

# U.S. Blue Chip Growth Equity SMA

## Strategy Focus



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Core Growth Equity Strategy

### **Strategy summary**

- Emphasizes fundamental research and active, bottom-up stock selection to construct a portfolio of reasonably priced stocks that tend to exhibit solid revenue growth, attractive free cash flow, consistent earnings growth, and above-average return on invested capital.
- Seeks secular growth companies on the right side of change that possess attractive business models, operational and financial flexibility, and seasoned management teams with a history of thoughtful capital allocation.
- Stocks are selected by a portfolio manager utilizing a time-tested philosophy in investing in growth equities. The process results in a portfolio of 45 to 60 stocks that represent our highest-conviction names within the U.S. large-cap growth universe.
- Outperformance will be sought primarily through effective security selection over a full market cycle of three to five years.

## Features

### **Growth investing heritage**

With nearly seven decades of experience managing growth stock strategies, we have developed a deep understanding of the fundamental factors that drive performance in this segment of the market. In addition to style consistency and in-depth, firmwide research capabilities, we offer our clients a long and successful history of managing growth products that demonstrates our expertise and track record of success.

### **Global research resources**

We aim to bring our clients better insights that can lead to stronger long-term investment results. T. Rowe Price has made one of the industry's strongest commitments to in-house research, and we continually invest in the expansion and development of

our research capabilities. In our view, the quality and breadth of our research effort gives our portfolio managers a critical informational edge when making investment decisions. Over 240 equity research analysts are located in six different countries around the world, providing a unique level of insight and giving us the ability to "connect the dots globally" on many of our investment theses.

### **Disciplined investment approach**

We have adhered to our original investment disciplines throughout diverse market environments while constantly refining our approach. Our investment process combines valuation analysis and fundamental research to construct a diversified portfolio of high-conviction stocks. We believe the following elements of our investment approach make it a compelling offering:

**Emphasis on sustainable growth.** From a universe of publicly traded stocks with market capitalizations greater than USD 5 billion, the portfolio management team and analysts establish a target universe of 200 to 300 companies with attractive growth prospects. We seek companies with solid revenue growth; consistent earnings growth, preferably over 10% per year; attractive free cash flow; and above-average return on invested capital.

**Industry analysis.** We then perform industry analysis, which includes an examination of social, political, and economic trends. We review the industry's secular growth prospects, including unit and volume growth, price stability and pricing power, profit margins, barriers to entry, and the intensity of the competitive environment. We also assess cyclical industry conditions, including drivers of demand and capacity additions or reductions. We believe the resulting overall addressable market should be large enough to support many years of double-digit growth opportunities.

**Extensive company-specific fundamental analysis.** In collaboration with the portfolio managers, analysts conduct intensive, proprietary research on the companies that we believe have the greatest investment potential. The analysts' work reflects both qualitative investigation and financial statement analysis:

- Qualitative investigation includes assessment of the company's business model, market position, management quality, and research and development initiatives.

- Financial statement analysis includes evaluation of the company's free cash flow, balance sheet strength, return on capital, EPS, and margins.

**Verification of valuation appeal.** We are careful to avoid overpaying for growth. Working with the analysts, the portfolio management team identifies stocks whose growth potential is not fully reflected in their current valuation. We consider numerous metrics, such as estimated growth rate, enterprise value, P/E, and P/E-to-growth rate ratio. The team assesses valuation relative to the company's history, its industry, its peers, and/or the market as a whole.

**Effectively diversified portfolio.** This strategy concentrates our highest-conviction ideas while remaining broadly diversified at the sector/industry level in an attempt to properly manage risk. Our stock selection process has proved to be extremely durable and style consistent throughout the many years we have been successfully managing large-cap growth assets.

## Why a T. Rowe Price SMA

T. Rowe Price's separately managed accounts offer access to our firm's expertise to identify opportunities and pursue solid, long term results through our disciplined approach to investing. We are focused on helping our clients invest confidently. Backed by our experience over many investment cycles, our SMAs provide one more way to access T. Rowe Price's established active management approach.

#### INVEST WITH CONFIDENCE®

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

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#### Important Information

**Risks:** All investments are subject to risks, including the possible loss of principal. The strategy's growth approach to investing could cause it to underperform other stock portfolios that employ a different investment style. Growth stocks tend to be more volatile than value stocks and their prices usually fluctuate more dramatically than the overall stock market. Diversification cannot assure a profit or protect against loss in a declining market. There is no assurance the investment objectives will be met.

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