



# Time-tested and disciplined. **THE T. ROWE PRICE STRATEGIC INVESTING APPROACH.**

Investors experienced periods of high volatility during the past 20 years, with two strong U.S. bull markets giving way to two of the most brutal bear markets in recent memory: the collapse of the dot-com bubble in 2000 and the global financial crisis that began in 2007.

Throughout, T. Rowe Price remained committed to a disciplined strategic investing approach. Our research shows that our long-term U.S. equity clients have been rewarded.

**18** of 18

strategies had positive active success rates over rolling 5- and 10-year periods

**100%**

of strategies generated positive average excess returns over rolling 5- and 10-year periods

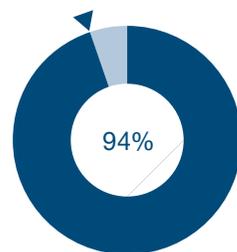
## T. Rowe Price success rates over 20 years

Analysis of 18 T. Rowe Price institutional diversified active U.S. equity strategies over 20 years or their lifetime

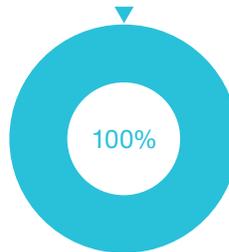
Rolling periods 12/31/1997 through 12/31/2017

### Percentage of strategies that had positive active success rates

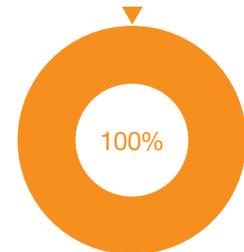
3 years  
(205 rolling time periods)



5 years  
(181 rolling time periods)



10 years  
(121 rolling time periods)



### Average annualized, time-weighted excess returns, net of fees

Large-cap (10 strategies)



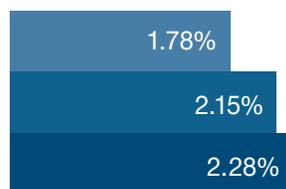
Mid-cap (3 strategies)



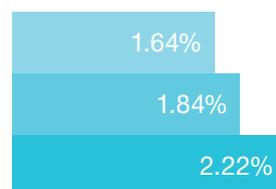
Small-cap (5 strategies)



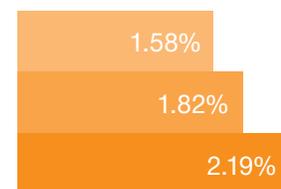
3 years



5 years



10 years



Sources: T. Rowe Price, Russell, and Standard & Poor's; data analysis by T. Rowe Price.

**Note that past performance data throughout this material is not a reliable indicator of future performance.** The returns and strategy performance data above were sourced from the study "U.S. Equities: Long-Term Benefits of the T. Rowe Price Strategic Investing Approach," March 2018. For more information, please visit [troweprice.com/approach](http://troweprice.com/approach).

**For investment professionals only. Not for further distribution.**

## Box 1



### Active success rates

The active success rate records the percentage of times a strategy beat its designated benchmark, net of fees and trading costs, over a specified time period (say, 10 years). Think of this as a measure of how often a client might look at his or her regular performance reports and find that a strategy has outperformed for that time period.

**We've defined a positive active success rate as a strategy beating the performance of its designated benchmark in more than half of the periods measured.**

<sup>1</sup> The study spanned the 20 years up to the end of December 2017 for older strategies, or since inception for newer ones, and measured performance net of fees and trading costs. It covered 18 of the 29 institutional diversified active U.S. equity strategies currently offered by T. Rowe Price. In instances where a portfolio manager managed multiple strategies in a particular sub-asset class style (e.g., U.S. small-cap growth), we included only the strategy with the most assets under management to avoid double counting. Benchmarks included the S&P 500, Russell 1000 Growth, Russell 2000 Growth, Russell 1000 Value, Russell 2000 Value, Russell 2500, Russell 2000, Russell Midcap Growth, and Russell Midcap Value Indexes. Strategy performance was measured against the designated benchmarks over rolling 1-, 3-, 5-, and 10-year periods.

<sup>2</sup> Active success rates are the percentage of times a strategy outperformed its designated benchmark in a given period.

<sup>3</sup> T. Rowe Price professional staff as of December 31, 2017.

<sup>4</sup> Includes research by Professor Mark Grinblatt of UCLA and Professor Sheridan Titman of the University of Texas. See: "The Persistence of Mutual Fund Performance," *Journal of Finance*, Vol. 47, No. 5, December 1992.

<sup>5</sup> According to research by Professor Joseph Golec of the University of Connecticut. See: "The Effects of Mutual Fund Manager Characteristics on Their Portfolio Performance, Risk and Fees," *Financial Services Review*, Vol. 5, No. 2, 1996.

## Outperformance improved over time

A rigorous study by T. Rowe Price shows that we excelled through the many market environments of the past two decades. A majority of our 18 institutional diversified active U.S. equity strategies beat their benchmarks across multiple time periods over 20 years or their lifetime.<sup>1</sup>

**“ A notable 100% generated positive average annualized excess returns over rolling 3-, 5-, and 10-year periods... ”**

Moreover, our outperformance tended to remain strong over time. Seventeen of the 18 strategies had positive active success rates (see Box 1) over rolling three-year periods and 18 over five-year periods, while 18 strategies also were ahead over 10-year intervals.<sup>2</sup> A notable 100% generated positive average excess returns over rolling 3-, 5-, and 10-year periods, underlining the value of our strategic investing approach.

### T. Rowe Price's large-cap strategies proved worth

The study challenges the commonly held belief that it is not possible for active managers to add value in what is widely regarded as the world's most efficient capital market. The majority of our U.S. large-cap strategies beat their benchmarks over all relevant time periods. Again, a long-term mind-set was rewarded as excess returns for our large-cap and mid-cap managers increased over time.

### Our approach to strategic investing

We attribute our success primarily to careful stock selection and in-depth fundamental research conducted by our long-tenured investment team.

We go out into the field to get the answers we need. That means that over 350 of our investment professionals see firsthand how the companies we're investing in are performing today in order to make skilled judgments about how we think they'll perform in the future.<sup>3</sup>

Experience has been a critical component of our success as well. Our skilled portfolio managers have deep experience—an average of 21 years in the industry (double the industry average) and 16 years with T. Rowe Price, as of December 31, 2017.

**“ Our own study shows that skilled management can help navigate challenging market conditions. ”**

Independent academic research supports our approach: Active equity managers, as a group, have been shown to have the skill to select stocks that outperform the broader market, before costs,<sup>4</sup> while stable, longstanding management teams appear more likely to excel.<sup>5</sup>

Our own study shows that skilled management can help navigate challenging market conditions.

### Look to the long term

We don't wait for change, we seek to get ahead of change for our clients. Our people have the conviction to think independently but act collaboratively. This means we're able to respond quickly to take advantage of short-term market fluctuations, or we can also choose to hold tight.

**For more information, please visit [troweprice.com/approach](http://troweprice.com/approach).**

All data is as of December 31, 2017 unless otherwise noted.

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