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NEWS RELEASE

T. ROWE PRICE EXPERTS SHARE 2021 GLOBAL MARKET OUTLOOK AMID CORONAVIRUS PANDEMIC

Economic, political, market volatility seen as persisting into next year

Baltimore: November 17, 2020

NEWS

T. Rowe Price held its annual Global Market Outlook press briefing today. Hosted virtually for the first time, a select group of the firm's experts shared their perspectives and insights on the impact of the coronavirus, investment opportunities around the globe, U.S. public policy post the presidential election, and how environmental, social, and governance (ESG) factors into T. Rowe Price's investment process. Speakers included Ziad Bakri, MD, and portfolio manager, Health Sciences Strategy; Sébastien Page, head of Global Multi-Asset; Katie Deal, Washington Analyst, U.S. Equity Division; and Maria Elena Drew, Director of Research for Responsible Investing.

KEY OUTLOOK OBSERVATIONS

Health Care

- There are many diverse technologies and platforms working toward licensure for a vaccine, which we are hopeful will be available by early 2021. Several pharmaceutical companies are expected to release additional data in Q4 and into early 2021. Efficacy data from Pfizer and BioNTech released earlier in November were very strong – durability of immunity being the only remaining open question. Assuming durable immunity from this or other vaccines, there is a meaningful chance COVID-19 vaccines get to the herd immunity threshold. With other vaccines also targeting the "Spike protein", we expect several positive Phase III data sets from additional programs in the coming months.
- The pandemic has changed the way many receive care, accelerating the adoption of telemedicine, which has demonstrated benefits to patient access, affordability, and efficiency of care delivery.
- From an investment perspective, this pandemic is likely to lead investors to put an even greater premium on innovation and novel drug platforms. Should this play out as we expect, it will create more dispersion in the sector creating winners and losers, with beneficiaries being first or best-in-class treatments that address large unmet medical needs and demonstrate meaningful improvements above standard-of-care.
- COVID-19 has and will continue to drive significant investment in the biotech, life science tools, and manufacturing sectors.

Global Markets

- Politics and the coronavirus pandemic continue to be the dominant themes in markets; the resulting sell-off in the early days of the pandemic has reminded investors that diversification rarely works as intended.
- Thus far the areas of the market that performed best leading into the pandemic also outperformed during the pandemic. Growth led value, large caps led small caps, and the U.S. led international. This equity market divergence is due to high levels of concern about businesses with higher

leverage, higher sensitivity to economic growth, and an expectation that interest rates will remain very low for the foreseeable future.

- Further fiscal stimulus is needed to bridge the economy towards a "COVID-OFF" environment. So far, fiscal stimulus measures have been focused on helping distressed sectors, small businesses, and workers who have been laid off or furloughed due to the business disruptions caused by lockdowns and social distancing measures. Stimulus may be pulled back in 2021 (at least in terms of the rate of change), meaning business and consumer spending will need to accelerate to offset the change.
- Within asset allocation, we are closely monitoring the potential for a great rotation from Growth to Value. We believe investors should remain diversified between Growth and Value.
- Looking ahead at 2021, we feel investors should look to take advantage of cheap cyclicality (on a relative basis) in small caps, high yield, and emerging markets.
- The Fed Funds rate is now at the "zero-bound" level, and Fed policy makers appear unwilling to move rates into negative territory. Given the depth of the economic slowdown and the recently announced new policy framework, the Fed is very unlikely to raise interest rates for the next several years.
- Low rates will continue to have major implications for markets, including:
    - On a relative basis, we believe stocks are less expensive than Treasuries, hence the equity risk premium is alive and well;
    - Treasuries may not offer as much diversification to investors' portfolios going forward;
    - The search for yield will continue, which should sustain positive returns in credit markets;
    - Investors must lower their expectations with regard to stocks and bonds returns for the next 10 years. A rising tide will not lift all boats, and differences between winners and losers will be more pronounced.

U.S. Public Policy

- The most important policy goal for president-elect Biden will be recovery from the public health and economic crises created by the coronavirus pandemic. To accomplish this, we anticipate he will advocate for emergency fiscal relief addressing state and local government assistance, support for public health institutions and first responders, and relief for those directly impacted by the virus.
- President-elect Biden will have to shift his legislative agenda depending upon the Senate majority, which will be determined in run-off elections this January. Were Democrats able to gain a majority or enough seats to split the Senate, we expect incremental tax increases cushioned by significant fiscal stimulus, along with efforts to address labor and environmental policy concerns.
- If the Republican party holds on to its Senate majority, we would expect minimal tax increases and a more moderated stimulus package. Though the Biden presidency aspires to implement significant labor and environmental policy reform while scaling up U.S. investment in green and critical infrastructure, the composition of the Senate will likely force the administration to pursue regulatory actions rather than legislation.
- Attention will likely be given to de-escalating trade tensions with traditional partners – like Canada, Mexico, the EU, South Korea, Japan, and others – presenting a cost benefit for some industrials, agriculture, and consumer supply chains.
- Health care will prove a priority for the Biden administration, though political will to pass comprehensive legislative reform has diminished since the beginning of the 2020 Democratic primaries. The Biden presidency will attempt to expand insurance coverage by strengthening the Affordable Care Act, lower drug costs through regulatory oversight and increasing legislative pressure to pave the way for a "public option," which would compete with managed care companies.
- Though the Biden campaign proposed a corporate tax rate increase to 28%, along with the introduction of a corporate minimum rate of 15%, the administration may have a difficult time passing all its tax priorities given the composition of the Senate. Given the impact of a corporate tax rate increase – earnings headwinds, lower levels of capital expenditure, and lower levels of

stock buybacks – we will be monitoring the Senate run-offs in Georgia to gain a better sense of likely fiscal policy in 2021.

Environmental, Social, and Corporate Governance (ESG)

- At T. Rowe Price, ESG analysis is embedded across the investment research platform. Corporations are a part of the fabric of society, so what impacts society impacts corporations. We believe identifying how a company is positioned to navigate specific environmental and social factors often will help inform their prospects for future success.
- To accomplish this, T. Rowe Price has built a proprietary framework for evaluating the environmental, social, and ethical profile of the companies in which we invest.
- To date, climate change has only had a notable impact on the valuations of select sectors, such as utilities. Even within these sectors, we think the long-term implications on companies from regulation related to climate change are far from being fully reflected in stock prices.
- Hitting specific emission-reduction targets by 2030 will be critical in determining which potential global warming path the earth follows. This will have broad implications for society at large and companies that are better able to adapt their operations to a low-carbon economy are likely to benefit in the long run.
- Today, a great number of companies do not provide enough information for investors to adequately assess environmental and social factors that could impact their financial performance. We continue to focus on encouraging companies to improve their environmental and social disclosures and support the Sustainability Accounting Standards Board (SASB) and The Climate Disclosure Standards Board (TCFD) reporting standards.

QUOTES

Ziad Bakri, MD, portfolio manager, Health Sciences Strategy
"The impact of the coronavirus on the health care sector moving forward is likely to be seen in innovation, novel drug platforms, and virtual health care. While we are continuously tracking the impact of the pandemic, we take a long-term approach to investing – we strongly believe companies that provide treatments for a wide range of conditions and seek to improve the standard of care and meet unmet medical needs, as well as services that improve access to and affordability of health care, will drive the sector. Overall, health care fundamentals remain strong regardless of the election outcome."

Sébastien Page, Head of Global Multi-Asset
"While the initial coronavirus related shock to GDP was unprecedented, the pace of recovery has also been historically swift. Due to the lack of significant structural imbalances going into the crisis, and the hopefully temporary nature of the problem, the global economy may be able to heal more quickly than initially feared.

Katie Deal, Washington Analyst, U.S. Equity
"President-elect Biden will be tasked with navigating the 'four crises': the pandemic, the economy, racial justice, and climate change. We anticipate that he will address these challenges through fiscal relief; a recovery package that creates significant stimulus and job creation; establishing a small business opportunity fund, first-time homebuyer tax credit and student debt relief; and incorporating strong environmental standards and clean energy/green technology incentives within any recovery act."

Maria Elena Drew, Director of Research for Responsible Investing
"We believe identifying how a company is positioned to navigate specific environmental and social factors often will help inform their prospects for future success. We proactively and systematically integrate ESG factors into our investment process by using our Responsible Investing Indicator Model (RIIM). Climate change presents a serious challenge not only to the earth, but also to our investment universe. We are working to actively encourage improved corporate disclosures and to exercise our proxy voting rights on behalf of investors."

ABOUT T. ROWE PRICE

Founded in 1937, Baltimore-based T. Rowe Price Group, Inc., is a global investment management organization with $1.30 trillion in assets under management as of October 31, 2020.[1] The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research. For more information, visit **troweprice.com**.

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[1]The combined assets under management of T. Rowe Price Associates, Inc., and its investment advisory affiliates.