



## NEWS RELEASE

### T. ROWE PRICE RELEASES RESEARCH STUDY ON ITS ACTIVE FUNDS

*Analysis Demonstrates Historical Long-Term Performance Strength Compared to Passive and Active Peers*

BALTIMORE, November 28, 2022 – T. Rowe Price (NASDAQ-GS: TROW), a global investment management firm and a leader in retirement services, has released new research that shows over the last 20 years ended September 30, 2022, its actively managed funds have consistently outperformed passive peer funds – net of fees.

Looking at rolling monthly 10-year periods, findings show T. Rowe Price funds beat comparable passive fund averages 73% of the time<sup>1</sup>, more often than the aggregate of all actively managed funds—excluding T. Rowe Price—comprising the Morningstar Direct database, which did so 47% of the time<sup>2</sup>. This also compares favorably to the five largest active management firms by assets under management in the mutual fund space, whose funds, when aggregated together, have outperformed the same passive averages 62% of the time<sup>3</sup>.

The study focuses on the individual performance of 124 actively managed T. Rowe Price mutual funds and exchange-traded funds (ETFs), including equity, fixed income, and asset allocation funds, compared to average passive returns in the corresponding Morningstar category. Although T. Rowe Price funds are the focus, the calculation of passive averages allows comparison for more than 10,700 active funds to the passive averages representing 3,109 passive funds over 1,136,941 rolling one-year time periods. The T. Rowe Price funds reviewed represent 71% of the firm's mutual fund assets under management and 38% of the firm's total assets under management as of September 30, 2022. The equity category consisted of U.S. equity, international equity, and sector equity funds. The fixed income category included both U.S. and international bond funds.

The full study methodology can be found [here](#).

T. Rowe Price fund performance was analyzed using two metrics: the frequency of outperformance, or active success rate, and the level of outperformance, or the average annualized excess returns over and above the determined passive average return. The passive average determining these metrics was calculated using the equally weighted average of the returns posted by the oldest share class of the passive funds in the Morningstar Direct category for each T. Rowe Price fund in the study.

### RESULTS

The annualized excess returns above passive averages achieved by all T. Rowe Price equity funds across rolling 10-year periods were, on average, 1.06% after fees and expenses. The active success rate for equity overall was 76%. When broken down by region and sector, average excess annualized returns were 0.78% for U.S. equity<sup>4</sup>, 0.64% for international equity<sup>5</sup>, and 2.59% for sector equity<sup>6</sup>. This trend of outperformance, after fees and expenses, also extended to the 1-, 3-, and 5-year periods.



T. Rowe Price fixed income funds also added value versus passive funds in comparable Morningstar Direct categories. Over 10-year rolling periods, the frequency with which T. Rowe Price fixed income funds outperformed was 59%, and the rate at which the funds exhibited less volatility than their passive peers was 75%. Volatility metrics for passive comparisons were calculated using the average standard deviation over the given period of the passive competitors in the category. The average annualized excess return, net of fees and expenses, was 0.17%. Fixed income funds averaged 0.49% less volatility, annualized, than comparable passive peers<sup>7</sup>.

More than 90% of actively managed T. Rowe Price funds have an expense ratio below the average of comparable active funds in their Morningstar category<sup>8</sup>.

Additional details on the T. Rowe Price equity fund analysis, including the funds' average annual total returns, can be found [here](#) and fixed income fund information can be found [here](#).

In a previous study of its target date mutual funds, T. Rowe Price found that its Retirement Funds series outperformed passive in 100% of rolling monthly 10-year periods since inception and had annualized excess returns of 1.39%<sup>9</sup>. That study can be found [here](#).

As another indication of its active management capabilities, T. Rowe Price was named by Refinitiv Lipper in March of this year as the 2022 Best Overall Large U.S. Fund Management Group. At the same time, it received 24 awards for individual fund performance from Lipper Refinitiv. More information is [here](#).

## QUOTES

### **Eric Veiel, CFA, Head of Global Equity and Chief Investment Officer**

"At T. Rowe Price, we strongly believe in the effectiveness of skilled active management. While passive funds have a place in some client portfolios, active management that is executed properly and consistently can deliver more attractive returns over the long term. Low expense ratios are important, but in the final analysis, nothing is more important than outperformance after fees and expenses. This study demonstrates our track record of delivering for clients. Our portfolio managers have deep experience—an average of 22 years in the industry and 17 years with T. Rowe Price—and leverage a vast platform of global research analysts. The collaboration and collective commitment of all our investment professionals to our clients is second to none. This long-term success is a function of their talent and the culture that has characterized the company for more than 85 years."

### **Andy McCormick, Head of Global Fixed Income and Chief Investment Officer**

"We were pleased to see the study results reaffirm the benefits of active management in T. Rowe Price's fixed income offerings. The balance between generating active returns and mitigating downside volatility is a key focus of our portfolio construction and risk management disciplines. Our global research platform has enabled differentiation from passive fixed income offerings, which, for a variety of reasons, often struggle to mirror the bond indices they track and could make them more volatile than actively managed bond funds. Fixed income allocations continue to be an important source of income and diversification for our clients, and we remain committed to helping them meet their investment objectives."

### **Sébastien Page, CFA, Head of Global Multi-Asset and Chief Investment Officer**

"The success of T. Rowe Price's target date portfolios comes from multiple and diversified investment capabilities. Our goal in the multi-asset division is to deliver all of our firm's capabilities in one professionally managed solution. With strong, actively managed funds as a foundation, we believe that



we can meaningfully enhance retirement outcomes for our clients through glide path design, strategic portfolio construction that delivers structural advantages and efficient diversification, and timely tactical asset allocation decisions. The study only reinforces this belief.”

## **T. ROWE PRICE EQUITY FUNDS FACTS AND FIGURES**

*10-year periods, rolled monthly, from October 1, 2002, to September 30, 2022*

- The average amount of better returns over passive averages (Average Annualized Excess Returns) was:
  - +1.06% for all equity funds (49 funds)
  - +.078% for U.S. equity funds (24 funds)
  - +0.64% for international equity funds (17 funds)
  - +2.59% for sector equity funds (8 funds)
- Frequency of better returns over passive averages (Active Success Rate) was:
  - 76% for all equity funds (of 5,023 rolling periods)
  - 73% for U.S. equity funds (of 2,681 rolling periods)
  - 77% for international equity funds (of 1,447 rolling periods)
  - 81% sector equity funds (of 895 rolling periods)

## **T. ROWE PRICE FIXED INCOME FUNDS FACTS AND FIGURES**

*10-year periods, rolled monthly, from October 1, 2002, to September 30, 2022*

- The average amount of better returns over passive averages (Average Annualized Excess Returns) was +0.17% (25 funds)
- The frequency of better returns over passive averages (Active Success Rate) was 59% (1,665 rolling periods)
- The average amount of lower volatility versus passive averages (Average Annualized Volatility Differential) was -0.49% (25 funds)
- The frequency of lower volatility versus passive averages (Active Success Rate) was 75% (1,665 rolling periods)

**Past performance is no guarantee of future results.** All investments are subject to risk, including the possible loss of principal. Results from other time periods may differ. Active investing may have higher costs than passive investing and may underperform the broad market or passive peers with similar objectives. Passive investing may lag the performance of actively managed peers as holdings are not reallocated based on changes in market conditions or outlooks on specific securities.

View the [standardized returns](#) for the funds used in this analysis

## **ABOUT T. ROWE PRICE**

Founded in 1937, Baltimore-based T. Rowe Price ([troweprice.com](https://www.troweprice.com)) is an independent global asset management company with \$1.28 trillion in assets under management as of October 31, 2022, and a local presence in 16 countries. Known for long-term investment excellence, T. Rowe Price provides an array of mutual funds, subadvisory services, exchange-traded funds, and separate account management for individual and institutional investors, consultants, retirement plan sponsors, and financial intermediaries. The company also offers sophisticated investment planning and guidance tools. Its active, strategic investing approach is disciplined, risk-aware, and based on rigorous fundamental research. T. Rowe Price helps clients invest with confidence and can be found on [Facebook](#), [Instagram](#), [LinkedIn](#), [Twitter](#), and [YouTube](#).



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### **Research Study Methodology**

**Equity and Fixed Income:** Comparable passive funds are (1) mutual funds and exchange traded funds classified as an "index fund" in the Morningstar Direct database and (2) in the same Morningstar category as the active funds being analyzed. All Active Managers represents the actively managed (non- "index fund") mutual funds and exchange-traded funds in the Morningstar Direct database, excluding those managed by T. Rowe Price. The performance of the T. Rowe Price active funds and the All Active Managers funds were compared against the comparable passive funds using 10-year rolling monthly periods from 10/1/2002 to 9/30/2022. The analysis was conducted at the Morningstar category level analyzing all open-end funds and exchange-traded funds (ETFs) within U.S. Morningstar categories where passive funds are present. Oldest share class returns are used for analysis. Money market funds are excluded from the analysis.

**Target Date:** The target date funds included in the combined portfolios were (1) defined as passive by Morningstar in its most recent annual Target-Date Strategy Landscape report, (2) open and available to investors as of September 30, 2022, and (3) in the Morningstar universe sharing the same target date as each Retirement Fund. Combined portfolios were equally weighted and based on the oldest share class of each competing passive target date fund. The Retirement 2005 Fund was excluded from the study, as it had a limited number of passive peer constituents in the Morningstar universe; the Retirement 2060 and 2065 Funds were excluded due to lack of a 10-year track record.

The principal value of the Retirement Funds is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire (assumed to be age 65) and likely stop making new investments in the fund. If an investor plans to retire significantly earlier or later than age 65, the funds may not be an appropriate investment even if the investor is retiring on or near the target date. The funds' allocations among a broad range of underlying T. Rowe Price stock and bond funds will change over time. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon. The funds are not designed for a lump-sum redemption at the target date and do not guarantee a particular level of income. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility over shorter time horizons.

<sup>1</sup> 80 funds covering 7,218 rolling 10-year periods.

<sup>2</sup> 4,628 funds covering 346,577 rolling 10-year periods, excluding T. Rowe Price.

<sup>3</sup> 455 funds covering 39,690 rolling 10-year periods. The active assets under management (AUM) as of 9/30/22 across all funds considered in the analysis are aggregated and those funds offered at any point in the analysis period by the largest five active fund managers by AUM, identified by Morningstar, other than T. Rowe Price are grouped together here. Source: Morningstar.

<sup>4</sup> 24 funds covering 2,681 rolling 10-year periods.

<sup>5</sup> 17 funds covering 1,447 rolling 10-year periods.

<sup>6</sup> 8 funds covering 895 rolling 10-year periods.

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<sup>7</sup> 25 funds covering 1,665 rolling 10-year periods.

<sup>8</sup> Data as of 9/30/2022. Source: © 2022 Morningstar. Analysis by T. Rowe Price. 103 of 114 T. Rowe Price active, nonmoney market funds had expense ratios below the average of all active funds in their Morningstar category. Oldest share class used. Active funds are those funds classified as non-index funds in the Morningstar Direct database. The expense ratios used in this analysis are the gross prospectus expense ratios as reported by Morningstar. Some funds have expense limitations in place, so actual fees experienced may have been lower.

<sup>9</sup> 10 funds covering 896 rolling 10-year periods.



***Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.***

T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds.

**Additional Disclosure**

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