



Methodology Summary: U.S. Equity Mutual Fund Study

June 2020

Our analysts examined the performance of 18 of T. Rowe Price's current lineup of active diversified U.S. equity funds over a 20-year period beginning December 31, 1999, and ending December 31, 2019, or since their inception. The funds included in the study and the benchmarks used to measure their relative performance are

shown in Figure 1. Diversified funds were defined as those that had the ability to invest across one or more U.S. equity categories, such as large-cap growth and large-cap value; mid-cap growth and mid-cap value; small-cap growth and small-cap value; or the core large-, mid-, and small-cap universes. One of the 18 funds, the Capital Appreciation Fund, also has the ability to invest

(Fig. 1) The Performance Study Universe

T. Rowe Price strategies, funds, benchmarks, and inclusion dates

Strategy	Mutual Fund Name	Designated Benchmark	Inclusion Date
US Growth Equity	Growth Stock Fund	Russell 1000 Growth Index	12/31/1999
US Small-Cap Growth Equity	New Horizons Fund	Russell 2000 Growth Index	12/31/1999
US Growth & Income Equity	Growth & Income Fund	S&P 500 Index	12/31/1999
US Large-Cap Equity Income	Equity Income Fund	Russell 1000 Value Index	12/31/1999
US Capital Appreciation	Capital Appreciation Fund	S&P 500 Index	12/31/1999
US Small-Cap Value Equity	Small-Cap Value Fund	Russell 2000 Value Index	12/31/1999
US Mid-Cap Growth Equity	Mid-Cap Growth Fund	Russell Midcap Growth Index	12/31/1999
US Small-Cap Core Equity	Small-Cap Stock Fund	Russell 2000 Index	12/31/1999
US Dividend Growth Equity	Dividend Growth Fund	S&P 500 Index	12/31/1999
US Large-Cap Core Growth Equity	Blue Chip Growth Fund	Russell 1000 Growth Index	12/31/1999
US Value Equity	Value Fund	Russell 1000 Value Index	12/31/1999
US Structured Research Equity ¹	U.S. Equity Research Fund	S&P 500 Index	12/31/1999
US Mid-Cap Value Equity	Mid-Cap Value Fund	Russell Midcap Value Index	12/31/1999
US Structured Active Small-Cap Growth Equity	QM U.S. Small-Cap Growth Equity Fund	Russell 2000 Growth Index	12/31/1999
US Large-Cap Value Equity	Large Cap Value Fund—I Class ²	Russell 1000 Value Index	3/31/2000
US Multi-Cap Growth Equity	New America Growth Fund	Russell 1000 Growth Index	4/30/2000 ³
US Large-Cap Growth Equity	Large-Cap Growth Fund—I Class ⁴	Russell 1000 Growth Index	10/31/2001
US Structured Active Mid-Cap Growth Equity	Diversified Mid-Cap Growth Fund	Russell Midcap Growth Index	12/31/2003

Source: T. Rowe Price.

¹ The U.S. Equity Research Fund (formerly the Capital Opportunity Fund) transitioned from a U.S.-unconstrained all-cap strategy to a U.S. structured research strategy on 4/30/1999. T. Rowe Price's US Structured Research Equity Strategy uses a portfolio construction process that emphasizes stock selection by the firm's industry-focused analysts. While the majority of the U.S. Equity Research Fund's assets are invested in U.S. large-cap stocks, U.S. small- and mid-cap and foreign stocks may also be purchased in keeping with the fund's objectives. The fund's sector weightings are approximately the same as for the S&P 500 Index.

² Effective May 1, 2020, the Institutional Large-Cap Value Fund was restructured into the I Class of a retail fund and renamed the Large-Cap Value Fund.

³ The New America Growth Fund inceptioned in September 1985 but was added to the study as of the date of an investment program change that broadened its objective to include investing in a diversified portfolio of U.S. growth companies.

⁴ Effective May 1, 2020, the Institutional Large-Cap Growth Fund was restructured into the I Class of a retail fund and renamed the Large-Cap Growth Fund.

in fixed income assets but is primarily an equity portfolio and benchmarked to the S&P 500 Index. The 18 funds included in the study represented almost 78% of total U.S. equity assets in the domestic and global equity mutual funds advised by the firm as of December 31, 2019.

Our study was limited to diversified U.S. equity funds primarily for two reasons:

- Many of T. Rowe Price’s international and global equity products have significantly more limited performance records than our diversified U.S. equity offerings. This could have significantly skewed average performance comparisons over shorter and longer rolling time periods and between the early and later years of the study.
- U.S. equity markets are widely regarded as the world’s most efficient, transparent, and intensively researched, making them particularly formidable tests of active management skill.

More specialized sector portfolios—such as T. Rowe Price’s Health Sciences Fund and our Communications & Technology Fund—were excluded from the study because the narrow, sector-specific performance benchmarks used by these funds made direct comparisons to diversified funds inappropriate, in our view. It is our belief that including these funds would not have had a materially negative impact on the study’s conclusions, as most T. Rowe Price sector funds showed positive average excess returns against their specialized benchmarks that, in many cases, are larger than for the firm’s diversified U.S. equity funds.

Four of T. Rowe Price’s diversified U.S. equity funds were excluded from the study. The Large-Cap Core Fund inceptioned in June 2009 and thus had a relatively limited longer-term performance track record consisting of only seven 10-year rolling periods and 67 five-year rolling periods. Two recently inceptioned funds—the QM U.S. Small & Mid-Cap Core Equity Fund and the QM U.S. Value Equity Fund—had even shorter performance histories. Given that the purpose of the study was to examine T. Rowe Price active performance over longer

time frames, we believe inclusion of these funds would have been inappropriate.

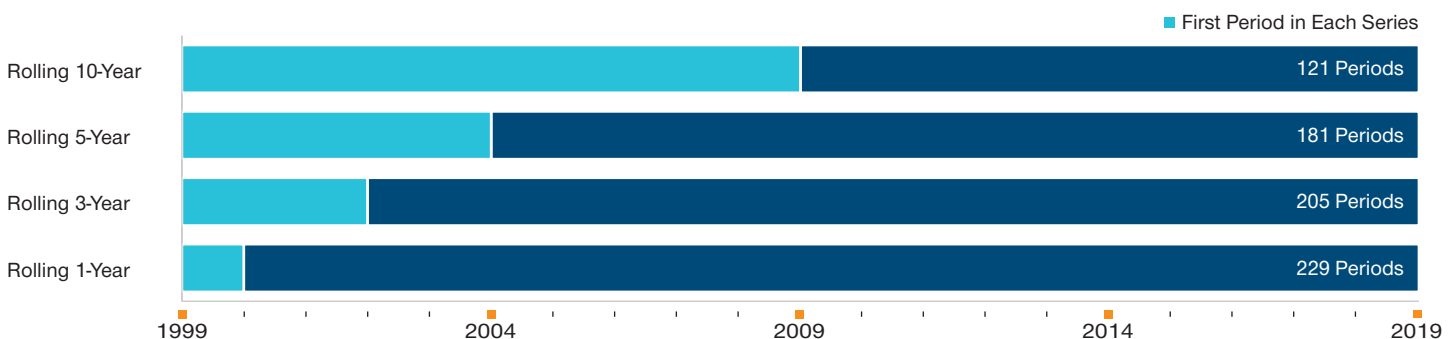
The T. Rowe Price Tax-Efficient Equity Fund was also excluded from the study. The fund’s objective of seeking to maximize after-tax portfolio growth results in an active management process that is fundamentally different from funds focused on before-tax performance, which makes comparisons of active success rates and average excess returns relative to taxable benchmarks inappropriate, in our view.

Funds were included in the study universe as of December 31, 1999, or, for funds without full 20-year track records for the period covered by the study, as of the date of their inception. An exception was the New America Growth Fund, which inceptioned October 31, 1985, but was included in the study as of April 30, 2000. Prior to its study inclusion date, the New America Growth Fund was a specialized sector fund focused on the U.S. services sector. The fund was added to the study as of the date of an investment program change that broadened its objective to include investing in a diversified portfolio of U.S. growth companies.

Because T. Rowe Price has not liquidated or merged any diversified U.S. equity funds offered to its clients since the beginning of the study period, there was no survivorship bias in the results.

Fund and benchmark return data were taken from T. Rowe Price’s internal performance database, which is used by T. Rowe Price to calculate returns for its quarterly, semiannual, and annual client reports; for marketing materials; and for regulatory disclosures. Benchmark returns in the T. Rowe Price database are collected from the index providers—in this case, the Standard & Poor’s Corporation and Frank Russell Company. All study results were based on total returns, including dividends reinvested. Fund returns are based on the reported net asset values (NAV) and SEC standardized returns for the T. Rowe Price mutual funds included in the composites for each strategy, from which management fees and operating expenses have been subtracted. In other words, the fund returns used in the study are based on the after-cost

(Fig. 2) Rolling Time Periods in Performance Study



Source: T. Rowe Price.

performance of the Investor Class for each fund. In recent years, some of the T. Rowe Price funds included in the study have launched additional share classes with different expenses. However, given the limited track records of these share classes, we believe it was more appropriate to base our study on performance results of the Investor Classes. An exception is the inclusion in the study of the Large-Cap Value and Large-Cap Growth Funds. Previously known as the Institutional Large-Cap Value Fund and the Institutional Large-Cap Growth Fund, these funds were restructured into retail funds effective May 1, 2020, and the existing shareholders were moved to I Class shares. The performance data used in this study is based on the previous institutional funds.

For each fund in the study, T. Rowe Price analysts calculated 1-, 3-, 5-, and 10-year rolling returns, rolled monthly. Returns for the 3-, 5-, and 10-year rolling periods were annualized. To ensure that these periods all covered the equivalent two-decade slice of U.S. equity market history, each rolling series began on December 31, 1999, and ended on December 31, 2019 (Figure 2). This produced:

- 229 rolling one-year periods,
- 205 rolling three-year periods,
- 181 rolling five-year periods, and
- 121 rolling 10-year periods.⁵

For each rolling period, the returns for each fund's current size and/or style benchmark were subtracted from the fund return, producing an excess return. The percentage of rolling periods in

Positive Results for Most T. Rowe Price Diversified U.S. Equity Funds Over Longer Time Horizons

Rolling periods December 31, 1999, through December 31, 2019

(Fig. 3)

Active success rate: percentage of rolling periods with returns higher than benchmark (net of fees)

Fund	1-Year	3-Year	5-Year	10-Year
Growth Stock	66%	69%	74%	83%
New Horizons	81	92	99	100
Growth & Income	41	39	38	31
Equity Income	42	46	40	27
Capital Appreciation	53	52	59	81
Small-Cap Value	65	82	92	100
Mid-Cap Growth	69	80	97	100
Small-Cap Stock	66	74	83	100
Dividend Growth	52	52	60	80
Blue Chip Growth	65	77	76	100
Value	58	61	77	100
U.S. Equity Research	55	61	73	74
Mid-Cap Value	49	52	54	71
QM U.S. Small-Cap Growth Equity	69	71	78	100
Large-Cap Value	56	63	70	94
New America Growth	65	74	80	96
Large-Cap Growth	62	78	93	100
Diversified Mid-Cap Growth	46	55	61	67
Time-Weighted Averages (All Funds)	59	65	72	84
Percent of Funds With Positive Active Success Rates	78	89	89	89

(Fig. 4)

Average annualized excess returns over benchmark (net of fees)

Fund	1-Year	3-Year	5-Year	10-Year
Growth Stock	2.22%	1.57%	1.32%	0.99%
New Horizons	4.72	4.04	3.71	3.69
Growth & Income	0.69	0.04	0.01	0.00
Equity Income	0.19	-0.21	-0.34	-0.02
Capital Appreciation	3.72	2.64	2.31	2.30
Small-Cap Value	1.56	1.67	1.58	1.77
Mid-Cap Growth	3.02	2.44	2.33	2.22
Small-Cap Stock	2.26	1.69	1.65	2.04
Dividend Growth	1.35	0.69	0.62	0.61
Blue Chip Growth	2.09	1.48	1.24	0.96
Value	1.39	0.81	0.86	1.08
U.S. Equity Research	0.30	0.23	0.18	0.15
Mid-Cap Value	0.33	0.30	0.23	0.42
QM U.S. Small-Cap Growth Equity	1.33	1.15	1.23	1.50
Large-Cap Value	0.97	0.61	0.56	0.65
New America Growth	1.85	1.38	1.21	1.22
Large-Cap Growth	2.11	1.66	1.35	1.31
Diversified Mid-Cap Growth	-0.08	0.09	0.13	0.05
Time-Weighted Averages (All Funds)	1.69	1.25	1.13	1.19

■ Periods with positive active success rates or positive average excess returns.

Sources: T. Rowe Price, Morningstar, Russell, and Standard & Poor's (see Additional Disclosure); data analysis by T. Rowe Price.

Past performance cannot guarantee future results. See Important Information for standardized performance.

⁵Since not all funds had performance records covering the full 20-year study, the number of rolling periods was smaller for some funds.

each time series in which excess returns were positive was then calculated, producing an active success rate for each fund across each time horizon shown in Figure 3. A positive active success rate for a fund was defined as achieving a higher return than the relevant benchmark in more than 50% of all periods examined. Excess returns were averaged across every rolling period in each time frame for each fund to arrive at the results shown in Figure 4.

Firmwide excess return averages were calculated for three capitalization categories in the study universe—large-cap funds, mid-cap funds, and small-cap funds—as well as at the overall firm level. Managers were placed in these categories based on their designated benchmarks:

- Funds benchmarked to the S&P 500 Index, the Russell 1000 Value Index, or the Russell 1000 Growth Index were included in the large-cap category.
- Funds benchmarked to the Russell Midcap Growth Index or the Russell Midcap Value Index were included in the mid-cap category.

- Funds benchmarked to the Russell 2000 Index, the Russell 2000 Growth Index, or the Russell 2000 Value Index were included in the small-cap category.

To adjust for the fact that several funds had performance histories considerably shorter than the full 20-year period covered by the study, performance averages in each category were time weighted, meaning the results were adjusted to reflect the percentage of the total performance periods in each category that were provided by each strategy. The capitalization categories and time weights used are shown in Figure 5.

Overall, time weighting had relatively little impact on average performance results for the large-cap and small-cap categories. However, average excess returns for the mid-cap category improved somewhat, especially over longer rolling time periods, reflecting the relatively shorter performance history of the Diversified Mid-Cap Growth Fund.

Due to the relatively small sample sizes in each capitalization category (11 large-cap funds, three mid-cap funds, and four

(Fig. 5) Time Weights for T. Rowe Price Funds

Percentage of total rolling performance periods within each capitalization category
Rolling periods ended December 31, 2019

U.S. Large-Cap	Rolling Periods			
	1-Year Periods	3-Year Periods	5-Year Periods	10-Year Periods
Growth Stock	9.20%	9.21%	9.23%	9.29%
Growth & Income	9.20	9.21	9.23	9.29
Equity Income	9.20	9.21	9.23	9.29
Capital Appreciation	9.20	9.21	9.23	9.29
Dividend Growth	9.20	9.21	9.23	9.29
Blue Chip Growth	9.20	9.21	9.23	9.29
Value	9.20	9.21	9.23	9.29
U.S. Equity Research	9.20	9.21	9.23	9.29
Large-Cap Value—I Class	9.08	9.07	9.07	9.06
New America Growth	9.04	9.03	9.02	8.99
Large-Cap Growth—I Class	8.31	8.22	8.10	7.60
U.S. Mid-Cap				
Mid-Cap Growth	36.52	36.94	37.47	39.93
Mid-Cap Value	36.52	36.94	37.47	39.93
Diversified Mid-Cap Growth	26.95	26.13	25.05	20.13
U.S. Small-Cap				
New Horizons	25.00	25.00	25.00	25.00
Small-Cap Value	25.00	25.00	25.00	25.00
Small-Cap Stock	25.00	25.00	25.00	25.00
QM U.S. Small-Cap Growth Equity	25.00	25.00	25.00	25.00

Source: T. Rowe Price.

Past performance cannot guarantee future results.

small-cap funds), the results of this analysis are of limited statistical significance and should be regarded as indicative only.

Additional View: Performance in Up and Down Markets

One additional view that we incorporated into our analysis was to separate the data points analyzed into periods in which each fund's designated benchmark was up and periods in which the designated benchmark was down. Using those separate data

sets and the exact process employed in the broader study, we were able to get a sense of how our strategic investing approach has fared in up and down markets. The exhibit below provides a high-level view of the active success rate and additional return after fees at an aggregate level for the standard rolling 1-, 3-, 5-, and 10-year rolling windows used throughout the analysis when a product's benchmark was up and when it was down.

(Fig. 6) T. Rowe Price U.S. Equity Funds Versus Designated Benchmarks

Time-weighted averages for all funds in study, rolling periods December 31, 1999, through December 31, 2019

	Up Markets				Down Markets			
	Rolling 1-Year	Rolling 3-Year	Rolling 5-Year	Rolling 10-Year	Rolling 1-Year	Rolling 3-Year	Rolling 5-Year	Rolling 10-Year
Active Success Rates	52%	60%	70%	83%	83%	89%	93%	100%
Average Net-of-Fees Excess Returns	0.55%	0.67%	0.87%	1.03%	5.05%	3.45%	2.81%	4.02%
Period Count (Across All Funds)	3,046	2,866	2,765	1,991	987	735	404	98

Past performance cannot guarantee future results. See Important Information for standardized performance.

Sources: T. Rowe Price, Morningstar, Russell, and Standard & Poor's (see Additional Disclosure); data analysis by T. Rowe Price.

Important Information

Standardized Performance

Annualized total returns for periods ended June 30, 2020

Fund	Inception Date	Gross Expense Ratio [†]	1 Year	3 Years	5 Years	10 Years	20 Years or Since Inception
TRP Growth Stock Fund (NAV)	(4/11/1950)	0.66%	30.82%	14.23%	14.23%	7.85%	7.85%
Russell 1000 Growth Index			36.39	20.49	14.63	15.22	5.18
TRP New Horizons Fund (NAV)	(6/3/1960)	0.77	37.71	23.51	16.24	18.80	10.79
Russell 2000 Growth Index			28.48	12.49	9.34	13.01	5.57
TRP Growth & Income Fund (NAV)	(12/21/1982)	0.65	29.65	14.94	11.14	12.76	7.13
S&P 500 Index			31.49	15.27	11.70	13.56	6.06
TRP Equity Income Fund (NAV)	(10/31/1985)	0.64	26.58	10.08	8.23	10.75	7.39
Russell 1000 Value Index			26.54	9.68	8.29	11.80	7.03
TRP Capital Appreciation Fund (NAV)	(6/30/1986)	0.72	24.61	13.10	10.54	11.84	10.55
S&P 500 Index			31.49	15.27	11.70	13.56	6.06
TRP Small-Cap Value Fund (NAV)	(6/30/1988)	0.85	25.84	8.08	9.19	11.70	11.30
Russell 2000 Value Index			22.39	4.77	6.99	10.56	9.41
TRP Mid-Cap Growth Fund (NAV)	(6/30/1992)	0.75	31.53	17.17	12.75	15.06	10.27
Russell Midcap Growth Index			35.47	17.36	11.60	14.24	6.60
TRP Small-Cap Stock Fund (NAV)	(6/1/1956)*	0.89	33.63	14.23	11.34	14.68	10.46
Russell 2000 Index			25.52	8.59	8.23	11.83	7.59
TRP Dividend Growth Fund (NAV)	(12/30/1992)	0.64	31.02	15.65	12.06	13.30	7.90
S&P 500 Index			31.49	15.27	11.70	13.56	6.06
TRP Blue Chip Growth Fund (NAV)	(6/30/1993)	0.70	29.97	21.88	15.24	15.97	7.48
Russell 1000 Growth Index			36.39	20.49	14.63	15.22	5.18
TRP Value Fund (NAV)	(9/30/1994)	0.79	26.20	10.77	8.19	12.09	8.25
Russell 1000 Value Index			26.54	9.68	8.29	11.80	7.03
TRP U.S. Equity Research Fund (NAV)	(11/30/1994)	0.54	32.46	16.05	12.13	13.39	6.50
S&P 500 Index			31.49	15.27	11.70	13.56	6.06
TRP Mid-Cap Value Fund (NAV)	(6/28/1996)	0.78	19.61	6.08	7.47	10.71	10.63
Russell Midcap Value Index			27.06	8.10	7.62	12.41	9.97
TRP QM U.S. Small-Cap Growth Equity Fund (NAV)	(6/30/1997)	0.80	32.76	14.72	11.46	15.26	7.45
Russell 2000 Growth Index			28.48	12.49	9.34	13.01	5.57
TRP Large-Cap Value Fund—I Class (NAV)	(3/31/2000)	0.57	26.69	10.30	8.55	11.66	8.41**
Russell 1000 Value Index			26.54	9.68	8.29	11.80	7.10***
TRP New American Growth Fund (NAV)	(9/30/1985)	0.79	35.03	22.55	15.22	15.24	7.31
Russell 1000 Growth Index			36.39	20.49	14.63	15.22	5.18
TRP Large-Cap Growth Fund—I Class (NAV)	(10/31/2001)	0.56	28.49	22.70	15.90	16.04	10.93**
Russell 1000 Growth Index			36.39	20.49	14.63	15.22	9.10***
TRP Diversified Mid-Cap Growth Fund (NAV)	(12/31/2003)	0.83	37.90	18.56	12.83	14.60	10.54**
Russell Midcap Growth Index			35.47	17.36	11.60	14.24	10.47***

TRP = T. Rowe Price

[†]Most recent fiscal year as of 6/30/2020.

*Managed by T. Rowe Price effective 8/30/1992.

**Since inception.

***Since fund inception.

Past performance cannot guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Current performance may be higher or lower than the performance data quoted. To obtain the most recent month-end performance, visit troweprice.com.

INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

To learn more, please visit troweprice.com.

T.RowePrice®

Additional Disclosures

© 2020 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

The "S&P 500 Index" is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ("SPDJ"), and has been licensed for use by T. Rowe Price. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). T. Rowe Price's product is not sponsored, endorsed, sold or promoted by SPDJ, Dow Jones, S&P or their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product nor do they have any liability for any errors, omissions, or interruptions of the "S&P 500 Index."

London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2020. FTSE Russell is a trading name of certain of the LSE Group companies. Russell® is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication. The LSE Group is not responsible for the formatting or configuration of this material or for any inaccuracy in T. Rowe Price Associates' presentation thereof.

Important Information

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

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action. The views contained herein are those of the authors as of June 2020 and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

Past performance is not a reliable indicator of future performance. All investments are subject to risk, including the possible loss of principal. Small- and mid-cap stocks are generally more volatile and risky than large-cap stocks because they generally have more limited operating histories, narrower product lines, and tend to focus on smaller markets. Growth and value investing tend to go in and out of favor and may underperform the broader equity markets over certain time periods. Dividends are not guaranteed and are subject to change. For a more complete discussion of the funds' risks, see the applicable mutual fund prospectus. All charts and tables are shown for illustrative purposes only.

T. Rowe Price Investment Services, Inc.

© 2020 T. Rowe Price. All rights reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the bighorn sheep design are, collectively and/or apart, trademarks or registered trademarks of T. Rowe Price Group, Inc.