PRICE T ROWE GROUP INC
Form 10-K
February 13, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
Commission file number 000-32191
T. ROWE PRICE GROUP, INC.
(Exact name of registrant as specified in its charter)

Maryland	52-2264646
State of incorporation	IRS Employer Identification No.

100 East Pratt Street, Baltimore, Maryland 21202
Address, including zip code, of principal executive offices
(410) 345-2000
Registrant's telephone number, including area code
Securities registered pursuant to Section 12(b) of the Act:

Common stock, $.20 par value per share	The NASDAQ Stock Market LLC
(Title of class)	(Name of exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [X] Yes [ ] No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months. [X] Yes [ ] No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (do not check if smaller reporting company)	Smaller reporting company ¨ Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No
The aggregate market value of the common equity (all voting) held by non-affiliates (excludes executive officers and directors) computed using $116.09 per share (the NASDAQ Official Closing Price on June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter) was $27.6 billion.

The number of shares outstanding of the registrant's common stock as of the latest practicable date, February 12, 2019, is 236,263,621.

DOCUMENTS INCORPORATED BY REFERENCE: In Part III, the Definitive Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A.

Exhibit index begins on page 82.

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PART I

Item 1. Business.

T. Rowe Price Group, Inc. is a financial services holding company that provides global investment management services through its subsidiaries to investors worldwide. We provide an array of U.S. mutual funds, separately managed accounts, subadvised funds, and other T. Rowe Price products. The other T. Rowe Price products include: collective investment trusts, target date retirement trusts, open-ended investment products offered to investors outside the U.S., and products offered through variable annuity life insurance plans in the U.S. We also provide certain investment advisory clients with related administrative services, including distribution, mutual fund transfer agent, accounting, and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans; brokerage; and trust services. We are focused on delivering global investment management excellence to help clients around the world achieve their long-term investment goals.

The late Thomas Rowe Price, Jr., founded our firm in 1937, and the common stock of T. Rowe Price Associates, Inc. was first offered to the public in 1986. The T. Rowe Price Group corporate holding company structure was established in 2000.

Our core capabilities have enabled us to deliver excellent operating results since our initial public offering in 1986. We maintain a client-centric culture that is focused on delivering strong long-term investment performance and world-class service to our clients. We have distributed our broad array of active investment strategies through a diverse set of distribution channels and vehicles to meet the needs of our global clients. Our ongoing financial strength has allowed us to take advantage of attractive growth opportunities and invest in key capabilities. These include adding to our client-facing associates and investment professionals across the globe, enhancing our technologies, introducing new product offerings, and, most importantly, providing our global clients with strong investment management expertise and service.

The market in which we operate has been evolving quickly and a number of headwinds have arisen over the last few years, including passive and alternative investments taking market share from traditional active strategies; a shifting demand from equities to income-oriented solutions as the population ages; pricing pressure; demand for new vehicles to meet client needs; an accelerating regulatory landscape; and a shifting demand from equities to income-oriented solutions as the population ages.

Despite the headwinds, we believe there are significant opportunities that align to our core capabilities. As such, we are responding with several multi-year initiatives that are designed to strengthen our long-term competitive position and to:

- Maintain our position as a premier active asset manager, delivering durable value to clients.
- Become an ever more integrated investment solutions provider, leveraging firmwide investment capabilities to meet changing client needs.
- Build T. Rowe Price into a more globally diversified asset manager.
- Become a more recognized global partner for retirement-oriented investors.
- Remain a destination of choice for top talent, with a culture of accountability and collaboration.
- Become a more agile company that stays ahead of and capitalizes on disruption.
- Deliver attractive financial results and balance sheet strength for our stockholders over the long term.

Financial Overview / Assets Under Management

We derive the vast majority of our consolidated net revenue and net income from investment advisory services provided by our subsidiaries, primarily T. Rowe Price Associates and T. Rowe Price International Ltd. Our revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management impact our revenues and results of operations.

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At December 31, 2018, we had $962.3 billion in assets under management, including $564.5 billion in the U.S. mutual funds and $397.8 billion in separately managed accounts, subadvised funds, and other T. Rowe Price products. While assets under management decreased $28.8 billion from the end of 2017, we had net cash inflows of $13.2 billion for 2018, but market depreciation and losses, including distributions not reinvested, lowered our assets under management by $42.0 billion. In 2018, our net cash inflows included $12.0 billion in our target date retirement products, which provide shareholders with a single, diversified portfolio that invests in underlying U.S. mutual funds or collective investment trusts. The assets under management in these products totaled $230.4 billion at December 31, 2018, or 23.9% of our managed assets at December 31, 2018, compared with 23.6% at the end of 2017.

The following tables show our assets under management by distribution channel, vehicle, account type, and asset class:

(in billions)	2018	2017
Assets under management by distribution channel		
Global financial intermediaries[1]	$484.0	$496.9
Individual U.S. investors on a direct basis	159.3	169.8
U.S. retirement plan sponsors - full service recordkeeping	107.6	111.2
Global institutions[1][2]	211.4	213.2
Total assets under management	$962.3	$991.1
Assets under management by vehicle		
U.S. mutual funds	$564.5	$606.3
Other investment products		
T. Rowe Price collective investment trusts	106.0	88.9
T. Rowe Price stable value and variable annuity products	20.0	19.2
T. Rowe Price SICAVs and other funds regulated outside the U.S.	21.8	21.5
Subadvised and separately managed accounts	250.0	255.2
Total other investment products	397.8	384.8
Total assets under management	$962.3	$991.1
Assets under management by account type[3]		
Defined contribution - investment only	$401.8	$403.3
Defined contribution - full-service recordkeeping	101.8	103.6
Other retirement and deferred annuity assets	149.9	163.6
Total retirement and tax deferred annuity assets	653.5	670.5
Other	308.8	320.6
Total assets under management	$962.3	$991.1
Assets under management by asset class		
Equity	$539.9	$564.1
Fixed income, including money market	136.1	134.4
Multi-Asset[4]	286.3	292.6
Total assets under management	$962.3	$991.1

(1) Includes Americas, EMEA, and APAC financial intermediaries and institutions.

(2) Includes T. Rowe Price investments in proprietary products, assets of the T. Rowe Price employee benefit plans, Private Asset Management accounts, and other.

(3) Certain 2017 amounts have been reclassified as additional information became available to enable more appropriate classification.

(4) The underlying assets under management of the multi-asset portfolios have been aggregated and presented in this category and not reported in the equity and fixed income rows.

Additional information concerning our assets under management, results of operations, and financial condition during the past three years is contained in the Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7, as well as our consolidated financial statements, which are included in Item 8 of this Form 10-K.

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INVESTMENT MANAGEMENT SERVICES.

Distribution Channels and Products

We distribute our products in countries located within three broad geographical regions: Americas, Europe Middle East and Africa ("EMEA"), and Asia Pacific ("APAC"). We accumulate our assets under management from a diversified client base across five primary distribution channels: Americas financial intermediaries; EMEA and APAC financial intermediaries; individual U.S. investors on a direct basis; U.S. retirement plan sponsors for which we provide recordkeeping services; and institutional investors globally. Investors domiciled outside the U.S. represent about 6% of total assets under management at the end of 2018. We service clients in 48 countries around the world. The following table outlines the types of products within each distribution channel through which our assets under management as of December 31, 2018, are sourced.

Americas financial intermediaries	EMEA & APAC financial intermediaries	Individual U.S. investors on a direct basis	U.S. retirement plan sponsors - full service recordkeeping	Global institutions
U.S. Mutual Funds	SICAVs(1) / FCPs(2)	U.S. Mutual Funds	U.S. Mutual Funds	U.S. Mutual Funds
Collective Investment Trusts	Australian Unit Trusts ("AUTS")	Separate Accounts	Collective Investment Trusts	Collective Investment Trusts
Subadvised Accounts	OEICs(3)	College Savings Plans	Separate Accounts	SICAVs(1) / FCPs (2)
Managed Accounts / Model Delivery	Cayman Funds	Model Portfolio(4)		Separate / Subadvised Accounts
College Savings Plans	Subadvised Accounts			Canadian Pooled Funds
Canadian Pooled Funds				Japanese ITM (5)

(1)Société d'Investissement à Capital Variable (Luxembourg), (2)Fonds Commun de Placement (Luxembourg), (3)Open ended investment company (U.K.), (4) Provided through our ActivePlus Portfolios (5) Japanese Investment Trust Management

Investment Capabilities

We manage a broad range of investment strategies in equity, fixed income, and multi-asset across sectors, styles and regions. Our strategies are designed to meet the varied and changing needs and objectives of investors and are delivered across a range of vehicles. We also offer specialized advisory services, including management of stable value investment contracts, modeled multi-asset solutions, and a distribution management service for the disposition of equity securities our clients receive from third-party venture capital investment pools.

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The following table sets forth our broad investment capabilities as of December 31, 2018.

Equity		Fixed income		Multi-Asset
U.S.	International / Global	U.S.	International / Global	U.S. / International / Global
Large-Cap: Growth, Core, Value	Global: All-Cap, Growth, Value	Core Bond	Global Aggregate	Target Date/Custom Target Date
Mid-Cap: Growth, Core, Value	International Developed: Growth, Core, Value	Credit Opportunities	Global Multi-Sector	Target Allocation
Small-Cap: Growth, Core, Value	International Small-Cap	Corporate	Global Dynamic Bond	Global Allocation
Quantitative Equity: Multi-Cap, Style Index	Emerging Markets Global: Growth, Value	Bank Loan	Global High Income	Managed Volatility
Tax Efficient	Europe: Growth	High Yield	Emerging Markets	Multi-Asset Solutions
Sectors	Japan: Growth	Stable Value	International Developed	Real Assets
	Australia: Growth	Securitized	Global Corporate	Retirement Income
	Frontier Markets	Treasury	Global High Yield	Alternatives
	Quantitative Equity: Global	Short Duration	Global Government	
	Sectors	Municipal	Asia	
		Quantitative Fixed: Style Index		

We employ fundamental and quantitative security analysis in the performance of the investment advisory function through substantial internal equity and fixed income investment research capabilities. We perform original industry and company research using such sources as inspection of corporate activities, management interviews, company-published financial and other information, and field checks with suppliers and competitors in the same industry and particular business sector. Our dedicated, in-house research analysts consider tangible investment factors such as financial information, valuation, and macroeconomics in tandem with intangible environmental, social, and corporate governance investment factors.

Our research staff operates primarily from offices located in the U.S. and U.K. with additional staff based in Australia, Hong Kong, Japan, Singapore, and Switzerland. We also use research provided by brokerage firms and security analysts in a supportive capacity and information received from private economists, political observers, commentators, government experts, and market analysts. Our securities selection process for some investment portfolios is based on quantitative analysis using computerized data modeling.

From time to time, we introduce new strategies, investment vehicles, and other products to complement and expand our investment offerings, respond to competitive developments in the financial marketplace, and meet the changing needs of our investment advisory clients. We will introduce a new investment strategy if we believe that we have the appropriate investment management expertise and that its objective will be useful to investors over a long period. In 2018, we introduced four new strategies and several new vehicles and share classes of existing strategies.

We typically provide seed capital for new investment products to enable the portfolio manager to begin building an investment performance history in advance of the portfolio receiving sustainable client assets. The length of time we hold our seed capital investment will vary for each new investment product as it is highly dependent on how long it takes to generate cash flows into the product from unrelated investors. We attempt to ensure that the new investment product has a sustainable level of assets from unrelated shareholders before we consider redemption of our seed capital investment in order to not negatively impact the new investment product's net asset value or its investment performance record. At December 31, 2018, we had seed capital investments of $1.1 billion in our products.

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Conversely, we may also close or limit new investments across all T. Rowe Price investment products in order to maintain the integrity of the investment strategy and to protect the interests of its existing shareholders and investors. At present, the following strategies, which represent about 20% of total assets under management at December 31, 2018, are generally closed to new investors:

Strategy	Year closed
U.S. Mid-Cap Growth	2010
U.S. Mid-Cap Value	2010
High Yield Bond	2012
U.S. Small-Cap Growth	2013
U.S. Small-Cap Core	2013
Capital Appreciation	2014
Global Technology	2017
Emerging Markets Growth	2018
International Small-Cap Growth	2018

Investment Advisory Fees

We provide investment advisory services through our subsidiaries to the U.S. mutual funds; clients on a separately managed or subadvised account basis; and other T. Rowe Price products, including collective investment trusts, target date retirement trusts, funds offered to investors outside the U.S., and portfolios offered through variable annuity life insurance plans in the U.S.

Ten of our 179 U.S. mutual funds - Growth Stock, Blue Chip Growth, Mid-Cap Growth, Capital Appreciation, Value, New Horizons, New Income, Equity Income, Overseas Stock, and Emerging Markets Stock - accounted for approximately 35% of our investment advisory revenues in 2018, and approximately 28% of our assets under management at December 31, 2018. Our largest client account relationship, apart from the U.S. mutual funds, is with a third-party financial intermediary that accounted for about 6% of our investment advisory revenues in 2018.

U.S. Mutual Funds

At December 31, 2018, assets under our management in the U.S. mutual funds aggregated $564.5 billion, a decrease of 6.9% or $41.8 billion from the beginning of the year. Investment advisory services are provided to each U.S. mutual fund under individual investment management agreements that grant the fund the right to use the T. Rowe Price name. The Boards of the respective funds, including a majority of directors who are not interested persons of the funds or of T. Rowe Price Group (as defined in the Investment Company Act of 1940), must approve the investment management agreements annually. Fund shareholders approve material changes to these investment management agreements. Each agreement automatically terminates in the event of its assignment (as defined in the Investment Company Act) and, generally, either party may terminate the agreement without penalty after a 60-day notice. The termination of one or more of these agreements could have a material adverse effect on our results of operations. Independent directors and trustees of the U.S. mutual funds regularly review our fee structures.

The advisory fee paid monthly by each of the U.S. mutual funds is computed on a daily basis by multiplying a fund’s net assets by its effective fee rate. For the majority of the U.S. mutual funds, the fee rate is equal to the sum of a tiered group fee rate plus an individual fund rate. The tiered group rate is based on the combined net assets of nearly all of the U.S. mutual funds. If the combined net assets of these U.S. mutual funds exceed $650 billion, the weighted-average fee across pricing tiers is 28.6 basis points for the first $650 billion of net assets plus 26.5 basis points for net assets in excess of $650 billion. To the extent that the combined net assets of the funds included in the group rate calculation increase, the group charge component of a fund's advisory fee rate and the resulting advisory fee rate paid by each fund will decrease.

The individual fund rates are generally flat rates that are set based on the fund’s specific investment objective. Several funds including; the Blue Chip Growth, Equity Income, Growth Stock, and Mid-Cap Growth funds, have an effective tiered individual fund rate in which their base individual flat rate is reduced by about 15% on net assets in excess of $15 billion. The New Income and Value funds have their base individual flat rate reduced by about 15%

on net assets in excess of $20 billion. The Capital Appreciation Fund has its base individual flat rate reduced by 10% on net assets in excess of $27.5 billion. The effective fee rates for each of the stock and bond funds on which we earned annual advisory fees of approximately $6.0 million or greater in 2018, varied from a low of 15 basis points for the U.S Treasury Long-Term fund to a high of 104 basis points for the Emerging Markets Stock and International Discovery funds.

The fee rate of several of the U.S. mutual funds, including the Index and Summit funds as well as specific funds offered solely to institutional investors, does not include a group fee component but rather an individual fund fee or an all-inclusive fee. An all-inclusive fee covers both the investment management fee and ordinary operating expenses incurred by the fund and, as a result, our management fee varies with the level of operating expenses a fund incurs. Each of the funds in the Spectrum Funds series and in the multiple target date retirement funds series that we offer invests in a diversified portfolio of other U.S. mutual funds and has no separate investment advisory fee; rather, they indirectly bear the expenses of the funds in which they invest.

Each U.S. mutual fund typically bears all expenses associated with its operation and the issuance and redemption of its securities. In particular, each fund pays investment advisory fees; shareholder servicing fees and expenses; fund accounting fees and expenses; transfer and sub-transfer agent fees; custodian fees and expenses; legal and auditing fees; expenses of preparing, printing and mailing prospectuses and shareholder reports to existing shareholders; registration fees and expenses; proxy and annual meeting expenses; and independent trustee or director fees and expenses.

We usually provide that a newly organized fund’s expenses will not exceed a specified percentage of its net assets during an initial operating period. Generally, during the earlier portion of the period, we will waive advisory fees and absorb other fund expenses, such as those described above, in excess of these self-imposed limits. During the latter portion of the period, we may recover some or all of the waived fees and absorbed costs, but such recovery is not assured. Beginning in 2017, we implemented new contractual management fee waivers for certain U.S mutual funds, including nearly all money market funds, which unlike traditional expense limits for newly organized funds, these waivers will not be recovered by T. Rowe Price in the future.

Subadvised and separate accounts and other investment products

Our subadvised and separate accounts and other investment products had assets under management of $397.8 billion at December 31, 2018, an increase of $13.0 billion from the beginning of the year. We charge fees for investment management to these clients based on, among other things, the specific investment services to be provided. Our standard form of investment advisory agreement with other T. Rowe Price products that pay management fees on a daily basis normally provides for termination with thirty days notice. Our standard separately managed account agreements provide for termination at any time and the refunding of any unearned fees paid in advance. Our standard subadvised client account agreement typically provides for termination with sixty days notice.

Our subsidiaries, T. Rowe Price (Luxembourg) Management Sàrl and T. Rowe Price Australia, provide management company and investment management services, respectively, to our Luxembourg-based SICAVs and FCPs, and AUTs. T. Rowe Price (Luxembourg) Management Sàrl and T. Rowe Price International, provide authorized corporate depositor and investment management services, respectively, to our UK-based OEICs. T. Rowe Price (Canada) provides investment management services to our Canadian Pooled Funds. T. Rowe Price Japan, provides investment management services to our Japan Investment Trust. Our subsidiaries, T. Rowe Price Associates and T. Rowe Price Hong Kong may also provide subadvised investment management services to these global investment products. We distribute several of these products outside the U.S. through distribution agents and other financial intermediaries. The fees we earn for distributing and marketing these products are part of our overall investment management fees for managing the product assets. We currently recognize any related distribution fees paid to these financial intermediaries in distribution and servicing costs.

In addition to providing investment management services to the U.S. mutual funds, our subsidiaries, T. Rowe Price Associates and T. Rowe Price International, offer separately managed institutional investment management and subadvised investment management services to global intermediaries. Our subsidiary, T. Rowe Price Trust Company, offers and provides investment management services to our T. Rowe Price collective investment trusts, which are used in the investment portfolios of certain qualified U.S. retirement plans.

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Our fees for managing these subadvised and separate accounts and other investment products are computed using the value of assets under our management at a contracted annual fee rate. The value of assets under management billed is generally based on daily valuations, end of billing period valuations, or month-end average valuations. In 2018, approximately 78% of our advisory fees were recognized based on daily portfolio valuations, 14% were based on end of billing period valuations, and 8% were based on month-end averages.

ADMINISTRATIVE, DISTRIBUTION, AND SERVICING FEES.

Administrative Services

We also provide certain administrative services as ancillary services to our investment advisory clients. These administrative services are provided by several of our subsidiaries and include mutual fund transfer agent, accounting, distribution, and shareholder services; participant recordkeeping and transfer agent services for defined contribution retirement plans investing in U.S. mutual funds; recordkeeping services for defined contribution retirement plans investing in mutual funds outside the T. Rowe Price complex; brokerage; and trust services.
T. Rowe Price Services provides the U.S. mutual funds transfer agency and shareholder services, including the staff, facilities, technology, and other equipment to respond to inquiries from fund shareholders. The U.S. mutual funds contract directly with BNY Mellon to provide mutual fund accounting services, including maintenance of financial records, preparation of financial statements and reports, daily valuation of portfolio securities, and computation of each mutual fund's daily net asset values per share.

T. Rowe Price Retirement Plan Services provides participant accounting and plan administration for defined contribution retirement plans that invest in the U.S. mutual funds, the T. Rowe Price collective investment trusts, and funds outside the T. Rowe Price complex. T. Rowe Price Retirement Plan Services also provides transfer agent services to the U.S. mutual funds. Plan sponsors and participants compensate us for some of the administrative services while the U.S. mutual funds and outside fund families compensate us for maintaining and administering the individual participant accounts for those plans that invest in the respective funds. As of December 31, 2018, we provided recordkeeping services for $171 billion in assets under administration, of which $108 billion are assets we manage.

T. Rowe Price Trust Company provides administrative trustee services. Through this entity, which is a Maryland-chartered limited service trust company, we serve as trustee for employer sponsored retirement plans and other retirement products. T. Rowe Price Trust Company may not accept deposits and cannot make personal or commercial loans.

We also provide non-discretionary advisory planning services to fund shareholders and potential investors through our subsidiary T. Rowe Price Advisory Services. These services are limited in scope and include retirement planning services, such as saving for retirement, transitioning into retirement, and income in retirement. An investment portfolio evaluation service is an integral part of these services. An ongoing checkup service is also available to assist investors in staying on track to achieve their financial goals.

Distribution and Servicing

The Investor Class of all U.S. mutual funds can be purchased in the U.S. on a no-load basis, without a sales commission or 12b-1 fee. No-load mutual fund shares offer investors a low-cost and relatively easy method of directly investing in a variety of equity, fixed income, and multi-asset products. The I Class of certain U.S. mutual funds is designed to meet the needs of institutionally oriented clients who seek investment products with lower shareholder servicing costs and lower expense ratios. This share class limits ordinary operating expenses (other than interest; expenses related to borrowings, taxes, and brokerage; and any non-extraordinary expenses) at 5 basis points for a period of time and there are no external payments for 12b-1 or administrative fee payments.

Certain of the U.S. mutual funds also offer Advisor Class and R Class shares that are distributed to investors and defined contribution retirement plans, respectively. These share classes pay 12b-1 fees of 25 and 50 basis points, respectively, for distribution, administration, and personal services. Our subsidiary, T. Rowe Price Investment Services ("TRPIS"), is the principal distributor of the U.S. mutual funds and contracts with third-party financial intermediaries who distribute these share classes. TRPIS enters into agreements with each intermediary under which each fund is responsible to pay the distribution and service fees directly to the applicable intermediaries. In addition, those U.S. mutual funds offered to investors through variable annuity life insurance plans have a share class that pays a 12b-1 fee of 25 basis points.

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In accounting for 12b-1 fees, the applicable mutual fund share classes incur the related expense and we recognize the corresponding distribution and servicing fee revenue in the administrative, distribution, and servicing fees line of our consolidated statements of income. We also recognize the corresponding cost paid to the third-party financial intermediaries who distribute these funds' share classes within the distribution and servicing costs line of the consolidated statements of income, The fee revenue that we recognize from the funds and the expense that we recognize for the fees paid to third-party intermediaries are equal in amount and, therefore, do not impact our net operating income.

We believe that our lower fund cost structure, distribution methods, and fund shareholder and administrative services help promote the stability of our fund assets under management through market cycles.

Except as noted above for 12b-1 fees earned from the mutual funds, we bear all advertising and promotion expenses associated with the distribution of our investment products. These costs are recognized when incurred and include advertising and direct mail communications to potential shareholders, as well as substantial staff and communications capabilities to respond to investor inquiries. Marketing and promotional efforts are focused in print media, television, and digital and social media. In addition, we direct considerable marketing efforts to defined contribution plans that invest in mutual funds. Advertising and promotion expenditures vary over time based on investor interest, market conditions, new and existing investment offerings, and the development and expansion of new marketing initiatives, including the enhancement of our digital capabilities.

REGULATION.

All aspects of our business are subject to extensive federal, state, and foreign laws and regulations. These laws and regulations are primarily intended to benefit or protect our clients and T. Rowe Price product shareholders. They generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict the conduct of our business in the event that we fail to comply with laws and regulations. Possible sanctions that may be imposed on us, in the event that we fail to comply, include the suspension of individual employees, limitations on engaging in certain business activities for specified periods of time, revocation of our investment adviser and other registrations, censures, and fines.

T. Rowe Price Associates, T. Rowe Price International, T. Rowe Price (Canada), Inc., T. Rowe Price Hong Kong Limited, T. Rowe Price Singapore Private Ltd., and T. Rowe Price Advisory Services, Inc. are registered with the Securities and Exchange Commission ("SEC") as investment advisers under the Investment Advisers Act of 1940. The Investment Advisers Act of 1940 imposes substantive regulation around, among other things, fiduciary duties to clients, transactions with clients, effective compliance programs, conflicts of interest, advertising, recordkeeping, reporting, and disclosure requirements.

T. Rowe Price International is also regulated by the Financial Conduct Authority ("FCA") in the United Kingdom and, in certain cases, by other foreign regulators in countries in which we have a license to conduct business. The Securities and Futures Commission ("SFC") and Monetary Authority of Singapore ("MAS") also regulate T. Rowe Price Hong Kong and T. Rowe Price Singapore, respectively. T. Rowe Price (Canada) is also registered with several of the provincial securities commissions in Canada. T. Rowe Price (Luxembourg) Management Sàrl, the management company of our Luxembourg-based FCP ("Fonds Commun de Placement") and SICAV funds is regulated by the Commission de Surveillance du Secteur Financier ("CSSF"). Our branch offices operated outside the U.S. are also registered with and regulated by the local financial authorities.

Our subsidiaries providing transfer agent services are registered under the Securities Exchange Act of 1934, and our trust company is regulated by the State of Maryland, Commissioner of Financial Regulation.

T. Rowe Price Investment Services is a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. This subsidiary provides brokerage services primarily to complement the other services provided to shareholders of the U.S. mutual funds. Pershing, a third-party clearing broker and an affiliate of BNY Mellon, maintains our brokerage's customer accounts and clears all transactions.

Serving the needs of retirement savers is an important focus of our business. As a result, such activities are subject to regulators such as the U.S. Department of Labor, and applicable laws and regulations including the Employee Retirement Income Security Act of 1974.

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Certain of our subsidiaries are subject to net capital requirements, including those of various federal, state, and international regulatory agencies. Each of our subsidiary's net capital, as defined, meets or exceeds all minimum requirements.

For further discussion of the potential impact of current or proposed legal or regulatory requirements, please see the Legal and Regulatory risk factors included in Item 1A of this Form 10-K.

COMPETITION.

As a member of the financial services industry, we are subject to substantial competition in all aspects of our business. A significant number of proprietary and other sponsors' mutual funds are sold to the public by other investment management firms, broker-dealers, mutual fund companies, banks, and insurance companies. We compete with brokerage and investment banking firms, insurance companies, banks, mutual fund companies, hedge funds, and other financial institutions and funds in all aspects of our business and in every country in which we offer our advisory services. Many of these financial institutions have substantially greater resources than we do. We compete with other providers of investment advisory services primarily based on the availability and objectives of the investment products offered, investment performance, fees and related expenses, and the scope and quality of investment advice and other client services.

In recent years, we have faced significant competition from passive oriented investment strategies. As a result, such products have taken market share from active managers. While we cannot predict how much market share these competitors will gain, we believe there will always be demand for good active management.

In order to maintain and enhance our competitive position, we may review acquisition and venture opportunities and, if appropriate, engage in discussions and negotiations that could lead to the acquisition of a new equity or other financial relationship.

EMPLOYEES.

At December 31, 2018, we employed 7,022 associates, up 2.0% from the 6,881 associates employed at the end of 2017. We may add temporary and part-time personnel to our staff from time to time to meet periodic and special project demands, primarily for technology and mutual fund administrative services.

AVAILABLE INFORMATION.

Our Internet address is troweprice.com. We intend to use our website as means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. These disclosures will be included in the Investor Relations section of our website, troweprice.gcs-web.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act, available free of charge in this section of our website as soon as reasonably practicable after they have been filed with the SEC. In addition, our website includes the following information:

- our financial statement information from our periodic SEC filings in the form of XBRL data files that may be used to facilitate computer-assisted investor analysis;
- corporate governance information including our governance guidelines, committee charters, senior officer code of ethics and conduct, and other governance-related policies;
- other news and announcements that we may post from time to time that investors might find useful or interesting, including our monthly assets under management disclosure; and

- opportunities to sign up for email alerts and RSS feeds to have information pushed in real time.

Accordingly, investors should monitor this section of our website, in addition to following our press releases, SEC filings, and public webcasts, all of which will be referenced on the website. Unless otherwise expressly stated, the information found on our website is not part of this or any other report we file with, or furnish to, the SEC.

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The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains the materials we file with the SEC at www.sec.gov.

Item 1A. Risk Factors.

An investment in our common stock involves various risks, including those mentioned below and those that are discussed from time to time in our periodic filings with the SEC. Investors should carefully consider these risks, along with the other information contained in this report, before making an investment decision regarding our common stock. There may be additional risks of which we are currently unaware, or which we currently consider immaterial. Any of these risks could have a material adverse effect on our financial condition, results of operations, and value of our common stock.

RISKS RELATING TO OUR BUSINESS AND THE FINANCIAL SERVICES INDUSTRY.

Our revenues are based on the market value and composition of the assets under our management, all of which are subject to fluctuation caused by factors outside of our control.

We derive our revenues primarily from investment advisory services provided by our subsidiaries to individual and institutional investors in the U.S. mutual funds and other investment products. Our investment advisory fees typically are calculated as a percentage of the market value of the assets under our management. We generally earn higher fees on assets invested in our equity funds and equity investment portfolios than we earn on assets invested in our fixed income funds and portfolios. Among equity products, there is a significant variation in fees earned from index-based products at the low end and emerging markets products at the high end. Fees also vary across the fixed income products, though not as widely as equity products, with stable value products and money market products at the lower end and non-U.S. dollar denominated bond products at the high end. As a result, our revenues are dependent on the value and composition of the assets under our management, all of which are subject to substantial fluctuation due to many factors, including:

- Investor Mobility. Our investors generally may withdraw their funds at any time, without advance notice and with little to no significant penalty.
- General Market Declines. We derive a significant portion of our revenues from advisory fees on sponsored portfolios. A downturn in stock or bond prices would cause the value of assets under our management to decrease, and may also cause investors to withdraw their investments, thereby further decreasing the level of assets under our management. A decline in equity market valuations may cause investors to transition to lower-fee portfolios such as fixed income, reducing our overall profitability. In addition, international markets, particularly emerging markets, which are often smaller, may not have the liquidity of established markets, may lack established regulations, and may experience significantly more volatility than established markets.
- Investment Performance. If the investment performance of our managed investment portfolios is less than that of our competitors or applicable third-party benchmarks, we could lose existing and potential customers and suffer a decrease in assets under management. Institutional investors in particular, consider changing investment advisers based upon poor relative investment performance. Individual investors in contrast are more likely to react to poor absolute investment performance.
- Capacity Constraints. Prolonged periods of strong relative investment performance and/or strong investor inflows has resulted in and may result in capacity constraints within certain strategies, which can lead to, among other things, the closure of those strategies from additional investor inflows. If certain of our strategies are capacity constrained, our investment results in subsequent periods may be negatively impacted.
- Investing Trends. Changes in investing trends, particularly investor preference for passive or alternative investment products, and in retirement savings trends, including the prevalence of defined contribution retirement plans and

target date retirement products, may reduce interest in our products and may alter our mix of assets under management.

- Interest Rate Changes. Investor interest in and the valuation of our fixed income investment funds and portfolios are affected by changes in interest rates.

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- Geo-Political Exposure. Our managed investment portfolios may have significant investments in international markets that are subject to risk of loss from political or diplomatic developments, government policies, civil unrest, currency fluctuations, and changes in legislation related to foreign ownership.

A decrease in the value of assets under our management, or an adverse change in their composition, could have a material adverse effect on our investment advisory fees and revenues. For any period in which revenues decline, net income and operating margins will likely decline by a greater proportion because certain expenses will be fixed over that finite period and may not decrease in proportion to the decrease in revenues.

A significant majority of our revenues are based on contracts with the U.S. mutual funds that are subject to termination without cause and on short notice.

We provide investment advisory, distribution, and other administrative services to the U.S. mutual funds under various agreements. Investment advisory services are provided to each T. Rowe Price mutual fund under individual investment management agreements. The Board of each T. Rowe Price mutual fund must annually approve the terms of the investment management and service agreements and can terminate the agreement upon 60-days' notice. If a T. Rowe Price mutual fund seeks to lower the fees that we receive or terminate its contract with us, we would experience a decline in fees earned from the U.S. mutual funds, which could have a material adverse effect on our revenues and net income.

We operate in an intensely competitive industry. Competitive pressures may result in a loss of customers and their assets or compel us to reduce the fees we charge to clients, thereby reducing our revenues and net income.

We are subject to competition in all aspects of our business from other financial institutions. Many of these financial institutions have substantially greater resources than we do and may offer a broader range of financial products across more markets. Some competitors operate in a different regulatory environment than we do which may give them certain competitive advantages in the investment products and portfolio structures that they offer. We compete with other providers of investment advisory services primarily based on the availability and objectives of the investment products offered, investment performance, fees and related expenses, and the scope and quality of investment advice and other client services. Some institutions have proprietary products and distribution channels that make it more difficult for us to compete with them. Most of our investment products are available without sales or redemption fees, which means that investors may be more willing to transfer assets to competing products.

The market environment in recent years has led investors to increasingly favor lower fee passive investment products. As a result, investment advisors that emphasize passive products have gained and may continue to gain market share from active managers like us. While we believe there will always be demand for good active management, we cannot predict how much market share these competitors will gain.

If current or potential customers decide to move their assets to one of our competitors, we could face a significant decline in market share, assets under management, revenues, and net income. In the event that we decide to reduce the fees we charge for investment advisory services in response to competitive pressures, which we have done selectively in the past, revenues and operating margins could be adversely impacted.

Our success depends on our key personnel and our financial performance could be negatively affected by the loss of their services.

Our success depends on our highly skilled personnel, including our portfolio managers, investment analysts, sales and client relationship personnel, and corporate officers, many of whom have specialized expertise and extensive experience in our industry. Strong financial services professionals are in demand, and we face significant competition for highly qualified employees. Our U.S.-based associates do not have employment contracts, while our associates outside the U.S. have employment contracts where basic employment terms are confirmed in writing. Generally our associates can terminate their employment with us at any time. We cannot assure that we will be able to attract or retain key personnel.

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Due to the global nature of our investment advisory business, our key personnel may have reasons to travel to regions susceptible to higher risk of civil unrest, organized crime or terrorism and we may be unable to ensure the safety of personnel traveling to these regions. We have near- and long-term succession planning processes, including programs to develop our future leaders, which are intended to address future talent needs and minimize the impact of losing key talent. However, in order to retain or replace our key personnel, we may be required to increase compensation, which would decrease net income. The loss of key personnel could damage our reputation and make it more difficult to retain and attract new employees and investors. Losses of assets from our client investors would decrease our revenues and net income, possibly materially.

Our operations are complex and a failure to perform operational processes could have an adverse effect on our reputation and decrease our revenues.

We provide investment management, product administration, product recordkeeping, and tax reporting services to our clients. In certain cases, we rely on third-party vendors in the execution and delivery of these services. There can be no assurance that these vendors will properly perform these processes or that there will not be interruptions in services from these third parties. Failure to properly execute or oversee these services could subject us to regulatory sanctions, fines, penalties, or litigation.

New investment products we introduce could increase the risk that our existing systems may not be adequate to control the risks introduced by such new investment products. In addition, our information systems and technology platforms might not be able to accommodate our continued growth, and the cost of maintaining such systems might increase from its current level. Materialization of these risks could disrupt our operations, increase our expenses or result in financial exposure, regulatory inquiry or reputational damage.

Any damage to our reputation could harm our business and lead to a loss of revenues and net income.

We have spent many years developing our reputation for integrity, strong investment performance, and superior client service. Our brand is a valuable intangible asset, but it is vulnerable to a variety of threats that can be difficult or impossible to control, and costly or even impossible to remediate. Regulatory inquiries and rumors can tarnish or substantially damage our reputation, even if those inquiries are satisfactorily addressed. Additionally, we are subject to the risk that our employees or third parties acting on our behalf may circumvent controls or act in a manner inconsistent with our policies and procedures. Real or perceived conflicts between our clients' interests and our own, as well as any fraudulent activity or other exposure of client assets or information, may impair our reputation and subject us to litigation or regulatory action. Any damage to our brand could impede our ability to attract and retain customers and key personnel, and reduce the amount of assets under our management, any of which could have a material adverse effect on our revenues and net income.

Our expenses are subject to significant fluctuations that could materially decrease net income.

Our operating results are dependent on the level of our expenses, which can vary significantly for many reasons, including:

- expenses incurred in connection with our multi-year strategic plan to strengthen our long-term competitive position;
- variations in the level of total compensation expense due to, among other things, changes in bonuses, stock-based awards, changes in employee benefit costs due to regulatory or plan design changes, changes in our employee count and mix, competitive factors, market performance, and inflation;
- changes in the level of our advertising and promotion expenses, including the costs of expanding investment advisory services to investors outside of the U.S. and further penetrating U.S. distribution channels;
-

expenses and capital costs incurred to maintain and enhance our administrative and operating services infrastructure, such as technology assets, depreciation, amortization, and research and development;

- changes in the costs incurred for third-party vendors that perform certain administrative and operating services;
- a future impairment of investments that is recognized in our consolidated balance sheet;
- a future impairment of goodwill that is recognized in our consolidated balance sheet;

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- unanticipated material fluctuations in foreign currency exchange rates applicable to the costs of our operations abroad;
- unanticipated costs incurred to protect investor accounts and client goodwill; and
- disruptions of third-party services such as communications, power, and mutual fund transfer agent, investment management, trading, and accounting systems.

Under our agreements with the U.S. mutual funds, we charge the funds certain administrative fees and related expenses based upon contracted terms. If we fail to accurately estimate our underlying expense levels or are required to incur expenses relating to the mutual funds that are not otherwise paid by the funds, our operating results will be adversely affected. While we are under no obligation to provide financial support to any T. Rowe Price investment products, any financial support provided would reduce capital available for other purposes and may have an adverse effect on revenues and net income.

Amendments to Tax Laws may impact the marketability of the products and services we offer our clients or the financial position of the company.

We are subject to income taxes as well as non-income based taxes in both the United States and various foreign jurisdictions. We cannot predict future changes in the tax regulations to which we are subject, and these regulations could have a material impact on our liability or result in increased costs of our tax compliance efforts. Additionally, changes in the status of tax deferred investment options, including retirement plans, tax-free municipal bonds, the capital gains and corporate dividend tax rates, and other individual and corporate tax rates could cause investors to view certain investment products less favorably and reduce investor demand for products and services we offer, which could have an adverse effect on our assets under management and revenues.
Examinations and audits by tax authorities could result in additional tax payments for prior periods.

Based on the global nature of our business, from time to time we are subject to tax audits in various jurisdictions. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. Tax authorities may disagree with certain positions we have taken and assess additional taxes (and, in certain cases, interest, fines, or penalties). We have a process to evaluate whether to record tax liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional income taxes will be due. We adjust these liabilities in light of changing facts and circumstances. Due to the complexity of some of these uncertainties, however, the ultimate resolution may result in a payment that is materially different from our estimates.

We have contracted with third-party financial intermediaries that distribute our investment products in the U.S. and abroad and such relationships may not be available or profitable to us in the future.

These contracted third-party intermediaries generally offer their clients various investment products in addition to, and in competition with, our investment products, and have no contractual obligation to encourage investment in our products. It would be difficult for us to acquire or retain the management of those assets without the assistance of the intermediaries, and we cannot assure that we will be able to maintain an adequate number of investment product offerings and successful distribution relationships. In addition, some investors rely on third-party financial planners, registered investment advisers, and other consultants or financial professionals to advise them on the choice of investment adviser and investment product. These professionals and consultants can favor a competing investment product as better meeting their particular clients' needs. We cannot assure that our investment products will be among their recommended choices in the future. Further, their recommendations can change over time and we could lose their recommendation and their clients' assets under our management. Mergers, acquisitions, and other ownership or management changes could also adversely impact our relationships with these third-party intermediaries. The presence of any of the adverse conditions discussed above would reduce revenues and net income, possibly by material amounts.

Natural disasters and other unpredictable events could adversely affect our operations.

Armed conflicts, terrorist attacks, cyber-attacks, power failures, climate change, and natural disasters could adversely affect our revenues, expenses, and net income by:

- decreasing investment valuations in, and returns on, the investment portfolios that we manage,

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- causing disruptions in national or global economies that decrease investor confidence and make investment products generally less attractive,
- incapacitating or inflicting losses of lives among our employees,
- interrupting our business operations or those of critical service providers,
- triggering technology delays or failures, and
- requiring substantial capital expenditures and operating expenses to remediate damage, replace our facilities, and restore our operations.

A significant portion of our business operations are concentrated in the Baltimore, Maryland region and in London, England. We have developed various backup systems and contingency plans but we cannot be assured that those preparations will be adequate in all circumstances that could arise, or that material interruptions and disruptions will not occur. We also rely to varying degrees on outside vendors for service delivery in addition to technology and disaster contingency support, and we cannot be assured that these vendors will be able to perform in an adequate and timely manner. If we lose the availability of any associates, or if we are unable to respond adequately to such an event in a timely manner, we may be unable to timely resume our business operations, which could lead to a tarnished reputation and loss of customers that results in a decrease in assets under management, lower revenues, and materially reduced net income.

Our investment income and asset levels may be negatively impacted by fluctuations in our investment portfolio.

We currently have a substantial investment portfolio. All of these investments are subject to investment market risk and our non-operating investment income could be adversely affected by the realization of losses upon the disposition of our investments or the recognition of significant impairments and the recognition of unrealized losses related to T. Rowe Price products that are consolidated or accounted for under the equity method. In addition, related investment income has fluctuated significantly over the years depending upon the performance of our corporate investments, including the impact of market conditions and interest rates, and the size of our corporate money market and longer-term mutual fund holdings. Fluctuations in other investment income are expected to occur in the future.

We may review and pursue acquisition and investment opportunities in order to maintain or enhance our competitive position and these could pose risks.

We consider opportunistic acquisitions to grow existing business, add new technologies, or expand distribution. We cannot be certain that we will be able to identify, consummate and successfully integrate acquisitions, and no assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. Any strategic transaction can involve a number of risks, including additional demands on our staff; unanticipated problems regarding integration of investor account and investment security recordkeeping, additional or new regulatory requirements, operating facilities and technologies, and new employees; adverse effects on earnings in the event acquired intangible assets or goodwill become impaired; and the existence of liabilities or contingencies not disclosed to or otherwise known by us prior to closing a transaction.

We own a 26% investment in UTI Asset Management Company Ltd ("UTI"), an Indian asset management company, and we may consider non-controlling minority investments in other entities in the future. We may not realize future returns from such investments or any collaborative activities that may develop in the future.

We are exposed to risks arising from our international operations.

We operate in a number of jurisdictions outside of the U.S. and have an equity investment in UTI. Our international operations require us to comply with the legal and regulatory requirements of various foreign jurisdictions and expose us to the political consequences of operating in foreign jurisdictions. Our foreign business operations are also subject to the following risks:

- difficulty in managing, operating, and marketing our international operations;
- fluctuations in currency exchange rates which may result in substantial negative effects on assets under our management, revenues, expenses, and assets in our U.S. dollar based financial statements; and

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- significant adverse changes in international legal and regulatory environments.

The quantitative models we use may contain errors, which could result in financial losses or adversely impact product performance and client relationships.

We use various quantitative models to support investment decisions and processes, including those related to risk assessment, portfolio management, and activities. Any errors in the underlying models or model assumptions could have unanticipated and adverse consequences on our business and reputation.

LEGAL AND REGULATORY RISKS.

Compliance within a complex regulatory environment imposes significant financial and strategic costs on our business, and non-compliance could result in fines and penalties.

If we are unable to maintain compliance with applicable laws and regulations, we could be subject to criminal and civil liability, the suspension of our employees, fines, penalties, sanctions, injunctive relief, exclusion from certain markets, or temporary or permanent loss of licenses or registrations necessary to conduct our business. A regulatory proceeding, even if it does not result in a finding of wrongdoing or sanctions, could consume substantial expenditures of time and capital. Any regulatory investigation and any failure to maintain compliance with applicable laws and regulations could severely damage our reputation, adversely affect our ability to conduct business, and decrease revenue and net income.

Legal and regulatory developments in the mutual fund and investment advisory industry could increase our regulatory burden, impose significant financial and strategic costs on our business, and cause a loss of, or impact the servicing of, our clients and fund shareholders.

Our regulatory environment is frequently altered by new regulations and by revisions to, and evolving interpretations of, existing regulations. New regulations present areas of uncertainty susceptible to alternative interpretations; regulators and prospective litigants may not agree with reasoned interpretations we adopt. Future changes could require us to modify or curtail our investment offerings and business operations, or impact our expenses and profitability. Additionally, some regulations may not directly apply to our business but may impact the capital markets, service providers or have other indirect effects on our ability to provide services to our clients.

Potential impacts of current or proposed legal or regulatory requirements include, without limitation, the following:

- As part of the debate in Washington, D.C. and in state legislatures, there has been increasing focus on the framework of the U.S. retirement system. We could experience adverse business impacts if legislative and regulatory changes limit retirement plans to certain products and services, or favor certain investment vehicles, that we do not offer or are not core to our business.
- There has been substantial regulatory and legislative activity at federal and state levels regarding standards of care for financial services firms, related to both retirement and taxable accounts. This includes the U.S. Department of Labor’s ("DOL") adoption of a fiduciary rule that was ultimately struck down by the Fifth Circuit Court of Appeals and the SEC’s proposal of a package of related rules and interpretations. The ultimate action taken by the DOL, SEC or other applicable regulatory or legislative body may impact our business activities and increase our costs.
- The Federal Reserve Board has adopted final regulations related to non-bank Systemically Important Financial Institutions ("SIFIs"), and other jurisdictions are contemplating similar regulation. It has been suggested that large mutual funds, particularly money market funds, should be designated as SIFIs. We do not believe that mutual funds

should be deemed SIFIs. Further, we do not believe the SIFI designation was intended for traditional asset management businesses. However, if any T. Rowe Price fund or T. Rowe Price affiliate is deemed a SIFI, increased regulatory oversight would apply, which may include enhanced capital, liquidity, leverage, stress testing, resolution planning, and risk management requirements.

- The Commodity Futures Trading Commission has adopted certain amendments to its rules that would limit the ability of T. Rowe Price investment products to use commodities, futures, swaps, and other derivatives

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without additional registration. If we are required to register, we would be subject to additional regulatory requirements and costs associated with registration.

- There has been increased global regulatory focus on the manner in which intermediaries are paid for distribution of mutual funds. Changes to long-standing market practices related to fees or enhanced disclosure requirements may negatively impact sales of mutual funds by intermediaries, especially if such requirements are not applied to other investment products.

- We remain subject to various state, federal and international laws and regulations related to data privacy and protection of data we maintain concerning our customers and employees. These requirements continue to evolve. For example, the European Union has adopted changes, effective in May 2018, which, among other things, significantly increased the potential penalties for non-compliance.

- Global regulations on over the counter derivatives are evolving, including new and proposed regulations under The Dodd-Frank Wall Street Reform and Consumer Protection Act and European Market Infrastructure Regulation relating to central clearing counterparties, trade reporting, and repositories. In addition, the SEC has adopted new regulations that will require mutual funds to adopt liquidity risk management programs with specific requirements for measuring and reporting the liquidity of fund holdings. Uncertainty related to requirements of existing regulations as well as yet to be finalized regulations may have negative impacts on currently offered investment strategies.

- The revised Markets in Financial Instruments Directive ("MiFID II Directive") and Regulation ("MiFIR") (together “MiFID II”) applied across the European Union (“EU”) and member states of the European Economic Area began on January 3, 2018. Implementation of MiFID II has significantly impacted both the structure and operation of EU financial markets. Some of the main changes introduced under MiFID II include applying enhanced disclosure requirements, enhancing conduct of business and governance requirements, broadening the scope of pre and post trade transparency, increasing transaction reporting requirements, transforming the relationship between client commissions and research, and further regulation of trading venues. Compliance with MiFID II has increased our costs, as we began to pay for third-party investment research used by our UK-based investment manager, T. Rowe Price International Ltd, in 2018.

We cannot predict the nature of future changes to the legal and regulatory requirements applicable to our business, nor the extent of the impacts that will result from current or future proposals. However, any such changes are likely to increase the costs of compliance and the complexity of our operations. They may also result in changes to our product or service offerings. The changing regulatory landscape may also impact a number of our service providers and, to the extent such providers alter their services or increase their fees, it may impact our expenses or those of the products we offer.

We may become involved in legal and regulatory proceedings that may not be covered by insurance.

We are subject to regulatory and governmental inquiries and civil litigation. An adverse outcome of any such proceeding could involve substantial financial penalties. From time to time, various claims against us arise in the ordinary course of business, including employment-related claims. There also has been an increase in litigation and in regulatory investigations in the financial services industry in recent years, including customer claims, class action suits, and government actions alleging substantial monetary damages and penalties.

We carry insurance in amounts and under terms that we believe are appropriate. We cannot be assured that our insurance will cover every liability and loss to which we may be exposed, or that our insurance policies will continue to be available at acceptable terms and fees. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or co-insurance liabilities, or pay higher premiums, which would increase our expenses and reduce our net income.

Net capital requirements may impede the business operations of our subsidiaries.

Certain of our subsidiaries are subject to net capital requirements imposed by various federal, state, and foreign authorities. Each of our subsidiaries' net capital meets or exceeds all current minimum requirements; however, a significant change in the required net capital, an operating loss, or an extraordinary charge against net capital could

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adversely affect the ability of our subsidiaries to expand or maintain their operations if we were unable to make additional investments in them.

United Kingdom exit from European Union.

We have a significant locally authorized and regulated presence in the United Kingdom ("UK") to support our global investment management business. The ultimate impact of the UK exit ("Brexit") from the European Union ("EU"), on our business operations in the UK and Europe could vary depending on the details of the separation agreement. While we cannot predict the outcome at this time, we are in the process of realigning our EU and UK operations so that we are as prepared if the EU and UK are unable to reach a separation agreement. We remain committed to our clients, associates and business expansion across the region.

TECHNOLOGY RISKS.

We require specialized technology to operate our business and would be adversely affected if we fail to maintain adequate infrastructure to conduct or expand our operations or if our technology became inoperative or obsolete.

We depend on highly specialized and, in many cases, proprietary or third-party licensed technology to support our business functions, including among others:

- securities analysis,
- securities trading,
- portfolio management,
- customer service,
- accounting and internal financial reporting processes and controls, and
- regulatory compliance and reporting.

All of our technology systems, including those provided by vendors, are vulnerable to disability or failures due to cyber-attacks, natural disasters, power failures, acts of war or terrorism, sabotage, and other causes. A suspension or termination of vendor-provided software licenses or related support, upgrades, and maintenance could cause system delays or interruption. Although we have robust business and disaster recovery plans, if our technology systems were to fail and we were unable to recover in a timely way, we would be unable to fulfill critical business functions, which could lead to a loss of customers and could harm our reputation. A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to disciplinary action and liability to our customers.

In addition, our continued success depends on our ability to effectively integrate operations across many countries, and to adopt new or adapt existing technologies to meet client, industry, and regulatory demands. We might be required to make significant capital expenditures to maintain competitive infrastructure. If we are unable to upgrade our infrastructure in a timely fashion, we might lose customers and fail to maintain regulatory compliance, which could affect our results of operations and severely damage our reputation.
A cyberattack or a failure to implement effective information and cybersecurity policies, procedures and capabilities could disrupt operations and cause financial losses.

We are dependent on the effectiveness of the information and cybersecurity policies, procedures and capabilities we maintain to protect our systems and data. An externally caused information security incident, such as a cyberattack, a phishing scam, virus, or denial-of-service attack, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential client or competitive information. In addition, our third-party vendors could be subject to a successful cyberattack or other information security event, and we cannot ensure that such third parties have all appropriate controls in place to protect the confidentiality of information in the custody of those vendors. Should our technology operations be compromised, we may have to make significant investments to upgrade, repair or replace our technology infrastructure and may not be able to make such investments on a timely basis. Although we maintain insurance coverage that we believe is reasonable, prudent and

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adequate for the purpose of our business, it may be insufficient to protect us against all losses and costs stemming from breaches of security, cyberattacks and other types of unlawful activity, or any resulting disruptions from such events.

We could be subject to losses if we fail to properly safeguard sensitive and confidential information.

As part of our normal operations, we maintain and transmit confidential information about our clients, as well as, proprietary information relating to our business operations. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting, and unauthorized access to sensitive or confidential data is either prevented or detected in a timely manner. We also leverage cloud-based solutions for the transmission and storage of this information. Our systems, or those of third-party service providers we may use to maintain and transmit such information, could be victimized by unauthorized users or corrupted by computer viruses or other malicious software code. Additionally, authorized persons could inadvertently or intentionally release confidential or proprietary information. Such disclosure could, among other things:

- seriously damage our reputation,
- allow competitors access to our proprietary business information,
- subject us to liability for a failure to safeguard client data,
- result in the termination of contracts by our existing customers,
- subject us to regulatory action, and
- require significant capital and operating expenditures to investigate and remediate the breach.

Furthermore, if any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions.

We are subject to numerous laws and regulations designed to protect this information, such as U.S. federal and state laws and foreign regulations governing the protection of client data. In addition to GDPR, other governmental authorities throughout the U.S. and around the world are considering similar types of legislative and regulatory proposals concerning data protection. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 ("the CCPA"), which will come into effect on January 1, 2020. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. Each of these privacy, security, and data protection laws and regulations could impose significant limitations, require changes to our business, or restrict our use or storage of personal information, which may increase our compliance expenses and make our business more costly or less efficient to conduct.

Item 1B.Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters occupies 472,000 square feet of space under lease until 2027 at 100 East Pratt Street in Baltimore, Maryland. We have offices in 16 countries around the world, including the U.S.

Our operating and servicing activities are largely conducted at owned facilities in campus settings comprising 1.2 million square feet on three parcels of land in close proximity to Baltimore in Owings Mills, Maryland, and about 290,000 square feet in Colorado Springs, Colorado. We also maintain a nearly 60,000 square foot technology support facility in Hagerstown, Maryland, and own a 72-acre parcel of land in Pasco County, Florida.

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We lease all our offices outside the U.S. with London and Hong Kong being our largest, as well as our business operations recovery site and innovation center in Maryland, a sales and client relationship office in San Francisco, and our technology development center in New York City. In June 2018, we announced we would be closing our Tampa, Florida customer service call center in June 2019.

Information concerning our anticipated capital expenditures in 2019 and our future minimum rental payments under noncancelable operating leases at December 31, 2018, is set forth in the capital resources and liquidity and contractual obligations discussions in Item 7 of this Form 10-K.

Item 3. Legal Proceedings.

On February 14, 2017, T. Rowe Price Group, Inc., T. Rowe Price Associates, Inc., T. Rowe Price Trust Company, current and former members of the management committee, and trustees of the T. Rowe Price U.S. Retirement Program were named as defendants in a lawsuit filed in the United States District Court for the District of Maryland. The lawsuit alleges breaches of ERISA’s fiduciary duty and prohibited transaction provisions on behalf of a class of all participants and beneficiaries of the T. Rowe Price 401(k) Plan from February 14, 2011, to the time of judgment. The plaintiffs are seeking certification of the complaint as a class action. T. Rowe Price believes the claims are without merit and is vigorously defending the action. This matter is in the early stages of litigation and we cannot predict the eventual outcome or whether it will have a material negative impact on our financial results, or estimate the possible loss or range of loss that may arise from any negative outcome.

On April 27, 2016, certain shareholders in the T. Rowe Price Blue Chip Growth Fund, T. Rowe Price Capital Appreciation Fund, T. Rowe Price Equity Income Fund, T. Rowe Price Growth Stock Fund, T. Rowe Price International Stock Fund, T. Rowe Price High Yield Fund, T. Rowe Price New Income Fund and T. Rowe Price Small Cap Stock Fund (the “Funds”) filed a Section 36(b) complaint under the caption Zoidis v. T. Rowe Price Assoc., Inc., against T. Rowe Price Associates, Inc. (“T. Rowe Price”) in the United States District Court for the Northern District of California. The complaint alleges that the management fees for the identified funds are excessive because T. Rowe Price charges lower advisory fees to subadvised clients with funds in the same strategy. The complaint seeks to recover the allegedly excessive advisory fees received by T. Rowe Price in the year preceding the start of the lawsuit, along with investments’ returns and profits. In the alternative, the complaint seeks the rescission of each fund’s investment management agreement and restitution of any allegedly excessive management fees. T. Rowe Price believes the claims are without merit and is vigorously defending the action. This matter is in the discovery phase of litigation and we cannot predict the eventual outcome or whether it will have a material negative impact on our financial results, or estimate the possible loss or range of loss that may arise from any negative outcome.

In addition to the matters discussed above, various claims against us arise in the ordinary course of business, including employment-related claims. In the opinion of management, after consultation with counsel, the likelihood of an adverse determination in one or more of these pending ordinary course of business claims that would have a material adverse effect on our financial position or results of operations is remote.

Item 4. Mine Safety Disclosures.

Not applicable.

Item. Executive Officers of the Registrant.

The following information includes the names, ages, and positions of our executive officers as of February 13, 2019. There are no arrangements or understandings pursuant to which any person serves as an officer. The first 10 individuals are members of our management committee.

William J. Stromberg (58), President and Chief Executive Officer since 2016. Mr. Stromberg was previously the Head of Equity from 2010 to 2015 and a Vice President from 1990 to 2015.

Céline S. Dufétel (38), Chief Financial Officer and Treasurer since 2018 and a Vice President since 2017. Prior to joining the firm in 2017, Ms. Dufétel was managing director and global head of marketing, product management, and client service at Neuberger Berman, and prior to that, she was a partner and head of the North American Asset Management practice with McKinsey & Company.

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Christopher D. Alderson (56), Co-Head of Global Equity since 2017, Head of International Equity from 2009 to 2017, and a Vice President since 2002.

Scott B. David (52), Head of Individual and Retirement Plan Services and a Vice President since 2011.

Robert C.T. Higginbotham (51), Head of Global Investment Management Services since 2018, Head of Global Investment Services from 2012 to 2018, and a Vice President since 2012.

Andrew McCormick (58), Head of Fixed Income from 2019, Head of U.S. Taxable Bond from 2013 to 2018, and a Vice President since 2008.

David Oestreicher, (51), Chief Legal Counsel since 2008, Corporate Secretary since 2012, and a Vice President since 2001.

Sebastien Page (42), Head of Global Multi-Asset and a Vice President since 2015. From 2010 through 2015, Mr. Page was an executive vice president at PIMCO, where he led a team focused on research and development of multi-asset solutions.

Robert W. Sharps, (47), Head of Investments since 2018, Group Chief Investment Officer since 2017, Co-Head of Global Equity from 2017 to 2018, Lead Portfolio Manager, Institutional U.S. Large-Cap Equity Growth Strategy from 2001 to 2016, and a Vice President since 2001.

Eric Veiel (47), Co-Head of Global Equity since 2018, Head of U.S. Equity from 2016 to 2018, Director of Equity Research North America from 2014 to 2015, and a Vice President since 2006.

Jessica M. Hiebler (43), Principal Accounting Officer since 2010 and a Vice President since 2009.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock ($.20 par value per share) trades on the NASDAQ Global Select Market under the symbol TROW. Dividends per share during the past two years were:

	1st quarter	2nd quarter	3rd quarter	4th quarter
2018	$ .70	$ .70	$ .70	$ .70
2017	$ .57	$ .57	$ .57	$ .57

Our common stockholders have approved all of our equity-based compensation plans. These plans provide for the following issuances of shares of our common stock at December 31, 2018:

	Employee and non-employee director plans	Employee stock purchase plan	Total
Exercise of outstanding options	11,300,393	—	11,300,393
Settlement of outstanding restricted stock units	6,651,559	—	6,651,559
Future issuances	20,024,786	2,340,343	22,365,129
Total	37,976,738	2,340,343	40,317,081

The outstanding options included in the table above have a weighted-average exercise price of $69.05. Under the terms of the 2012 Long-Term Incentive Plan, approved by stockholders in April 2012, the number of shares provided and available for future issuance will increase as we repurchase common stock in the future with the proceeds from stock option exercises. No shares have been issued under our Employee Stock Purchase Plan since its inception; all shares have been purchased in the open market.

The following table presents repurchase activity during the fourth quarter of 2018.

Month	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum number of shares that may yet be purchased under the program
October	2,568,894	$ 100.36	2,553,865	17,276,682
November	727,394	$ 94.66	721,129	16,555,553
December	2,353,584	$ 90.85	2,207,747	14,347,806
Total	5,649,872	$ 95.67	5,482,741	

Shares repurchased by us in a quarter may include repurchases conducted pursuant to publicly announced Board authorizations, outstanding shares surrendered to the company to pay the exercise price in connection with swap exercises of employee stock options and shares withheld to cover the minimum tax withholding obligation associated with the vesting of restricted stock awards. Of the total number of shares purchased during the fourth quarter of 2018, 44,511 were related to shares surrendered in connection with employee stock option exercises and 122,620 were related to shares withheld to cover tax withholdings associated with the vesting of restricted stock awards.

The remaining 5,482,741 shares of our common stock purchased during the fourth quarter of 2018 were repurchased pursuant to the Board of Directors’ December 6, 2016, publicly announced authorization. The maximum number of shares that may yet be purchased as of December 31, 2018, under the Board of Directors’ December 6, 2016, and April

26, 2018, publicly announced authorizations is 14,347,806. On February 12, 2019, the Board of Directors approved an authorization to repurchase an additional 10 million shares of common stock.

We have 7,480 stockholders of record and approximately 213,000 beneficial stockholder accounts held by brokers, banks, and other intermediaries holding our common stock. Common stock owned outright by our associates,

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combined with outstanding vested stock options and unvested restricted stock awards, total 13% of our outstanding stock and outstanding vested stock options at December 31, 2018.

Item 6. Selected Financial Data.

	2018	2017	2016	2015	2014
	(in millions, except per-share data)				
Net revenues[1]	$5,373	$4,855	$4,285	$4,201	$3,982
Net operating income	$2,361	$2,109	$1,733	$1,899	$1,891
Net income	$1,769	$1,581	$1,254	$1,223	$1,230
Net income (loss) attributable to redeemable non-controlling interests	$(69)	$83	$39	$—	$—
Net income attributable to T. Rowe Price Group	$1,838	$1,498	$1,215	$1,223	$1,230
Adjusted net income attributable to T. Rowe Price Group[2]	$1,807	$1,361	$1,149	$1,160	$1,161
Per common share information					
Basic earnings	$7.41	$6.07	$4.85	$4.74	$4.68
Diluted earnings	$7.27	$5.97	$4.75	$4.63	$4.55
Adjusted diluted earnings[2]	$7.15	$5.43	$4.49	$4.39	$4.29
Cash dividends declared[3]	$2.80	$2.28	$2.16	$4.08	$1.76
Weighted-average common shares outstanding	242.2	241.2	245.5	254.6	259.6
Weighted-average common shares outstanding assuming dilution	246.9	245.1	250.3	260.9	267.4

	December 31,				
	2018	2017	2016	2015	2014
Balance sheet data (in millions)					
Total assets	$7,689	$7,535	$6,226	$5,107	$5,644
Redeemable non-controlling interests	$740	$993	$687	$—	$—
Stockholders’ equity	$6,124	$5,824	$5,009	$4,762	$5,395
Assets under management (in billions)	$962.3	$991.1	$810.8	$763.1	$746.8

[1] Net revenues for 2017 and 2016 have been adjusted to reflect the adoption of new revenue accounting guidance on January 1, 2018. We adopted the guidance using the retrospective method, which required adjustments to be reflected as of January 1, 2016. Accordingly, net revenues for 2015 and 2014 have not been adjusted. See the New Accounting Guidance section of Note 1 to the consolidated financial statements within Item 8, Financial Statements and Supplementary Data for more information about the adoption of this guidance.

[2] These items represent non-GAAP financial measures that have been established in order to increase transparency for the purpose of evaluating our core business, for comparing current results with prior period results, and to enable more appropriate comparison with industry peers. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for the definitions of these measures and the related reconciliation from U.S. GAAP.

[3] Cash dividends declared in 2015 includes a special dividend of $2.00 per share that we paid during that year.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW.

Our revenues and net income are derived primarily from investment advisory services provided to individual and institutional investors in U.S. mutual funds, separately managed accounts, subadvised funds, and other T. Rowe Price products. The other T. Rowe Price products include: collective investment trusts, target date retirement trusts, open-ended investment products offered to investors outside the U.S., and products offered through variable annuity life insurance plans in the U.S.

We manage a broad range of U.S., international and global stock, bond, and money market mutual funds and other investment products, which meet the varied needs and objectives of individual and institutional investors. Investment advisory revenues depend largely on the total value and composition of assets under our management. Accordingly, fluctuations in financial markets and in the composition of assets under management affect our revenues and results of operations. We incur significant expenditures to develop new products and services and improve and expand our capabilities and distribution channels in order to attract new investment advisory clients and additional investments from our existing clients. These efforts often involve costs that precede any future revenues that we may recognize from an increase to our assets under management.

The general trend to passive investing has been persistent and accelerated in recent years, which has negatively impacted our new client inflows. However, over the long term we expect well-executed active management to play an important role for investors. In this regard, we remain debt-free with ample liquidity and resources that allow us to take advantage of attractive growth opportunities. We are investing in key capabilities, including investment professionals, technologies, and new product offerings; and, most importantly, are providing our clients with strong investment management expertise and service both now and in the future.

In 2019, we expect to advance our strategic priorities to sustain and deepen our investment talent, add investment capabilities both in terms of new strategies and new investment vehicles, expand capabilities through enhanced technology, and broaden our distribution reach globally. We currently expect our 2019 non-GAAP operating expenses to grow in the range of 4% to 7%. This expense growth range factors in continued investments in the business, our cost optimization efforts, and the incremental cost of paying for all third-party investment research as and when implemented. We could elect to adjust our expense growth should unforeseen circumstances arise, including significant market movements.

MARKET TRENDS.

U.S. stocks declined in 2018, the worst year for the U.S. equity market since 2008. Stocks rose for much of the year, but market volatility-stemming from rising short-term interest rates and heightened global trade tensions, especially between the U.S. and China-was relatively high. While most major U.S. stock indexes reached all-time highs around the end of the third quarter, equities plunged in the final months of the year, with several indexes falling into or close to bear market territory down at least 20% from recent highs by the end of the year. The market faltered amid forecasts for slowing corporate earnings growth in 2019 and fears that the Federal Reserve would continue to raise interest rates in 2019 even if indications of softness in the U.S. economy emerge.

Stocks in developed non-U.S. equity markets fared worse than U.S. shares. Japanese shares dropped almost 13%, as the export-oriented country was hurt by global trade tensions throughout the year and Japan’s economic contraction in the third quarter. European stocks declined over 14% in U.S. dollar terms amid political turmoil, slowing growth, and global trade tensions.

Emerging markets stocks performed slightly worse than shares in developed non-U.S. markets. In Asia, global trade tensions hurt several emerging markets significantly. In emerging Europe, Turkish stocks plummeted roughly 41% as the lira plunged due to factors such as elevated inflation and tensions with the U.S. In Latin America, Brazilian shares ended the year nearly flat after a fourth-quarter surge on optimism that Brazil's newly elected president will pursue business-friendly policies and pension reform. Mexican stocks fell about 15% amid concerns about the governing style of the country's new president.

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Results of several major equity market indexes for 2018 are as follows:

S&P 500 Index	(4.4)%
NASDAQ Composite Index[1]	(3.9)%
Russell 2000 Index	(11.0)%
MSCI EAFE (Europe, Australasia, and Far East) Index	(13.4)%
MSCI Emerging Markets Index	(14.3)%

[1] Returns exclude dividends

Global bond returns were generally negative for the year. U.S. fixed income performance was mostly flat to negative, as the Federal Reserve raised the federal funds target rate four times. Treasury yields increased across all maturities; the 10-year Treasury note yield increased from 2.40% to 2.69% during the year but decreased from seven-year highs above 3.20% in early October. In the investment-grade universe, asset- and mortgage-backed securities posted positive returns, while long-term corporate and Treasury securities declined. Municipal bonds easily outperformed taxable securities. High yield bonds fell as credit spreads-the yield differences between higher- and lower-quality bonds-widened due to late-year risk aversion.

Bond returns in developed non-U.S. markets were negative in U.S. dollar terms. While bond yields in some European markets declined and bond prices rose-especially late in the year-as investors fled equity market volatility, the stronger dollar versus the euro and the British pound hurt returns in dollar terms. Japanese government bond ("JGB") yields were little changed for the year, but a stronger yen versus the dollar lifted JGB returns to U.S. investors.

Dollar-denominated emerging markets debt declined amid poor performance stemming from rising long-term interest rates in some countries and currency weakness in most developing markets. In an attempt to defend their currencies, some emerging markets central banks were forced to raise short-term interest rates. Bonds denominated in local currencies performed worse than dollar-denominated debt.

Results of several major bond market indexes for 2018 are as follows:

Bloomberg Barclays U.S. Aggregate Bond Index	—%
JPMorgan Global High Yield Index	(2.4)%
Bloomberg Barclays Municipal Bond Index	1.3%
Bloomberg Barclays Global Aggregate Ex-U.S. Dollar Bond Index	(2.2)%
JPMorgan Emerging Markets Bond Index Plus	(5.3)%

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ASSETS UNDER MANAGEMENT.

Assets under management ended 2018 at $962.3 billion, a decrease of $28.8 billion from the end of 2017. We had net cash inflows of $13.2 billion for 2018, but market depreciation and losses, including distributions not reinvested, lowered our assets under management by $42.0 billion. The following table details changes in our assets under management by vehicle during the last three years:

(in billions)	U.S. mutual funds	Subadvised and separate accounts	Other investment products	Total
Assets under management at December 31, 2015	$487.1	$ 198.7	$ 77.3	$763.1
Net cash flows before client transfers	.3	(5.5)	2.4	(2.8)
Client transfers[1]	(4.9)	.3	4.6	—
Net cash flows after client transfers	(4.6)	(5.2)	7.0	(2.8)
Net market appreciation/(depreciation) and income/ (losses)	32.6	13.4	5.4	51.4
Distributions not reinvested	(.9)	—	—	(.9)
Change during the period	27.1			