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T. Rowe Price Group

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Introduction

T. Rowe Price Group, Inc. stands as a testament to American ingenuity, vision, and steadfast commitment to client interests. Founded at the tail end of the Great Depression, the company did not simply survive one of the most tumultuous periods in financial history—it built a unique foundation and philosophy that would influence decades of investment management. At its core lies the vision of Thomas Rowe Price Jr., who championed growth investing and a client-focused business model long before these ideas became industry norms.

Tracing the evolution of T. Rowe Price offers a fascinating journey across the shifting tides of U.S. financial history. The company's rise began with a bold divergence from the transactional, commission-driven culture that dominated Wall Street in the early twentieth century. Instead, T. Rowe Price forged its own path by aligning its fee structure with client success, embedding a rare sense of fiduciary duty and ethical responsibility. This early decision would become a cornerstone of both the firm's culture and its enduring reputation.

Over the decades, T. Rowe Price has demonstrated an exceptional ability to adapt, innovate, and grow, whether through the launch of groundbreaking mutual funds, ventures into international markets, or the early embrace of retirement planning solutions. Each chapter in the company's timeline reflects a willingness to innovate without losing sight of its founding principles. Guided by rigorous research and a commitment to active management, T. Rowe Price has repeatedly shown it can navigate complex market environments and deliver value for its clients.

Today, T. Rowe Price Group is a global powerhouse, managing over \$1.6 trillion in assets, and recognized for the distinct culture that has earned it accolades as a leading workplace. Its network spans continents, and its services reach millions of individuals, institutions, and advisors worldwide. Yet, amidst this scale and complexity, the company's commitment to community engagement, diversity, and ethical practice continues to set it apart.

This book invites readers to explore both the storied history and the modern-day reality of T. Rowe Price Group. Through in-depth analysis and storytelling, we reveal the key choices, innovations, and leadership values that have defined the company. By looking ahead, we also consider the challenges and opportunities facing T. Rowe Price in a rapidly changing industry. The story of T. Rowe Price Group is not just about finance; it is about people, principles, and the enduring pursuit of growth—both for clients, and for the world around us.

CHAPTER ONE: The Visionary: Thomas Rowe Price Jr. and the Foundations of Growth Investing

Thomas Rowe Price Jr. entered the world in Glyndon, Maryland, in 1898, a time when the investment landscape was vastly different from the intricate global markets we know today. Born into a financially comfortable family—his father a respected surgeon and his mother from a prominent Baltimore building contractor family—Price's early life afforded him opportunities for a solid education. He attended Glyndon School, Franklin High School, and briefly the Friends School of Baltimore, before heading to Swarthmore College. In 1919, he graduated with a bachelor's degree in chemistry.

Initially, a career in chemistry seemed to be on his horizon, and he even explored opportunities with industrial giant DuPont. However, fate, or perhaps a nascent fascination with the world of finance, soon intervened. Price discovered that the ebb and flow of figures and market dynamics held a far greater appeal than beakers and chemical reactions. This newfound interest prompted a career pivot, leading him away from the laboratory and into the burgeoning, if somewhat chaotic, world of brokerage firms in Baltimore.

He spent a dozen pivotal years navigating the financial currents at Mackubin, Legg & Co. (a predecessor to Legg Mason), among other firms. It was here, while ascending to head the Investment Counseling Department at Mackubin, Legg & Co., that Price's unconventional ideas began to solidify and, quite frankly, clash with the prevailing industry norms. The standard practice of the era was deeply rooted in commission-based investing, where brokers earned fees on each transaction, regardless of the client's long-term success. Price, however, envisioned a different model, one where the financial interests of the firm were directly aligned with those of its clients.

This burgeoning philosophy, which prioritized client success over transactional volume, would become a cornerstone of his future enterprise. He believed deeply in charging annual fees based on assets under management, rather than commissions, a revolutionary concept at the time. It was a simple yet profound idea: if the clients' portfolios grew, so too would the firm's revenue, creating a powerful incentive for genuine partnership and long-term thinking. This commitment to client-centricity was not just a business model; it was a deeply held conviction for Price, who famously stated, "If you treat the customer right, he will reward you in the long term."

It was also during this period that Price began to formulate his groundbreaking "growth stock" philosophy. In a market often focused on low-risk strategies and "value investing"—identifying companies trading below their intrinsic worth—Price saw a

different path to wealth creation. He recognized that the greatest fortunes were often built by owning pieces of businesses that were consistently expanding and showing above-average earnings growth. This insight led him to focus on identifying companies with strong potential for future earnings growth, even if their current stock prices seemed a bit steep.

Price's approach emphasized proprietary fundamental research, a meticulous deep dive into a company's financial health, competitive landscape, and future prospects. This wasn't merely about crunching numbers from afar; it involved direct engagement with company management to gain unique, firsthand insights. He sought out businesses with superior research and development, a lack of cutthroat competition, and a comparative immunity from government regulation. He also looked for companies with low total labor costs but well-paid employees, a promise of higher-than-average returns on invested capital, sustained high-profit margins, and, crucially, superior growth in earnings per share.

This "Growth Investing" strategy, as it came to be known, was initially met with skepticism in an industry often wary of deviation from established norms. Yet, Price's conviction in his methodology was unwavering. He believed that the true potential of these growing companies would eventually translate into significant returns for investors, far outweighing their initial valuation. This long-term perspective, focusing on sustained growth rather than short-term market fluctuations, would distinguish him and his future firm.

His ideas, though seemingly straightforward in retrospect, were truly visionary for their time, challenging the conventional wisdom of an industry largely anchored in commission-driven transactions and a more conservative investment outlook. Price saw beyond the immediate horizon, understanding that genuine wealth accumulation came from participating in the enduring success of thriving businesses. This foundational belief would not only define his career but also leave an indelible mark on the entire investment management industry.

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