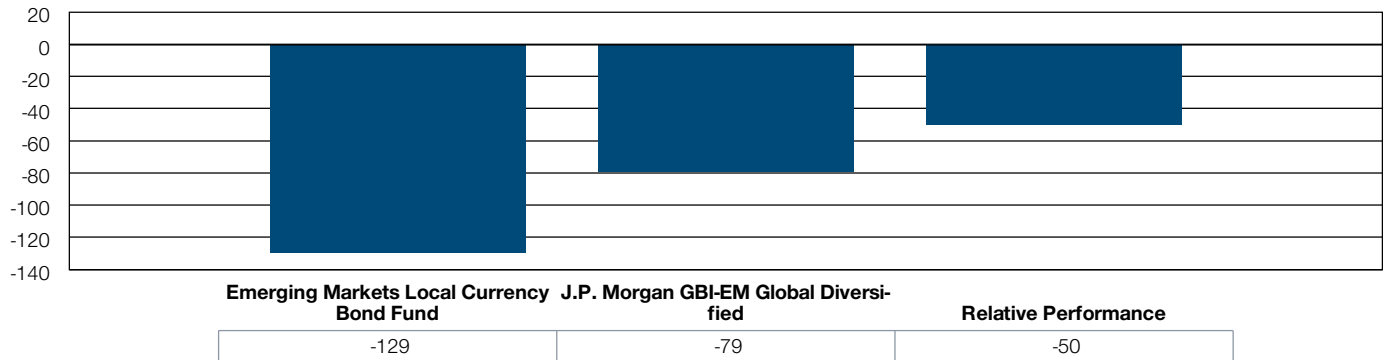
Despite these positives, the mixed economic outlook alongside a handful of idiosyncratic concerns within EM mean that investors need to remain selective. We are focused on idiosyncratic opportunities with positive reform momentum and stable fundamentals that can perform in different market conditions.

## QUARTERLY ATTRIBUTION

### OVERALL PERFORMANCE: FUND VS. J.P. MORGAN GBI-EM GLOBAL DIVERSIFIED

(3 months ended September 30, 2019)

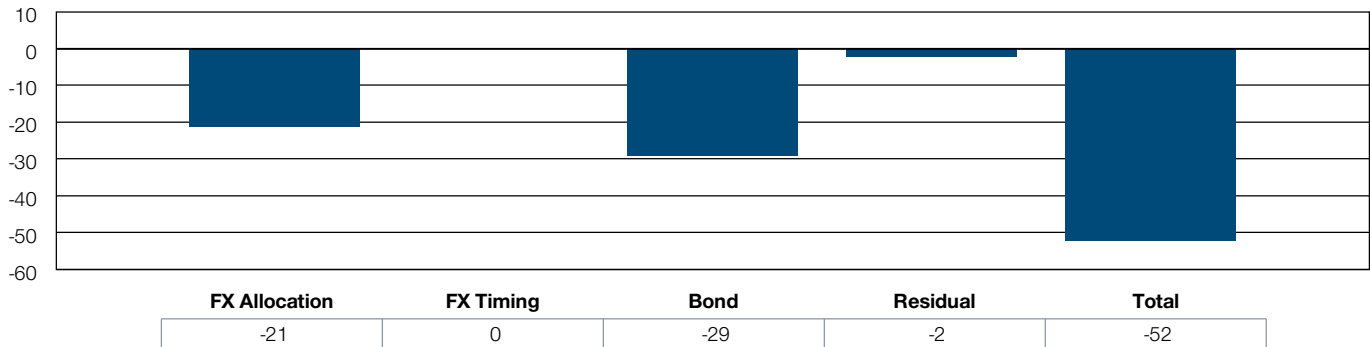
Basis Points



### CONTRIBUTION TO EXCESS RETURN: FUND VS. J.P. MORGAN GBI-EM GLOBAL DIVERSIFIED

(3 months ended September 30, 2019)

Basis Points



Source: T. Rowe Price.

**Past performance is not a reliable indicator of future performance.** T. Rowe Price Proprietary Performance Attribution Model is used to separate ('attribute') the period outperformance (or underperformance) of a portfolio relative to its benchmark. The system attributes the outperformance (or underperformance) to a set of portfolio decisions such as currency and country weightings and specific security selections. The portfolio return is calculated by a daily compounding of returns from changes in present value, additional interest accruals, and trading activities. Figures are shown gross of fees. Returns would have been lower as a result of the deduction of such fees. Performance for each security is obtained in the currency in which it is issued and, if necessary, is converted using an exchange rate determined by an independent third party.

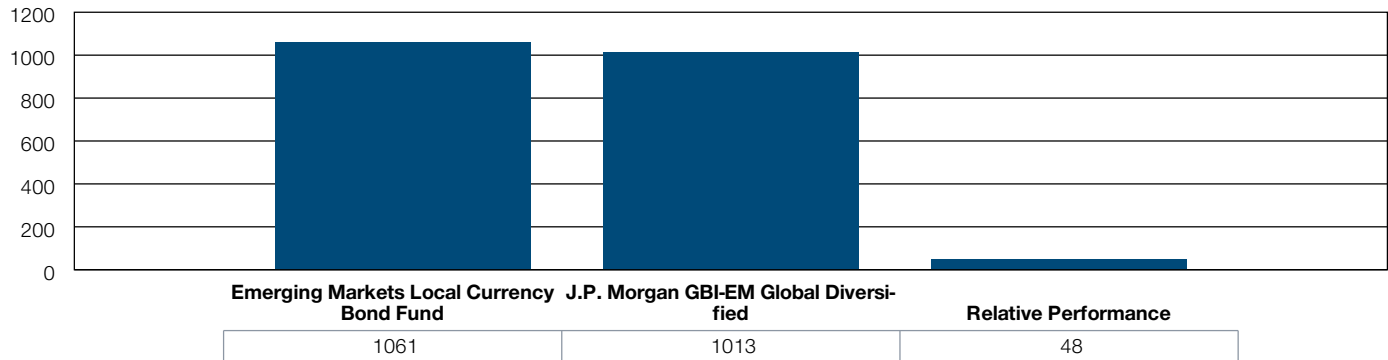
A performance residual arises due to differences from timing, intra-day trading, pricing, interest rate derivatives basis and global allocation exclusions effect.

## 12-MONTH ATTRIBUTION

### OVERALL PERFORMANCE: FUND VS. J.P. MORGAN GBI-EM GLOBAL DIVERSIFIED

(12 months ended September 30, 2019)

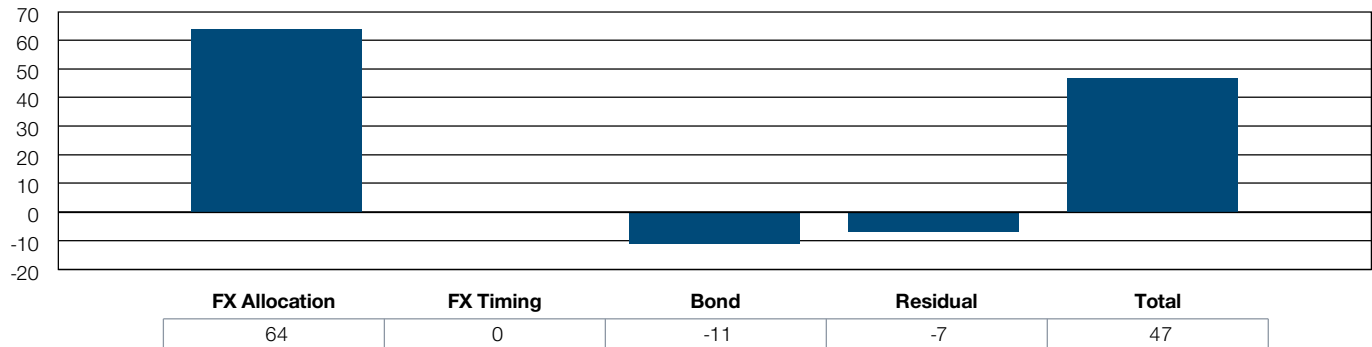
Basis Points



### CONTRIBUTION TO EXCESS RETURN: FUND VS. J.P. MORGAN GBI-EM GLOBAL DIVERSIFIED

(12 months ended September 30, 2019)

Basis Points



Source: T. Rowe Price.

**Past performance is not a reliable indicator of future performance.** T. Rowe Price Proprietary Performance Attribution Model is used to separate ('attribute') the period outperformance (or underperformance) of a portfolio relative to its benchmark. The system attributes the outperformance (or underperformance) to a set of portfolio decisions such as currency and country weightings and specific security selections. The portfolio return is calculated by a daily compounding of returns from changes in present value, additional interest accruals, and trading activities. Figures are shown gross of fees. Returns would have been lower as a result of the deduction of such fees. Performance for each security is obtained in the currency in which it is issued and, if necessary, is converted using an exchange rate determined by an independent third party.

A performance residual arises due to differences from timing, intra-day trading, pricing, interest rate derivatives basis and global allocation exclusions effect.

## PORTFOLIO POSITIONING

### BOND ALLOCATION (ISSUE CURRENCY)

	% of Fund	% of J.P. Morgan GBI-EM Global Diversified	Over/Underweight
Indonesia	10.4%	10.0%	0.4%
South Africa	9.6	8.6	1.0
Brazil	8.8	10.0	-1.2
Mexico	8.4	10.0	-1.6
Russia	8.0	8.2	-0.2
Thailand	6.0	9.4	-3.5
Colombia	5.3	6.5	-1.2
Malaysia	4.4	6.0	-1.6
India	3.6	0.0	3.6
Peru	3.3	3.8	-0.5
United States	3.1	0.0	3.1
Turkey	3.0	4.0	-1.0
Chile	2.9	3.3	-0.4
Romania	2.6	2.6	-0.1
Hungary	2.5	4.2	-1.7
China	2.2	0.0	2.2
Egypt	2.0	0.0	2.0
Poland	1.9	8.7	-6.8
Sri Lanka	1.9	0.0	1.9
Philippines	1.6	0.3	1.3
Serbia	1.1	0.0	1.1
Czech Republic	1.0	3.9	-2.9
Europe	0.7	0.0	0.7
Nigeria	0.4	0.0	0.4
Uruguay	0.2	0.2	0.0
Argentina	0.0	0.2	-0.2
<b>Total Bonds</b>	<b>94.9</b>	<b>100.0</b>	<b>-5.1</b>
Reserves	5.1	0.0	5.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

Sources: T. Rowe Price and Bloomberg Barclays.

## PORTFOLIO POSITIONING, CONTINUED.

### CURRENCY EXPOSURE

	% of Fund	% of J.P. Morgan GBI-EM Global Diversified	Over/Underweight
Brazilian real	11.5	10.0	1.5
Mexican peso	11.4	10.0	1.4
Indonesian rupiah	10.9	10.0	0.9
Polish zloty	8.7	8.7	0.0
South African rand	8.6	8.6	0.1
Russian ruble	8.2	8.2	0.0
Thai baht	7.8	9.4	-1.7
Colombian peso	6.5	6.5	0.0
Malaysian ringgit	6.0	6.0	-0.1
Czech koruna	5.9	3.9	2.0
Peruvian nuevo sol	4.8	3.8	1.0
Turkish lira	4.0	4.0	0.0
Hungarian forint	3.2	4.2	-1.0
New Romanian leu	2.6	2.6	0.0
Chilean peso	2.5	3.3	-0.8
Chinese renminbi	2.3	0.0	2.3
Serbia dinar	2.0	0.0	2.0
Indian rupee	1.5	0.0	1.5
Egyptian pound	1.5	0.0	1.5
Philippine peso	0.8	0.3	0.5
Nigerian naira	0.7	0.0	0.7
Sri Lanka rupee	0.7	0.0	0.7
Ukrainian hryvna	0.2	0.0	0.2
Peso uruguayo	0.2	0.2	0.0
Hong Kong dollar	0.0	0.0	0.0
Argentinian peso	0.0	0.2	-0.1
Korean won	-0.2	0.0	-0.2
Swiss franc	-0.7	0.0	-0.7
Offshore Chinese renminbi	-1.1	0.0	-1.1
Singapore dollar	-1.2	0.0	-1.2
U.S. dollar	-1.4	0.0	-1.4
Canadian dollar	-1.5	0.0	-1.5
euro	-2.0	0.0	-2.0
New Taiwan dollar	-4.4	0.0	-4.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

### SECTOR DIVERSIFICATION: FUND VS J.P. MORGAN GBI-EM GLOBAL DIVERSIFIED

Industry	% of Fund	% of J.P. Morgan GBI-EM Global Diversified	Over/Underweight
Government - Nominal	88.0%	100.0%	-12.0%
Government - Inflation Protection	2.0	0.0	2.0
Quasi-Sovereign	2.3	0.0	2.3
Supranational	0.3	0.0	0.3
Corporate	2.3	0.0	2.3
Reserves	5.1	0.0	5.1

T. Rowe Price uses a custom structure for diversification reporting on this product.

## MARKET PERFORMANCE

### GLOBAL GOVERNMENT BOND MARKET RETURNS (LOCAL CURRENCY)

(3 months ended September 30, 2019)

Country	
Turkey	16.21%
Thailand	6.48
Chile	5.09
Peru	4.96
Philippines	4.35
Russia	3.85
Brazil	3.49
Dominican Republic	3.18
Indonesia	2.38
Romania	2.31
Uruguay	2.11
Malaysia	2.08
Colombia	2.04
Poland	1.73
Argentina	-45.42

### CURRENCY RETURNS (SPOT PRICE RETURNS VS USD)

(3 months ended September 30, 2019)

Currency	
Turkish lira	2.44%
Thai baht	0.30
Indonesian rupiah	-0.48
Philippine peso	-1.15
Malaysian ringgit	-1.30
Mexican peso	-2.70
Russian ruble	-2.79
Peruvian nuevo sol	-2.84
Dominican Republic peso	-3.97
Romanian new leu	-4.52
Uruguay Peso	-4.53
Chilean peso	-6.76
Polish zloty	-6.98
South African rand	-7.00
Hungarian forint	-7.75
Colombian peso	-7.80
Brazilian real	-7.99
Argentina Peso	-26.41

Based on the J.P. Morgan Government Bond Index - Emerging Markets (GBI-EM) Global Diversified.  
Source: JP Morgan Index **Past performance is not a reliable indicator of future performance.**

## HOLDINGS

### TOP 10 ISSUERS

Issuer	Country	Industry	% of Fund
Republic of South Africa	South Africa	Sovereign	9.6%
Federative Republic of Brazil	Brazil	Sovereign	8.7
Republic of Indonesia	Indonesia	Sovereign	8.7
Russian Federation	Russia	Sovereign	8.0
United Mexican States	Mexico	Sovereign	7.9
Kingdom of Thailand	Thailand	Sovereign	6.0
Republic of Colombia	Colombia	Sovereign	4.8
Federation of Malaysia	Malaysia	Sovereign	4.4
Republic of Peru	Peru	Sovereign	3.3
Romania	Romania	Sovereign	2.9

## PORTFOLIO MANAGEMENT



Portfolio Manager:  
Andrew Keirle

Managed Fund Since:  
2011

Joined Firm:  
2005



**FUND INFORMATION**

	<b>Emerging Markets Local Currency Bond Fund</b>	<b>Emerging Markets Local Currency Bond Fund - Advisor Class</b>	<b>Emerging Markets Local Currency Bond Fund - I Class</b>
Symbol	PRELX	PAELX	TEIMX
Expense Information	0.95% (Gross) 0.92% (Net)	1.69% (Gross) 1.20% (Net)	0.81% (Gross) 0.79% (Net)
Fiscal Year End Date	12/31/18	12/31/18	12/31/18
12B-1 Fee	–	0.25%	–

The expense ratios shown are as of the most recent prospectus. The stated expense ratio for the Advisor Class includes the applicable 12b-1 fee. The fund operates under a contractual expense limitation that expires on 4/30/20. The Advisor Class operates under a contractual expense limitation that expires on 4/30/20. The I Class is subject to a contractual operating expense limitation that expires on 4/30/20.

**Additional Disclosures**

Source for J.P. Morgan data: J.P. Morgan. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2019, J.P. Morgan Chase & Co. All rights reserved.

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T. Rowe Price uses a custom structure for diversification reporting on this product.

Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.

Unless indicated otherwise the source of all data is T. Rowe Price.

Sources for Issue Currency: T. Rowe Price and Bloomberg Barclays.

The fund is a non-USD strategy. When we purchase securities denominated in USD, we hedge the USD exposure with forward contracts. Due to market valuations, the loss on currency forwards caused the allocation to the USD to be negative.

This material has been prepared for informational purposes only. The views and opinions stated in this commentary are those of the portfolio managers listed as of the date indicated. These views and opinions are subject to change based on market or other conditions and may differ from those of other T. Rowe Price associates. Actual market and investment results may differ materially from expectations.

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