



US LARGE CAP VALUE EQUITY STRATEGY

Uncovering value in the world’s largest, most dynamic market

Making up more than half of global equity markets, US equities are a foregone conclusion for many asset allocators. But it's not always easy for investors to make sense of this complex, dynamic space. By definition at any one time there are a large number of US companies trading at below average valuations. While some might warrant their price, others might be fundamentally sound companies that investors may have overlooked in favour of opportunities with higher growth prospects. This is no job for an autopilot – we believe US equities are an attractive market for experienced value stock pickers.

The state of value in today’s markets

Investors continue to extrapolate earnings successes that rarely materialise

Investors are often overly optimistic on current success stories. They tend to extrapolate recent high earnings growth, often paying a premium on the basis of these expectations.

In reality, what’s working now rarely lasts. Only about 10% of companies achieve earnings growth of 10% or more for three consecutive years. Essentially, investors will often be paying up front for earnings that companies ultimately could deliver.

Conversely, investors are increasingly pessimistic on companies facing short-term challenges, underestimating management teams’ ability to adapt to change. But these companies often go on to overcome their challenges, creating compelling investment opportunities in the process.

Risk intolerance is accentuating value opportunities

Investors’ risk tolerance and time horizons have shrunk considerably in the aftermath of the 2008 global financial crisis (even for institutional investors like pension funds). Exaggerated aversion to loss accentuates market inefficiencies and valuation anomalies.

This is good news for long-term value investors. Well-managed, market-leading, high margin companies are being shunned by investors not willing to weather any short-term downturn (often sentiment-led). Patient investors can look beyond the short-term “noise” and buy high-quality companies at attractive prices relative to their long-term potential.

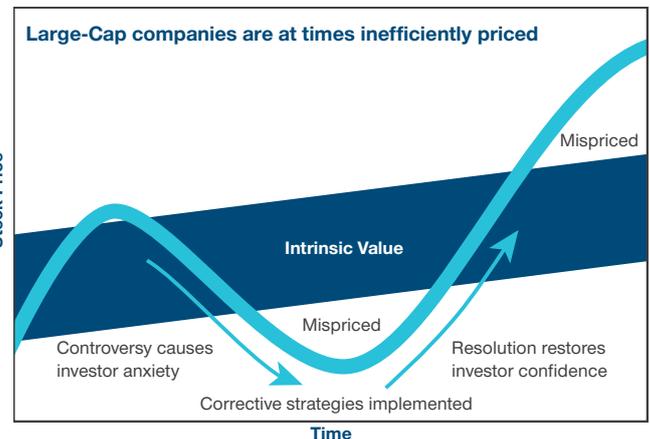
What does this mean for investors?

As a long-term investment strategy, value investing remains a vital part of an investor’s portfolio.

To capture value-driven returns, investors don’t need to chase the “next big thing”. Tangible improvements by unloved companies can lead to significant share price appreciation. It’s the improvement that counts – and that’s what successful investors need to identify.

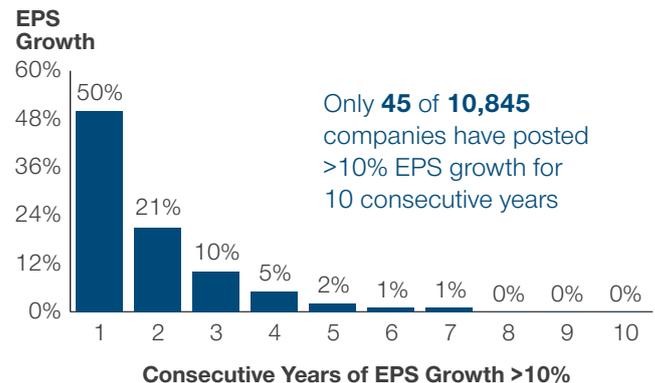
Successful value investing needs: effective forward-looking research; value-added interactions with company management; and in-depth analysis of industries, companies and investor sentiment.

Value distortions and investor psychology



High growth over the long-term is rare

Jan 1985 - Sep 2018, Russell 3000 Index



Source: FactSet, T. Rowe Price

Past performance is not a reliable indicator of future performance.

T. Rowe Price: A heritage of success in US equities

Investment expertise and extensive local research in US equities are essential to identifying the companies that will be the long-term winners across a variety of economic environments. At T. Rowe Price, we have an established history of investing in US markets, successfully implementing our approach through diverse market conditions.

Heritage Success in US equities since 1937	We have been successfully managing US equities for over 80 years, so you can have confidence that we know our markets and what it takes to invest for success.
Access US\$735.8* assets under management in US equities	As one of the largest active shareholders in many of our US portfolio holdings, we have valuable access to management and the ability to better assess the opportunities and challenges the companies are facing.
Insights Breadth and depth of expert research and analysis	Filtering out the noise, exploiting mispricing and always thinking long-term, our analysts take a forward-looking approach to identify opportunities and catalysts of change in their industries.

Our research edge in US equities

Going beyond the numbers: T. Rowe Price's extensive local and global research

We believe our active, research-intensive approach, our experienced team and our collaborative culture are key to delivering long-term success in US equities.

Each of our investment decisions is backed by one of the industry's largest and most experienced buy-side global research platforms. Local analysts in major economies worldwide work in collaboration with our global network of specialists across all industries and major asset classes to find the best investment ideas for our clients.

Our analysts go beyond the numbers, getting out into the field to see first-hand how companies are performing today and, more importantly, to make skilled judgements about how we think they'll perform in the future.



Local research – boots on the ground

- Local analysts immersed in US industries, in close proximity to local companies and markets
- Understanding of local dynamics and a physical presence for better interaction and engagement in the processes of innovation and change



Global sector analysis – multi-disciplinary collaboration

- Global context, to identify trends and opportunities in industries experiencing change and disruption
- Looking at investment opportunities from multiple perspectives – the most reliable way to reveal their true potential



Our research culture – going beyond the numbers for insights of change

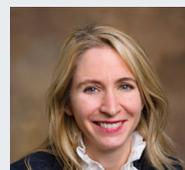
- Forward-looking analysis, for early identification of value trends, opportunities and catalysts for change
- Validating research through one-to-one meetings and on-site visits is core to our approach

*As at 30 June 2019, 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 Value Equity Strategy

We believe stocks of many US companies are frequently mispriced due to investor perception and behavioural biases. Our experienced investment process is based on fundamental, bottom-up research that leverages our analysts' expertise and their ability to look beyond the numbers. A research-led approach allows us to avoid short-term or macroeconomic "noise" and focus instead on companies with strong fundamentals and appealing valuations, which we believe are the main drivers of long-term investment outperformance.

"We invest in high-quality companies when they are facing controversy. Our shareholders are rewarded as the near-term challenges are addressed, the controversy is resolved, and earnings growth gets back on track."



Heather McPherson
Portfolio Manager

We seek to invest in higher quality large cap companies which we believe offer hidden value and upside potential that are overlooked by the market. Our investment approach is designed to:

1 Spot opportunities in neglected high quality companies as they arise	On the ground forward-looking research in local industries to identify and understand companies involved in controversy
2 Understand the catalysts for recovery, and likely timing	Understand if and how management can address issues, how long it will take, and whether the company's balance sheet can support its operations in the meantime
3 Make high-conviction investments in the right companies at the right time	Invest before these opportunities become mainstream in investors' consciousness

Finding unloved opportunities

We invest in higher quality companies facing short-term controversy. These companies have strong market positions, valuable assets, strong brands and effective management teams built to overcome challenges. We believe our fundamental research, disciplined approach and access to management give us an edge in finding these companies.

Focus on value and quality

In contrast to other value-oriented investment strategies that may rely more on deep value or absolute valuation, we focus on relative value, searching for companies with solid businesses, strong balance sheets, and durable earnings profiles that are inexpensive relative to their history, sector or the market. We balance our valuation analysis with qualitative factors to identify the most compelling valuation opportunities.

High-conviction portfolio invested for the long term

We maintain a well-diversified portfolio of typically between 70-80 holdings. Our high conviction bottom-up approach seeks to deliver returns in a variety of market environments. Our emphasis on companies with better business models ensures investments have adequate financial staying power until the predicted catalyst for improving sentiment emerges.

Diversified exposure to US value companies

Focus on relative value

- Value metrics on earnings, revenues and dividend streams
- Relative to history, peers and the market

High quality bias

- Companies with a strong financial outlook and potential for improved investor sentiment

Long-term focus

- Investment decisions focus on companies' long-term opportunity rather than short-term results
- Disciplined investors with historically moderate level of portfolio turnover

High conviction portfolio

- 70-80 stocks
- Individual holdings up to 3% (highest conviction ideas up to 5%)
- Sector weights 0.5x-2x benchmark
- Generally US\$9bn+ market cap

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 49 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\$1,126.3bn in assets under management
- 297 research analysts collaborating across asset classes and industries
- 171 equity analysts, 85 fixed income analysts, 41 multi-asset analysts
- Offices in 16 countries, research analysts in 9 different locations

**All figures as at 30 September 2019. Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.*

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

🖱 troweprice.com/intermediaries

☎ 020 7002 4372

✉ UKintermediaries@troweprice.com

Telephone calls may be recorded.

T. Rowe Price US Large Cap Value Equity Strategy

Strategy inception date 31 March 1990

Strategy AUM** £17,576.0m

Lead portfolio manager (tenure) Heather McPherson (1 November 2015)

Primary benchmark Russell 1000 Value Index

T. Rowe Price Funds SICAV – US Large Cap Value Equity Fund

Fund size** £ 608.3m

Launch date 28 June 2001

Base currency USD

ISIN I USD LU0133100338

T. Rowe Price Funds OEIC – US Large Cap Value Equity Fund

Fund size** £19.3m

Launch date 13 March 2017

Base currency GBP

ISIN C Acc GBP GB00BD446M25

**As at 30 September 2019.

Full details of all available share classes can be found on our website.

Risks – the following risks are materially relevant to the strategy:

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

Important information

FactSet – Copyright © 2019 FactSet Research Systems Inc. All rights reserved.

The SICAV Fund is a sub-fund of the T. Rowe Price Funds SICAV, a Luxembourg investment company with variable capital which is registered with Commission de Surveillance du Secteur Financier and which qualifies as an undertaking for collective investment in transferable securities ("UCITS").

The OEIC Fund is a sub-fund of the T. Rowe Price Funds OEIC, an investment company with variable capital incorporated in England and Wales which is registered with the UK Financial Conduct Authority and which qualifies as a UCITS. Full details of the objectives, investment policies and risks are located in the prospectus which is available with the key investor information documents in English and in an official language of the jurisdictions in which the Funds are registered for public sale, together with the articles of incorporation and the annual and semi-annual reports (together "Fund Documents"). Any decision to invest should be made on the basis of the Fund Documents which are available free of charge from the local representative, local information/paying agent or from authorised distributors and via www.troweprice.com.

This material is being furnished for general informational purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, nor is it intended to serve as the primary basis for an investment decision. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services.

Past performance is not a reliable indicator of future performance. The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested. The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction. Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date noted on the material and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price. The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction. This material is issued and approved by T. Rowe Price International Ltd, 60 Queen Victoria Street, London, EC4N 4TZ which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only. © 2019 T. Rowe Price. All rights reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the bighorn sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc. 201909-859533

LE50168 CCON0027401