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In-depth analysis and insights  
to inform your decision-making.

## U.S. Equities

# LONG-TERM BENEFITS OF THE T. ROWE PRICE STRATEGIC INVESTING APPROACH

- We believe T. Rowe Price's strategic investing approach, underpinned by the rigor of our independent research and the decision-making of our experienced portfolio managers, has created value for our clients over the longer term.
- We reviewed the performance of 18 T. Rowe Price diversified active U.S. equity funds over the 20 years ending in 2017, or since inception in cases where the fund had less than a full 20-year track record. We found that the majority of funds generated positive average excess returns, net of fees, over their benchmarks across multiple time periods.<sup>1</sup>
- The likelihood that T. Rowe Price's diversified U.S. equity funds would outperform the relevant benchmarks increased as rolling time periods were extended.
- We attribute our success to our ability to go beyond the numbers and get ahead of change, which we believe leads to better decision-making and prudent risk management on behalf of our clients.

T. Rowe Price believes strongly that skilled, risk-aware active management has the potential to add value over longer-term time horizons. Evaluating active manager performance, however, requires investors and/or their financial advisors to distinguish between signal and noise—that is, to see past the many factors that may create a distorted short-term picture (either positive or negative) of manager skill.

As active equity managers, we are primarily interested in whether our own investment process has created long-term value for our clients. To gain a clearer understanding of this issue, we conducted a rigorous study of the performance of T. Rowe Price's diversified U.S. equity funds over the two decades ending 12/31/2017 (or since inception for funds that lacked a full 20-year track record).

<sup>1</sup>Given that the U.S. equity market is generally considered the world's most efficient, transparent market, we believe it provides a strong test for active management skill. See the appendix (page 7) for additional information on the performance study methodology.

Our study covered 18 of the 22 active diversified U.S. equity funds currently advised by T. Rowe Price, including two institutional portfolios that are not directly available to individual investors. Institutional funds that are clones of other diversified equity funds were omitted from the study to avoid double counting. The 18 funds included in the study represented approximately 77% of total U.S. equity assets in the domestic and global equity mutual funds advised by the firm as of 12/31/2017. The funds, their primary style benchmarks, and the dates of their inclusion in the study are shown in [Figure 1](#).<sup>2</sup>

For each fund in the study, we examined performance over rolling 1-, 3-, 5-, and 10-year periods (rolled monthly) from 12/31/1997 through 12/31/2017. We then calculated excess returns relative to the appropriate benchmark for each fund in each time period. Fund returns were based on net asset value (NAV) data, and thus were net of fees and trading costs.

For each fund, we calculated active success rates (the percentage of periods in which the fund outperformed its benchmark) and average excess returns relative to that benchmark for each time frame (i.e., over all rolling 1-, 3-, 5-, and 10-year periods).<sup>3</sup> The results are displayed in [Figures 2 and 3](#) (page 3).

#### **Figure 1: The performance study universe**

##### **T. Rowe Price funds, benchmarks, and inclusion dates**

Strategy	Mutual Fund Name	Designated Benchmark	Inclusion Date
US Growth Equity	Growth Stock Fund	Russell 1000 Growth Index	12/31/1997
US Small-Cap Growth Equity	New Horizons Fund	Russell 2000 Growth Index	12/31/1997
US Growth & Income Equity	Growth & Income Fund	S&P 500 Index	12/31/1997
US Large-Cap Equity Income	Equity Income Fund	Russell 1000 Value Index	12/31/1997
US Capital Appreciation	Capital Appreciation Fund	S&P 500 Index	12/31/1997
US Small-Cap Value Equity	Small-Cap Value Fund	Russell 2000 Value Index	12/31/1997
US Mid-Cap Growth Equity	Mid-Cap Growth Fund	Russell Midcap Growth Index	12/31/1997
US Small-Cap Core Equity	Small-Cap Stock Fund	Russell 2000 Index	12/31/1997
US Dividend Growth Equity	Dividend Growth Fund	S&P 500 Index	12/31/1997
US Large-Cap Core Growth Equity	Blue Chip Growth Fund	Russell 1000 Growth Index	12/31/1997
US Value Equity	Value Fund	Russell 1000 Value Index	12/31/1997
US Structured Research Equity <sup>4</sup>	Capital Opportunity Fund	S&P 500 Index	12/31/1997
US Mid-Cap Value Equity	Mid-Cap Value Fund	Russell Midcap Value Index	12/31/1997
US Structured Active Small-Cap Growth Equity	QM U.S. Small-Cap Growth Equity Fund <sup>5</sup>	Russell 2000 Growth Index	12/31/1997
US Large-Cap Value Equity	Institutional Large-Cap Value Fund	Russell 1000 Value Index	3/31/2000
US Multi-Cap Growth Equity	New America Growth Fund	Russell 1000 Growth Index	4/30/2000 <sup>6</sup>
US Large-Cap Growth Equity	Institutional Large-Cap Growth Fund	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.

<sup>2</sup>Four T. Rowe Price diversified U.S. equity funds—the Large-Cap Core Fund (LCC), the Tax-Efficient Equity Fund (TEE), the Quantitatively Managed (QM) Small & Mid-Cap Core Equity Fund, and the QM U.S. Value Equity Fund—were excluded from the study. The LCC inceptioned in June 2009 and thus had no 10-year rolling returns and only 43 5-year rolling returns in the period covered by the study, making a long-term performance analysis unreliable. The two QM funds inceptioned in February 2016 and thus had only 11 1-year rolling performance periods in the time frame covered by our study. The TEE's exclusion stemmed from the fact that its objective of seeking to maximize after-tax portfolio growth was inconsistent with the study's use of before-tax benchmarks and its focus on before-tax excess returns. Performance is available upon request and on [troweprice.com](#). More detailed information about the study methodology can be found in the appendix on page 7.

<sup>3</sup>Excess returns for the 3-, 5-, and 10-year rolling periods were annualized.

<sup>4</sup>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 U.S. 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 Capital Opportunity 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.

<sup>5</sup>Formerly the Diversified Small-Cap Growth Fund.

<sup>6</sup>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. See the appendix (page 7) for additional information.

One of the more consistent findings in the study was that active success rates and average excess returns both tended to improve over most longer time periods.

- While 15 of the 18 funds had positive active success rates (i.e., higher than 50%) over rolling three-year periods, 17 had positive five-year active success rates, and 16 had positive 10-year active success rates.
- Ten of 18 funds outperformed their benchmarks over every rolling 10-year period, while two other funds outperformed in at least 98% of their rolling 10-year periods.
- Thirteen of the 18 funds had positive average excess returns, on average, over rolling one-year periods, while 17 funds had positive three-year excess return averages, 17 had positive five-year averages, and all 18 funds had positive 10-year averages.

- For 14 of 18 funds, five-year average excess returns were higher than one-year average excess returns. Average 10-year excess returns were higher than average one-year excess returns in 12 of 18 cases.

The diverse range of investment objectives represented in the study made it inappropriate to calculate simple performance averages across all 18 funds. The universe of smaller stocks is typically less deeply researched than the large-cap market, potentially making it easier for small-cap managers to generate excess returns by exploiting market inefficiencies. Thus, the average excess returns for the small-cap managers in the study could have biased a simple average higher, concealing relatively weak results for large-cap managers.

Simple performance averages also could have been distorted by the fact that four of the 18 funds did not have histories that spanned the

## Positive results for most T. Rowe Price diversified U.S. equity funds over longer time horizons

Rolling periods  
12/31/1997 through  
12/31/2017

Fund
Growth Stock
New Horizons
Growth & Income
Equity Income
Capital Appreciation
Small-Cap Value
Mid-Cap Growth
Small-Cap Stock
Dividend Growth
Blue Chip Growth
Value
Capital Opportunity
Mid-Cap Value
QM U.S. Small-Cap Growth Equity
Institutional Large-Cap Value
New America Growth
Institutional Large-Cap Growth
Diversified Mid-Cap Growth

**Figure 2**  
**Active success rate: percentage of rolling periods with returns higher than benchmark (net of fees)**

	1-Year	3-Year	5-Year	10-Year
Growth Stock	65%	74%	81%	87%
New Horizons	75	92	99	100
Growth & Income	37	48	45	45
Equity Income	40	44	54	46
Capital Appreciation	49	62	72	100
Small-Cap Value	60	80	92	100
Mid-Cap Growth	66	84	97	100
Small-Cap Stock	61	74	83	100
Dividend Growth	47	55	65	98
Blue Chip Growth	61	77	76	100
Value	55	67	83	100
Capital Opportunity	53	55	67	76
Mid-Cap Value	50	57	60	83
QM U.S. Small-Cap Growth Equity	66	73	78	99
Institutional Large-Cap Value	58	59	67	100
New America Growth	63	71	78	100
Institutional Large-Cap Growth	62	75	92	100
Diversified Mid-Cap Growth	44	48	52	63

**Figure 3**  
**Average annualized excess returns over benchmark (net of fees)**

	1-Year	3-Year	5-Year	10-Year
Growth Stock	1.75%	2.55%	2.22%	1.73%
New Horizons	3.75	4.14	3.89	3.39
Growth & Income	-0.49	0.40	0.23	0.24
Equity Income	-0.15	0.01	0.02	0.25
Capital Appreciation	2.65	4.49	4.15	4.07
Small-Cap Value	1.23	1.66	1.76	2.04
Mid-Cap Growth	1.51	3.28	2.94	2.83
Small-Cap Stock	1.55	2.10	1.90	1.83
Dividend Growth	-0.26	0.94	0.87	0.97
Blue Chip Growth	1.19	1.90	1.65	1.21
Value	1.23	1.24	1.12	1.11
Capital Opportunity	-0.52	0.05	0.13	0.19
Mid-Cap Value	0.71	0.89	0.77	1.02
QM U.S. Small-Cap Growth Equity	0.78	1.41	1.27	1.20
Institutional Large-Cap Value	1.10	0.61	0.58	0.73
New America Growth	1.93	1.40	1.30	1.42
Institutional Large-Cap Growth	2.08	1.41	1.22	1.11
Diversified Mid-Cap Growth	-0.23	-0.01	-0.01	0.03

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

Sources: T. Rowe Price, Morningstar, Russell, and Standard & Poor's; data analysis by T. Rowe Price.

entire 20-year study period.<sup>7</sup> As of 12/31/2017, for example, the Diversified Mid-Cap Growth Fund had completed only 49 rolling 10-year periods since its inception at the end of 2003. Yet results for all 18 funds would have equal weight in a simple average.

To correct for these potential biases, we divided the 18 funds in the study into three capitalization categories—large-, mid-, and small-cap—based on their designated benchmarks. We then calculated average active success rates and average excess returns for each category. These averages were time weighted—that is, the results were weighted by the percentage of the total performance periods in each category that were provided by each fund (Figures 4 and 5).<sup>8</sup>

- As expected, time-weighted performance results for T. Rowe Price's small-cap managers were, on average, stronger than for large-cap managers.
- Time-weighted average excess returns for small-cap managers were especially strong (relative to mid- and large-cap managers) over shorter-term periods. However, average excess returns for small-cap managers weakened slightly at the 5- and 10-year time horizons.
- Time-weighted active success rates for T. Rowe Price large-cap managers were positive (above 50%) over all periods. Average excess returns also were positive over all periods, although here, too, average excess returns weakened slightly at 5- and 10-year time horizons.

## Positive long-term average active success rates and excess returns within U.S. equity fund categories

**Figure 4**

Rolling periods  
12/31/1997 through  
12/31/2017

**U.S. Large-Cap Average** ■  
**U.S. Mid-Cap Average** □  
**U.S. Small-Cap Average** ▨

**Time-weighted average active success rates**



**Figure 5**

**Sources:** T. Rowe Price, Russell, and Standard & Poor's; data analysis by T. Rowe Price.

**Time-weighted average annualized excess returns**



The excess return averages shown in Figure 5 may seem rather modest relative to the absolute returns that investors typically have been able to achieve in the U.S. equity markets over longer periods. However, even a small improvement in annualized returns can make a significant difference in ending portfolio value over longer time horizons.

Take, for example, a hypothetical equity portfolio that appreciated at a rate equal to the 7.20% annualized total return on the S&P 500 Index over the two-decade period covered by our study. A portfolio that achieved even a 100-basis-point improvement in annualized return over those two decades, after fees and costs, could have increased its ending value by more than 20%.

### Past performance cannot guarantee future results. See page 6 for standardized performance.

<sup>7</sup>Three funds did not have full 20-year performance histories for the period covered by the study: the Institutional Large-Cap Value Fund, the Institutional Large-Cap Growth Fund, and the Diversified Mid-Cap Growth Fund. A fourth fund, the New America Growth Fund, did not have a full 20-year history for its current strategy objective (see footnote 6).

<sup>8</sup>The time weights and capitalization categories used are shown in Figure A2 (page 9).

## Our Approach to Strategic Investing

To the extent T. Rowe Price's diversified U.S. equity funds have been able to deliver strong long-term active performance, net of fees, over the past two decades, we believe it reflects the strengths of our investment process in a number of key areas.

We go out into the field to get the answers we need. That means that over 350 of our investment professionals see firsthand how the companies we're investing in are performing today in order to make skilled judgments about how we think they'll perform in the future.<sup>9</sup> We seek to uncover more opportunities for our clients and are constantly on the lookout, analyzing the markets and the companies within them. By going on the road to meet with executives and employees, our professionals can ask the right questions to get a deeper understanding of where a company stands and where it could go in the future.

Experience has been a critical component of our success as well. Our skilled portfolio managers have deep experience—an average of 21 years in the industry and 16 years with T. Rowe Price.<sup>10</sup> Significantly, many of our analysts go on to become portfolio managers, which we believe creates a strong foundation on behalf of our clients.

We also don't wait for change, we seek to get ahead of change for our clients. We assess when to move with the crowd and when to move against it. Our people have the conviction to think independently but act collaboratively. This means we're able to respond quickly to take advantage of short-term market fluctuations, or we can also choose to hold tight.

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**Past performance cannot guarantee future results. See page 10 for Important Information.**

<sup>9</sup>Investment staff as of 12/31/2017. Includes 104 portfolio managers, 24 associate portfolio managers, 148 investment analysts, 47 associate analysts, 10 multi-asset specialists, 3 specialty analysts, 2 strategists, and 17 senior managers.

<sup>10</sup>As of 12/31/2017.

# Important Information

## STANDARDIZED PERFORMANCE

Annualized total returns for periods ended December 31, 2017

Fund	Inception Date	Gross Expense Ratio <sup>†</sup>	1-Year	3-Year	5-Year	10-Year	20-Year or Since Inception
TRP Growth Stock Fund (NAV)	(4/11/1950)	<b>0.68%</b>	33.63%	14.53%	17.88%	9.99%	8.85%
Russell 1000 Growth Index			30.21	13.79	17.33	10.00	6.87
TRP New Horizons Fund (NAV)	(6/3/1960)	<b>0.79</b>	31.49	13.99	18.57	13.16	10.69
Russell 2000 Growth Index			22.17	10.28	15.21	9.19	6.73
TRP Growth & Income Fund (NAV)	(12/21/1982)	<b>0.67</b>	21.05	10.56	15.19	8.17	6.62
S&P 500 Index			21.83	11.41	15.79	8.50	7.20
TRP Equity Income Fund (NAV)	(10/31/1985)	<b>0.66</b>	16.18	8.96	12.52	6.91	7.32
Russell 1000 Value Index			13.66	8.65	14.04	7.10	7.39
TRP Capital Appreciation Fund (NAV)	(6/30/1986)	<b>0.70</b>	15.38	9.59	12.59	9.00	9.99
S&P 500 Index			21.83	11.41	15.79	8.50	7.20
TRP Small-Cap Value Fund (NAV)	(6/30/1988)	<b>0.93</b>	13.37	11.69	13.12	9.42	10.03
Russell 2000 Value Index			7.84	9.55	13.01	8.17	8.62
TRP Mid-Cap Growth Fund (NAV)	(6/30/1992)	<b>0.77</b>	24.86	12.25	16.98	10.72	11.14
Russell Midcap Growth Index			25.27	10.30	15.30	9.10	8.34
TRP Small-Cap Stock Fund (NAV)	(6/1/1956)*	<b>0.90</b>	15.27	9.79	14.26	10.88	9.61
Russell 2000 Index			14.65	9.96	14.12	8.71	7.89
TRP Dividend Growth Fund (NAV)	(12/30/1992)	<b>0.64</b>	19.32	10.88	14.83	8.51	7.11
S&P 500 Index			21.83	11.41	15.79	8.50	7.20
TRP Blue Chip Growth Fund (NAV)	(6/30/1993)	<b>0.72</b>	36.55	15.30	18.85	10.50	8.31
Russell 1000 Growth Index			30.21	13.79	17.33	10.00	6.87
TRP Value Fund (NAV)	(9/30/1994)	<b>0.82</b>	18.94	9.05	15.08	8.52	8.36
Russell 1000 Value Index			13.66	8.65	14.04	7.10	7.39
TRP Capital Opportunity Fund (NAV)	(11/30/1994)	<b>0.70</b>	23.72	11.96	15.89	8.61	6.56
S&P 500 Index			21.83	11.41	15.79	8.50	7.20
TRP Mid-Cap Value Fund (NAV)	(6/28/1996)	<b>0.80</b>	11.64	10.26	14.29	9.52	10.52
Russell Midcap Index			13.34	9.00	14.68	9.10	9.64
TRP QM U.S. Small-Cap Growth Equity Fund (NAV)	(6/30/1997)	<b>0.81</b>	22.12	11.63	16.37	11.39	7.82
Russell 2000 Growth Index			22.17	10.28	15.21	9.19	6.73
TRP Institutional Large-Cap Value Fund (NAV)	(3/31/2000)	<b>0.57</b>	16.83	9.49	14.75	7.93	8.55**
Russell 1000 Value Index			13.66	8.65	14.04	7.10	7.03***
TRP New America Growth Fund (NAV)	(9/30/1985)	<b>0.80</b>	34.57	14.08	17.48	10.77	7.16
Russell 1000 Growth Index			30.21	13.79	17.33	10.00	6.87
TRP Institutional Large-Cap Growth Fund (NAV)	(10/31/2001)	<b>0.56</b>	37.82	15.99	19.63	11.60	10.34**
Russell 1000 Growth Index			30.21	13.79	17.33	10.00	8.29***
TRP Diversified Mid-Cap Growth Fund (NAV)	(12/31/2003)	<b>0.87</b>	24.72	11.02	15.47	9.21	9.84**
Russell Midcap Growth Index			25.27	10.30	15.30	9.10	10.03***

TRP = T. Rowe Price.

<sup>†</sup>Most recent fiscal year as of 12/31/2017.

\*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](http://troweprice.com).**

## Appendix: **STUDY METHODOLOGY**

We 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 12/31/1997 and ending 12/31/2017, or since their inception. 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 in fixed income assets but is primarily an equity portfolio and is benchmarked to the S&P 500 Index.

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 U.S. diversified 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 and Media & Telecommunications Funds—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 an extremely limited longer-term performance track record consisting of only 43 five-year rolling periods—a statistically invalid sample. 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 and 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 12/31/1997 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 10/31/1985 but was included in the study as of 4/30/2000. 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.

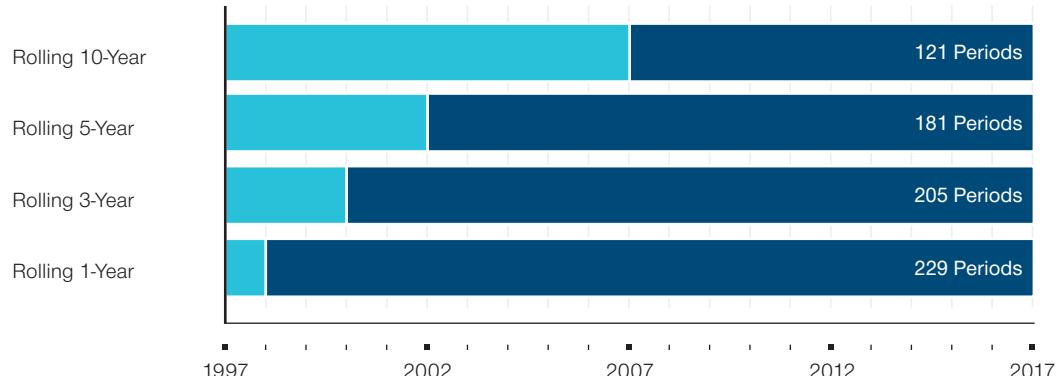
Because T. Rowe Price has not liquidated or merged any diversified U.S. equity funds offered to its clients since the beginning of the study period, there was no survivorship bias in the results.

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 Russell Investment Group. 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 performance of the Investor Class for each fund (which has the lowest expenses among the share classes for that fund). In recent years, some of the T. Rowe Price funds included in the study have launched Advisor and R Classes that include 12b-1 fees paid to intermediaries for distributing these funds. However, given the limited track records of these share classes, and the fact that they are not the lowest-expense share class available, we believe it was more accurate to base our study on performance results of the Investor Classes.

**Figure A1**

First Period in Each Series ■

**Rolling time periods in performance study**



**Source:** T. Rowe Price.

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 these periods all covered the equivalent two-decade slice of U.S. equity market history, each rolling series began on 12/31/1997 and ended on 12/31/2017 ([Figure A1](#)). This produced:

- 229 rolling one-year periods,
- 205 rolling three-year periods,
- 181 rolling five-year periods, and
- 121 rolling 10-year periods.<sup>11</sup>

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 each time series in which excess returns were positive was then calculated, producing an active success rate for each fund across each time horizon. Excess returns were averaged across every rolling period in each time frame for each fund to arrive at the results shown in [Figure 3](#) (page 3).

Firmwide performance averages were calculated for three capitalization categories in the study universe: large-cap funds, mid-cap funds, and small-cap funds. 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 A2](#) (page 9).

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, 3 mid-cap funds, and 4 small-cap funds), the results of this analysis are of limited statistical significance and should be regarded as indicative only.

<sup>11</sup>Since not all funds had performance records covering the full 20-year study, the number of rolling periods was smaller for some funds.

**Figure A2**

Rolling periods ended  
12/31/2017

**Time weights for T. Rowe Price funds****Percentage of total rolling performance periods within each capitalization category**

<b>U.S. Large-Cap</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Growth Stock	9.47%	9.52%	9.58%	9.84%
Growth & Income	9.47	9.52	9.58	9.84
Equity Income	9.47	9.52	9.58	9.84
Capital Appreciation	9.47	9.52	9.58	9.84
Dividend Growth	9.47	9.52	9.58	9.84
Blue Chip Growth	9.47	9.52	9.58	9.84
Value Stock	9.47	9.52	9.58	9.84
Capital Opportunity	9.47	9.52	9.58	9.84
Institutional Large-Cap Value	8.35	8.26	8.15	7.64
New America Growth	8.31	8.22	8.10	7.56
Institutional Large-Cap Growth	7.57	7.38	7.14	6.10
<b>U.S. Mid-Cap</b>				
Mid-Cap Growth	37.24	37.75	38.43	41.58
Mid-Cap Value	37.24	37.75	38.43	41.58
Diversified Mid-Cap Growth	25.53	24.49	23.14	16.84
<b>U.S. Small-Cap</b>				
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.**

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