New Opportunities in Emerging Markets Debt

Presented by: Michael J. Conelius, Portfolio Manager | April 2010

T.RowePrice
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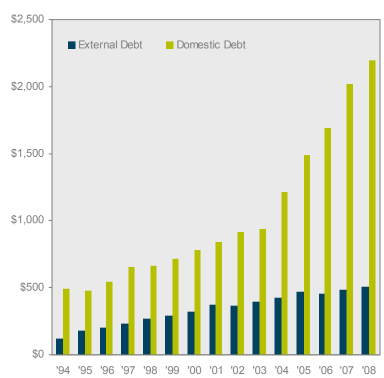
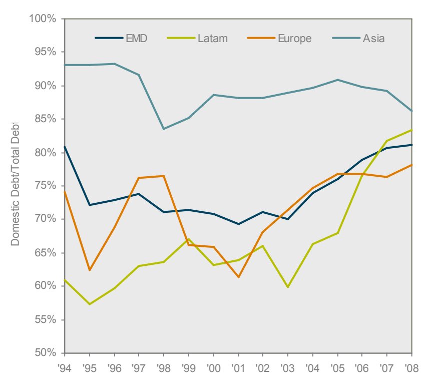
Emerging Market Debt – A Transforming Asset Class

EM Sovereign Debt (ex Local China and India)
$ billion outstanding



Domestic Debt % Total Sovereign Debt
(Asia: ex-China & India)



Today's emerging market debt asset class is much more than just a dollar denominated market

Since 1994, emerging markets have established better overall debt structure with the development of local debt markets, which helps avoid structurally driven problems of the past (ie, Mexico in 1994)

Source: Merrill Lynch

Emerging Market Debt – A Transforming Asset Class

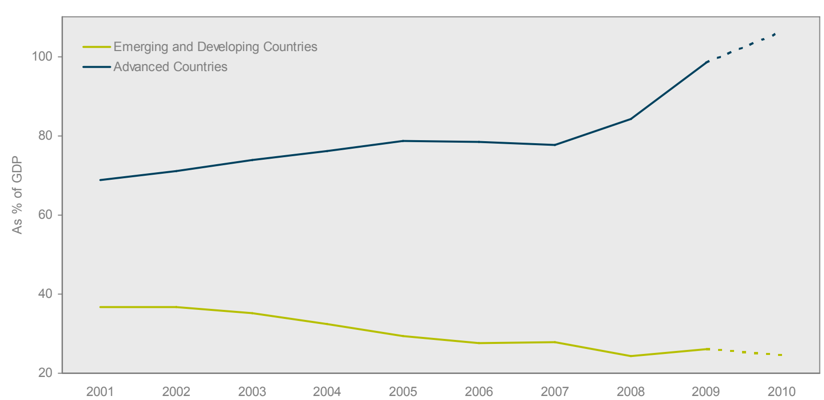
Real GDP Growth (Annual % Change)
Actual data 1981 through 2008, IMF forecasts 2009 through 2014

Emerging economies will continue to drive global growth

Source: IMF

Emerging Market Debt – A Transforming Asset Class

Government Debt as % of GDP
Actual data 2001 through 2008, IMF forecasts 2009 through 2010

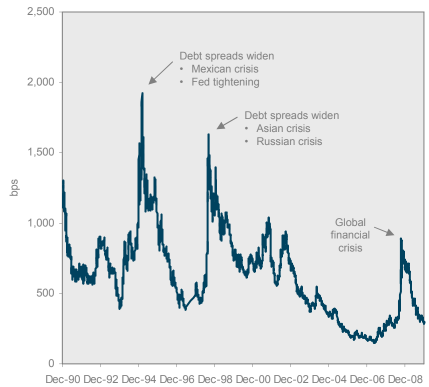


Emerging economies have used the current cycle to improve their fundamentals – a lesson lost on developed markets

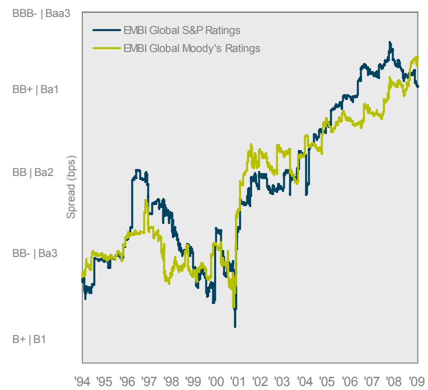
Source: IMF, The State of Public Finances: A Cross-Country Fiscal Monitor | November 2009

Emerging Market Debt – A Transforming Asset Class

Emerging Markets Debt Spreads vs. U.S. Treasuries
As of 31 December 2009



Average Rating of the JP Morgan Emerging Markets Bond Index Global

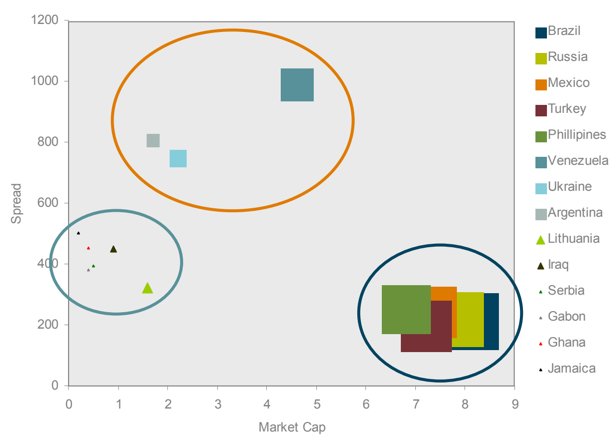


Sounder policies have limited the impact from the current global crisis: the upward quality progression is in tact.

Returns shown with gross dividends reinvested.
Past performance cannot guarantee future results.
Source: Bloomberg, JP Morgan

Emerging Market Debt – Today's Opportunities

Analysis of the JP Morgan EMBI Diversified Index



Index heavy weights

Low spread, high correlation opportunity

Story sovereigns

High beta spread opportunity with lower correlation

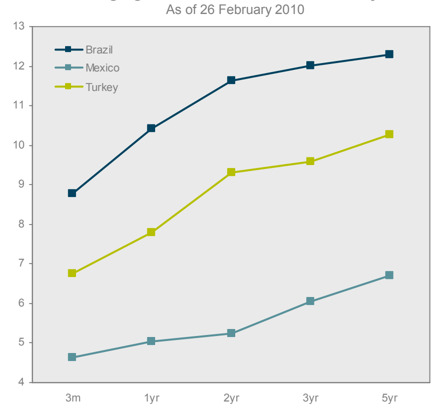
Frontier Markets

Spread opportunity that offers low correlation

Source:JP Morgan

Emerging Market Debt – Today's Opportunities

Emerging Market Debt Yield Curve Analysis
As of 26 February 2010



12 Months Ending:	OIL (% change)	CRB (% change)
December 31, 2007	29%	17%
December 31, 2008	-29%	-36%
December 31, 2009	31%	23%
February 28, 2010	47%	30%

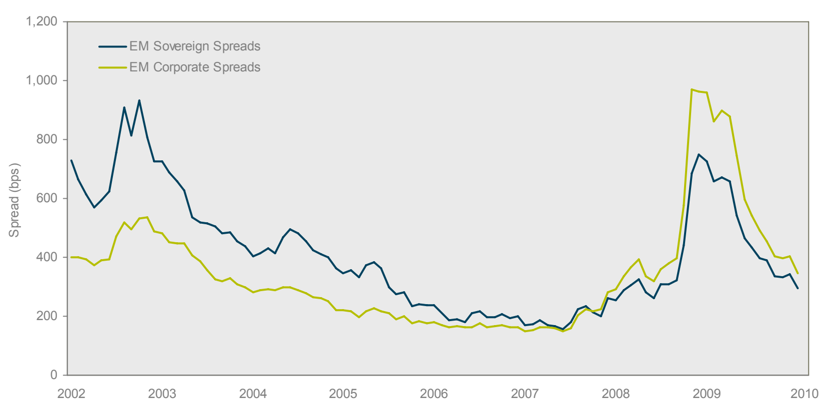
	% of Food and Energy in CPI Basket
Brazil	32%
India	41%
Indonesia	55%
Mexico	40%
Russia	48%
South Africa	22%

The global monetary easing campaign is now over. The yield curves of market heavyweights are now pricing in rate hikes.

Source: Bloomberg

Emerging Market Corporate Debt – An Opportunity Today and Beyond

Emerging Market Debt Sovereign and Credit Spreads



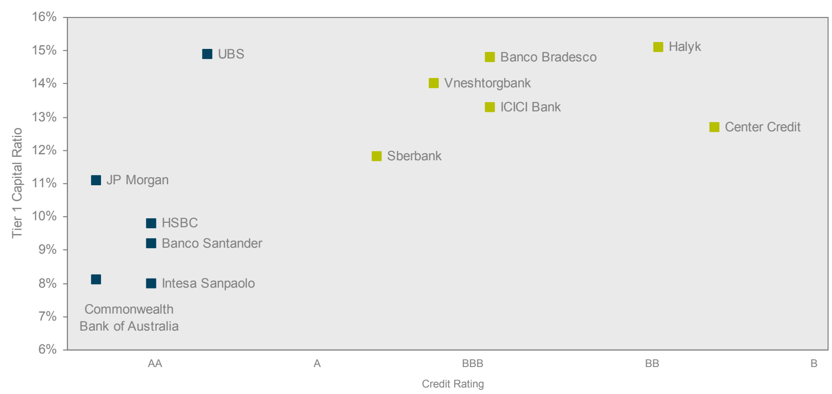
EM Corporate credit has scope for accelerated growth

Relative growth favors emerging markets corporate debt given growing demand for commodities and increasing domestic demand

Source: IMF, JP Morgan

Emerging Market Corporate Debt – An Opportunity Today and Beyond

Global Banking Sector



There are generally stronger capital positions in banks domiciled within emerging countries relative to developed country banking systems

Tier 1 Capital Ratio as a percent of risk-weighted assets
Tier 1 Capital includes common equity, retained earnings, and hybrid capital
The securities listed represent the largest investable developed and emerging markets banks. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for clients in the composite and no assumptions should be made that the securities identified and discussed were or will be profitable.
Source: T. Rowe Price, Moody's

Emerging Market Corporate Debt – An Opportunity Today and Beyond

Nontraditional, debut issuers are starting to enter debt markets

Arcos Dorados

The world's largest McDonald's franchisee, operating in Latin America and the Caribbean

- Boasts superior brand
- Access to McDonald's supplier networks and operating processes
- Market share leader
- Secured by hard assets — substantial real estate portfolio provides collateral and financial support
- Improving liquidity profile
- Stands to benefit from growing consumer base

Fibria

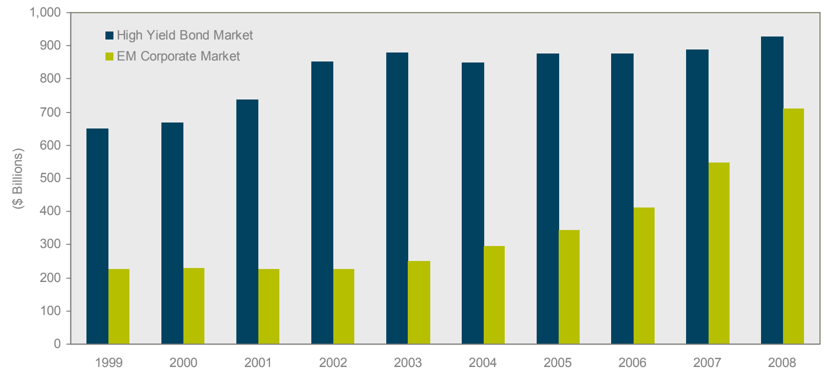
The world's largest producer of market pulp and one of the lowest-cost producers of eucalyptus paper in the world.

- Strong leadership position within the paper industry
- Low production costs due to economies of scale
- Vertically integrated operations reduce costs and mitigate risks due to potential shortages and/or volatility in input prices

The securities identified and described are intended to illustrate the security evaluation process of T. Rowe Price investment professionals and does not represent all of the securities analyzed or purchased or sold for clients in the composite. No assumptions should be made that the security analyzed, or other securities analyzed, purchased or sold, was or will be profitable. To further illustrate our security evaluation process, a complete list of securities in the composite that were purchased or sold during the past year is available upon request.

Emerging Market Corporate Debt – An Opportunity Today and Beyond

Corporate Bond Market Growth ($ Billions)
1999 through 2008

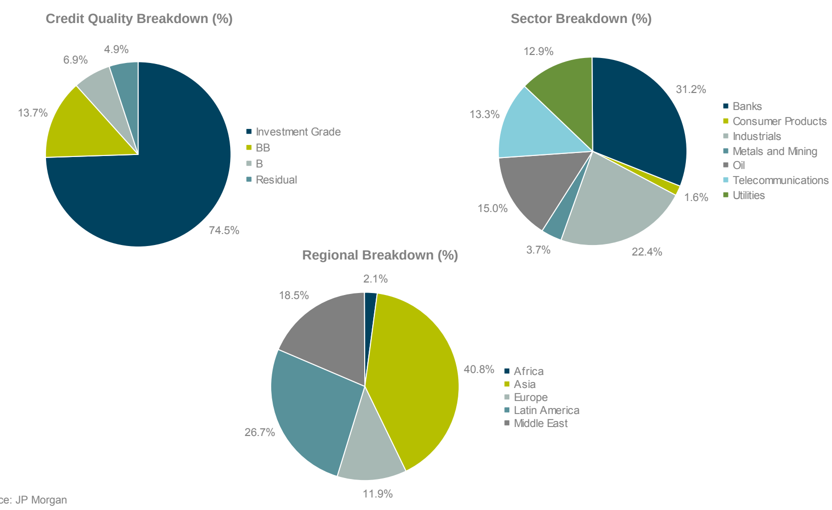


The EM Corporate bond market has grown at an average annual rate of 13.5% over the 10-year period

Source: Credit Suisse, Barclays Capital, Merrill Lynch

Emerging Market Corporate Debt – An Opportunity Today and Beyond

JP Morgan Corporate Emerging Markets Bond Index Broad Diversified
As of 31 December 2009



Source: JP Morgan

Emerging Market Corporate Debt – An Opportunity Today and Beyond

Index Characteristics
As of December 31, 2009

	Yield	Duration	Spread	Average Credit Quality	Total Market Value ($bn)
U.S. Investment Grade Corporate	4.74%	6.35 years	173 bps	A	2,555 bn
EM Sovereign	6.71%	6.57 years	294 bps	BB+	994 bn*
EM Corporate	7.25%	5.00 years	403 bps	BBB	710 bn*
High Yield	9.01%	3.96 years	657 bps	B	1,012 bn

* As of December 31, 2008 (latest data available)
Representative indices include: Barclays US Investment Grade Corporate Index, JP Morgan Emerging Markets Bond Index Global, JP Morgan Corporate Emerging Markets Bond Index Broad Diversified, and JP Morgan Global High Yield
Source: JP Morgan, Barclays Capital

EM Debt Exposure Increases Portfolio Diversification

Five-Year Correlation
As of December 31, 2009

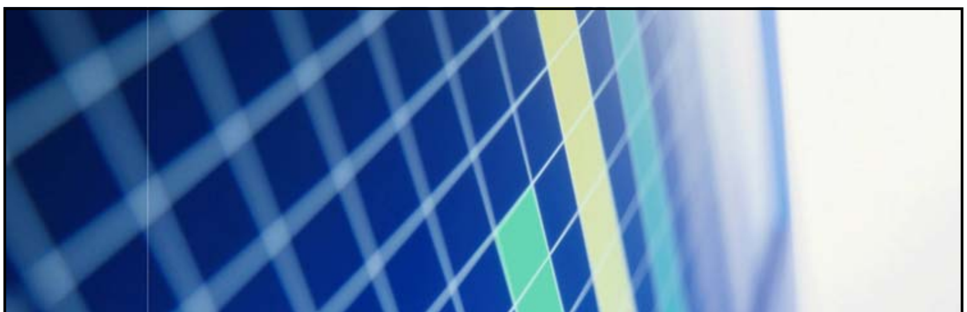
	Canadian Aggregate	High Yield	EM Equity	Canadian Equity
EM Sovereign	.61	.78	.71	.65
EM Corporate	.59	.76	.65	.66

EM Sovereign and EM Corporate debt correlation: .93

Representative indices include: DEX Universe, Credit Suisse High Yield, MSCI Emerging Markets, S&P TSX Composite, JP Morgan Emerging Markets Bond Index Global, JP Morgan Corporate Emerging Market Bond Index Broad Diversified
Source: Zephyr Style Advisor, T. Rowe Price

Investment Outlook and Strategies

- **USD Sovereign:** spreads have normalized, with higher beta outperforming. Speculative premium has been removed; so we favor certain mid-quality and smaller, overlooked, frontier markets
- **USD Corporate:** attractive valuations and growth prospects offer meaningful value; premiums are reduced, but selected issuers are attractive. We favor:
  - National leaders (in banking or industry) with demonstrated or implied government support
  - Global leaders in their sectors
  - Companies that stand to benefit from strengthening local demand
- **EM Local Rates:** expect rate-hiking cycle given higher growth rates; selectively attractive carry where hikes are well-telegraphed
- **EMFX:** relative growth, commodity prices, and medium-term capital flows are supportive of stability, but do not expect significant appreciation



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