Global Asset Allocation Viewpoints

May 2020

1 Portfolio Positioning

As of 30 April 2020

Paring Back

- We moderated our equity overweight, taking the opportunity to capitalize on gains as the market rebounded into a bull market at an unprecedented pace off lows reached in late March.
- Within our regional equity positioning we moved to neutral U.S. equities from an underweight. The U.S. market's profile is more defensive—with heavier weights to technology and communications—and its economy may be better positioned to support a rebound in growth buoyed by unprecedented fiscal and monetary stimulus.
- Within the U.S., we moderated our overweight to small-cap stocks. Despite still attractive relative valuations, smaller companies are likely to face near-term headwinds given their broadly higher exposure to consumer spending and more limited balance sheet flexibility relative to larger companies.
- Outside the U.S., we moderated our exposure to more cyclically exposed value stocks as economic growth is likely to remain challenged. We also pared emerging markets exposure as many countries, other than better-resourced economies like China, face challenges containing the coronavirus outbreak and have limited tools to support growth.

2 Market Themes

As of 30 April 2020

Price Discovery

Trying to put a price on the stock market in the current environment is extremely challenging. The velocity of the market decline and subsequent recovery are unparalleled, with day-to-day price swings that can look more like returns for a full year. Similar to the "P", in price-to-earnings measures, the "E" is challenging to pin down as estimating earnings is hampered by uncertainty around the duration of the global shutdown and the post-crisis environment. First quarter earnings reports are starting to shed some light, and the broad picture shows a steep decline with S&P 500 earnings down nearly 15%. In this environment, there have been winners and losers, with technology and communications sectors resilient, while other more cyclical sectors have been hard hit, including energy and industrials. Compared with previous crises, today's crisis is not normal and the speed of the recovery may not be normal either. What may be very different, though, are the winners and losers, making it ever more important to watch what you're paying for "normalized" earnings for companies that will likely be facing an abnormal world.

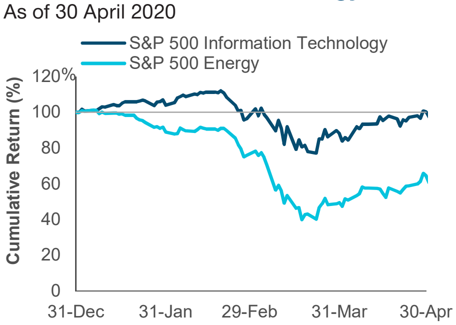
Fed Extinguishing Liquidity Risk, Solvency Smolders

Global central bankers have unleashed unprecedented monetary policies to help offset contracting growth and ease widespread liquidity strains. In the U.S., the Federal Reserve has launched several lending and asset purchase programs that have provided much needed stability within the commercial paper, U.S. Treasury debt, corporate bond, municipal bond, mortgage-backed, and money market sectors. The most direct support will come through the launch of the Main Street Lending Program under which the Fed is directly providing loans through its network of banks to small and mid-size businesses that are too large to participate in the Treasury's Paycheck Protection Program (PPP). However, these loans will need to be paid back, whereas the PPP lending converts to grants if used directly to fund employee wages. While these actions by the Fed provide much needed liquidity, eventually these businesses must be able to stand on their own. Given the uncertain future for many industries post-crisis, markets are likely to shift their focus to solvency risk, where some companies' profitability may not be able to sustain their debt obligations.

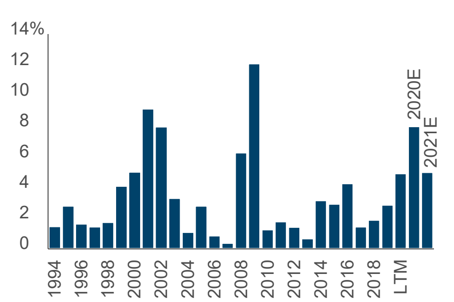
Looking Through

First quarter gross domestic product (GDP) growth rates around the world are showing levels of contraction not seen since 2008, with the U.S. slipping -1.2% quarter over quarter (-4.8% on an annualized basis) and the eurozone down -3.3%. The steep declines were largely due to the extensive lockdown measures implemented worldwide, which hampered the previously resilient consumer and severely impacted services industries such as entertainment, health care, and food. As bad as these first quarter numbers were, the data only reflected economic closures that started around the second week of March, indicating that next quarter's data will be much worse, with nearly the entire economy impacted by lockdowns in April and significant portions of May. Despite the alarming economic growth, unemployment, and manufacturing data, global stock markets have shrugged off the weakness as temporary in hopes that recovery will not be too far off once economies reopen. With a headline second quarter GDP number in the U.S. that could be as low as -40%, we'll see if markets will continue to look through the negative data or begin to react in a different direction.

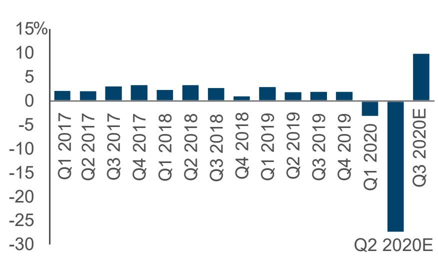
S&P 500: Info Tech vs. Energy
As of 30 April 2020



U.S. High Yield Default Rate
As of 30 April 2020



U.S. Real GDP Growth (Annualized)
As of 31 March 2020



Past performance is not a reliable indicator of future performance.
Sources: Factset. Financial data and analytics provider FactSet. Copyright 2020 FactSet. All Rights Reserved. J.P. Morgan Chase & Co., Bloomberg Finance L.P., Standard & Poor's. Please see additional disclosures on the final page.
FOR INVESTMENT PROFESSIONALS ONLY. NOT FOR FURTHER DISTRIBUTION.

3 Regional Backdrop

As of 30 April 2020

United States

Positives

- Unprecedented levels of monetary and fiscal support
- Healthy consumer balance sheets prior to the crisis
- Pause in trade war escalation
- Health care infrastructure is stronger than most regions
- Greater share of secularly advantaged companies (e.g., cloud computing, internet retail) than rest of the world

Negatives

- Size of country and freedom of movement means there is higher potential for continued outbreaks
- Inconsistent policies from state to state
- Elevated corporate leverage going into the crisis
- Service-oriented economy means higher economic impact from social distancing
- Margins under pressure going into the crisis
- Elevated government debt levels

Europe

Positives

- Long-awaited fiscal stimulus is coming
- Monetary policy remains very accommodative
- Inexpensive valuations have become even more inexpensive as Europe has borne the brunt of the sell-off

Negatives

- Weak economic growth going into crisis
- Limited scope for ECB to stimulate further
- De-centralized government structure means fiscal response is delayed
- Banking sector was weak going into the crisis
- Political tensions heightened by the crisis

Developed Asia/Pacific

Positives

- Outbreaks in this region have thus far been milder than in the rest of the world
- Strong and aggressive fiscal stimulus
- Japanese companies generally hold high cash levels, meaning they have more cushion for weakness

Negatives

- Highly sensitive to global industrial production and trade trends
- Australia holds high exposure to natural resource prices, which have weakened considerably

Emerging Markets

Positives

- Virus outbreak in China appears to be contained
- Policy response from China has been significant
- Younger population likely to be less affected by virus
- Dovish Fed has given central banks flexibility to ease
- Easing trade tensions
- Equity valuations attractive relative to developed markets

Negatives

- Weak health care infrastructure in many regions
- Limited ability to enact fiscal stimulus (excluding China)
- Highly sensitive to global industrial production and trade trends
- Commodity prices under pressure
- Instability in several key markets could weigh on sentiment
- Potential for elevated currency volatility

4 Asset Allocation Committee Positioning

As of 30 April 2020

▼ or ▲ Month-Over-Month Change

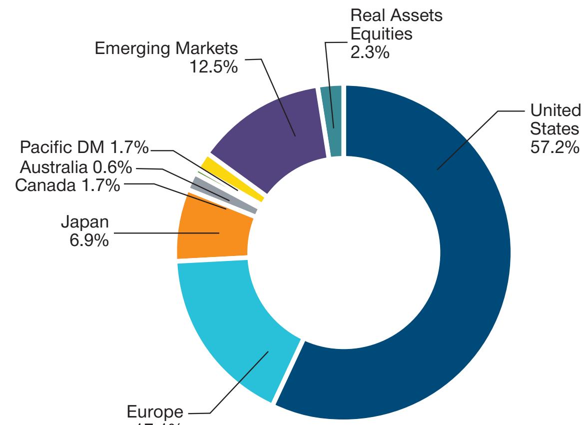
		Change	Underweight		Neutral	Overweight		These views are informed by a subjective assessment of the relative attractiveness of asset classes and subclasses over a 6- to 18-month horizon.
ASSET CLASS	Equities	▼				■		Equity prices moved substantially higher on hopes of swift economic rebound, supported by fiscal and monetary stimulus. Impact on earnings dependent on duration of shutdowns.
	Bonds			■				Yields remain near record lows on muted sentiment. Credit spreads wider but no longer at extreme levels. Fed actions to support liquidity providing stability. Increased supply expected.
	Cash	▲				■		Cash yields unattractive with developed market monetary policy rates near or below zero across the globe.
EQUITIES	*Regions*							
	U.S.	▲			■			Should benefit from more defensive market profile. Magnitude of fiscal and monetary stimulus supportive, but earnings outlook remains uncertain due to impacts of virus.
	Global Ex-U.S.	▼			■			Already fragile and more cyclically dependent economies facing contraction amid virus outbreak. Scope of fiscal support increasing, despite stretched central bank tools.
	Europe	▼			■			Regional economies continue to be heavily impacted by virus. European Central Bank (ECB) remains supportive, and fiscal stimulus is coming but facing political hurdles.
	Japan	▼			■			Facing fallout from virus outbreak and postponement of the Olympics ramps up fiscal support. Extent of economic and trade impacts uncertain, and yen strength a risk.
	Emerging Markets (EM)	▼			■			Vulnerable to the virus impacts with many countries lacking health care infrastructure and economic means to support outside more established economies like China.
	Style							
	U.S. Growth					■		Secular growth companies less sensitive to macro environment. Growth-oriented equities held up in sell-off, leading to less attractive relative valuations.
	U.S. Value			■				Cyclically oriented equities hit hardest amid sell-off, leaving valuations more attractive should economic growth stabilize over the near term.
	Global Ex-U.S. Growth	▲			■			More defensive profile less susceptible to economic weakness. However, trade and supply chains could be negatively impacted.
	Global Ex-U.S. Value	▼			■			Deteriorating growth, low rates, and commodity oversupply are headwinds for cyclically oriented sectors within value.
	Capitalization							
	U.S. Large-Cap	▲		■				Larger companies better positioned to weather economic downturn. Remain vulnerable to length of shutdown and global supply chain disruption.
	U.S. Small-Cap	▼				■		Despite more attractive valuations relative to large-cap, remain vulnerable to impacts on consumer spending with less balance sheet flexibility.
	Global Ex-U.S. Large-Cap			■				Supply chain disruption and global contraction weighing on earnings outlook. Further impacts from virus outbreak remain uncertain.
	Global Ex-U.S. Small-Cap					■		Vulnerable to consumer retrenchment in regional economies with less balance sheet flexibility versus larger companies.
	Inflation-Sensitive							
	Real Assets Equities		■					Pressured by virus-related demand shock and oil storage constraints. Stabilization in Chinese growth outlook could provide support; however, structural oversupply remains a concern.
BONDS	U.S. Investment Grade (IG)			■				Treasury yields off record lows amid hopes for economic recovery. Increased supply expected. Corporate spreads wider, but no longer at extreme levels with Fed support.
	Developed Ex-U.S. IG (Hedged)					■		U.S. dollar strength supports hedged exposure for U.S.-based investors. Global ex-U.S. yields anchored by aggressive central bank response to the virus.
	Inflation-Linked				■			Inflation expectations lower on muted growth outlook. Central banks remain supportive, but longer-term downward pressures on inflation persist.
	Global High Yield					■		Spreads off recent wides but remain near historically attractive levels. Cautious on downgrade/default risks. Impacts of virus outbreak to weigh on consumer-related and energy sectors.
	Floating Rate Loans					■		Continuing to offer attractive yields after recent spread tightening. Fed anchored at zero rate level. Relative to high yield bonds, less exposure to energy sector and higher in capital structure.
	EM Dollar Sovereigns					■		Relative valuations attractive versus history. Idiosyncratic risks, limited healthcare infrastructure and economic means to support growth are sources of uncertainty.
	EM Local Currency					■		EM currency valuation remains attractive; developed market central banks supportive, but vulnerable to further U.S. dollar strength.

5 Portfolio Implementation

As of 30 April 2020

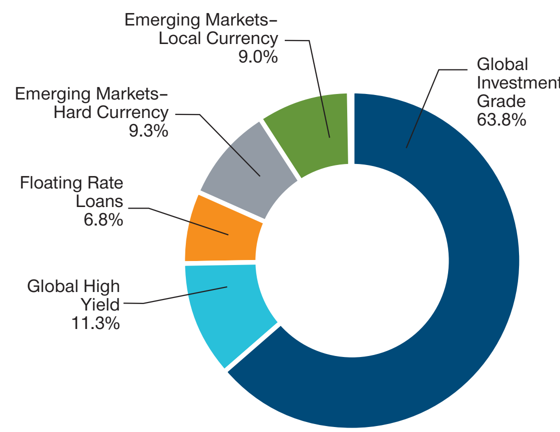
Equity	Neutral Weight	Tactical Weight	Relative Weight
United States	55.0%	57.2%	+2.2%
Europe	16.5	17.1	+0.6
Japan	6.7	6.9	+0.3
Canada	2.7	1.7	-1.0
Australia	1.6	0.6	-1.0
Pacific – Developed Markets (DM)	1.4	1.7	+0.3
Emerging Markets	11.1	12.5	+1.4
Real Assets Equities	5.0	2.3	-2.8
Total Equity:	**100.0%**	**100.0%**	

Tactical Allocation Weights



Fixed Income	Neutral Weight	Tactical Weight	Relative Weight
Global Investment Grade (Hedged)	70.0%	63.8%	-6.3%
Global High Yield	10.0	11.3	+1.3
Floating Rate Loans	5.0	6.8	+1.8
Emerging Markets – Hard Currency	9.0	9.3	+0.3
Emerging Markets – Local Currency	6.0	9.0	+3.0
Total Fixed Income:	**100.0%**	**100.0%**	

Tactical Allocation Weights



Source: T. Rowe Price.

Neutral equity portfolio weights broadly representative of MSCI All Country World Index regional weights; includes allocation to real assets equities. Core global fixed Income allocation broadly representative of Bloomberg Barclays Global Aggregate Index regional weights.

Information presented herein is hypothetical in nature and is shown for illustrative, informational purposes only. It is not intended to be investment advice or a recommendation to take any particular investment action. This material is not intended to forecast or predict future events and does not guarantee future results. These are subject to change without further notice.

Please see "Additional Disclosures" on final page for information about this MSCI information.

ADDITIONAL DISCLOSURES:

Certain numbers in this report may not equal stated totals due to rounding.

Source: Unless otherwise stated, all market data are sourced from FactSet. Financial data and analytics provider FactSet. Copyright 2020 FactSet. All Rights Reserved.

Source: MSCI. MSCI and its affiliates and third party sources and providers (collectively, "MSCI") makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. Historical MSCI data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

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 © 2020, J.P. Morgan Chase & Co. All rights reserved.

Used with permission of Bloomberg Finance L.P.

Copyright © 2020, S&P Global Market Intelligence (and its affiliates, as applicable). Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold such investment or security, does not address the suitability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact.

Key risks –The following risks are materially relevant to the information highlighted in this material:
Even if the asset allocation is exposed to different asset classes in order to diversify the risks, a part of these assets is exposed to specific key risks.
Equity risk – in general, equities involve higher risks than bonds or money market instruments.
Credit risk – a bond or money market security could lose value if the issuer's financial health deteriorates.
Currency risk – changes in currency exchange rates could reduce investment gains or increase investment losses.
Default risk – the issuers of certain bonds could become unable to make payments on their bonds.
Emerging markets risk – emerging markets are less established than developed markets and, therefore, involve higher risks.
Foreign investing risk – investing in foreign countries other than the country of domicile can be riskier due to the adverse effects of currency exchange rates; differences in market structure and liquidity, as well as specific country, regional, and economic developments.
Interest rate risk – when interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality.
Real estate investments risk – real estate and related investments can be hurt by any factor that makes an area or individual property less valuable.
Small- and mid-cap risk – stocks of small and mid-size companies can be more volatile than stocks of larger companies.
Style risk – different investment styles typically go in and out of favour depending on market conditions and investor sentiment.

IMPORTANT INFORMATION

This material is being furnished for general informational and/or marketing purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, nor is it intended to serve as the primary basis for an investment decision. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a reliable indicator of future performance.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date noted on the material and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request.

It is not intended for distribution to retail investors in any jurisdiction.

Australia - Issued in Australia by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 50, Governor Phillip Tower, 1 Farrer Place, Suite 50B, Sydney, NSW 2000, Australia. For Wholesale Clients only.

Canada - Issued in Canada by T. Rowe Price (Canada), Inc. T. Rowe Price (Canada), Inc.'s investment management services are only available to Accredited Investors as defined under National Instrument 45-106. T. Rowe Price (Canada), Inc. enters into written delegation agreements with affiliates to provide investment management services.

DIFC - Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd. This material is communicated on behalf of T. Rowe Price International Ltd by its representative office which is regulated by the Dubai Financial Services Authority. For Professional Clients only.

EEA ex-UK - Unless indicated otherwise this material is issued and approved by T. Rowe Price (Luxembourg) Management S.à r.l. 35 Boulevard du Prince Henri L-1724 Luxembourg which is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier. For Professional Clients only.

Hong Kong - Issued by T. Rowe Price Hong Kong Limited, 6/F, Chater House, 8 Connaught Road Central, Hong Kong. T. Rowe Price Hong Kong Limited is licensed and regulated by the Securities & Futures Commission. For Professional Investors only.

New Zealand - Issued by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 50, Governor Phillip Tower, 1 Farrer Place, Suite 50B, Sydney, NSW 2000, Australia. No Interests are offered to the public. Accordingly, the Interests may not, directly or indirectly, be offered, sold or delivered in New Zealand, nor may any offering document or advertisement in relation to any offer of the Interests be distributed in New Zealand, other than in circumstances where there is no contravention of the Financial Markets Conduct Act 2013.

Singapore - Issued in Singapore by T. Rowe Price Singapore Private Ltd., No. 501 Orchard Rd, #10-02 Wheelock Place, Singapore 238880. T. Rowe Price Singapore Private Ltd. is licensed and regulated by the Monetary Authority of Singapore. For Institutional and Accredited Investors only.

South Africa – T. Rowe Price International Ltd ("TRPIL") is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002 (FSP Licence Number 31935), authorised to provide "intermediary services" to South African investors."

Switzerland - Issued in Switzerland by T. Rowe Price (Switzerland) GmbH, Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. For Qualified Investors only.

UK - This material is issued and approved by T. Rowe Price International Ltd, 60 Queen Victoria Street, London, EC4N 4TZ which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

202005-1178709