T. Rowe Price®
INVEST WITH CONFIDENCE

QUARTERLY REVIEW

International Bond Fund

As of June 30, 2019

PORTFOLIO HIGHLIGHTS

The portfolio outperformed the benchmark gross of fees for the three-month period ended June 30, 2019.

Relative performance drivers:

- Country/duration positioning had a broadly neutral impact on relative performance as gains from overweight positions in local government bond markets of Chile and Malaysia were offset by losses from our overall underweight duration in the eurozone and eurozone curve positioning.
- Active currency management had a positive impact on relative returns owing to overweight and off-benchmark positions in select emerging market currencies, such as the South African rand and Indonesian rupiah.
- Sector and security selection was broadly flat, with gains from our security selection in European corporate bonds countered by losses from a short credit default swap position against a European high yield index.

Additional highlights:

- Increasingly dovish major central banks have supported both core government bonds and risk assets. However, indicators are beginning to contradict each other with some signifying the start of an economic downturn, while others are supportive of the risk environment continuing.
- We are currently tilted toward a risk-off scenario and will continue to monitor data closely to ascertain the health of the global economy.

FUND INFORMATION

Symbol	RPIBX
CUSIP	77956H104
Inception Date of Fund	September 10, 1986
Benchmark	Bloomberg Barclays Global Agg ex USD Index
Expense Information (as of the most recent Prospectus)	0.67%
Fiscal Year End	December 31
12B-1 Fee	–
Total Assets (all share classes)	$1,351,769,199
Percent of Portfolio in Cash	1.7%

PERFORMANCE

(NAV, total return)

				Annualized				
	Three Months	Year-to-Date	One Year	Three Years	Five Years	Ten Years	Fifteen Years	30-Day SEC Yield
International Bond Fund	3.63%	5.67%	5.00%	1.45%	0.06%	2.16%	3.12%	1.77%
Bloomberg Barclays Global Aggregate ex USD Bond Index	3.42	4.99	4.10	0.97	-0.12	2.10	3.33	–

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
International Bond Fund	Sep 10 1986	8.38%	5.17%	2.63%	6.10%	-3.81%	-3.77%	-5.70%	2.20%	11.15%	-2.94%
Bloomberg Barclays Global Aggregate ex USD Bond Index		7.53	4.95	4.36	4.09	-3.08	-3.08	-6.02	1.49	10.51	-2.15

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. 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 1-800-638-7780 or visit troweprice.com. Read it carefully. The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.
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.
Source for Bloomberg Barclays data: Bloomberg Index Services Limited. See additional disclosures.

PERFORMANCE REVIEW

Central bank dovishness fuels government bond rally
Developed government bonds rallied and curves flattened as a number of major central banks ramped up their dovish rhetoric amid growth concerns and fears over U.S.-China trade tensions. Most notably, the Federal Reserve stated in June that it was monitoring economic data and would "act as appropriate to sustain the expansion," which market participants took to indicate a possible rate cut in the near future. In the eurozone, European Central Bank (ECB) President Mario Draghi indicated that the central bank could ease monetary policy further if economic conditions didn't improve, a shift from previous comments indicating that action would only come if conditions worsened. For emerging markets, inflows picked up as the dovish shift of several major central banks revived a search for yield. Ultimately, our country/duration positioning was broadly flat compared with the benchmark. An overweight duration position in Chile boosted relative returns after the country's central bank unexpectedly cut interest rates. Additional overweights in Malaysia, Brazil, and South Korea also contributed positively as major central banks turned dovish. By contrast, our underweight exposure to the eurozone, as well as positioning along the eurozone yield curve, negatively impacted relative returns. Dovish signaling from Draghi in June drove demand for core European bonds, pushing prices up.

U.S. dollar weakens on Fed rate cut expectations
The U.S. dollar fell against most developed market currencies during the second quarter as the Fed's signaling of a possible rate cut and increasingly dovish statements pushed down the greenback. Of the developed market currencies, the Japanese yen appreciated the most against the U.S. dollar, with trade tensions fueling demand for the safe-haven currency. The Swiss franc also bounced for similar reasons, while the commodity-sensitive Canadian dollar received a boost from the rise in oil prices. The British pound bucked the broader trend, however, and weakened against the U.S. dollar as political uncertainty lingered on with the resignation of Prime Minister Theresa May, a development that raised fears of a potential disruptive no-deal Brexit. A number of emerging market currencies also notched up gains against the U.S. dollar over the quarter. In particular, the oil price spike benefited the Russian ruble much like the Canadian dollar. The Thai baht also strengthened against the dollar in the second quarter, as central bank dovishness was supportive for risk appetite. By contrast, the Turkish lira weakened against the U.S. dollar on the quarter amid concerns over the country's economy and level of foreign reserves. In the portfolio, U.S. dollar weakness led to relative gains from our overweight position in the Indonesian rupiah, as well as an off-benchmark position in the South African rand. Overweights in select developed market currencies, such as the Canadian dollar and Japanese yen, also modestly added to relative returns, while overweight positions in the Czech koruna and Romanian leu also benefited. An overweight stance in the U.S. dollar against the euro detracted from relative returns, however, as the Fed's dovish tilt weakened the greenback.

Late-quarter risk rally buoys credit markets
After a volatile May, investor risk appetite returned in June to help spreads across the investment-grade and high yield complex end the quarter tighter. Increased central bank dovishness and the easing of concerns over U.S.-China trade talks were the key drivers behind the late-quarter rally. These factors helped our security selection within European and UK corporate bonds, as well as U.S. dollar-denominated sovereign and quasi-sovereign emerging market bonds. However, these gains were offset by positions that we used to hedge portfolio risk, such as a short credit default swap position against a European high yield index, which negatively contributed to relative returns as spreads tightened.

PORTFOLIO POSITIONING AND ACTIVITY

The portfolio's overall duration level was increased during the quarter. In particular, we added duration in the 7- to 10-year part of the curve in Canada and reduced our underweight duration stance to the eurozone. We also closed an underweight duration position to the Czech Republic and added to exposures in South Korea and Chile.

Country/duration positioning

- In the eurozone, we sold the long end of the curve in Germany and added exposure to a number of other markets, including Austria, Italy, and France. Overall, we reduced our underweight duration position to the eurozone. In other developed markets, we moved to an overweight duration position in Canada after the country's central bank moved away from talks of rate hikes and turned more dovish. We increased our underweight duration position to Japan and retained our UK underweight.
- Throughout the quarter, we maintained a positive bias for high-quality countries with low interest rate volatility, such as Sweden, and countries with attractive yield curve shapes, including Israel. We also reopened a positive stance to Australia in May on anticipation of interest rate cuts.
- In emerging markets, we maintained overweight and off-benchmark positions to the local currency government bond markets where we have the highest conviction. This included Chile, Indonesia, Mexico, Thailand, Malaysia, India, South Africa, Romania, and Serbia. These markets currently offer a combination of compelling valuations and improving fundamentals, which is bond supportive. To balance some of the risks, we maintained an underweight duration stance in Poland throughout, albeit slightly reduced during the quarter.

Currency selection

- In foreign exchange markets, we increased our underweight position to the euro as dovish rhetoric from the ECB raises the possibility that further easing measures could be announced. We increased our overweight stance to the Chinese yuan as U.S. trade tensions eased. We also opened up a new overweight position in the Japanese yen as a way to hedge against risk. In other developed markets, we maintained overweight positions to the Canadian dollar and Swedish krona and increased our underweight bias toward the U.S. dollar.
- Within emerging markets, we added slightly to an overweight position in the Mexican peso after a potential tariff war with the U.S. was averted. We kept off-benchmark positions in the South African rand and Indian rupee as election results indicated that economic reform could be coming in both countries. In Eastern Europe, we continue to hold overweight and off-benchmark positions in the Czech koruna, Romanian leu, and Serbian dinar. Throughout, we maintained modest off-benchmark positions in the Egyptian pound and Sri Lankan rupee.

Sector allocation and security selection

- We held an allocation to hard currency emerging market corporate, sovereign, and quasi-sovereign debt as the income stream remained attractive. We also maintained modest exposure to European high yield bonds.
- To hedge portfolio risk, we opened a short credit default swap position against a European high yield index.

MANAGER'S OUTLOOK

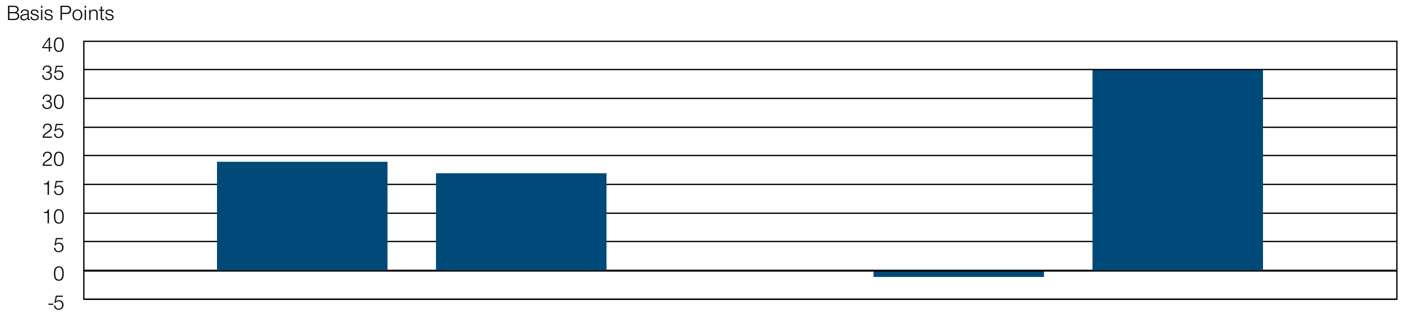
As concerns surrounding the U.S.-China trade war and other geopolitical factors have resurfaced, major central banks have turned even more dovish, with some signaling upcoming rate cuts, in a bid to stimulate growth. This has created a scenario whereby there's demand for both core government bonds and risk assets, mirroring what supported the risk rally in the first quarter. It's unlikely that this environment will persist.

In our view, the recent risk rally is more likely to be a short-term, central bank-driven phenomenon fueled by investors hunting for yield rather than a genuine recovery story. Factors such as the U.S. yield curve inverting and expensive valuations have led us to adopt a cautious stance. We are also mindful that it could be difficult for central banks to reverse the growth slowdown because monetary policy often acts with a time lag. For us, monitoring global growth will therefore be key in the coming weeks and months.

ATTRIBUTION

CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG BARCLAYS GLOBAL AGG EX USD INDEX

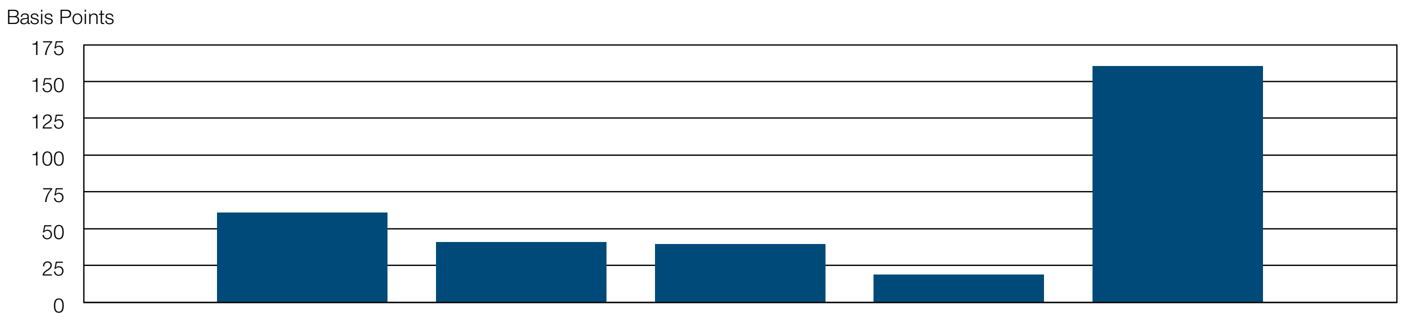
(3 months ended June 30, 2019)



Currency	Residual	Sector/ Security	Country/Duration	Total
19	17	0	-1	35

CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG BARCLAYS GLOBAL AGG EX USD INDEX

(12 months ended June 30, 2019)

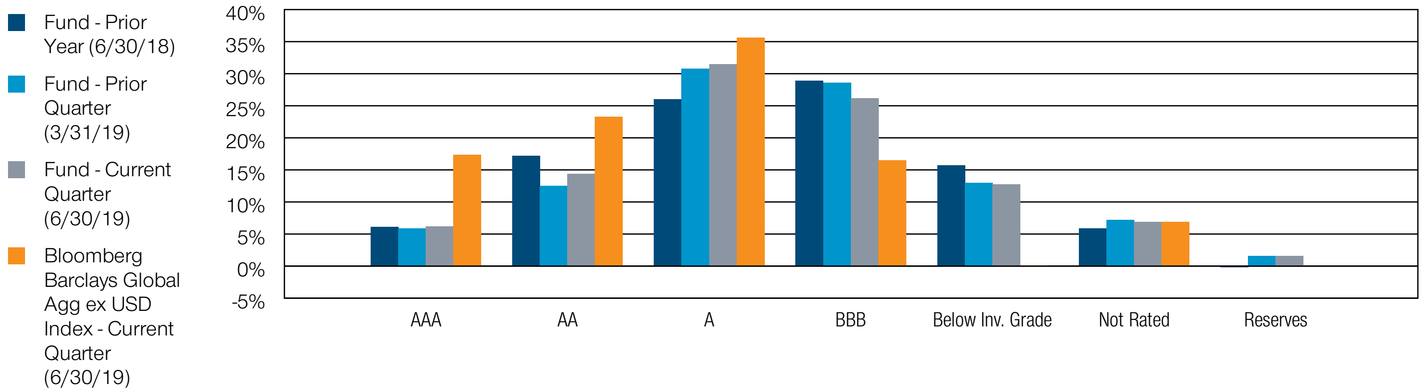


Sector/ Security	Currency	Country/Duration	Residual	Total
61	41	40	19	161

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. 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

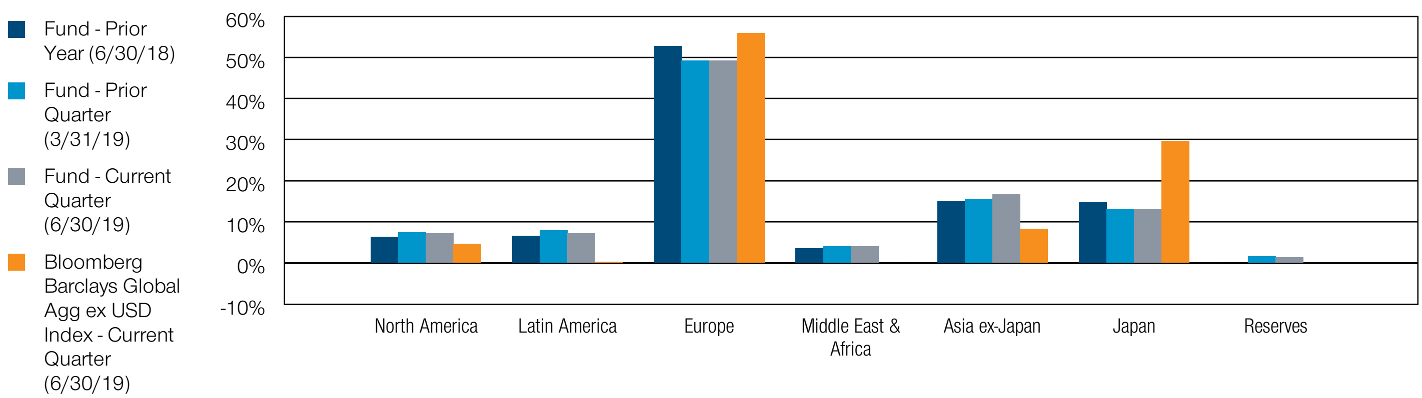
CREDIT QUALITY DIVERSIFICATION – CHANGES OVER TIME



SECTOR DIVERSIFICATION: FUND VS. BLOOMBERG BARCLAYS GLOBAL AGG EX USD INDEX

	% of Fund	% of Bloomberg Barclays Global Agg ex USD Index	Over/Underweight
Government	76.6%	74.2%	2.4%
Agency/Supranationals	4.3	9.3	-5.0
Corporate	10.9	11.8	-0.9
Financials	5.0	5.1	0.0
Utilities	1.5	1.1	0.5
Industrials	4.3	5.6	-1.3
Collateralised	1.2	4.8	-3.6
Sub Investment Grade	6.1	0.0	6.1
Emerging Market Corporate	2.2	0.0	2.2
High Yield Issuer	3.9	0.0	3.9
Derivatives	-0.7	0.0	-0.7
Swaps	-0.7	0.0	-0.7
Reserves	1.7	0.0	1.7
Total	**100.0**	**100.0**	

BOND ALLOCATION ISSUE CURRENCY – CHANGES OVER TIME



Sources: T. Rowe Price and Bloomberg Barclays.

PORTFOLIO POSITIONING, CONTINUED

CURRENCY EXPOSURE

	% of Fund	% of Bloomberg Barclays Global Agg ex USD Index	Over/Underweight
U.S. dollar	-7.9%	0.0%	-7.9%
Australian dollar	2.3	2.3	0.0
Canadian dollar	5.8	4.9	0.9
Mexican peso	1.5	0.5	1.0
New Zealand dollar	0.2	0.2	0.0
Dollar Bloc	1.8	7.8	-6.0
euro	36.6	44.2	-7.6
British pound sterling	8.4	8.4	0.0
Czech koruna	1.8	0.2	1.6
Danish krone	0.4	0.4	0.0
Hungarian forint	<0.1	0.1	-0.2
Norwegian krone	0.2	0.2	0.0
Polish zloty	0.4	0.4	0.0
Swedish krona	1.8	0.8	0.9
Swiss franc	1.0	1.0	0.0
European Bloc	50.6	55.8	-5.1
Japanese yen	30.3	29.9	0.4
Hong Kong dollar	0.2	0.0	0.1
Korean won	2.2	2.2	-0.1
Malaysian ringgit	1.6	0.5	1.1
New Taiwan dollar	-0.5	0.0	-0.5
Singapore dollar	0.4	0.4	0.0
Thai baht	1.1	0.6	0.5
Far East Bloc	35.2	33.7	1.6
Brazilian real	<0.1	0.0	0.0
Chilean peso	0.1	0.0	0.1
Chinese renminbi	1.9	1.7	0.2
Egyptian pound	0.4	0.0	0.4
Indian rupee	1.0	0.0	1.0
Indonesian rupiah	2.2	0.5	1.7
Israeli shekel	0.2	0.2	-0.0
New Romanian leu	1.2	0.0	1.2
Offshore Chinese renminbi	2.9	0.0	2.9
Russian ruble	0.3	0.3	0.0
Serbia dinar	0.5	0.0	0.5
South African rand	1.0	0.0	1.0
Sri Lanka rupee	0.6	0.0	0.6
Emerging Markets Bloc	12.3	2.7	9.6
Total	**100.0**	**100.0**	**0.0**

MARKET PERFORMANCE

GLOBAL GOVERNMENT BOND MARKET RETURNS (LOCAL CURRENCY)

(3 months ended June 30, 2019)

Country	
Mexico	4.76%
Australia	3.61
Euro Area	3.38
United States	3.01
Czech Republic	3.00
Denmark	2.41
Malaysia	2.18
South Korea	2.09
New Zealand	2.06
Germany	2.00
Poland	1.73
Sweden	1.68
Canada	1.59
United Kingdom	1.41
Japan	0.94
Singapore	0.91
Norway	0.88

CURRENCY RETURNS (SPOT PRICE RETURNS VS USD)

(3 months ended June 30, 2019)

Currency	
Czech koruna	2.99%
Polish zloty	2.83
Japanese yen	2.76
Canadian dollar	2.24
Danish krone	1.48
Euro	1.44
Mexican peso	1.01
Norwegian krone	1.01
Singapore dollar	0.12
Swedish krona	-0.02
Malaysian ringgit	-1.20
Australian dollar	-1.23
New Zealand dollar	-1.51
South Korean won	-1.70
United Kingdom sterling	-2.43

Past performance is not a reliable indicator of future performance.
Source: Bloomberg Barclays.

HOLDINGS

TOP 10 ISSUERS

Issuer	Country	Industry	% of Fund
Japan	Japan	Sovereign	13.3%
Republic of Italy	Italy	Sovereign	5.8
Republic of France	France	Sovereign	4.2
Republic of Indonesia	Indonesia	Sovereign	3.5
Republic of Cyprus	Cyprus	Sovereign	3.4
Romania	Romania	Sovereign	3.2
Republic of Korea	South Korea	Sovereign	3.1
Republic of Chile	Chile	Sovereign	3.0
State of Israel	Israel	Sovereign	3.0
United Mexican States	Mexico	Sovereign	2.8

PORTFOLIO MANAGEMENT

Portfolio Manager:	Managed Fund Since:	Joined Firm:
Arif Husain	2014	2013
Kenneth Orchard	2015	2010

Additional Disclosures

Source for Bloomberg Barclays index data: Bloomberg Index Services Ltd. Copyright 2019, Bloomberg Index Services Ltd. Used with permission.
Unless otherwise noted, returns are shown with gross dividends reinvested.
The manager's views and portfolio holdings are historical and subject to change. This material should not be deemed a recommendation to buy or sell any of the securities mentioned. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.
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Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.
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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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