

# T. Rowe Price Group Inc

**S&P Recommendation** **STRONG BUY** ★★★★★

**Price**  
\$79.99 (as of Nov 15, 2013)

**12-Mo. Target Price**  
\$94.00

**Investment Style**  
Large-Cap Growth

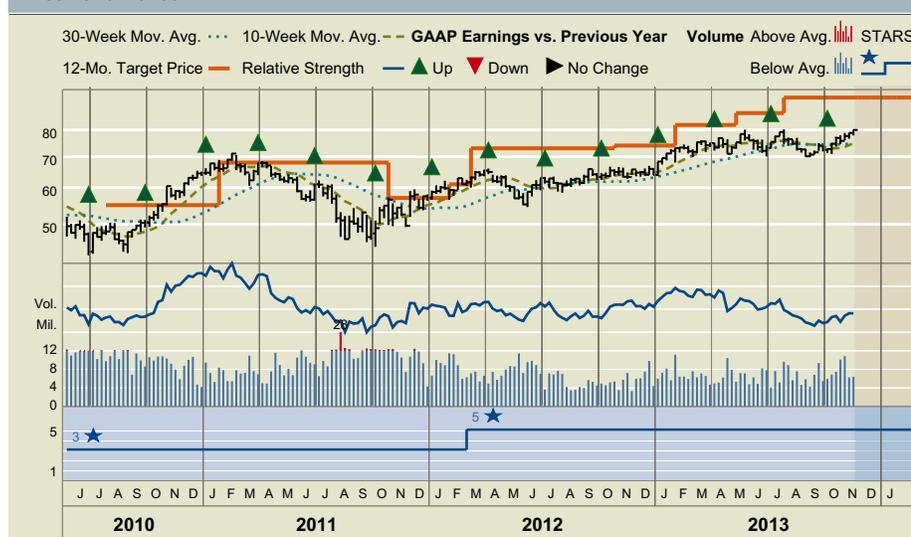
**GICS Sector** Financials  
**Sub-Industry** Asset Management & Custody Banks

**Summary** This company (formerly T. Rowe Price Associates) operates one of the largest no-load mutual fund complexes in the United States.

**Key Stock Statistics** (Source S&P, Vickers, company reports)

52-Wk Range	<b>\$80.26–63.39</b>	S&P Oper. EPS 2013E	<b>3.83</b>	Market Capitalization(B)	<b>\$20.870</b>	Beta	<b>1.65</b>
Trailing 12-Month EPS	<b>\$3.71</b>	S&P Oper. EPS 2014E	<b>4.26</b>	Yield (%)	<b>1.90</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>13</b>
Trailing 12-Month P/E	<b>21.6</b>	P/E on S&P Oper. EPS 2013E	<b>20.9</b>	Dividend Rate/Share	<b>\$1.52</b>		
\$10K Invested 5 Yrs Ago	<b>\$28,842</b>	Common Shares Outstg. (M)	<b>260.9</b>	Institutional Ownership (%)	<b>69</b>		

**Price Performance**



**Qualitative Risk Assessment**

**LOW** **MEDIUM** **HIGH**

Our risk assessment reflects our view of the company's strong market share, better than peer average ability to attract new investment and relatively better than average investment performance, offset by regulatory change risk and industry cyclicality.

**Quantitative Evaluations**

**S&P Quality Ranking** **A-**

D C B- B B+ A- A A+

**Relative Strength Rank** **STRONG**

78

LOWEST = 1 HIGHEST = 99

**Revenue/Earnings Data**

**Revenue (Million \$)**

	1Q	2Q	3Q	4Q	Year
2013	815.7	854.3	884.4	--	--
2012	728.7	736.8	769.7	787.3	3,023
2011	682.4	713.7	679.4	671.6	2,747
2010	556.2	577.4	586.1	647.5	2,371
2009	384.5	442.2	498.1	542.6	1,872
2008	560.4	587.7	555.9	417.3	2,121

**Earnings Per Share (\$)**

	1Q	2Q	3Q	4Q	Year
2013	0.91	0.92	1.00	E1.00	E3.83
2012	0.75	0.79	0.94	0.88	3.36
2011	0.72	0.76	0.71	0.73	2.92
2010	0.57	0.59	0.64	0.72	2.53
2009	0.19	0.38	0.50	0.57	1.65
2008	0.55	0.60	0.56	0.09	1.82

Fiscal year ended Dec. 31. Next earnings report expected: Late January. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

**Dividend Data** (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.380	02/21	03/11	03/13	03/27/13
0.380	04/23	06/11	06/13	06/27/13
0.380	06/20	09/11	09/13	09/27/13
0.380	10/23	12/12	12/16	12/27/13

Dividends have been paid since 1986. Source: Company reports.

Analysis prepared by Equity Analyst **Sonia Parechanian** on Oct 24, 2013, when the stock traded at **\$75.02**.

**Highlights**

- In the third quarter of 2013, investment advisory fees advanced 16%, year to year. With assets under management up 13% year over year, to \$647 billion, the company outperformed many peers. Assets under management benefited from \$41 billion of market appreciation but was hurt by \$7 billion of outflows compared to the prior quarter, due to what we believe is institutional managers changing strategy. Given it was a sequential quarter outflow, we believe this explains recent price volatility. More important to us, 74% of the company's mutual funds outperformed averages during the key three-year period, and one-year performance improved to 66%. Thus, we believe TROW is well positioned for healthy asset and revenue growth in 2013 and 2014.
- Compensation costs were up modestly in the third quarter, as the company has been hiring. We expect compensation costs to rise at a slower rate than revenues in 2013 and 2014, and efficiency and operating margins to improve.
- We expect EPS to increase about 16% in 2013, to \$3.83, and nearly 11% in 2014, to \$4.26.

**Investment Rationale/Risk**

- We think good relative performance of TROW's mutual funds should attract asset inflows given strong relative performance for the key three-year period. TROW's target-date retirement funds should continue drawing new assets as the oldest baby boomers have now reached retirement, but the bulk have yet to reach that milestone. Further, given the recent recession, many Americans have delayed retirement to build savings. With over three-quarters of its investments in equities, and strong relative performance, we think TROW will be a primary beneficiary of improvements in industry equity fund flows.
- Risks to our recommendation and target price include market depreciation, potential regulatory change, and lower relative fund performance.
- Our 12-month target price of \$94 assumes a multiple of 22X our 2014 EPS estimate, a premium to peers based on our view of TROW's strong long-term fund performance, and a multiple more in line with its pre-recession range.

# T. Rowe Price Group Inc



## Business Summary October 24, 2013

**CORPORATE OVERVIEW.** T. Rowe Price Group is the successor to an investment counseling business formed by the late Thomas Rowe Price, Jr. in 1937. It is now the investment adviser to the T. Rowe Price family of no-load mutual funds, and is one of the largest publicly held U.S. mutual fund complexes. At the end of September 2013, TROW had a record \$647 billion of assets under management, with 76% invested in stock and blended asset portfolios, and 24% in bond and money market portfolios.

T. Rowe Price offers mutual funds and separate accounts that employ a broad range of investment styles, including growth, value, sector-focused, tax-efficient, and quantitative index-oriented approaches. The company's investment approach is based upon a commitment to proprietary research, sophisticated risk-management processes, and a strict adherence to stated investment objectives. The company employs both fundamental and quantitative methods in performing security analyses, using internal equity and fixed income investment research capabilities. We believe T. Rowe Price's broad line of no-load mutual funds makes it easy for investors to reallocate assets among funds (which is not the case at some smaller fund companies), contributing to increased client retention.

All of the company's Investor class funds are sold without a sales commission, known as no-load funds. Its Advisors and R class funds, distributed through third-party financial intermediaries, carry 12b-1 fees to cover distribution costs. The company also manages private accounts for individuals and institutions. Revenues primarily come from investment advisory fees for managing portfolios, which depend largely on the total value and composition of assets under management. The six largest Price funds -- Growth Stock, Equity Income, Mid-Cap Growth, Blue Chip Growth, Value, and Capital Appreciation -- accounted for 25% of investment advisory revenues in 2012 and 21% of assets under management.

**CORPORATE STRATEGY.** We expect the company to continue to conservatively and opportunistically grow its business by investing in people and systems. From a product perspective, we look for the company to emphasize its retirement date funds, which have seen strong inflows in recent years, but continue to avoid hedge fund and private equity offerings. We estimate that about two-thirds of the company's assets under management are retirement-related, which we think have a high retention rate. We expect the company to grow its third-party distribution platform. We also see TROW continuing to expand globally, having opened new offices in Sweden, Australia and Dubai. At the end of September 2013, international clients accounted for 7% of assets under management; this is an area that the company is focused on growing. The company subadvises investment assets for Daiwa SB Investments in Japan, in which TROW holds a 10% interest. Also, in early 2010, the company completed the purchase of a 26% equity interest in the Indian firm UTI Asset Management Company and an affiliate.

**FINANCIAL TRENDS.** The company does not have specific financial goals, but rather focuses on improving client results. The company seeks to enhance investment returns by keeping portfolio expenses and advisory fees low compared with the majority of its peers. We estimate that the majority of the company's funds have expense ratios below the median of their Lipper peers. We expect TROW to continue to be generous relative to peers with its stock option grants to encourage employee retention. Investment advisory fees climbed 10% in 2012, following a 16% increase in 2011 and over 31% in 2010.

The company was slow to re-size its cost base in light of steep equity market declines, in our view. We think the company, trailing peers on cost reduction, finally took appropriate action early in 2009, reducing its head count and trimming certain fixed costs. After posting a pretax margin of 45% to 48% between 2005 and 2007, margins fell to 37%-38% during the 2008 to 2009 crisis period. Pretax margins recovered to 47% in 2012. We expect compensation and related costs to rise with fund performance, but we think the company can continue to improve its margins in 2013 and 2014.

## Corporate Information

**Office**  
100 East Pratt Street, Baltimore, MD 21202.

**Telephone**  
410-345-2000.

**Fax**  
410-345-2394.

**Email**  
info@troweprice.com

**Website**  
<http://www.troweprice.com>

### Officers

**Chrmn**  
B.C. Rogers

**CFO & Treas**  
K.V. Moreland

**CEO & Pres**  
J.A. Kennedy

**CTO**  
W.W. Strickland, Jr.

**Vice Chrmn**  
E.C. Bernard

### Board Members

E. C. Bernard  
M. K. Bush  
F. A. Hrabowski, III  
R. F. MacLellan  
A. Sommer  
A. M. Whittemore

J. T. Brady  
D. B. Hebb, Jr.  
J. A. Kennedy  
B. C. Rogers  
D. S. Taylor

**Domicile**  
Maryland

**Founded**  
1937

**Employees**  
5,255

**Stockholders**  
143,000

# T. Rowe Price Group Inc

## Quantitative Evaluations

<b>S&amp;P Fair Value Rank</b>	4-	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

**Fair Value Calculation** **\$82.90** Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that TROW is slightly undervalued by \$2.91 or 3.6%.

<b>Investability Quotient Percentile</b>	89
	LOWEST = 1 HIGHEST = 100

TROW scored higher than 89% of all companies for which an S&P Report is available.

<b>Volatility</b>	LOW	AVERAGE	HIGH
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**Technical Evaluation** **BULLISH** Since October, 2013, the technical indicators for TROW have been BULLISH.

<b>Insider Activity</b>	UNFAVORABLE	NEUTRAL	FAVORABLE
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## Expanded Ratio Analysis

	2012	2011	2010	2009
Price/Sales	5.62	5.46	7.22	7.46
Price/Pretax Income	11.84	11.99	15.99	20.28
P/E Ratio	19.23	19.39	25.45	32.21
% LT Debt to Capitalization	Nil	Nil	Nil	Nil
Avg. Diluted Shares Outstg (M)	261.0	263.3	265.1	262.3

Figures based on calendar year-end price

## Key Growth Rates and Averages

<b>Past Growth Rate (%)</b>	1 Year	3 Years	5 Years	9 Years
Net Income	14.28	25.55	9.51	12.43

## Ratio Analysis (Annual Avg.)

Return on Assets (%)	NA	NA	17.81	19.30
Return on Equity (%)	NA	NA	19.89	21.81

## Company Financials Fiscal Year Ended Dec. 31

<b>Per Share Data (\$)</b>	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	12.37	10.87	10.16	8.57	7.09	7.97	6.63	5.21	3.98	2.66
Cash Flow	3.70	3.21	2.77	1.90	2.05	2.60	2.07	1.80	1.48	1.11
Earnings	3.36	2.92	2.53	1.65	1.82	2.40	1.90	1.58	1.26	0.89
S&P Core Earnings	3.36	2.92	2.53	1.72	2.03	2.40	1.90	1.43	1.16	0.78
Dividends	1.36	1.24	1.08	1.00	0.96	0.75	0.59	0.49	0.40	0.35
Payout Ratio	40%	43%	43%	61%	53%	31%	31%	31%	32%	40%
Prices:High	66.95	71.29	65.38	55.48	70.20	65.46	48.50	37.70	31.70	23.80
Prices:Low	54.47	44.68	42.81	20.09	24.26	44.59	34.87	27.10	21.92	19.19
P/E Ratio:High	20	24	26	34	39	27	26	24	25	27
P/E Ratio:Low	16	15	17	12	13	19	18	17	17	22

## Income Statement Analysis (Million \$)

Income Interest	4.10	5.40	6.40	7.00	6.40	5.90	5.40	4.28	3.78	3.91
Income Other	2,021	2,745	2,364	1,865	2,115	2,227	1,814	1,512	1,277	995
Total Income	3,025	2,750	2,371	1,872	2,121	2,233	1,819	1,516	1,280	999
General Expenses	1,577	1,448	1,268	1,101	1,206	1,179	982	814	638	585
Interest Expense	2.30	3.10	3.50	4.50	5.00	4.80	4.30	4.03	3.30	3.29
Depreciation	80.9	72.0	62.6	65.2	61.7	54.0	47.0	42.0	40.0	45.3
Net Income	884	773	672	434	491	671	530	431	337	227
S&P Core Earnings	878	770	669	451	548	671	530	391	309	198

## Balance Sheet & Other Financial Data (Million \$)

Cash	879	898	813	743	619	785	773	804	500	237
Receivables	354	305	308	246	177	265	224	175	158	121
Cost of Investments	1,581	1,169	1,142	906	721	1,002	762	378	329	273
Total Assets	4,203	3,770	3,642	3,210	2,819	3,177	2,765	2,311	1,929	1,547
Loss Reserve	Nil									
Short Term Debt	Nil									
Capitalization:Debt	Nil									
Capitalization:Equity	3,846	3,421	3,297	2,882	2,489	2,777	2,427	2,036	1,697	1,329
Capitalization:Total	3,846	3,421	3,297	2,882	2,489	2,777	2,427	2,036	1,697	1,329
Price Times Book Value:High	5.4	6.6	6.4	6.5	9.0	8.2	7.3	7.2	7.9	9.0
Price Times Book Value:Low	4.4	4.1	4.2	2.3	3.4	5.6	5.3	5.2	5.5	7.2
Cash Flow	965	845	735	499	553	725	577	473	377	273
% Expense/Operating Revenue	54.8	55.4	56.3	62.5	56.8	55.4	52.3	56.7	63.8	65.8
% Earnings & Depreciation/Assets	24.2	22.8	21.4	16.5	18.4	24.4	22.7	22.3	21.7	18.7

# T. Rowe Price Group Inc

## Sub-Industry Outlook

We have a positive fundamental outlook for the asset management and custody banks sub-industry. After falling to a low of \$10 trillion in 2008, domestic assets under management were above their \$13 billion 2007 pre-crisis peak, based on the October 30 report on monthly trends in mutual fund investing by the Investment Company Institute (ICI). As of September 2013, stock funds represented 50% of the over \$14 trillion total net assets of mutual funds, while bond funds represented nearly 23%, hybrid funds 8% and the remaining 19% was in money market funds. We estimate that domestic mutual funds make up about half of global assets under management.

In early 2013, the market reacted very favorably to agreements on the U.S. fiscal budget, yet, it retreated on mid-year concerns over the timing of the Federal Reserve slowing market purchases. We expect ongoing volatility through 2014 for equities, and rising volatility for bonds. The equity business was under pressure for more than five years prior to 2013, as lower-fee passive investments and bonds took market share from actively managed equity funds. In 2013, equity flows have been volatile and we are beginning to see outflows in bonds. We believe investors are recognizing risk of holding a high allocation of fixed income investments that carry meager yields due to downside risk to balances given an improving economic environment where interest rates will eventually rise.

Looking past political disagreements, we believe the industry outlook is healthy due to fiscally restrained governments and aging populations globally. Personal responsibility is becoming more important than ever. With a soft global job market, employers and governments are trimming employee benefits. This suggests to us greater pressure on individuals to prepare for their own retirement.

In the U.S., baby boomers have entered retirement age and many qualify for "catch up" contributions to IRAs, so over the next ten years there should be a significant increase in retirement investments, in our view. As a result, we continue to expect growth in target-date retirement funds.

We expect continued market volatility given the uncertain global economic environment, but the group's valuation remains attractive to us. We see upside potential for asset managers with solid reputations, better-than-average fund performance and strong management.

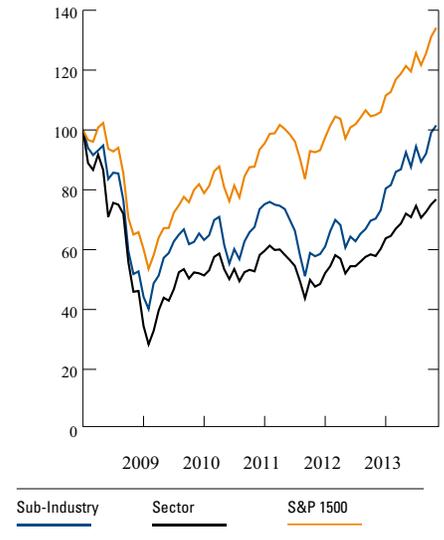
Year to date through November 1, the S&P Asset Management & Custody Banks Index was up 36.3%, versus an 24.0% rise for the S&P 1500 Index. In 2012, the sub-industry index rose 25.0% versus a 13.7% advance for the S&P 1500.

--Sonia Parechian

## Stock Performance

**GICS Sector: Financials**  
**Sub-Industry: Asset Management & Custody Banks**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 10/31/13



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

## Sub-Industry : Asset Management & Custody Banks Peer Group\*: Investment Management Cos. - Larger

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>T.Rowe Price Group</b>	<b>TROW</b>	<b>20,870</b>	<b>79.99</b>	<b>80.26/63.39</b>	<b>1.65</b>	<b>1.9</b>	<b>22</b>	<b>82.90</b>	<b>A-</b>	<b>89</b>	<b>NA</b>	<b>Nil</b>
Affiliated Managers Grp	AMG	10,658	201.65	203.26/123.23	2.03	Nil	40	216.30	B	54	NA	31.7
BlackRock Inc	BLK	51,364	303.19	311.32/189.15	1.58	2.2	19	304.60	A-	96	NA	21.8
Eaton Vance	EV	5,204	43.03	44.58/29.77	1.67	2.0	28	52.30	A-	97	16.8	57.1
Federated Investors 'B'	FII	2,851	28.32	30.87/19.10	1.01	3.5	17	26.30	B+	85	NA	34.0
Franklin Resources	BEN	34,160	54.15	56.54/41.34	1.55	0.7	16	63.10	B+	78	NA	19.6
INVESCO Ltd	IVZ	15,001	33.84	35.02/23.73	1.81	2.7	19	42.60	NR	30	14.1	36.0
Janus Capital Group	JNS	1,932	10.46	10.60/7.68	2.70	2.7	18	10.20	B-	28	NA	26.9
Legg Mason Inc	LM	4,767	39.52	40.66/24.76	1.81	1.3	NM	38.60	B+	42	NA	21.0
State Street Corp	STT	31,011	70.64	72.53/44.05	1.52	1.5	16	80.90	B+	92	NA	24.4

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

## T. Rowe Price Group Inc

### S&P Analyst Research Notes and other Company News

#### October 24, 2013

01:34 pm ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF T. ROWE PRICE, INC. (TROW 74.99\*\*\*\*): We raise our '13 EPS estimate \$0.05 to \$3.83 on a Q3 beat and lift our Q4 revenue assumption on a higher mix of equities. Q3 EPS of \$1.00, vs. \$0.87 was \$0.03 above our expectations and \$0.04 above the Capital IQ consensus on higher than expected revenues. Revenues were lifted by a mix shift to higher fee equities. We were disappointed to see \$7.4B asset outflows, driven by other portfolios, and we thought that Q3 marketing investments were light. We note 1-year performance was up and 74% of funds are outperforming industry averages, a very enviable position, we believe. /Sonia Parechian

#### July 24, 2013

DOWN 4.20 to 75.39... TROW posts \$0.92 vs/ \$0.79 Q2 EPS on 16% higher net revenue. Capital IQ consensus forecast is \$0.95. S&P Capital IQ cuts EPS estimates, keep strong buy. ...

#### July 24, 2013

10:19 am ET ... S&P MAINTAINS STRONG BUY OPINION ON SHARES OF T. ROWE PRICE, INC. (TROW 75.46\*\*\*\*): We lower our '13 EPS estimate \$0.07 to \$3.78 and '14's by \$0.09 to \$4.26 to reflect a Q2 miss and trends. Q2 EPS of \$0.92, vs. \$0.79 was \$0.02 below our expectations and \$0.03 under the Capital IQ consensus. The miss was due to lower non-operating investment income than we projected. We up our target price by \$7 to \$94, 22X our '14 EPS estimate, and in line with TROW's pre-recession multiple. As 78% of funds are performing above average for three years, we think weaker recent performance may be a factor in \$3.4B outflows in Q1 as small institutional managers shifted strategies. /Sonia Parechian

#### June 14, 2013

11:59 am ET ... S&P ADDS T. ROWE PRICE TO ITS TOP TEN PORTFOLIO (TROW 73.76\*\*\*\*): We think good relative performance of TROW's mutual funds will continue to drive asset inflows in 2013 and 2014, given strong performance for the key three-year period, with 73% of the company's funds outperforming averages. In addition, we see its target-date retirement funds drawing new assets as baby boomers reach retirement. Also, with nearly three quarters of its investments in equities, TROW will be a primary beneficiary, we believe, of improvement in industry inflows into equities. TROW shares replace those of FedEx Corp. /S. Biggar /E. Kwon, CFA

#### May 6, 2013

05:07 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF T. ROWE PRICE (TROW 73.25\*\*\*\*): We raise our target price \$5 to \$87, 22X our forward four quarter EPS estimate of \$3.94, this is slightly above TROW's five year average 42% premium to peer average P/E multiple, as investor equities sentiment appears to us better than its been for five years. We think recent International institutional outflows concerns should wane as mutual funds continue to attract assets and as investors recognize that a high emphasis on equities, 74% of TROW assets, is a positive in the current environment. We see fixed income as having more downside risk than upside potential at this time. /Sonia Parechian

#### April 24, 2013

11:19 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF T. ROWE PRICE GROUP (TROW 73.52\*\*\*\*): We raise our '13 EPS estimate \$0.05 to \$3.85. Q1 EPS of \$0.91, vs. \$0.75 was \$0.02 above our expectations and the Capital IQ consensus estimate. Assets under management grew 11%, and versus Q4 appreciated \$37.3B and drew \$3.3B new assets. Positive Q1 flows were driven primarily by domestic target date mutual funds partially offset by internationally domiciled institutional outflows given investment objective changes. International is a relatively small piece of TROW's portfolio. Key to us is that 76% of fund assets are outperforming peers. /Sonia Parechian

#### January 29, 2013

04:42 pm ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF T. ROWE PRICE GROUP (TROW 71.61\*\*\*\*): We raise our EPS estimate for '13 by \$0.10 to \$3.80 and introduce '14's at \$4.35. We boost our target price by \$8 to \$82, on 21.6X our '13 EPS estimate, a premium to peers for better fund performance, fees and emphasis on equities, 80% of TROW's investments. We believe interest in equities should draw renewed interest in '13. We have confidence TROW's inflows will pick up in '13 as 78% of funds are outperforming averages for the key

3-year period. Q4 EPS of \$0.88, vs. \$0.73, was \$0.02 above our estimate due to better efficiency and \$0.01 below the Capital IQ consensus estimate. /Sonia Parechian

#### January 4, 2013

T. Rowe Price Group, Inc. announced that its board of directors has elected Freeman A. Hrabowski, III, Ph.D., an independent director of the company. A long-time educator and administrator, Dr. Hrabowski has served as the president of the University of Maryland, Baltimore County (UMBC) since 1992.

#### October 24, 2012

10:27 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF T. ROWE PRICE GROUP (TROW 64.53\*\*\*\*): We raise our EPS estimates \$0.05 each to \$3.27 for '12 and to \$3.70 for '13 as investment advisory fees ran higher than we expected in Q3. We also lift our target price by \$1 to \$74, 20X our '13 EPS estimate, similar to TROW's five year average and a premium to peers for better fund performance. In our view, TROW offers a compelling story with positive flows in active management despite a tough environment where passive investments are in style. Excluding a gain, Q3 EPS of \$0.87, vs. \$0.71 was \$0.05 above our expectations and \$0.04 above the Capital IQ consensus estimate. /Sonia Parechian

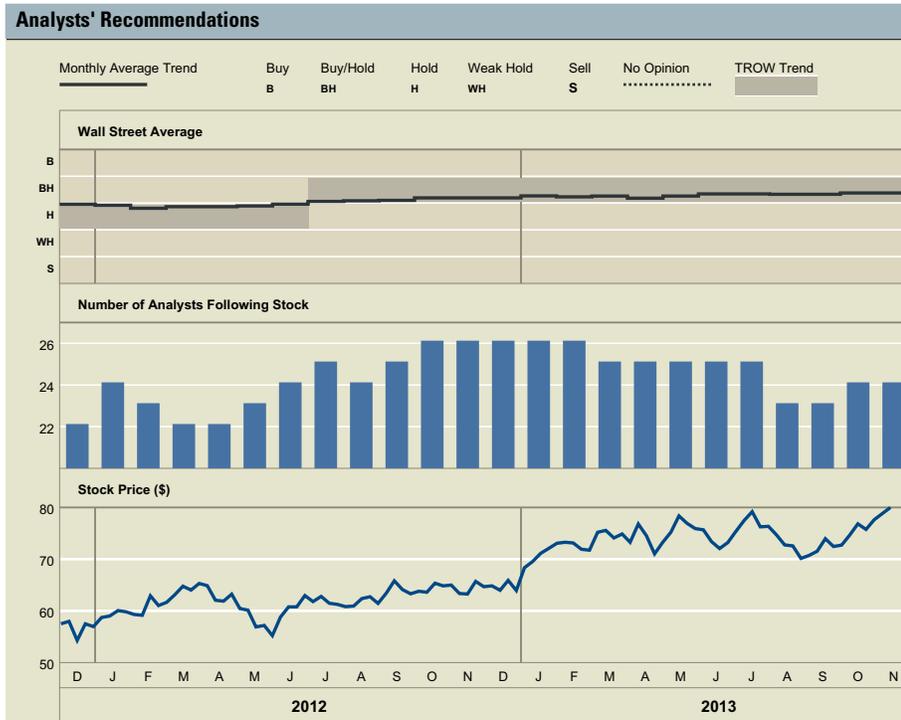
#### September 27, 2012

05:04 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF T. ROWE PRICE GROUP (TROW 62.57\*\*\*\*): We view TROW's low fee strategy as aligned with secular industry trends. Recently, two major ETF players announced big fee cut plans. We expect better than peer price stability for TROW as it is already recognized as a relatively low cost provider. Plus, we think its direct to consumer platform is a competitive advantage for profitability. Further, S&P Capital IQ equity strategists are most bullish on U.S. equities, TROW's primary focus. We keep our 12-month target price of \$73; we think TROW should trade in the middle of its five-year P/E range, or 20X our '13 EPS estimate. /Sonia Parechian

#### September 26, 2012

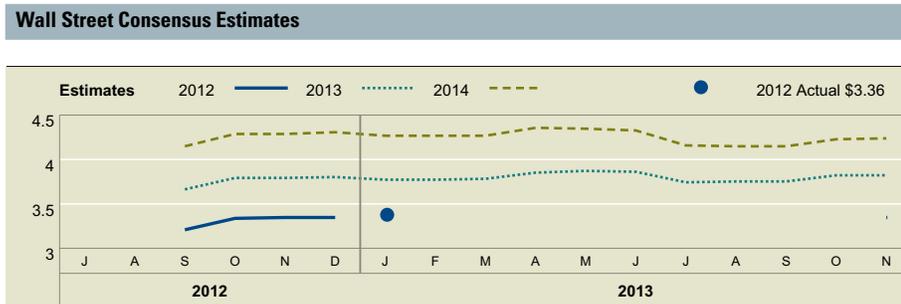
T. Rowe Price Group, Inc. announced that its board of directors has elected Mary K. Bush an independent director of the company. The appointment is effective October 22, 2012, the date of the company's next board meeting. Ms. Bush has served as the president of Bush International, LLC, since 1991. Ms. Bush serves on the boards of directors of Discover Financial Services, ManTech International Corporation, and Marriott International, Inc. She also recently stepped off the board of directors of the Pioneer Family of Mutual Funds.

# T. Rowe Price Group Inc



Of the total 31 companies following TROW, 24 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	10	42	10	9
Buy/Hold	1	4	1	1
Hold	13	54	13	13
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>24</b>	<b>100</b>	<b>24</b>	<b>23</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	4.25	4.35	4.07	23	18.8
2013	3.83	3.89	3.73	23	20.9
<b>2014 vs. 2013</b>	<b>▲ 11%</b>	<b>▲ 12%</b>	<b>▲ 9%</b>	<b>0%</b>	<b>▼ -10%</b>
Q4'14	1.11	1.18	1.06	12	72.1
Q4'13	1.00	1.06	0.95	21	80.0
<b>Q4'14 vs. Q4'13</b>	<b>▲ 11%</b>	<b>▲ 11%</b>	<b>▲ 12%</b>	<b>▼ -43%</b>	<b>▼ -10%</b>

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

### Wall Street Consensus Opinion

**BUY/HOLD**

### Companies Offering Coverage

- Over 30 firms follow this stock; not all firms are displayed.
- Argus Research Company
  - BMO Capital Markets, U.S. Equity Research
  - Barclays
  - BofA Merrill Lynch
  - CLSA Americas LLC
  - Citigroup Inc
  - Collins Stewart LLC
  - Credit Suisse
  - Deutsche Bank
  - Evercore Partners Inc.
  - FBR Capital Markets & Co.
  - Gabelli & Company, Inc.
  - Goldman Sachs
  - ISI Group Inc.
  - JMP Securities
  - JP Morgan
  - Jefferies LLC
  - Keefe, Bruyette, & Woods, Inc.
  - Macquarie Research
  - Morgan Stanley
  - Morningstar Inc.
  - Nomura Securities Co. Ltd.
  - RBC Capital Markets
  - S&P Capital IQ Equity Research
  - Sanford C. Bernstein & Co., Inc.
  - Sterne Agee & Leach Inc.
  - Stifel, Nicolaus & Co., Inc.
  - Susquehanna Financial Group, LLP
  - Ticonderoga Securities LLC
  - Wells Fargo Securities, LLC

### Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that TROW will earn \$3.83. For the 3rd quarter of fiscal year 2013, TROW announced earnings per share of \$1.00, representing 26% of the total annual estimate. For fiscal year 2014, analysts estimate that TROW's earnings per share will grow by 11% to \$4.25.

## Glossary

### S&P STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has used STARS® methodology to rank Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P 12 Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

### Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

### S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### S&P Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### Qualitative Risk Assessment

The S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P Capital IQ U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

### Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P Capital IQ analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P Capital IQ analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

### S&P Quality Ranking (also known as S&P Earnings & Dividend Rankings)

Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's Earnings and Dividend Rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B- Below Average
A High	C Lower
A- Above Average	D Lowest
B+ Average	NR In Reorganization
B Below Average	

### S&P Fair Value Rank

Using S&P Capital IQ's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

### S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P Capital IQ's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

### Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

### Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

### Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P Capital IQ proprietary measures.

### S&P's IQ Rationale T.Rowe Price Group

	Raw Score	Max Value
Proprietary S&P Measures	25	115
Technical Indicators	27	40
Liquidity/Volatility Measures	18	20
Quantitative Measures	46	75
<b>IQ Total</b>	<b>116</b>	<b>250</b>

### Volatility

Rates the volatility of the stock's price over the past year.

### Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P Capital IQ's computer models apply special technical methods and formulas to identify and project price trends for the stock.

### Relative Strength Rank

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Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P Capital IQ's universe on a rolling 13-week basis.

### Global Industry Classification Standard (GICS)

An industry classification standard, developed by S&P Capital IQ in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

### S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

### Exchange Type

ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

### S&P Capital IQ Equity Research

S&P Capital IQ Equity Research U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as Standard & Poor's; Standard & Poor's Equity Research Services Asia includes McGraw-Hill Financial Singapore Pte. Limited's offices in Singapore, Standard & Poor's Investment Advisory Services (HK) Limited in Hong Kong, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

### Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate  
 CAPEX - Capital Expenditures  
 CY - Calendar Year  
 DCF - Discounted Cash Flow  
 DDM - Dividend Discount Model  
 EBIT - Earnings Before Interest and Taxes  
 EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization  
 EPS - Earnings Per Share  
 EV - Enterprise Value  
 FCF - Free Cash Flow  
 FFO - Funds From Operations  
 FY - Fiscal Year  
 P/E - Price/Earnings  
 P/NAV - Price to Net Asset Value  
 PEG Ratio - P/E-to-Growth Ratio  
 PV - Present Value  
 R&D - Research & Development  
 ROCE - Return on Capital Employed  
 ROE - Return on Equity  
 ROI - Return on Investment  
 ROIC - Return on Invested Capital  
 ROA - Return on Assets  
 SG&A - Selling, General & Administrative Expenses  
 SOTP - Sum-of-The-Parts  
 WACC - Weighted Average Cost of Capital

**Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).**

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In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P Capital IQ equity analysts, S&P Capital IQ ranks stocks in accordance with three other ranking methodologies: (a) S&P's Capital IQ's quantitative evaluations are derived from S&P Capital IQ's proprietary Fair Value quantitative ranking model. The Fair Value Ranking methodology is a relative ranking methodology. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity. (b) Global Markets Intelligence uses two different quantitative methodologies to determine recommendations for the Trade Detector research report. One methodology is based on a target price model, while the other methodology is based on four separate quantitative strategies. The STARS, quantitative evaluations and Trade Detector methodologies reflect different criteria, assumptions and analytical methods and may have differing recommendations.

### S&P Capital IQ Global STARS Distribution as of September 30, 2013

Ranking	North America	Europe	Asia	Global
Buy	36.5%	33.5%	32.3%	35.6%
Hold	54.2%	43.5%	59.5%	53.1%
Sell	9.3%	23.0%	8.2%	11.3%
Total	100%	100%	100%	100%

**5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

**4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

**3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

**2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

**1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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### S&P Capital IQ Global Quantitative Model Recommendations Distribution as of September 30, 2013

Ranking	North America	Europe	Asia	Global
Buy	40.1%	36.5%	56.4%	46.8%
Hold	20.1%	23.4%	16.9%	19.4%
Sell	39.8%	40.1%	26.7%	33.8%
Total	100%	100%	100%	100%

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