US LARGE-CAP GROWTH EQUITY STRATEGY

Investing on the right side of change

The U.S. equity market is highly efficient and the largest, most liquid securities market in the world, accounting for more than half of global equity indices by market capitalisation. However, it’s more complex and dynamic than is often fully appreciated.

Domestic competition for market share has nurtured a strong culture of innovation, the pace of which continues to increase with new technologies and industries being created. Understanding the potential impact from disruptive technologies can be rewarding but it can also be very challenging for investors to predict the longer-term winners and losers.

Durable over “shoot the lights out” growth

While investors often focus on finding those innovative, disruptive, and dynamic businesses offering the potential to grow 40% to 50%, or even more, in a single year, history shows that investors tend to overestimate the potential for companies to consistently deliver double-digit growth. The number of companies that actually achieve this year on year and in all market conditions is often underappreciated by the market. Therefore, the reward for finding those that can genuinely grow at this level can be significant.

Strategy snapshot

A pure growth portfolio of US large cap stocks with diversified exposure across industries. We seek to invest in competitively-advantaged businesses at various stages of their corporate life-cycle, leveraging innovation and change to drive rapid growth in earnings and cash flow.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>US equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparator Benchmark***</td>
<td>Russell 1000 Growth Index</td>
</tr>
<tr>
<td>Portfolio Manager</td>
<td>Taymour Tamaddon, CFA</td>
</tr>
<tr>
<td>Typical Portfolio</td>
<td>60-75 holdings</td>
</tr>
<tr>
<td></td>
<td>Stocks with US$8bn+ market cap</td>
</tr>
<tr>
<td></td>
<td>Sector weights 0.5x-3x benchmark</td>
</tr>
</tbody>
</table>

Secular change implies active management

Range of top and bottom performing stocks per sector in the S&P 500 Index

<table>
<thead>
<tr>
<th>Average top performer</th>
<th>Average bottom performer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>-39%</td>
</tr>
<tr>
<td>Discretionary</td>
<td>-55%</td>
</tr>
<tr>
<td>Industrials</td>
<td>-39%</td>
</tr>
<tr>
<td>Energy</td>
<td>-47%</td>
</tr>
<tr>
<td>Health Care</td>
<td>-46%</td>
</tr>
<tr>
<td>Materials</td>
<td>-27%</td>
</tr>
<tr>
<td>Financials</td>
<td>-30%</td>
</tr>
<tr>
<td>Comms Svcs</td>
<td>-32%</td>
</tr>
<tr>
<td>Utilities</td>
<td>-36%</td>
</tr>
<tr>
<td>Staples</td>
<td>-36%</td>
</tr>
<tr>
<td>Real Estate**</td>
<td>-23%</td>
</tr>
</tbody>
</table>

Past performance is not a reliable indicator of future performance.

As at 31 December 2021

* Effective 28 September 2018, S&P Dow Jones Indices and MSCI broadened and renamed the Telecommunication Services Sector as Communication Services.

** On 31 August 2016, S&P Dow Jones Indices and MSCI moved stock-exchange listed Equity REITs and other listed real estate companies from the Financials Sector of their Global Industry Classification Standard (GICS®) to a new Real Estate Sector.

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What does this mean for investors?

This is no job for an autopilot. Identifying companies that have the potential for long-term growth in earnings and cash flow demands research that goes beyond the day-to-day headlines. We believe the best way to consistently capture opportunities in the US large cap space is by having a deep understanding of companies’ fundamental businesses and the distinctive propositions they offer, in order to better anticipate the forces of change and identify the market’s long-term winners.

*** The manager is not constrained by the fund’s benchmark, which is used for performance comparison purposes only.
Why T. Rowe Price for US Equities?

1. Established heritage
We have been managing US equities for over 80 years and are one of the largest active managers of US equities globally, responsible for more than US$700bn in US portfolios for clients around the world.

2. Research expertise
Our portfolio managers are supported by one of the industry’s largest US buy-side research platforms: 99 on-the-ground specialist US equity analysts who work within a global platform sharing insights on countries, companies, competitors, suppliers and sectors. In addition, as one of the largest active shareholders in many of the US companies we hold in our portfolios, we have valuable access to company management which few other managers can match and which we believe gives us the ability to better assess the opportunities and challenges companies are facing.

3. Risk-aware approach
We maintain a strong focus on delivering attractive risk-adjusted returns for our clients. We assess opportunities in the context of both how much we can make if we are right as well as how much we can lose if we are wrong. As a result, we manage our portfolios to mitigate exposure to any single risk-factor (sector bets, style-tilts, factor-exposures etc.) which has the potential to introduce a greater level of risk.

4. Comprehensive range of client solutions
We have established expertise across the US equity universe and offer a range of established solutions to suit different client preferences: from large to small cap, and from growth through to value strategies.

<table>
<thead>
<tr>
<th>Value</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>LARGE CAP</td>
<td>SMALL CAP</td>
</tr>
<tr>
<td>US Large-Cap Value Equity</td>
<td>US Smaller Companies Equity</td>
</tr>
<tr>
<td>OEIC &amp; SICAV</td>
<td>OEIC &amp; SICAV</td>
</tr>
<tr>
<td>US Large-Cap Core Equity</td>
<td></td>
</tr>
<tr>
<td>OEIC &amp; SICAV</td>
<td></td>
</tr>
<tr>
<td>US Blue-Chip Equity</td>
<td>US Large-Cap Growth Equity</td>
</tr>
<tr>
<td>SICAV</td>
<td>OEIC &amp; SICAV</td>
</tr>
</tbody>
</table>

*As at 31 March 2022, in US dollars. The combined US Equity assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.
Why T. Rowe Price US Large-Cap Growth Equity Strategy?

Our investment approach

Our aim is a simple one: to develop insights into individual companies we believe will be materially larger on a 3-5 year investment horizon. We believe stocks of many US companies are frequently mispriced due to investor perception and market inefficiencies. Our tried and tested investment process is based on fundamental, bottom-up research that leverages our analysts’ expertise and their ability to look beyond the numbers. This research-led approach helps us to avoid short-term or macroeconomic “noise” and focus instead on competitively-advantaged businesses with strong fundamentals and appealing valuations.

In particular, we are looking to identify companies that can consistently compound double-digit growth over time. In our experience, they tend to form the bedrock of long-term performance. They have the effect of compounding shareholder wealth while also helping to limit the potential downside capture, something that many growth-oriented strategies often ignore.

What we look for

- **Double-digit earnings growth**
- **Attractive growth industries**
- **Strong competitive positions**
- **Quality, shareholder-oriented management teams**
- **Financial strength**

“*We like disruptive and innovative companies that are on the right side of major and lasting change.*”

Taymour Tamaddon, CFA, Portfolio Manager

3 reasons to consider this strategy

Our US Large-Cap Growth Equity Strategy is designed to give access to a portfolio of competitively-advantaged businesses at various stages of their corporate life-cycle, often leveraging innovation and change to drive rapid growth in earnings and cash flow.

1. Pure growth strategy

We are looking to identify stocks that deliver sustainable, double-digit earnings growth for a minimum of three years, capitalising on both secular and cyclical growth spanning the large-cap spectrum. Stocks that we favour will typically exhibit high-quality earnings, strong free cash flow growth, shareholder-oriented management, with strong competitive positions in attractive growth industries.

2. Focus on innovation and change

We focus on competitively-advantaged businesses that are on the right side of major and lasting change. We like disruptive and innovative companies that can take outsized share in established markets which we believe can drive rapid growth in earnings and generate significant free cash flow that ultimately drives stock prices.

3. Long term approach

We have a long-term perspective in our investment approach, and with a two- to three-year expected holding period, we are patient investors. We construct a portfolio of companies that we believe have the potential for attractive earnings growth over the course of the next three years, regardless of investor expectations. On the other hand, short-term momentum and sentiment are often overemphasised by investors, creating opportunities for investors like us with a longer-term focus.
What sets T. Rowe Price apart?

Since our formation in 1937, we have had one purpose: to meet our clients’ individual needs, helping them to achieve their long-term financial goals. We aim to deliver global investment management excellence that you and your clients can rely on for the long term.

As a global investment manager, we focus on actively listening and anticipating and on developing strategies that respond to the needs of our clients. With clients in over 53 countries, we offer a broad range of equity, fixed income and multi-asset strategies all powered by one of the largest and most experienced global research platforms in the industry, which helps us uncover the most attractive investments worldwide.

T. Rowe Price at a glance*

- US$1,551.8bn in assets under management
- 368 research analysts collaborating across asset classes and industries
- 248 equity analysts, 95 fixed income analysts, 43 multi-asset analysts
- Offices in 17 markets, research analysts in 9 different locations

For more information, visit our website or contact our Relationship Management Team

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- 020 7002 4372
- UKintermediaries@troweprice.com
- Telephone calls may be recorded.

Risks

The following risks are materially relevant to the fund.

Small and mid-cap risk – Stocks of small and mid-size companies can be more volatile than stocks of larger companies.

Volatility risk – The performance of the fund has a risk of high volatility.

General fund 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 fund and the currency in which you subscribed, if different.

Equity Risk – in general, equities involve higher risks than bonds or money market instruments.

Geographic concentration risk – To the extent that a fund 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 fund’s attempts to reduce or eliminate certain risks through hedging may not work as intended.

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