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Meet Paul Greene

Portfolio Manager,
US Large-Cap Core Growth Equity Strategy

October 2021

Paul earned a B.S., magna cum laude, in mechanical engineering from the Rose-Hulman Institute of Technology and an M.B.A. from Stanford University.

15 years
Investment Experience

15 years
With T. Rowe Price

Baltimore
Office Location

2021—Present
Portfolio Manager, US Large-Cap Core Growth Equity Strategy

2020—2021
Associate Portfolio Manager, US Large-Cap Core Growth Equity Strategy

2013—2020
Portfolio Manager, Communications and Technology Equity Strategy

2006—2013
Joined T. Rowe Price and worked as a media and telecom analyst

During Paul Greene's time as an analyst and portfolio manager focused on communications and technology, he added value for clients via his insights into the massive disruption caused by online media and e-commerce and the consequent challenges faced by legacy business models in advertising and broadcasting. The pressure cooker of making difficult investment calls in these dynamic industries and Paul's methodical, process-oriented approach prepared him well to succeed Larry Puglia as portfolio manager of the US Large-Cap Core Growth Equity Strategy.

Tell us about your background and discuss how experiences in your prior T. Rowe Price role led to new portfolio management responsibilities.

My interest in math and science led me to study mechanical engineering in college, but the best parts of my early work experience in the field were conversations with my boss, who talked constantly about his investment portfolio. I also caught the bug: Learning about and investing in companies quickly evolved into a passion that ultimately led me to business school, where I dedicated myself to pursuing my dream career.

After earning my M.B.A. from Stanford University 15 years ago, I began working at T. Rowe Price as an analyst focused on media and telecommunication stocks. I joined a talented team of experienced investment professionals, from whom I learned the value of identifying and sticking with the special companies—public and private—that had the potential to be long-term compounders and the constant due diligence needed to make sure that a long-term investment thesis remains on track. I had mentors who taught me the importance of conviction and nuanced thought, backed by hard work and thorough analysis. These lessons—combined with the patience and rational, details-based decision-making that I learned as an engineer—have become the hallmarks of my own approach to investing.

In 2010, I began to work closely with Larry Puglia when I joined the US Large-Cap Core Growth Equity Strategy's Investment Advisory Committee, in part because of my deep knowledge of many of the companies that figured prominently in the strategy. More important, Larry and I share similar investing styles, characterized by patience, low turnover, and an emphasis on identifying high-quality companies that we believe can compound in value over an extended period.

My experiences as an analyst and as a member of Larry's Investment Advisory Committee gave me a solid foundation when I became portfolio manager of the Communications and Technology Equity Strategy in 2013. This role widened my lens on the technology sector and allowed me to sharpen my investment process while learning about my strengths and weaknesses in the best (and hardest) way possible—running a portfolio.

When the opportunity to manage the US Large-Cap Core Growth Equity Strategy arose with Larry's retirement, he and I thought my background and investment approach were a natural fit.

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What have you gleaned from the transition process, your predecessor, and the other investment professionals in the advisory group and elsewhere?

In addition to my work as an analyst and investor in the communications and technology spaces, serving on the Investment Advisory Committee was a big help in terms of understanding Larry's approach to investing in other sectors. When the opportunity to succeed Larry emerged, I looked forward to working with a broader set of people at the firm and learning about and investing in a wider range of industries.

Further preparation for my new role consumed much of the past two years, during which I spent a lot of time learning from our global team of analysts, meeting with company management teams, and talking with Larry about my views on specific industry groups. I am grateful for the team's help and look forward to continued collaboration with our analysts. These relationships and interactions are at the center of our investment process.

These deep dives underscored for me just how much innovation and competitive pressures are forcing many companies, from consumer discretionary names to those in the industrials sector, to become technology firms. Consider a leading apparel company that is developing its own applications and online presence to deepen its direct relationships with consumers while deploying machine learning to improve its understanding of customers' tastes, manage inventory more efficiently, and personalize its product offerings. These capabilities and investments have the potential to be a massive competitive advantage over smaller competitors.

In discussions with our health care team, I was struck by the powerful wave of innovation taking place, enabled by the convergence of faster and cheaper genomic sequencing, the increasing digitalization of medical records and data, and the computing power and artificial intelligence to identify key correlations. These advances make it easier to uncover innovative therapies, potentially driving significant disruption and creating a host of possible investment opportunities.

As you take the helm of the product, how might you make refinements?

Larry and I have similar approaches to investing, so clients should not expect any major changes in how the strategy is run. However, every investor brings their own sensibilities and nuances to the table. I am likely to make some changes on the margin, but I expect these adjustments to be incremental.

In time, the portfolio may hold slightly fewer names, as we look to emphasize our highest-conviction ideas in a particular area. The changes I make are more likely to occur in the portfolio's tail, as opposed to its larger positions. That said, I would expect the portfolio's overall sector weightings, level of concentration, and key characteristics to remain the same.

I'm comfortable investing earlier in a company's life cycle if our research suggests that its large addressable market and disruptive business model have the potential to exhibit strong free cash flow-generating power over the long haul. We prefer companies that we believe have a good chance of extending their growth runways and compounding value by reinvesting in potentially high-return projects. To this end, we also seek to invest behind management teams that have a track record of execution and tend to take an appropriately longer-term view when allocating capital and making strategic decisions.

The strategy historically has not been very active in investing in private companies. But companies are staying private for longer, expanding the universe of nonpublic firms that have grown to be financially established enterprises, thanks to a strong product-market fit and sales motion. I have extensive experience with private investing from my previous role and would like to avail myself of this opportunity set, when appropriate.[1] I aim to maintain a high bar for quality, in keeping with the strategy's focus on industry leaders and companies that, in our view, have the potential to reach that pinnacle. At T. Rowe Price, we have invested in private businesses for decades. Our research analysts have often known these private companies well, and our due diligence efforts in this market segment help to inform our assessments of public companies that operate in the same or adjacent industries.

Describe how the portfolio is positioned as well as your outlook.

The macroeconomic backdrop has grown increasingly uncertain and complicated as market participants debate how persistent inflation will prove, which could lead to further volatility in the market. I'd note that the higher-quality companies that we tend to favor typically enjoy a degree of pricing power, a characteristic that could help them weather an inflationary environment better than other business models.

Still, we do not claim to have an edge in predicting near-term macro developments or timing shifts in investor sentiment. We focus on the key fundamentals that we believe drive long-term value creation at a specific company or in an industry. To this end, the work done by our global research team is invaluable in generating unique insights and developing differentiated investment ideas.

Our patient strategy seeks to buy and hold high-quality companies that we believe have the potential to compound value at an above-average rate for an extended period. Near-term fluctuations in the broader market or a particular stock can be painful, but these gyrations may also create longer-term opportunities if we have conviction in a company's underlying business fundamentals. We care about volatility, but we focus primarily on business risk.

We acknowledge that valuations for the broader U.S. equity market appear demanding and that certain segments offering exposure to popular growth themes look especially frothy. When it comes to valuation, we are willing to own some stocks that may look expensive in the near term, if we believe the rate at which the business is creating value could support further upside in the coming years. However, we don't want to own names where, in our estimation, the valuation could get in the way of stock performance over a multiyear period.

We feel very good about the risk/reward profiles of the portfolio's largest positions, thanks to what we regard as their strong growth potential and valuations that strike us as undemanding on both a relative and an absolute basis.

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Tell us about your personal interests and how they might (or might not) intersect with your professional work.

I love what I do and dedicate a lot of time and mental resources to investing. But finding a balance is important. I relish spending time with my family and any activity that gets me out in nature—hiking, hunting, and off-roading. I also do a fair amount of maintenance work around my farm; projects that require a chainsaw are always a highlight.

[1] Private investments may not be available to all investors.

Risks
The following risks are materially relevant to the portfolio.

Style risk—Different investment styles typically go in and out of favour depending on market conditions and investor sentiment.

General Portfolio Risks
Capital risk—The value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different.

Equity risk—In general, equities involve higher risks than bonds or money market instruments.

ESG and Sustainability risk—May result in a material negative impact on the value of an investment and performance of the portfolio.

Geographic concentration risk—To the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk—A portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment portfolio risk—Investing in portfolios involves certain risks an investor would not face if investing in markets directly.

Management risk—The investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Operational risk—Operational failures could lead to disruptions of portfolio operations or financial losses.

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