

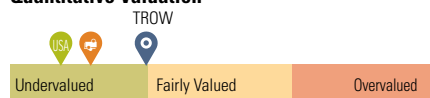
# T. Rowe Price Group Inc TROW (XNAS)

<b>Morningstar Rating</b> ★★★ 27 Apr 2020 21:49, UTC	<b>Last Price</b> 106.50 USD 27 Apr 2020	<b>Fair Value Estimate</b> 114.00 USD 20 Apr 2020 22:19, UTC	<b>Price/Fair Value</b> 0.93	<b>Trailing Dividend Yield %</b> 2.99 27 Apr 2020	<b>Forward Dividend Yield %</b> 3.38 27 Apr 2020	<b>Market Cap (Bil)</b> 24.85 27 Apr 2020	<b>Industry</b> Asset Management	<b>Stewardship</b> Exemplary
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<b>Morningstar Pillars</b>	<b>Analyst</b>	<b>Quantitative</b>
Economic Moat	Wide	Wide
Valuation	★★★	Undervalued
Uncertainty	Medium	Medium
Financial Health	—	Moderate

Source: Morningstar Equity Research

## Quantitative Valuation



	Current	5-Yr Avg	Sector	Country
Price/Quant Fair Value	0.94	0.97	0.87	0.83
Price/Earnings	12.2	15.9	12.7	20.1
Forward P/E	15.5	—	10.5	13.9
Price/Cash Flow	16.7	38.3	9.5	13.1
Price/Free Cash Flow	19.3	109.2	10.9	19.5
Trailing Dividend Yield%	2.99	2.70	3.64	2.35

Source: Morningstar

## Bulls Say

- ▶ With \$1.009 trillion in AUM at the end of March 2020, T. Rowe Price is one of the larger U.S.-based asset managers. Retirement accounts and variable-annuity investment portfolios account for two thirds of managed assets.
- ▶ At the end of 2019, 75%, 80%, and 82% of T. Rowe Price's U.S. mutual funds were beating peers on a three-, five-, and ten-year basis, respectively.
- ▶ Target-date retirement portfolios have been a significant source of organic growth for T. Rowe Price, generating close to \$40 billion in net inflows (equivalent to a 4.8% rate of annual growth) the past five years.

## Bears Say

- ▶ T. Rowe Price's global/international equity performance has stumbled, with just 64% and 68% of funds beating their peers on a three-, five-, and 10-year basis, respectively, at the end of 2019.
- ▶ The firm's fixed-income AUM has struggled as well, with just 63%, 65% and 66% of funds beating their peers on a three-, five-, and 10-year basis, respectively, at the end of last year.
- ▶ With a large portion of the firm's assets generating fees based on daily AUM levels rather than monthly or quarterly averages, revenue will be more heavily affected during periods of extreme market volatility.

## Important Disclosure:

The conduct of Morningstar's analysts is governed by Code of Ethics/Code of Conduct Policy, Personal Security Trading Policy (or an equivalent of), and Investment Research Policy. For information regarding conflicts of interest, please visit <http://global.morningstar.com/equitydisclosures>

## Outflows and Market Losses Mar T. Rowe Price's Q1 Results; No Change to \$114 per Share FVE

### Business Strategy and Outlook

Greggory Warren, CFA, Analyst, 20 April 2020

In an environment where active fund managers are under assault for poor relative performance and high fees, we believe wide-moat-rated T. Rowe Price is the best positioned among the U.S.-based active asset managers we cover. The biggest differentiators for the firm are the size and scale of its operations, the strength of its brands, its consistent record of active fund outperformance, and reasonable fees. T. Rowe Price has historically had a stickier set of clients than its peers, as well, with two thirds of its assets under management derived from retirement-based accounts. At the end of 2019, 75%, 80%, and 82% of the company's funds were beating peers on a three-, five-, and 10-year basis, respectively, with 55% of funds rated 4 or 5 stars by Morningstar during the past five years, better than just about every other U.S.-based asset manager. T. Rowe Price also has a much stronger Morningstar Success Ratio--which evaluates whether a firm's open-end funds deliver sustainable, peer-beating returns over longer periods--giving it an additional leg up.

While T. Rowe Price will face headwinds in the near to medium term as baby boomer rollovers affect organic growth in the defined-contribution channel, we think the firm and defined-contribution plans in general have a compelling cost and service argument to make to pending retirees, which should mitigate some of the impact. We also believe T. Rowe Price is uniquely positioned among the firms we cover (as well as the broader universe of active asset managers) to pick up business in the retail-advised channel, given the solid long-term performance of its funds and reasonableness of its fees, exemplified by deals the past few years with Fidelity Investments' FundsNetwork and Schwab's Mutual Fund OneSource platform. With T. Rowe Price likely to generate low-single-digit AUM growth on average going forward (driven by 1%-3% annual organic growth), we see top-line growth expanding at a positive 0.7% CAGR (due primarily to mix shift on ongoing industry fee pressures) during 2020-24, with operating margins of 38%-40% on average.

Greggory Warren, CFA, Analyst, 28 April 2020

There was little in wide-moat T. Rowe Price's first-quarter results that would alter our long-term view of the firm. We are leaving our \$114 per share fair value estimate in place. T. Rowe Price closed out the March quarter with a record \$1.009 trillion in managed assets, down 16.4% sequentially and 6.7% on a year-over-year basis. Net outflows of \$6.0 billion during the quarter were on par with our expectations, and well off the positive \$2.4 billion quarterly run rate we've seen for net flows at T. Rowe Price since the end of the 2008-09 financial crisis. Target-date funds still pulled in \$300 million on a net basis during the first quarter, despite the pressure from more volatile equity and credit markets.

While average AUM was up 11.4% year over year during the March quarter, T. Rowe Price reported a 10.2% increase in revenue when compared with the prior year's period, due to product mix shift and a decline in the firm's effective fee rate to 0.459% from 0.464% during the first quarter of 2019. At this point, we still expect full-year revenue to decline at a high-single to double-digit rate, driven by our expectations for continued volatility in the equity and credit markets in response to the COVID-19 pandemic.

As for profitability, adjusted operating margins of 44.2% during the first quarter of 2020 were 110 basis points higher than the year-ago period, as expenses rose at a slower rate than revenue during the March quarter. Our current five-year forecast calls for operating margins in a 38% to 40% range, as the firm continues to make upfront investments in key regions and channels to help drive growth (and is likely to continue to take advantage of its better margin profile relative to peers to make additional investments that will help spur organic growth).

### Economic Moat

Greggory Warren, CFA, Analyst, 20 April 2020

In our view, the asset-management business is conducive to economic moats, with switching costs and intangible assets the most durable sources of competitive advantage for firms operating in the industry. Although the switching costs might not be explicitly large, inertia and the

## Analyst Note

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Close Competitors	Currency (Mil)	Market Cap	TTM Sales	Operating Margin	TTM/PE
BlackRock Inc BLK	USD	77,095	14,539	38.76	18.45
Franklin Resources Inc BEN	USD	8,368	5,776	26.64	6.71
Invesco Ltd IVZ	USD	3,905	6,502	25.03	8.34
Affiliated Managers Group Inc AMG	USD	3,261	2,240	31.12	17.70

uncertainty of achieving better results by moving from one asset manager to another tend to keep many investors invested with the same funds for extended periods of time. As a result, money that flows into asset-management firms tends to stay there. For the industry as a whole, the average narrow redemption (retention) rate, which does not include exchange redemptions, has been 25% or less (75% or greater) annually during the past 5-, 10-, 15-, 20-, 25-, and 30-year time frames. Including exchange redemptions, the rate has been less than 30% (greater than 70%). Because T. Rowe Price does not break out its net flows (which are gross sales less investor redemptions) we assume that, based on its historical record of positive organic growth, the company's average annual redemption rate has been at its worst no worse than the industrywide rate, especially given the tailwinds that have been provided at times by defined contribution plans the past couple of decades--noting that redemptions have outpaced inflows into 401(k) plans since the baby boomer retirement phase started in 2011. During the past five (10) calendar years, T. Rowe Price's organic growth rate has averaged positive 0.8% (1.6%) with a standard deviation of 0.8% (1.7%), which meant that the firm was in most years compensating for investor redemptions with new flows into its products. Going forward, we expect T. Rowe Price will generate a 2.1% average annual organic growth on average during 2020-24, with a standard deviation of 1.1%, driven by recent large investments in retail distribution, enhanced product/vehicles and technology. As a result, T. Rowe Price should continue to have a better than average switching cost profile than its peers despite continuing to see redemption rates at or above the industry average due to the continuation of the baby boomer retirement cycle.

We believe that traditional asset managers like T. Rowe Price can improve on the switching cost advantage inherent in their business models with organizational attributes (such as product mix, distribution channel concentration, and geographic reach) and intangible assets (such as strong and respected brands and manager reputations derived from successful, sustainable track records of investment performance). This can provide

them with a degree of differentiation from their peers. While the barriers to entry are not all that significant for the industry, the barriers to success are extremely high, as it not only takes time and skill to put together a long enough record of investment performance to start gathering assets but even more time to build the scale necessary to remain competitive in the industry. This has generally provided the larger, more established asset managers with an advantage over the smaller players in the industry, especially when it comes to gaining cost-effective access to distribution platforms. Competition for investor inflows can be stiff and has traditionally centered on investment performance, especially in the retail channel. Although institutional investors and retail gatekeepers are exerting pressure on pricing, competition based on price has been rare, aside from what we've seen in the U.S. market for exchange-traded funds. While compensation remains the single-largest expense for most asset managers, supplier power has been manageable as many firms have reduced their reliance on star managers and have tied manager and analyst pay to both portfolio and overall firm performance. Asset stickiness (the degree to which assets remain with a manager over time) tends to be a differentiator between wide- and narrow-moat firms, as those asset managers that have demonstrated an ability to gather and retain investor assets during different market cycles have tended to produce more stable levels of profitability, with returns exceeding their cost of capital for longer periods. While the more broadly diversified asset managers are structurally set up to hold on to assets regardless of market conditions, it has been firms with solid product sets across asset classes (built on repeatable investment processes), charging reasonable fees, and with singular corporate cultures dedicated to a common purpose that have done a better job of gathering and retaining assets. Firms offering niche products with significantly higher switching costs--such as retirement accounts, funds with lockup periods, and tax-managed strategies--have tended to hold on to assets longer.

T. Rowe Price, in our view, has a wide economic moat around its operations. We think the company's size and scale, the strength of its brands, and its consistent record of active fund outperformance provides the firm with a huge leg up over competitors. While T. Rowe Price's product mix is not overly diverse, with 88% of its \$1.207 trillion in AUM at the end of 2019 dedicated to equity (58%) and multi-asset/balanced (30%) strategies, the

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company derives a significant portion (just over two thirds) of its AUM from defined contribution retirement assets (52%) and deferred annuity and direct retail retirement assets (15%). With the switching costs for these tax-deferred products being significantly higher than those for most other accounts (the majority of which are non-tax-deferred), T. Rowe Price has traditionally had a much stickier set of assets than its peers. Benefiting from a steady stream in investor inflows into defined contribution and other retirement plans, the firm has recorded net long-term outflows in only 14 calendar quarters the past two decades. Furthermore, the firm's cost-conscious culture and stable AUM and revenue levels have allowed it to consistently generate operating margins of 40% or more (the highest among the U.S.-based asset managers we cover). T. Rowe Price's ability to generate more stable revenue, profitability, and cash flows than its peers has, in our view, provided the company with more than enough excess capital to continue building on the competitive advantages that it already possesses. The firm has been fairly effective managing its scale, with adjusted operating margins of 43.3% on average during 2015-19, allowing it to generate around \$1.7 billion in annual free cash flow on average, with adjusted ROICs exceeding 50% (and ROICs with goodwill exceeding 42%).

T. Rowe Price's biggest advantage over peers has been the level and consistency of its investment performance. The firm currently has 30% of its fund AUM rated 5 stars, and another 25% rated 4 stars, on a five-year basis. With most broker/dealer and advisory platforms tending to give deferential treatment to 4- and 5-star funds, T. Rowe Price is well-positioned. With solid three- and five-year relative investment performance generated on a consistent basis also tending to be an important benchmark for the gatekeepers of retail-advised and institutional platforms, T. Rowe Price is also well-positioned, with more than three quarters of its funds tending to outperform peers on a three-, five-, and 10-year basis for much of the past two decades. With 75%, 80%, and 82% of T. Rowe Price's sponsored U.S. mutual funds beating their peers on a three-, five-, and 10-year basis, respectively, at the end of 2019, we expect the firm to continue to generate better organic growth from its active fund platform than the industry as a whole. Another measure that demonstrates the strength of T. Rowe Price's investment acumen is Morningstar's Success Ratio, which measures the potential for a firm's funds to generate sustainable,

peer-beating returns over the long run. Morningstar calculates two different success ratios--the Morningstar Success Ratio and the Morningstar Risk-Adjusted Success Ratio--over three-, five-, and ten-year time frames, with the former considering each fund's category rank based on total return and the latter looking at a fund's category rank based on Morningstar Risk-Adjusted Return. The higher the Success Ratio, the greater chance that investors will see sustainable, peer-beating returns. By this measure, T. Rowe Price is the only winner among the 12 asset managers we cover, with a five-year Risk Adjusted Success Ratio of 74.0 compared with a group average (median) of 44.1 (42.0). Compared with the broader universe of fund families, T. Rowe also scores well, with its five-year Risk Adjusted Success Ratio beating the industry average (median) of 45.1 (43.0).

Much of the success T. Rowe Price has had historically has been built on the firm having a single corporate culture dedicated to a common purpose, which has been reflected in the level and consistency of its investment performance, the rate of organic growth the company has been able to generate, and the relatively small amount of employee turnover through the years. Morningstar views the management team at T. Rowe Price as being highly insular and very protective of the culture that the firm has built--one that has cultivated a disciplined, risk-conscious investment process that has consistently produced successful results across its fund lineup, often with less volatility than peers. As part of ongoing efforts to enhance the company's competitive positioning, management has been willing to evolve, though, focusing for much of the past several years on building additional scale through new investment products, expanding the reach of its investment advisory business by further penetrating domestic distribution channels (like the retail-advised channel) and moving into non-U.S. markets (especially emerging and developing economies in the Asia-Pacific region), and bolstering technology in an effort to improve performance outcomes, drive down incremental costs, and improve product distribution. Chairman and CEO Bill Stromberg maintains an investment focus while recognizing that the business must evolve to flourish in an industry that's gravitated toward passive investing. All of which explains why T. Rowe Price receives some of the highest marks for corporate culture among the U.S.-based asset managers we cover. Our manager research group has also consistently awarded them a Positive Parent rating, owing not only to their ability to produce repeatable

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investment strategies but to prudently adapt to the changing competitive landscape all while attracting and retaining quality investment talent. We continue to believe that T. Rowe Price is well-positioned to navigate the headwinds that the U.S.-based asset managers will face during the next decade and expect it to be one of the rare organic growth generators in the group.

## Fair Value & Profit Drivers

Greggory Warren, CFA, Analyst, 20 April 2020

We've lowered our fair value estimate for T. Rowe Price to \$114 per share from \$120 after updating our near- to medium-term assumptions about AUM, revenue, and profitability (including the impact of the recent equity market sell-off on the firm's operations). Our new fair value estimate implies a price/earnings multiple of 16.2 times our 2020 earnings estimate and 15.7 times our 2021 earnings estimate. For some perspective, during the past five (ten) calendar years, T. Rowe Price's shares have traded at an average of 15.6 (18.4) times trailing earnings. We use a 9% cost of equity in our valuation.

While the company closed out the fourth quarter of 2019 with \$1.207 trillion in AUM, organic AUM growth and market gains will be strained in the near term by the impact that the coronavirus is likely to have on economic growth and equity and credit markets. At the end of March, T. Rowe Price had already lost close to 16% of its AUM to market losses and outflows (which we believe exceeded \$6 billion during the first quarter as money flowed out of both equity and fixed-income funds). As a result, our five-year CAGR for organic AUM and overall AUM growth has deteriorated some to positive 2.1% and positive 0.7%, respectively. With management fees continuing to be pressured by industry dynamics, we expect only a positive 0.7% CAGR for revenue over our five-year forecast. Our five-year forecast includes the recent equity market selloff, as well as another equity market correction midway through our projection period, along with a gradual slowing of net redemptions from retirement plans as baby boomer withdrawals wane and millennials start to hit their peak earning years.

As for profitability, adjusted operating margins of 42.5% during 2019 were 120 basis points lower than 2018 levels, as compensation and occupancy expenses expanded at a much faster rate than revenue. Our current five-year forecast calls for operating margins in a 38% to 40% range, as the firm continues to make upfront investments

in key regions and channels to help drive growth (and is likely to continue to take advantage of its better margin profile relative to peers to make additional investments that will help spur organic growth). Even so, T. Rowe Price should still be able to generate close to \$2 billion in free cash flow annually on average, the bulk of which we expect to be returned to shareholders via dividends and share repurchases.

## Risk & Uncertainty

Greggory Warren, CFA, Analyst, 20 April 2020

With more than 80% of annual revenue derived from management fees levied on AUM, dramatic market movements, shifts in product mix, and/or changes in fund flows can have a significant impact on operating income and cash flows. T. Rowe Price's investment offerings are overwhelmingly tied to U.S. equity markets, with more than three fourths of its AUM invested in equity and balanced strategies. Additionally, 10 T. Rowe Price funds--Blue-Chip Growth, Growth Stock, Capital Appreciation, Mid-Cap Growth, New Horizons, Value, Emerging Markets Stock, Overseas Stock, Equity Income, and Institutional Large-Cap Growth--accounted for 27% of the firm's AUM at the end of 2019, as well as 35% of the company's investment advisory revenue during the year. As T. Rowe Price increases its investment in overseas asset managers, especially in emerging and developing economies like China and India, it is exposing itself to myriad cultural, economic, political, and currency risks that exist in the markets these managers serve.

## Stewardship

Greggory Warren, CFA, Analyst, 20 April 2020

T. Rowe Price is unique among the publicly traded U.S.-based asset managers in that it has traditionally been run by a group of top officers (the management committee) who consult one another before making major decisions. Current president and CEO William Stromberg started working for T. Rowe Price in 1987 and previously served as head of equity (2008-15), director of U.S. equity (2007-15), and director of global equity research (2004-15) before taking the top job at the firm in January 2016. He became chairman of the board of directors at the end of April 2019. Key members of the company's current management committee include: Celine Dufetel, chief financial officer; Rob Sharps, head of investments and group chief investment officer; Christopher Alderson, co-head of global equity; Eric Veiel, co-head of global equity; Andrew McCormick, head of fixed income;

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Sebastien Page, head of global multi-asset allocation; Dorothy Sawyer, head of individual investors and retirement plan services; Robert Higginbotham, head of global distribution; George Riedel, head of U.S. intermediaries; and Nigel Faulkner, head of global technology.

The management committee, which is responsible for guiding, implementing, and reviewing major policy and operating initiatives, has in our view done an exemplary job over the years. Capital allocation has been prudent, with the company carrying little to no debt on its books, engaging in very little acquisition activity, and tending to return cash to shareholders as share repurchases and dividends. In the asset-management industry, debt can be a net negative, as was seen during the 2008-09 global financial crisis when several firms that were carrying larger levels of debt had to scramble to raise capital (including issuing additional equity) after seeing revenue and profitability drop dramatically in response to the market decline, so T. Rowe Price's financial prudence has been commendable. Compensation, which tends to be the biggest cost center for asset managers, has tended to be reasonable at T. Rowe Price, with executive pay being in line with most of the larger asset managers we cover. The only issue we have with the firm is that it has been a heavy user of stock options over the years, which not only dilutes existing shareholders but also blunts the impact of its share-repurchase programs.

As part of ongoing efforts to enhance the company's competitive positioning, management has been focused on building additional scale through new investment products, like its target-date retirement funds, expanding the reach of its investment advisory business by further penetrating domestic distribution channels and moving into non-U.S. markets (especially in emerging and developing economies), and investing in technology and business transformation aimed at improving client experiences and delivering operating efficiencies across the enterprise. Some of these efforts have paid off handsomely, as T. Rowe Price has seen investor outflows from its long-term AUM in just 15 calendar quarters the past two decades. More important, the firm has generated average quarterly inflows of \$2.2 billion since the start of 2009 and has been one of only a handful of large-cap equity managers to generate active inflows since the financial crisis, driven by the strong relative performance of its funds and effectiveness of its sales efforts.

Target-date retirement portfolios remain the largest driver of growth for T. Rowe Price. During the past five years, the firm has pulled in close to \$40 billion in managed assets via inflows into its target-date retirement portfolios, which currently account for 24% of firmwide AUM. The company has also made some headway in the retail-advice channel by highlighting its record of active fund performance to advisors, many of whom are more focused on low-cost index funds and exchange-traded funds as they've moved to fee-based account models to serve their clients. T. Rowe Price also remains focused on expanding its international business (currently around 7% of total AUM), making strategic investments in products and personnel as it looks to build up its brand as well as broaden its reach in both the EMEA and Asia-Pacific regions. And with its technology investments, the firm aims to be able to not only improve investment performance and better target end users but build tools that allow advisors to build better portfolios.



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## Analyst Notes Archive

### Four Traits Asset Managers Need to Be Focused on to Be Successful in the Long Run

Greggory Warren, CFA, Analyst, 02 January 2020

Despite most of the traditional U.S.-based asset managers we cover continuing to hit record levels of assets under management, which has been driven by the bull market in U.S. equities since the 2008-09 financial crisis, the past decade has been difficult for the industry, and the next decade looks like it will be much harder, especially for active large-cap equity managers. Between the financial crisis and the increased scrutiny of investment management conflicts of interest, the balance of power in the retail channel has shifted toward the fund distributors in the past 10 years, leading not only to increased fee compression, with investors (put off by the poor relative performance of actively managed funds) increasingly seeking out lower-cost index-based options, but product rationalization on the major retail distribution platforms, with broker/dealer and advisory networks culling funds with poor performance records, high expense ratios, and/or low inclusion rates. The recently announced merger of Charles Schwab and TD Ameritrade, two of the largest U.S. discount brokers, will only add to the woes of the U.S.-based asset managers.

We continue to believe firms will be better served in the long run if they are capable of differentiating themselves from the competition by offering cost-competitive funds with repeatable investment strategies, have enough diversification and/or specialization in their product mix to cater to a wider array of investors, and can prudently adapt their cultures and processes to the more competitive landscape. In view of this, we expect the largest passive managers--with Vanguard, BlackRock, and Schwab standing out from the pack--and active managers that have scale, established brands, solid long-term performance, and reasonable fees--with Dodge & Cox, American Funds, and T. Rowe Price standing out--to face fewer hard decisions about fees and margins, widening the competitive gap in the industry.

### Positive Flows and Market Gains Lift T. Rowe Price's AUM to Record \$1.206 Trillion in Fourth Quarter

Greggory Warren, CFA, Analyst, 29 January 2020

While there was little in wide-moat T. Rowe Price's

fourth-quarter results that would alter our long-term view of the firm, we are likely to raise the company's fair value estimate more than 10% to reflect our expectations for better AUM levels and fees than we had forecast for the near to medium term. T. Rowe Price closed out the December quarter with a record \$1.206 trillion in managed assets, up 7.1% sequentially and 25.4% on a year-over-year basis (as the company lagged a difficult fourth quarter of 2018). Net inflows of \$2.8 billion during the quarter were slightly above the \$2.4 billion quarterly run rate we've seen for flows at T. Rowe Price since the end of the 2008-09 financial crisis. Target-date funds continue to generate the bulk of the firm's organic growth, bringing in \$2.8 billion during the fourth quarter. While average AUM was up 14.9% year over year during the December quarter, T. Rowe Price reported a 12.5% increase in revenue when compared with the prior-year's period, due to product mix shift and a decline in the firm's effective fee rate to 0.459% from 0.464% during the fourth quarter of 2018. Full-year revenue growth of 4.6% was at the upper end of our call for low- to mid-single-digit top-line growth during 2019, driven by the equity market recovery during the course of the year as well as easier comparables in the final quarter of the year. As for profitability, adjusted operating margins of 42.5% during 2019 were 120 basis points lower than 2018 levels, as compensation and occupancy expenses expanded at a much faster rate than revenue. While this was at the lower end of our full-year (as well as our five-year) forecast calling for operating margins of 42%-44%, we would note that the firm continues to make upfront investments in key regions and channels to help drive growth (and is likely to continue to take advantage of its better margin profile relative to peers to make additional investments that will help spur organic growth).

### Outflows and Market Losses Mar T. Rowe Price's Q1 Results; No Change to \$114 per Share FVE

Greggory Warren, CFA, Analyst, 28 April 2020

There was little in wide-moat T. Rowe Price's first-quarter results that would alter our long-term view of the firm. We are leaving our \$114 per share fair value estimate in place. T. Rowe Price closed out the March quarter with a record \$1.009 trillion in managed assets, down 16.4% sequentially and 6.7% on a year-over-year basis. Net outflows of \$6.0 billion during the quarter were on par with our expectations, and well off the positive \$2.4 billion quarterly run rate we've seen for net flows at T. Rowe Price since the end of the 2008-09 financial crisis. Target-date

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funds still pulled in \$300 million on a net basis during the first quarter, despite the pressure from more volatile equity and credit markets.

While average AUM was up 11.4% year over year during the March quarter, T. Rowe Price reported a 10.2% increase in revenue when compared with the prior year's period, due to product mix shift and a decline in the firm's effective fee rate to 0.459% from 0.464% during the first quarter of 2019. At this point, we still expect full-year revenue to decline at a high-single to double-digit rate, driven by our expectations for continued volatility in the equity and credit markets in response to the COVID-19 pandemic.

As for profitability, adjusted operating margins of 44.2% during the first quarter of 2020 were 110 basis points higher than the year-ago period, as expenses rose at a slower rate than revenue during the March quarter. Our current five-year forecast calls for operating margins in a 38% to 40% range, as the firm continues to make upfront investments in key regions and channels to help drive growth (and is likely to continue to take advantage of its better margin profile relative to peers to make additional investments that will help spur organic growth).

# T. Rowe Price Group Inc TROW ★★★★★ 28 Apr 2020 02:00 UTC

**Last Close**  
28 Apr 2020  
**113.89**

**Fair Value<sup>Q</sup>**  
28 Apr 2020 02:00 UTC  
**112.88**

**Market Cap**  
28 Apr 2020  
**24,853.4 Mil**

**Sector**  
 Financial Services

**Industry**  
Asset Management

**Country of Domicile**  
 United States

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

## Company Profile

T. Rowe Price provides asset-management services for individual and institutional investors. It offers a broad range of no-load U.S. and international stock, hybrid, bond, and money market funds. At the end of March 2020, the firm had \$1.009 trillion in managed assets, composed of equity (55%), balanced (31%) and fixed-income (14%) offerings. Approximately two thirds of the company's managed assets are held in retirement-based accounts, which provides T. Rowe Price with a somewhat stickier client base than most of

## Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Wide	100	100	100
Valuation	Undervalued	8	5	9
Quantitative Uncertainty	Medium	100	100	99
Financial Health	Moderate	92	49	92



## Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.94	0.97	0.87	0.83
Price/Earnings	12.2	15.9	12.7	20.1
Forward P/E	15.5	—	10.5	13.9
Price/Cash Flow	16.7	38.3	9.5	13.1
Price/Free Cash Flow	19.3	109.2	10.9	19.5
Trailing Dividend Yield %	2.99	2.70	3.64	2.35
Price/Book	3.5	4.0	1.1	2.4
Price/Sales	4.5	4.9	2.9	2.4

## Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	31.4	27.5	10.1	12.9
Return on Assets %	24.4	22.7	1.4	5.2
Revenue/Employee (K)	762.8	722.1	762.0	325.9

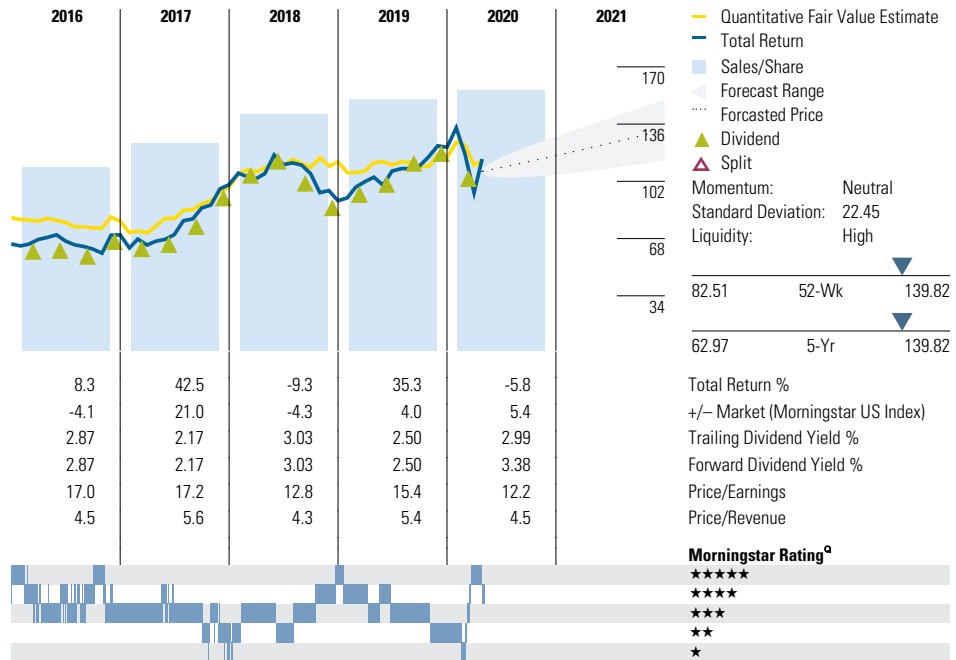
## Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.7	0.8	0.8	0.5
Solvency Score	—	—	503.7	552.4
Assets/Equity	1.3	1.2	3.7	1.7
Long-Term Debt/Equity	—	—	0.3	0.4

## Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	4.6	9.5	7.1	11.6
Operating Income %	1.7	9.9	4.8	13.0
Earnings %	19.7	22.4	13.8	18.1
Dividends %	8.6	12.1	11.6	11.8
Book Value %	17.4	13.9	7.9	10.5
Stock Total Return %	8.3	19.9	8.9	9.2

## Price vs. Quantitative Fair Value

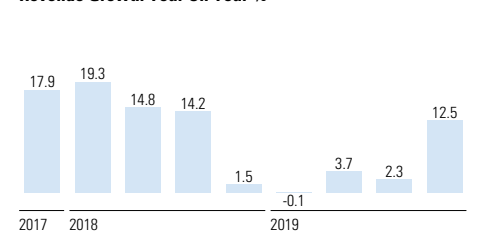


	2015	2016	2017	2018	2019	TTM	Financials (Fiscal Year in Mil)
Revenue	4,201	4,223	4,793	5,373	5,618	5,618	Revenue
% Change	5.5	0.5	13.5	12.1	4.6	0.0	% Change
Operating Income	1,899	1,800	2,059	2,346	2,387	2,387	Operating Income
% Change	0.4	-5.2	14.4	14.0	1.7	0.0	% Change
Net Income	1,223	1,215	1,498	1,838	2,131	2,131	Net Income
Operating Cash Flow	1,506	171	230	1,620	1,523	1,523	Operating Cash Flow
Capital Spending	-151	-148	-186	-169	-205	-205	Capital Spending
Free Cash Flow	1,355	22	43	1,451	1,318	1,318	Free Cash Flow
% Sales	32.3	0.5	0.9	27.0	23.5	23.5	% Sales
EPS	4.63	4.75	5.97	7.27	8.70	8.70	EPS
% Change	1.8	2.6	25.7	21.8	19.7	0.0	% Change
Free Cash Flow/Share	4.89	0.92	0.37	4.78	5.99	5.52	Free Cash Flow/Share
Dividends/Share	2.08	2.16	2.28	2.80	3.04	3.04	Dividends/Share
Book Value/Share	18.66	19.75	22.55	27.14	29.08	30.43	Book Value/Share
Shares Outstanding (K)	250,469	244,784	245,111	238,069	235,214	233,365	Shares Outstanding (K)
Return on Equity %	24.1	24.9	27.7	30.8	31.4	31.4	Profitability
Return on Assets %	22.8	21.4	21.8	24.1	24.4	24.4	Return on Assets %
Net Margin %	29.1	28.8	31.3	34.2	37.0	37.0	Net Margin %
Asset Turnover	0.78	0.75	0.70	0.71	0.66	0.66	Asset Turnover
Financial Leverage	1.1	1.2	1.3	1.3	1.3	1.3	Financial Leverage
Gross Margin %	62.0	61.3	62.2	58.2	57.6	57.6	Gross Margin %
Operating Margin %	45.2	42.6	43.0	43.7	42.5	42.5	Operating Margin %
Long-Term Debt	—	—	—	—	—	—	Long-Term Debt
Total Equity	4,762	5,009	5,824	6,124	7,102	7,102	Total Equity
Fixed Asset Turns	7.0	6.9	7.6	8.2	7.8	7.8	Fixed Asset Turns

## Quarterly Revenue & EPS

	Mar	Jun	Sep	Dec	Total
Revenue (Mil)	1,327.3	1,395.2	1,426.7	1,468.7	5,617.9
2018	1,328.0	1,345.0	1,394.6	1,305.0	5,372.6
2017	1,113.6	1,171.6	1,221.7	1,286.1	4,793.0
2016	994.1	1,044.7	1,092.9	1,091.2	4,222.9
Earnings Per Share (I)					
2019	2.09	2.15	2.23	2.24	8.70
2018	1.77	1.77	2.30	1.41	7.27
2017	1.54	1.50	1.56	1.37	5.97
2016	1.15	0.76	1.28	1.50	4.75

## Revenue Growth Year On Year %





# Research Methodology for Valuing Companies

## Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

### 1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats:

intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

### 2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

#### Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

#### Stage II: Fade

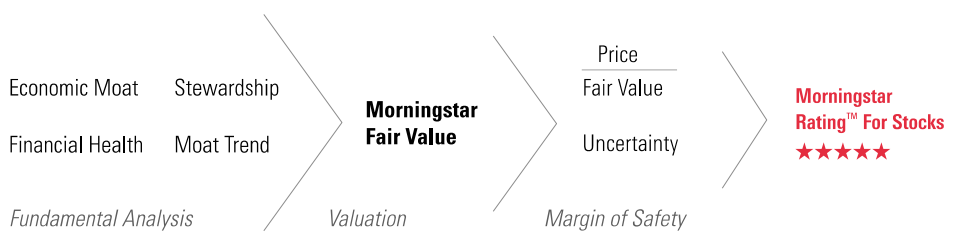
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

#### Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

## Morningstar Research Methodology for Valuing Companies



# Research Methodology for Valuing Companies

## 3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

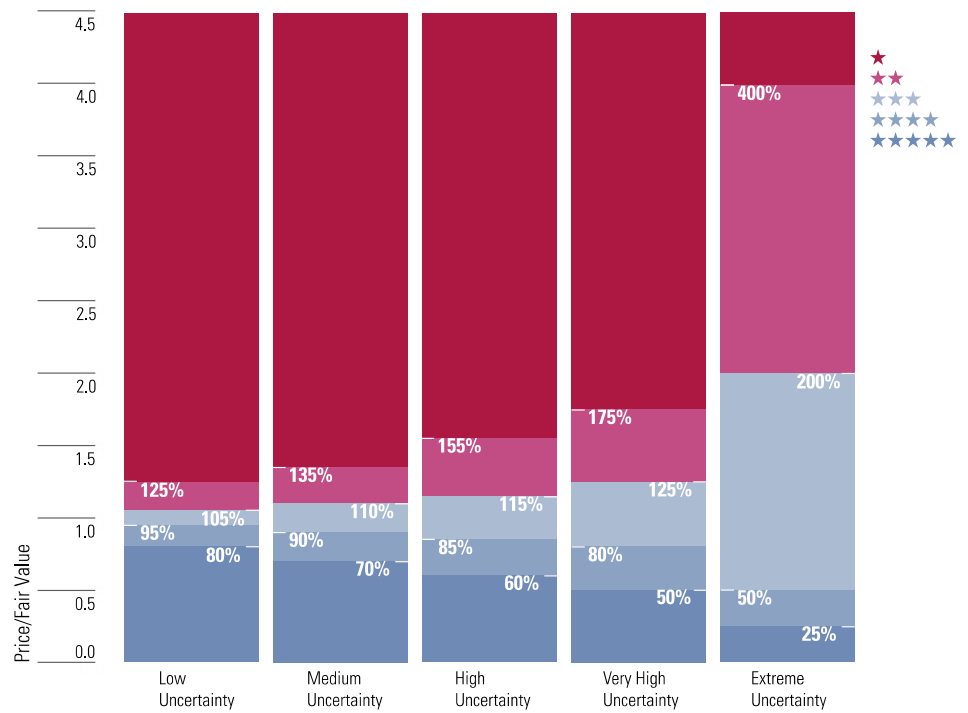
- ▶ Low—margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ▶ Medium—margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ▶ High—margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ▶ Very High—margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ▶ Extreme—margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

## 4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>.

Morningstar Equity Research Star Rating Methodology



## Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

# Research Methodology for Valuing Companies

## Other Definitions

**Last Price:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Stewardship Rating:** Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ▶ Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ▶ Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ▶ Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

## Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

## Quantitative Equity Reports Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the

quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

## Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of:

- (i) Quantitative Fair Value Estimate
  - (ii) Quantitative Star Rating
  - (iii) Quantitative Uncertainty
  - (iv) Quantitative Economic Moat
  - (v) Quantitative Financial Health
- (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar," "we," "our") calculates Quantitative Ratings for companies whether it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

**Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the quantitative fair value estimate using a statistical model derived from the fair value estimate Morningstar's equity analysts assign to companies. Please go to <https://shareholders.morningstar.com> for information about fair value estimates Morningstar's equity analysts assign to companies.

**Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

- ▶ Narrow: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
- ▶ Wide: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
- ▶ None: assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

**Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair

Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as 1-Star, 2-Star, 3-Star, 4-Star, and 5-Star.

★: the stock is overvalued with a reasonable margin of safety.

Log (Quant FVE/Price) < -1 \* Quantitative Uncertainty

★★: the stock is somewhat overvalued.

Log (Quant FVE/Price) between (-1 \* Quantitative Uncertainty, -0.5 \* Quantitative Uncertainty)

★★★: the stock is approximately fairly valued.

Log (Quant FVE/Price) between (-0.5 \* Quantitative Uncertainty, 0.5 \* Quantitative Uncertainty)

★★★★: the stock is somewhat undervalued.

Log (Quant FVE/Price) between (0.5 \* Quantitative Uncertainty, 1 \* Quantitative Uncertainty)

★★★★★: the stock is undervalued with a reasonable margin of safety. Log (Quant FVE/Price) > 1 \* Quantitative Uncertainty

**Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the quantitative fair value estimate. Generally, the lower the quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

- ▶ Low: the interquartile range for possible fair values is less than 10%.
- ▶ Medium: the interquartile range for possible fair values is less than 15% but greater than 10%.
- ▶ High: the interquartile range for possible fair values is less than 35% but greater than 15%.
- ▶ Very High: the interquartile range for possible fair values is less than 80% but greater than 35%.
- ▶ Extreme: the interquartile range for possible fair values is greater than 80%.

**Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

- ▶ Weak: assigned when Quantitative Financial Health < 0.2
- ▶ Moderate: assigned when Quantitative Financial Health is between 0.2 and 0.7
- ▶ Strong: assigned when Quantitative Financial Health > 0.7

# Research Methodology for Valuing Companies

## Other Definitions

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- ▶ Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

This Report has not been made available to the issuer of the security prior to publication.

## Risk Warning

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The quantitative equity ratings are not statements of fact. Morningstar does not guarantee the completeness or accuracy of the assumptions or models used in determining the quantitative equity ratings. In addition, there is the risk that the price target will not be met due to such things as unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, and tax rate. For investments in foreign markets there are further risks, generally based on exchange rate changes or changes in political and social conditions.

A change in the fundamental factors underlying the quantitative equity ratings can mean that the valuation is subsequently no longer accurate.

For more information about Morningstar's quantitative methodology, please visit <http://global.morningstar.com/equitydisclosures>.

# T. Rowe Price Group Inc TROW (XNAS)

<b>Morningstar Rating</b> ★★★ 27 Apr 2020 21:49, UTC	<b>Last Price</b> 106.50 USD 27 Apr 2020	<b>Fair Value Estimate</b> 114.00 USD 20 Apr 2020 22:19, UTC	<b>Price/Fair Value</b> 0.93	<b>Trailing Dividend Yield %</b> 2.99 27 Apr 2020	<b>Forward Dividend Yield %</b> 3.38 27 Apr 2020	<b>Market Cap (Bil)</b> 24.85 27 Apr 2020	<b>Industry</b> Asset Management	<b>Stewardship</b> Exemplary
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## General Disclosure

The analysis within this report is prepared by the person (s) noted in their capacity as an analyst for Morningstar's equity research group. The equity research group consists of various Morningstar, Inc. subsidiaries ("Equity Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission.

The opinions expressed within the report are given in good faith, are as of the date of the report and are subject to change without notice. Neither the analyst nor Equity Research Group commits themselves in advance to whether and in which intervals updates to the report are expected to be made. The written analysis and Morningstar Star Rating for stocks are statements of opinions; they are not statements of fact.

The Equity Research Group believes its analysts make a reasonable effort to carefully research information contained in the analysis. The information on which the analysis is based has been obtained from sources believed to be reliable such as, for example, the company's financial statements filed with a regulator, company website, Bloomberg and any other the relevant press sources. Only the information obtained from such sources is made available to the issuer who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this sharing of information result in considerable changes, a statement of that fact will be noted within the report. While the Equity Research Group has obtained data, statistics and information from sources it believes to be reliable, neither the Equity Research Group nor Morningstar, Inc. performs an audit or seeks independent verification of any of the data, statistics, and information it receives.

## General Quantitative Disclosure

The Quantitative Equity Report ("Report") is derived from data, statistics and information within Morningstar, Inc.'s database as of the date of the Report and is subject to change without notice. The Report is for informational purposes only, intended for financial professionals and/or sophisticated investors ("Users") and should not be the sole piece of information used by such Users or their clients in making an investment decision. The quantitative equity ratings noted the Report are provided in good faith, are as of the date of



the Report and are subject to change. While Morningstar has obtained data, statistics and information from sources it believes to be reliable, Morningstar does not perform an audit or seeks independent verification of any of the data, statistics, and information it receives.

The quantitative equity ratings are not a market call, and do not replace the User or User's clients from conducting their own due-diligence on the security. The quantitative equity rating is not a suitability assessment; such assessments take into account may factors including a person's investment objective, personal and financial situation, and risk tolerance all of which are factors the quantitative equity rating statistical model does not and did not consider.

Prices noted with the Report are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

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# T. Rowe Price Group Inc TROW (XNAS)

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★★★	106.50 USD	114.00 USD	0.93	2.99	3.38	24.85	Asset Management	Exemplary
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