FORMULA

The yardsticks presented herein afford you standards for measuring your accomplishment. Most investors do not compile the necessary data because of the work involved. Furthermore, the best method is subject to differences of opinion. Without obligation to you, we will be glad to discuss our method or send you a copy of a formula which may be used in computing your investment accomplishment.

Checking your own results is important, as it should enable you to determine whether a change in the management of your investments is desirable.

T. Rowe Price, Jr., and Associates
BALTIMORE TRUST BUILDING
BALTIMORE, MD.

LEXINGTON 1992
THE PURPOSE

A successful business man wants to know the answers to these three questions:

- 1. What is the return on my invested capital?
- 2. How do my profits and losses compare with others in the same business?
- 3. How can I improve my results?

A successful investor should want to know the answers to the same questions.

Discussions with investors over a period of years have revealed the surprising fact that very few can answer these questions about their own investments. They know their annual income and their realized profits and losses for income tax purposes—BUT they do not know their total investment accomplishment over a period of years which includes both income and gain or loss in the market value of their invested principal. They do not know whether their results are good when compared to those of successfully managed funds.

Yardsticks of Accomplishment have been prepared to help you answer these questions. They furnish you with actual results obtained for investors in three different types of managed funds so that you can measure your own accomplishment and determine whether a change in management is desirable.

In the words of Abraham Lincoln—"If we could first know where we are and whither we are tending, we could better judge what to do and how to do it."

T. Rowe Price, Jr., and Associates

INVESTMENT RESEARCH AND COUNSEL

BALTIMORE TRUST BUILDING

Baltimore, Md.

Lexington 1992

THE YARDSTICKS
LONG TERM YARDSTICK OF ACCOMPLISHMENT
FOURTEEN YEARS—1927-1940

<table>
<thead>
<tr>
<th>SAVINGS BANK</th>
<th>AVERAGE ANNUAL ACCOMPLISHMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Insurance</td>
<td>3.25%</td>
</tr>
<tr>
<td>INVESTMENT COUNSEL</td>
<td>4.30%</td>
</tr>
<tr>
<td>YOUR FUND</td>
<td>4.66%</td>
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</table>

Explanation of Chart I

Investment accomplishment is measured in terms of both income and market value of invested principal, as neither one taken separately gives a true yardstick of successful investing.

SAVINGS BANK YARDSTICK—illustrates the accomplishment of the investor who placed his principal in a savings bank and withdrew the interest regularly as it was declared. Interest paid during the fourteen years totaled 45.50%. The principal remained intact. The average annual accomplishment was 3.25%. Results were good in view of the declining trend of interest rates on Savings Bank investments.

LIFE INSURANCE YARDSTICK—illustrates the accomplishment of the investor (policyholder) who left his dividends with the life insurance company and received interest at the rate allowed each year. Interest paid totaled 60.25%. The principal remained intact. The average annual accomplishment of 4.30% was good for a life insurance company.

INVESTMENT COUNSEL YARDSTICK—is the record of a fund supervised by the head of this firm throughout the period. Investments consisted of bonds, preferred and common stocks, and bank deposits in amounts which varied with economic trends during the fourteen years. The market value of the invested principal varied considerably during the period as a result of extremely wide fluctuations in security values. Most of the time the market value was higher than the invested principal, although at the end of 1940, when prices of common stocks were relatively low, the market value of the total fund was 4.17% less than the invested principal. The accomplishment was 65.18%, represented by income totaling 69.35%, less depreciation of 4.17% in market value, or an average annual accomplishment of 4.06%. While the inclusion of common stocks caused invested principal to be more volatile marketwise, it enabled the annual income to be maintained at a more liberal rate than in the case of Savings Bank or Life Insurance, where managements were limited to bonds, mortgages, and other forms of indebtedness.

SHORT TERM YARDSTICK OF ACCOMPLISHMENT
THREE YEARS—1938-1940

<table>
<thead>
<tr>
<th>SAVINGS BANK</th>
<th>AVERAGE ANNUAL ACCOMPLISHMENT</th>
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<tbody>
<tr>
<td>Life Insurance</td>
<td>2.08%</td>
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<tr>
<td>INVESTMENT COUNSEL</td>
<td>3.50%</td>
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<tr>
<td></td>
<td>5.21%</td>
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</table>
Explanation of Chart II

While the long term usually provides the soundest basis for comparison because it covers several business and market cycles, the past three years of war economy have brought drastic changes in the outlook for investments. The short-term yardsticks, therefore, are significant. They accentuate the advantages of Investment Counsel management over Savings Bank and Life Insurance management, which are restricted in their investments. They help the alert investor to detect unfavorable trends in time to revise his investment policy.

SAVINGS BANK YARDSTICK—Interest paid during the three years totaled 6.25%. Principal remained intact. The average annual accomplishment was 2.08%.

LIFE INSURANCE YARDSTICK—Interest paid during the three years totaled 10.50%. Principal remained intact. The average annual accomplishment was 3.50%.

INVESTMENT COUNSEL YARDSTICK—Income paid during the three years totaled 14.33%. Market value of invested principal increased 1.3%. Total accomplishment was 15.63%, or an average annual rate of 5.21%.

These comparisons show that Investment Counsel management, by increasing common stock investments, was able to attain substantially better accomplishment than either Life Insurance or Savings Bank managements during the last three years.

TRENDS OF ANNUAL INCOME

Treatment of income only, as distinguished from treatment of income and principal together.

A comparison of the trend in annual income is important because endowment and trust funds, as well as many individuals, are dependent upon the maintenance of annual income to meet current expenses. Income on most investment funds has been diminishing for a number of years due to the decline in interest rates and reduction of dividends by many corporations. The more favorable record of Investment Counsel as compared with Savings Bank and Life Insurance is no reflection upon the management of the latter two funds. Their results are good considering that the securities eligible for purchase afford a very low yield. Investment Counsel’s rising income during recent years was made possible by supplementing bonds and preferred stocks with carefully selected “Growth” (common) stocks which have increased their dividend payments.

The following tables compare these trends for the investor in the three types of managed funds discussed in this pamphlet.

INCOME TABLE

<table>
<thead>
<tr>
<th></th>
<th>Long Term</th>
<th></th>
<th>Short Term</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>1927</td>
<td>1940</td>
<td>Per Cent Change</td>
<td>1938</td>
</tr>
<tr>
<td>Savings Bank</td>
<td>4.50%</td>
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<tr>
<td>Life Insurance</td>
<td>4.75%</td>
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<td>Investment Counsel</td>
<td>4.75%</td>
<td>4.57%</td>
<td>-3.8%</td>
<td>4.95%</td>
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Long Term Trend of Income

SAVINGS BANK income for the first year, 1927, was 4.50%, but by 1940 had been reduced to 2%, or a decline of 55.6%. This downward trend was caused largely by the difficulty encountered by the management of the Savings Bank in investing money safely at a liberal rate.

LIFE INSURANCE income in 1927 was 4.75%, but by 1940 this rate had been reduced to 3.50%, or a decline of 26.3%. INVESTMENT COUNSEL income during the first year was 4.75%. In 1940, the income was 4.57%—only 3.8% lower than in 1927. The average annual income for the fourteen-year period was 4.98%, which was 15.1% higher than Life Insurance and 52% higher than Savings Bank.

Short Term Trend of Income

The short term trend of income on capital invested at the beginning of 1938 in three types of funds shows a more striking picture.

SAVINGS BANK income was still declining and averaged only 2.08%.
LIFE INSURANCE income remained constant.
INVESTMENT COUNSEL income increased 16.7%. In 1940, the yield of 5.10% was 45.7% higher than Life Insurance income and 155% higher than Savings Bank income.