

U.S. Select Value Equity SMA

Strategy Focus

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John Linehan, CFA
Portfolio Manager

Strategy summary

- Our objective is to invest in quality companies where there is a confluence of compelling valuations and attractive long-term fundamentals. To do so, we leverage the broad resources of our firm and incorporate a disciplined valuation approach into our portfolio construction process.
- This is a high-conviction, concentrated portfolio of 30 to 40 issuers with high active share, reasonable tracking error, and a thoughtful approach to risk management.
- We leverage a time-tested relative approach led by Portfolio Manager John Linehan, who has managed large-cap value portfolios since 2000.
- Stock selection has driven results across different market and style regimes, resulting in a strong and consistent track record.

Established and consistent investment philosophy based on three pillars

We have been managing large-cap value portfolios since 1985. The U.S. Select Value Equity SMA incepted in 2017 and leverages a time-tested approach that focuses on three key pillars.

- **Valuation:** Valuation is our guide and leads us to opportunities.
- **Fundamentals:** We invest where there is opportunity for long-term fundamental improvement.
- **Time:** A long-term investment horizon fully exploits valuation gaps and allows for improving fundamentals.

Overall, we employ a conservative, value-oriented investment approach and typically favor quality companies with strong brands, franchises, or assets that appear to be undervalued.

Tenured portfolio management

John Linehan, CFA, is one of the most experienced portfolio managers in the U.S. large-cap value universe and has a solid track record of managing large-cap value portfolios. He is also chief investment officer of U.S. equities for T. Rowe Price. Mr. Linehan has been with the firm since 1998 and has been a large-cap value portfolio manager since 2000. His tenure and leadership promote consistency in investment style and performance.

Portfolio construction

We take a disciplined approach to portfolio construction and focus not only on individual stock selection but on how those names fit into the overall portfolio. We invest along the valuation-quality continuum and look for mispriced assets, brands, or franchises. The result of our bottom-up process is a concentrated but diverse portfolio of 30 to 40 issuers with

reasonably balanced factor exposure. Our sell process is focused on risk versus potential reward but also aims for balance across the life cycle of our investments. We typically trade incrementally into investments, which helps mitigate the risk of early entry. Similarly, we strategically phase out of positions, providing winners with solid fundamentals room to flourish. We will generally move on from a holding as the valuation gap narrows or if there is a significant change in our fundamental assessment or a deterioration in the holding's financial strength. Overall, this process helps to create a portfolio of quality companies with low turnover.

Global research resources

T. Rowe Price has one of the industry's strongest commitments to in-house research. We aim to bring our clients better insights, which can lead to stronger long-term investment results. In our

view, the quality and breadth of our research efforts provide a critical information edge that supports well-informed investment choices. We have more than 225 equity research professionals 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.

Why a T. Rowe Price SMA

T. Rowe Price's separately managed accounts (SMAs) offer access to our firm's expertise in identifying opportunities and pursuing 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.

Important Information

Risks: All investments are subject to risks, including the possible loss of principal. There is no assurance that the investment process will capture quality companies with attractive and sustainable dividend yields. Dividend-paying stocks may lag shares of smaller, faster-growing companies. Dividends are not guaranteed and are subject to change. Diversification cannot assure a profit or protect against loss in a declining market.

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