



Untangling U.S.-China Relations

Identifying opportunities through a long-term view

Beyond the rhetoric, China offers long-term strength

Despite trade war concerns, the U.S. and Chinese economies are inexorably intertwined.



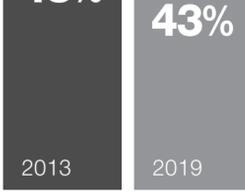
It's in their best interests to work together.

“Focusing on world class companies that should **compound earnings over many years** can help **ease volatility** caused by short-term concerns.”

Eric Moffett
Portfolio Manager
T. Rowe Price Asia Equity Opportunities Strategy

China is no longer just a production economy.

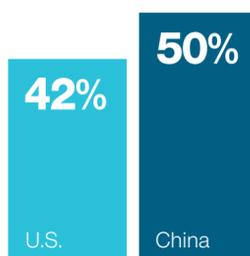
China's industrialization as a % GDP has peaked.



Sources: FactSet and Credit Suisse research.

China is rivaling U.S. technology supremacy.

Exposure to 'Disruptive Tech'

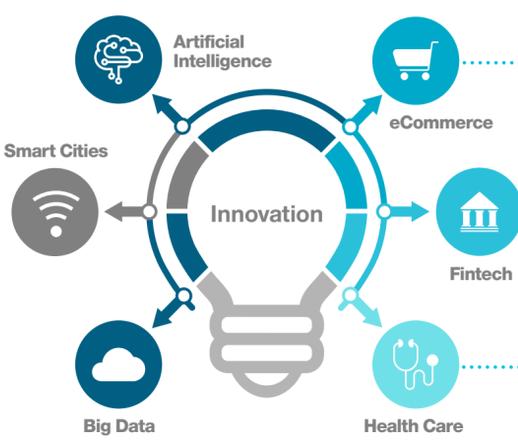


% of Respective MSCI Index
As of June 30, 2020

Source: FactSet; T. Rowe Price calculations using data from FactSet Research Systems Inc. All rights reserved. Please refer to Additional Disclosures for definitions to disruptive tech and source information.

Growth from innovation—and more

Today, Chinese companies do more than produce, they innovate.



Digital Consumer Culture

More people, more money, more consumption of services

Disposable income growth **39%** CAGR over last 10 years

Source: Haver, China National Bureau of Statistic, OECD.

eCommerce Penetration % Total Sales in 2019 (USD) **27%** China **15%** U.S.

Share of Incremental eCommerce Growth in 2019 (USD) **67%** China **13%** U.S.
As of 30 September 2019
Source: BoAML

Health care for Aging China

Revenue from best selling immunotherapy drug in 2018 (USD)

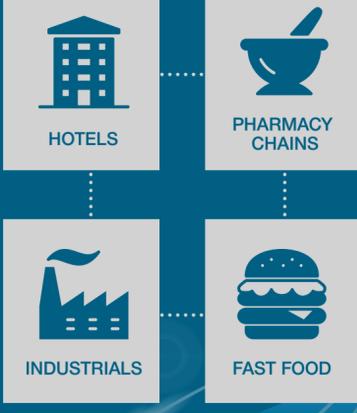
Biotech in numbers:

13.7bn US: Humira **0.6bn** China: Herceptin

100+ bio-similar programs under development in China

Rapid innovation in health care, pharmaceuticals, and biotech

Source: CITIC Securities, Morgan Stanley.



Opportunities from Consolidation

Certain domestic companies in China are now the main low-cost producers in their industries.

“Consolidation can be a powerful tailwind for strong companies gaining share, even if the industry isn't experiencing much growth.”

Eric Moffett
Portfolio Manager
T. Rowe Price Asia Equity Opportunities Strategy

Considering China's evolution



Growing Opportunity Set:

Foreign accessible investment universe has expanded; 581% growth of market cap in China markets accessible by foreign investments since 2010.

Source: Goldman Sachs, as of 9/30/2019.



Be Active, Look Forward:

Active managers with deep research capabilities can find opportunities others might miss.



Access A Shares:

Investors can access a broad, deep offering of Chinese companies. Quality is uneven; invest in individual stocks rather than an index.



Explore Beyond China:

Other nearby markets including India and Southeast Asia offer strong growth potential.

“Where are real fortunes being created? **Where is there amazing underlying innovation that is creating true massive value? China—and Asia—**are where new billionaires are being born.”

Scott Berg, CFA®
Portfolio Manager
T. Rowe Price Global Growth Equity Strategy

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Additional Information

The chart above with 'Disruptive Tech' is defined as the Information Technology sector, the Internet & Direct Marketing Retail industry within the Consumer Discretionary sector, and the Media & Entertainment industry group within the Communication Services sector. The regions are represented by the MSCI China Index, MSCI USA Index, MSCI All Country World Index, and MSCI Europe Index.

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