



# Revving Up New Investment Vehicles for Our Clients

Fully transparent, actively managed ETFs join our product lineup

July 2023

## KEY INSIGHTS

- We have recently added five fully transparent exchange-traded funds (ETFs) to our actively managed ETF lineup.
- These equity ETFs represent new strategies and are not designed to be clones of their mutual fund counterparts.
- Just as a race car's success relies on the efforts of its entire crew, these new investment vehicles are guided using a multilayered, team approach.

Combining rigorous research with putting clients first is the engine that has powered our business at T. Rowe Price for nearly nine decades. It has propelled us into being one of the world's largest and most trusted asset managers while giving us the privilege of serving clients who seek superior, long-term investment results.

You could say that we've put that engine in various "vehicles" over the years,

beginning in 1937 with what today would be called "separately managed accounts" for individuals. In 1950, we opened our first mutual fund and welcomed our first institutional clients, and, in 1974, we led the industry by introducing our first company-sponsored defined contribution plan. Quantitative funds and actively managed exchange-traded funds (ETFs) are some of the most recent vehicles to join our lineup.



**Tim Coyne**

*Global head of Exchange Traded Funds*



**Jodi Love**

*Lead portfolio manager of the Growth, International Equity, Small-Mid Cap, and Value ETFs (exchange-traded funds)*

## Combining the Benefits of Active Management and ETFs

(Fig. 1) Our new, fully transparent exchange-traded funds are designed to serve both goals



## T. Rowe Price's New, Fully Transparent ETFs

(Fig. 2)

	Capital Appreciation Equity ETF	Value ETF	Growth ETF	Small-Mid Cap ETF	International Equity ETF
Ticker	TCAF	TVAL	TGRT	TMSL	TOUS
<b>Lead Portfolio Managers</b>	David Giroux	Jodi Love	Jodi Love	Jodi Love	Jodi Love
<b>Co-portfolio Managers</b>	N/A	Gabe Solomon Don Peters	Taymour Tamaddon Don Peters	Vincent DeAugustino Don Peters Peter Stournaras	Sebastian Schrott Colin McQueen Peter Stournaras
<b>Peer Category</b>					
<b>Morningstar</b>	Large Blend	Large Value	Large Growth	Mid-Cap Blend	Foreign Large Core
<b>Lipper</b>	Large-Cap Core	Large-Cap Value	Large-Cap Growth	Mid-Cap Core	International Large-Cap Core
<b>Benchmark(s)</b>	S&P 500 Index	Russell 1000 Value Index	Russell 1000 Growth Index	Russell 2500 Index	MSCI EAFE Index Net
<b>Expense Ratio</b>	0.31%	0.33%	0.38%	0.55%	0.50%

As of June 30, 2023.

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### Five New ETFs Designed to Serve as Building Blocks

On June 15, we introduced fully transparent, actively managed ETFs—in other words, ETFs that are not designed to track an index. These five new equity ETFs leverage the capabilities of T. Rowe Price’s research analysts and the expertise of several of the firm’s most experienced portfolio managers.

Tim Coyne, T. Rowe Price’s global head of Exchange Traded Funds stresses that, unlike their semi-transparent predecessors, the new, fully transparent equity ETFs represent new strategies and are *not* designed to be clones of their mutual fund counterparts. What they *do* share with our other ETFs, Tim notes, is the full support and backing of T. Rowe Price’s resources and experienced portfolio managers (PMs).

These distinct strategies are designed to provide investors a way to access a range of what Tim calls “building block” investment categories—large-cap, small-mid cap, value, growth, core, and international. Like their

counterparts, these new ETFs provide a way for clients to access active management generally at a lower cost.

### A Distinct Management Approach for Distinct New Strategies

Lead Portfolio Manager Jodi Love likens the management approach behind the new strategies to an auto racing team. Just as a race car’s success relies on the efforts of its entire crew, these new investment vehicles are guided using a multilayered, team approach.

### The Team Managers: Our Two Lead PMs

Working in consultation with the co-portfolio managers, Jodi serves as lead manager of the Value, Growth, Small-Mid Cap, and International Equity ETFs, where she oversees their daily operations. Jodi views her job as making sure the team is working efficiently and that each portfolio is operating at peak efficiency. As a result, she interacts with her co-portfolio managers and seeks out necessary information from the firm’s other PMs and analysts.

“Sitting behind the wheels of each of the five new ETFs are portfolio managers who also drive some of T. Rowe Price’s most prominent equity strategies.

Jodi uses a repeatable and disciplined portfolio management process that involves both qualitative and quantitative assessments of a potential holding. Her aim is to create funds with relatively low turnover and centered on a foundation of securities with the potential for long-term price appreciation.

After graduating summa cum laude from McGill University in Montreal, Jodi started her investment career in 2004. She joined T. Rowe Price in 2019 as an investment analyst covering restaurants, branded apparel and footwear, and direct-to-consumer commerce.

Because the Capital Appreciation Equity ETF is managed by a separate investment adviser, T. Rowe Price Investment Management, Inc., David Giroux serves the role as its lead manager. More about David below.

#### The Drivers: The Co-portfolio Managers<sup>1</sup>

Sitting behind the wheels of each of the five new ETFs are portfolio managers who also drive some of T. Rowe Price’s most prominent equity strategies.

- Co-portfolio Managers Gabe Solomon and Don Peters are behind the wheel of the new **Value ETF**, a large-cap value strategy benchmarked against the Russell 1000 Value Index.

Gabe is a co-portfolio manager of T. Rowe Price’s Large-Cap Value Fund and has been with T. Rowe Price since 2004, after earning a B.A., summa cum laude, in economics from the University of California, Los Angeles (UCLA), followed by an M.B.A. in finance and accounting from Wharton. Gabe previously headed the Financial Services Fund at T. Rowe Price.

A fellow Wharton grad, Don has been with T. Rowe Price since 1993

and manages major institutional relationships in the structured active and tax-efficient strategies. A former naval officer who was selected by Admiral Hyman G. Rickover to work at his headquarters for the Navy’s nuclear propulsion program, Don has published extensively in financial journals.

- Don also uses his broad investment experience to help drive two of our other new ETF portfolios. He works alongside Co-portfolio Manager Taymour Tamaddon in steering the **Growth ETF**, which seeks to outperform the Russell 1000 Growth Index by investing in high-quality, rapidly growing companies.

Taymour has been with T. Rowe Price since 2004, after getting a degree in applied physics from Cornell University and an M.B.A. from Dartmouth College, Tuck School of Business. Taymour currently manages the Large-Cap Growth Fund for T. Rowe Price and previously managed T. Rowe Price’s Health Sciences Fund.

- Don further coordinates with Co-portfolio Managers Vincent DeAugustino and Peter Stournaras in driving the **Small-Mid Cap ETF**, which seeks to provide long-term capital growth through a broadly diversified portfolio of small- and mid-cap U.S. stocks, with either growth or value characteristics.

Vincent joined T. Rowe Price in 2006 and is the lead portfolio manager for the Mid-Cap Value Fund in the U.S. Equity Division. He earned a master’s degree in finance from Loyola University Maryland and most recently was an investment analyst, covering banks and specialty finance companies. Peter is the head of the Integrated Equity Group in the Global Equity Division and joined the firm

<sup>1</sup> The co-portfolio managers for the Value ETF, the Growth ETF, the Small-Mid Cap ETF and the International Equity ETF are investment personnel of T. Rowe Price Associates, Inc., investment adviser. Where Equity Divisions are discussed in this section, those refer to the Equity Divisions of T. Rowe Price Associates, Inc. Please see further discussion regarding our two investment advisers, T. Rowe Price Associates, Inc. and T. Rowe Price Investment Management, Inc., later on in this insights.

“As with our other funds and portfolios, our new transparent ETFs leverage the insights our equity analysts gain through careful fundamental research.

in 2020 after a career at JP Morgan Private Bank, where he was the managing director and chief portfolio strategist in multi-asset class solutions.

- Along with Co-portfolio Managers Sebastian Schrott and Colin McQueen, Peter helps drive the **International Equity ETF**, which invests in a broadly diversified equity portfolio of companies across market caps and mainly in developed non-U.S. regions and countries.

Sebastian is a portfolio manager in the International Equity Division. He joined T. Rowe Price in 2007, after earning a master's degree in international business and economics from the University of Innsbruck and an M.B.A. from Stanford.

Colin McQueen is the portfolio manager of the International Value Equity Fund in the Equity Division and joined T. Rowe Price in 2019 after a long career in finance, most recently with Morgan Stanley Investment Management as the head of Global Value Equities. Colin earned a B.Sc. in economics from the University of Warwick and an M.Phil. in economics from the University of Cambridge.

- Lead Portfolio Manager David Giroux and his team drive the results of the Capital Appreciation Equity ETF, a large-cap core portfolio.

David is the portfolio manager for T. Rowe Price's multi-asset Capital Appreciation Fund. He also is head of Investment Strategy and chief investment officer for T. Rowe Price Investment Management, Inc.

It is important to stress that the Capital Appreciation Equity ETF is substantially different in its composition, however. It focuses solely on stocks and will typically hold about 100 securities, compared with 30 to 40 in the equity portion of the Capital Appreciation Fund.

The Capital Appreciation Equity ETF is managed by T. Rowe Price Investment Management, Inc. (TRPIM), while the four other new funds are managed by T. Rowe Price Associates, Inc. (TRPA). The firm's two U.S.-based SEC-registered investment advisers maintain separate research platforms, but both are supported by the firm's ETF Division.

### **The Pit Crew: T. Rowe Price's Research Teams**

Jodi and Tim stress the importance of the firm's research platforms in fueling the performance of each of the new funds. As of March 31, 2023, TRPA employed 96 equity analysts and TRPIM employed 30, making for a combined total of 126. These professionals are tasked with knowing their coverage areas inside and out, and many of these analysts boast years of experience and extensive industry contacts. They cooperate in the search for investment opportunities with portfolio managers, economists, and other experts—making for an overall research team of 404 professionals (336 with TRPA and 68 with TRPIM).

As with our other funds and portfolios, our new transparent ETFs leverage the insights our equity analysts gain through careful fundamental research. We like to say that our analysts go “beyond the numbers” by meeting frequently with management teams, attending industry conferences, and visiting company facilities. A proprietary platform then allows our analysts to quickly share their insights with their peers within each investment adviser—unconstrained by asset class, investment style, or office location.

### **The Engineer: T. Rowe Price's Global Head of Exchange-Traded Funds**

Finally, Tim might be described as the engineer who designs the tracks and equipment that allow T. Rowe Price ETFs to run efficiently. An industry veteran with extensive ETF experience,

Tim came to T. Rowe Price in 2020 to lead our expansion into this business line. In 2021, Tim guided the launch of our first fixed income ETFs.

Tim has high conviction that the expansion of active management into ETFs has just begun. With 15

T. Rowe Price ETFs already “on the track,” he and his team are committed to developing a comprehensive suite of ETFs by expanding our ETF capabilities and offerings across asset classes.

## 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](https://troweprice.com).

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### Additional Disclosures

**ETFs are bought and sold at market prices, not NAV.** Investors generally incur the cost of the spread between the prices at which shares are bought and sold. Buying and selling shares may result in brokerage commissions, which will reduce returns.

### Important Information

*Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, visit [troweprice.com](https://troweprice.com).*

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### Investment Risks:

**Small and medium-sized companies** often have less experienced management, narrower product lines, more limited financial resources, and less publicly available information than larger companies and may be subject to greater volatility from changes in overall economic conditions, which may cause their securities to be difficult to trade.

The **value** approach to investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced. A fund's value investing style may become out of favor, which may result in periods of underperformance.

Funds that invest in **growth** stocks are subject to the volatility inherent in common stock investing, and their share price may fluctuate more than that of a fund investing in income-oriented stocks. **International** investments can be riskier than U.S. investments due to the adverse effects of currency exchange rates, differences in market structure and liquidity, as well as specific country, regional, and economic developments. To the extent that the fund invests in emerging markets, these risks are generally greater.

**Active investing** may have higher costs than passive investing and may underperform the broad market or passive peers with similar objectives.

**Diversification cannot assure a profit or protect against loss in a declining market.**

**Past performance is not a reliable indicator of future performance.** All investments are subject to market risk, including the possible loss of principal. All charts and tables are shown for illustrative purposes only.

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