

Our perspective on the US Equities landscape

Julian Cook, Portfolio Specialist

My name is Julian Cook, I'm an investment specialist in US equities at T. Rowe Price.

My main responsibility is really being the advocate for US large cap growth strategies at T. Rowe Price, and I see clients and prospective clients in the UK, Europe, the Middle East and Asia.

What are T. Rowe Price's credentials for investing in US equities?

I've been involved myself in US equities for the last 27 years and when I look at T. Rowe Price and its capabilities, I see a company which actually has a lot of very good research and has been able to deliver alpha to clients over many different time periods.

What is your unique perspective on the market?

T. Rowe Price has a rich history of investing in US equities. We have over USD 900bn of client assets under management of which about £600bn is in US equities. I think what's unique about T. Rowe Price is that we have a very wide scope of investing. We invest from small cap through mid and through large, we also invest in growth companies and value companies, so we actually have a very wide and diverse scope of where we invest in the US and I think that gives us a very, very good perspective of what's happening in the US.

How does US political scrutiny affect your approach to investing?

The US has, as you say, an enormous amount of scrutiny to it every year, certainly this year as a US presidential year which puts it under even more focus. We don't really try to pre-position for some of those things we really can't control. We try to keep very, very fundamental with the companies we're looking to invest in, trying to make those judgements on an individual company based on their own merits.

We try not to pre-position. I mean who would have pre-positioned for Trump getting elected four years ago? That's not something we have an expertise in. Our expertise is really doing fundamental research on companies and then backing those insights with conviction.

What US equity products are available for investors?

So, we have a range of five products. We have a large cap product, which is a core equity product. We have one smaller companies product, one value and then two growth products.

What are the objectives of the US large-cap growth strategy?

The objectives of the US large-cap growth strategy we're really trying to find the best secular growth companies we can find in the US. We have some criteria behind that. We can invest in companies of USD 9bn and above, so we make sure we maintain this large cap bias and then also looking for companies that can grow at least near 10-12% on a free cash flow basis. There are companies that are within this space which are recognised as high growth companies. We think it is also important to recognise that there are companies that can show good duration of growth. What I mean by that is about 10-15% of our portfolio is invested in companies that can show sustainable growth 12% year in year out and that's actually pretty rare and 10-15% of our portfolio is in names like that that we think provide great downside capture and provide some protection from a risk perspective for our growth investors.

How have you capitalised on technology being a disruptor?

A good example of where we found some opportunities in technology is really when we look at the cloud computing space. We recognised that trend pretty early with Amazon Web Services and we actually realised that was something we wanted to back a number of years ago, possibly before many others did.

We also recognised which is probably more important, more recently, that not all workflows are going to all go into the cloud. There's going to be some demand for on-premise workflows as well as off-premise workflows. That led us to ideas like Red Hat which eventually got bid by IBM and was taken out of the market but that was against conventional wisdom at the time and that's where we made some money for clients in that one.

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