

T. Rowe Price
Investment Manager Review
February 19, 2010

EXECUTIVE SUMMARY

- On February 19, 2009 Martin Bélanger met with the following T. Rowe Price professionals from 8:45 a.m. to 2:00 p.m. at their Baltimore office:
 - Marlon Brown, Institutional Client Service
 - Anna Dopkin, Director of Equity Research
 - Ken Allen, Equity Analyst
 - Debbie Seidel, Business Risk Manager
 - Rob Gensler, Portfolio Manager
 - Josh Nelson, Associate Portfolio Manager
 - Sue Melton, Head of Global Client Operations
 - Pam Hayes, Senior Manager of Investment Compliance
 - Brian Briggs, Associate Director Compliance
 - Andy Brooks, Head of Equity Trading
- Ranked “Hire” by Russell
- T. Rowe Price manages 8.75% of the Diversified Equity Fund
- UWO had \$40.3 million with T. Rowe Price as of December 31, 2009 and annualized investment management fees are 0.61% at that asset level
- T. Rowe Price investment style is bottom-up, growth
- T. Rowe Price was hired on September 30, 2008
- The Retirement Plans invest in a pooled fund managed by T. Rowe Price
- The stock market rebound of 2009 has allowed T. Rowe Price’s assets under management to increase to US\$ 390 billion, up from a low of US\$ 268 billion in 2008
- The firm experienced positive net cash flows of US\$ 25 billion in 2009 in assets under management
- There has been no change in T. Rowe Price’s corporate structure. The firm is publicly traded and is listed on the NASDAQ under the symbol TROW. On January 20, 2010 T. Rowe Price acquired a 26% stake in UTI Asset Management Company, an Indian asset manager with US\$ 17.8 billion in assets under management.
- The global equity fund managed by T. Rowe Price posted a return of 23.41% in 2009, outperforming the MSCI All-Country World Index by 8.43%.
 - Most of the outperformance came from stock selection in Consumer Discretionary and Industrials
 - Because of a difficult start in October 2008, the portfolio has generated a negative value added of 4.75% annualized since inception
- There’s been a change in investment personnel affecting our portfolio. Josh Nelson has replaced Scott Berg as Associate Portfolio Manager on the strategy. I don’t think it is a significant change as Rob Gensler, the lead Portfolio Manager, is the driving force behind the strategy.
- T. Rowe Price’s investment process has not changed since we’ve hired them.
- Their research process considers environmental, social or governance factors to some extent. They spend a significant amount of time reviewing governance issues.

Regarding environmental and social issues, they will consider them if they feel they will impact the risk or the return of the portfolio.

- Rob Gensler currently manages US\$ 15.6 billion in global equities. The strategy is closed for new clients but existing clients are allowed to make contributions.
- T. Rowe Price doesn't have any major compliance issues. They're not currently facing any litigation, they have an adequate code of conduct, the funds managed on behalf of UWO are in compliance with the prospectus of the SICAV (Société d'investissement à capital variable) and T. Rowe Price is not aware of any conflict of interest involving its personnel. The SEC has raised four minor issues in its last regulatory review, held in 2008 (see Compliance Section for more details).
- T. Rowe Price has an adequate business continuity plan.

RECOMMENDATION

- T. Rowe Price posted excellent results in 2009. The strategy's portfolio manager, Rob Gensler is very dedicated and passionate about managing money.
- T. Rowe Price's strengths include its strong research platform, superior risk management practices and financial soundness.
- Given the above and Russell's "Hire" recommendation, I don't recommend making any changes to our relationship with T. Rowe Price.

ORGANIZATION

- US\$ 390 billion in assets under management as of December 31, 2009, including US\$ 15.6 billion in global equity strategies managed by Rob Gensler
- Assets under management have rebounded from a low of US\$ 268 billion in 2008, but they are still below the 2007 level when they were at US\$ 400 billion
- T. Rowe Price had positive net cash flows of US\$ 25 billion in assets in 2009
- They had a net gain in clients in 2009
- UWO had \$40.3 million with T. Rowe Price as of December 31, 2009
- T. Rowe Price is a publicly traded company, listed on the NASDAQ under the symbol TROW
- The firm was in good financial shape at the end of 2009 with US\$1.4 billion in cash on its balance sheet
- T. Rowe Price had 339 investment professionals at the end of 2009
- On January 20, 2010 T. Rowe Price acquired a 26% stake in UTI Asset Management Company, an Indian asset manager with US\$ 17.8 billion in assets under management
- T. Rowe Price has well documented policies to manage risk across the organization, not only investment risk, but also business risk such as operational risk, human capital risk, financial reporting and accounting risk, and marketing, sales and distribution risk
- The firm has several measures in place to prevent fraud:
 - Strong segregation of duty
 - Limited access to cash and payments
 - 10-day holding period before releasing funds
 - Individuals who transact can't do reconciliation

- T. Rowe Price has processes in place to prevent market timing from its retail investors:
 - A program monitors retail investors' behaviours
 - As inappropriate behaviours are identified, different warnings and sanctions are issued, going up to a complete freeze of the account
- Current projects under way regarding risk management include implementing firm-wide consistent risk metrics and moving all areas of the firm to an annual assessment process
- T. Rowe Price has an adequate business continuity plan. The firm operates an alternative site located in Linthicum, Maryland. They do live tests twice a year.

GLOBAL EQUITY MANDATE

Performance Analysis

	Periods Ended Dec 31, 2009		
	Q4 2009	One Year	Since Inception (September 30, 2008)
T. Rowe Price Global Equity	1.71%	23.41%	-1.72%
MSCI AC World	0.76%	14.98%	3.03%
Value Added	0.95%	8.43%	-4.75%

- The fund has 63 names (as of December 31, 2009); the Fund will typically hold between 60 and 100 stocks
- Their investable universe is comprised of companies with a market capitalization greater than \$1 billion located in global developed and emerging markets
- T. Rowe Price outperformed its benchmark by 8.43% in 2009
 - Most of the value added came from stock selection; sector allocation detracted value in 2009
 - Stock selection in Consumer Discretionary and Industrials as well as an overweight in Information Technology have added value
 - Stock selection in Health Care and sector allocation in Telecom Services, Health Care and Utilities have detracted value
- From a regional point of view, stock selection in the U.S. and Latin America as well as an overweight in Latin America and an underweight in Japan have added the most value in 2009
- Stock selection in Canada, Developed Europe and Emerging Markets as well as an underweight in the Pacific Basin have detracted value
- Most of the value added was generated by companies with over \$30 billion in market capitalization, although small caps (companies with less than \$5 billion in market capitalization) have generated a significant component of the value added
- Positive contributors to the performance of the portfolio in 2009 include:

- Apple (Manufacturer of personal computers, personal computing and mobile communication devices)
- Amazon.com (Online retailer)
- America Movil (Provider of wireless communications services in Mexico)
- Negative contributors to the performance of the portfolio in 2009 include:
 - Nintendo (Developer of video game hardware and software)
 - Cephalon (Biopharmaceutical company)
 - Novartis (Manufacturer of pharmaceutical and healthcare products)
- The portfolio's largest sector overweights are in Information Technology, Financials and Consumer Discretionary; the largest underweights are in Materials, Industrials and Energy sector
- From a regional point of view, the portfolio is currently overweight North America (underweight Canada and overweight U.S.), underweight Asia, overweight Latin America and benchmark neutral in the Middle East and Africa
- Portfolio turnover was 79% in 2009
 - This is much lower than what has been experienced in the past, but the portfolio manager was comfortable with the positioning of the portfolio
- The size of an active position is based on the following considerations:
 - The maximum potential loss for a given stock over a 30 day period if everything goes wrong
 - The goal is to limit the risk to 0.5% of the total portfolio
 - Liquidity issues
 - No more than 2.5% to 3% of a company in the portfolio
 - The impact on the risk metrics of the portfolio are taken into consideration
- Regarding his outlook for the portfolio, Rob believes that many things are normalizing and 2010 should be fundamentally different
- Market valuations are still only 65% - 70% of the 2007 valuations, based on P/B ratios
- Rob doesn't think that the ROE levels reached in 2007 will be attained again
- He intends to keep the beta of the portfolio at around 1
- They will focus on companies that gain market shares

Investment Personnel

- There have been some changes in investment personnel related to our strategy since our last review
 - Although Rob Gensler remains the lead portfolio manager, Josh Nelson has replaced Scott Berg as Associate Portfolio Manager on the strategy
 - Josh used to be an equity analyst, covering Business Services; he'll transition into his Associate Portfolio Manager duties over the next 12 months
 - The role of the Associate Portfolio Manager is mainly to understand the current portfolio holdings and to a lesser extent vet potential new names for the portfolios. Investment ideas are generated by the investment platform, not by the portfolio managers.
 - Scott Berg has been promoted as Lead Portfolio Manager of the newly created Global Equity Large Cap Strategy

- I don't have any issues with this change as Rob Gensler is the driving force behind this strategy. In addition, Rob maintains regular contacts with Scott and regularly seeks his opinion on investment matters.
- Rob Gensler has relocated to Baltimore after stints in London and Singapore. He expects to remain in Baltimore for at least 5 years. He still travels extensively around the world.
- The portfolio manager is supported by a global research platform composed of 114 equity research analysts.
- The analysts' performance is evaluated by incorporating the following three phases:
 - Quantitative measurement: performance of the analyst's stock ratings, measure of the analyst's impact on the portfolio, i.e. did the portfolio buy the buy-rated stocks and sell the sell-rated stocks?
 - Self-Evaluation: the analyst fills out a detailed self-evaluation to explain how he/she made/save money for clients, what mistakes were made, how much idea sharing was done across the portfolio management team, etc.
 - Qualitative review: feedback solicited from portfolio managers
- Analysts' compensation includes a competitive salary, performance bonuses (generally in excess of 50% of base salary, up to several multiples of base salary for top performers) and long-term incentives, paid in the form of restricted stock and options (experienced analysts tend to receive exclusively options); the long-term incentive component typically represents 25%-40% of total compensation
- Portfolio managers' compensation also include a competitive salary, performance bonuses that can reach multiples of the base salary and stock options

Investment Process

- Process hasn't changed: bottom-up growth
- T. Rowe Price focuses on four broad investment characteristics to select stocks:
 - Attractive industry structure conducive to sustainable growth
 - Compelling company business model with strong growth prospects
 - Management team with compelling strategic vision
 - Reasonable stock price valuation
- The strategy's investment process has five steps:
 1. *Defining the universe*: the strategy's universe counts 4000 companies and includes companies with a market capitalization greater than \$1 billion located in global developed and emerging markets.
 2. *Fundamental research and analysis*: the next step involves leveraging the firm's global research platform. Analysts rate companies from 1 to 5, 1 and 2 being "Buy" recommendations. There are approximately 500-600 companies with a 1 or 2 rating.
 3. *Idea generation*: portfolio ideas are generated primarily by engaging the research analysts, i.e. analyst upgrades, increased weight in sector or regional portfolios. The portfolio manager then assesses those ideas in a global sector context and overlays macroeconomic and local market factors to refine industry and company analysis.
 4. *Portfolio construction and risk management*: the portfolio has 60 to 100 stocks, based on the highest conviction investment ideas. Positions vary in size from

0.5% to 5.0%. Sector weightings can deviate by up to 15% from the benchmark. Country weights (excluding U.S.) can deviate by up to 10% from the benchmark. U.S. can deviate by as much as 20%. The emerging markets exposure can deviate by up to 15% from the benchmark. An equity steering committee provides oversight and risk management.

5. *Sell criteria*: stocks are sold for the following reasons: analysts' downgrades; unanticipated deterioration of investment fundamentals; better ideas available; extreme valuation; new information or new insights alter outlook; or a decline in the quality of the management team.
 - Their views on currency is integrated with their view of a stock
 - The Yen / \$US exchange rate is the most important currency pairing
 - They use T. Rowe Price fixed income team to assess interest rates and currencies
 - They also rely on the Emerging Markets Debt Team for analysis
 - Externally, they don't use research produced by strategists or economists from large brokerage firms, they prefer small independent shops
 - They use research provided by street analysts
 - Environmental, Social and Governance Factors:
 - They spend a lot of time reviewing governance issues. However they warn that in some parts of the world it would subtract value to expect the same governance practices that we have in North America
 - Regarding social and environmental issues, they will focus on areas that could place the portfolio at risk and where they can derive positive value added

Risk Management

- T. Rowe Price investment risk management process includes the following:
 - Diversification by region/country, sector/industry, market capitalization and company
 - Monitoring the sources of risk and alpha using the following tools:
 - BARRA analysis
 - Citigroup GRAM analysis
 - Proprietary systems
 - ITG Alpha Capture Service transaction cost analysis
 - Whilshire Atlas attribution analysis
 - Traditional risk metrics
 - Oversight of investment objectives and procedures through:
 - Portfolio management team oversight
 - Steering Committee review
 - Trade management and transaction reconciliation
 - Investment guideline compliance
 - Year-end evaluations
- The following risk controls are in place:
 - Country ranges: +/- 10% of benchmark (U.S. +/- 20%)
 - Emerging markets exposure: +/- 15% of benchmark
 - Broad sector ranges: +/- 15% of benchmark
 - Stock: typical position size ranges between 0.5% to 5.0%

- Cash is typically held under 5%, the maximum is 10% of the portfolio
- The expected tracking error for the portfolio is 5% to 10%
- Although a bottom-up process is mainly used to select stocks, a top-down approach is used for portfolio construction and risk management
- Based on our discussions, Rob is extremely focused on risk management and spends a large amount of time reviewing the impact of each individual stock on the overall risk of the portfolio

Capacity

- Currently Rob Gensler manages \$15.6 billion in global equity assets. The strategy is under a soft close, i.e. only existing clients are allowed to make contributions. T. Rowe Price estimates the capacity of the strategy to be around \$20 billion. This figure is based on liquidity and trading analysis, looking at historical turnover and exposure to small cap, mid cap and emerging markets holdings across the firm. A conclusion was reached that at around \$20 billion in assets in the global equity strategy, the firm's maximum capacity would be reached for these asset classes (small cap, mid cap and emerging markets).

Trading

- I met with Andy Brooks, Head of U.S. Equity Trading
- T. Rowe Price has 39 traders located in Baltimore, London and Hong Kong, who trade 24 hours a day
- Traders and portfolio managers interact on a daily basis regarding liquidity issues
- They use all available venues for trading, including Liquidnet, Lava, Redi +, to ensure best execution for its clients
- Most of the trading is now done through alternative venues, although traditional trading remains
- The firm has resources dedicated to transaction cost analysis; they consistently cleanse data to ensure integrity in results
- T. Rowe Price has a well defined process to select brokers:
 - They quantify and measure the value of research and trade execution received
 - All portfolio managers, analysts and traders vote to assess brokers
 - A quarterly ranking of brokers is established; the ranking is approved by the firm's Equity Brokerage and Trading Control Committee
 - Rankings distributed to brokers
- Overall T. Rowe Price has adequate trading capabilities

COMPLIANCE

- I met with Brian Briggs, Associate Director of Compliance, Sue Melton, Manager of Client Operations and Pam Hayes, Senior Manager of Investment Compliance to review T. Rowe Price compliance processes
- T. Rowe Price, its funds or its key personnel have not material litigation in the past year
- The SEC conducted a normal review in November 2008. T. Rowe Price was asked to correct the following minor issues:

- Lack of a system to screen participants against the Office of Foreign Assets Control (“OFAC”) lists. A system was implemented at the end of 2009.
 - Supplement their policies and procedures specific to 529 Plans (tax-exempt education savings plans) because they are served by a transfer agent. This has been completed.
 - The SEC noted that Price Funds’ Anti-Money Laundering (“AML”) Program does not appear to have formalized policies and procedures regarding intermediary omnibus accounts maintained in the Funds. Although the Funds did have policies and procedures addressing the intermediary omnibus accounts, T. Rowe Price acknowledged that they were not formalized. Those revisions were made as of April 30, 2009.
 - The SEC staff generally questioned whether T. Rowe Price has adequate capacity to conduct its testing of compliance policies and procedures. T. Rowe Price continues to assess the adequacy of its compliance staff and has increased the size of the team in recent months.
- The firm has an adequate code of ethics; employees are required to do a 90 minute online training on the code of ethics on an annual basis
 - T. Rowe Price is not aware of any conflict of interest involving its personnel
 - The funds managed on behalf of UWO are in compliance with the prospectus of the SICAV (Société d’investissement à capital variable)
 - PriceWaterhouseCoopers audits T. Rowe Price Funds
 - The firm doesn’t use any soft dollars, they stopped in 2004; they put in place a commission sharing arrangement in 2009
 - Employee trading is allowed and is significant but there are measures in place to control it; each personal trade requires pre-clearance
 - Overall T. Rowe Price has good compliance processes in place. They were very open in answering all questions I had and sharing all information about the compliance of the firm. I would consider the issues raised by the SEC as minor.

THE UNIVERSITY OF WESTERN ONTARIO RETIREMENT PLANS
T. Rowe Price Associates Inc.
Meeting Agenda

Date: February 19, 2010

Meeting time: 9:00 AM to 2:00 PM

Location: 100 East Pratt Street, Baltimore, Maryland

UWO Attendee:

Martin Bélanger, Director, Investments

ORGANIZATION:

- Introduction – relationship review
- Discuss any meaningful change to your corporate structure since the last review
- Review changes in assets under management
- Discuss clients gained and lost
- Overview of new products
- Discuss your business continuity plan

INVESTMENT PERSONNEL:

- Introduction to key personnel on our mandates
- Discuss personnel turnover

REVIEW OF UWO PORTFOLIO:

- Performance overview
- Attribution analysis
- Portfolio characteristics
- Overview of investment process and changes to investment philosophy, if any; please provide examples of stocks added that meet your investment criteria
- Discuss changes made to the portfolio
- Detractors/contributors to performance
- Describe how you measure and control portfolio investment risk
- Report how you integrate environmental, social and governance factors in your investment process and the impact on your portfolio and investment strategy.
- Discuss portfolio positioning
- Market Outlook

INVESTMENT RESEARCH:

- Review global research platform
- Review approach to research
- Discuss research reports with analysts

TRADING:

- Overview of trading systems and methodology
- Execution analysis

- Discuss total trading costs analysis
- Discuss soft dollars allocation
- Discuss broker/dealer selection
- Discuss stock exchange selection

COMPLIANCE:

- Provide an overview of your compliance processes
- Confirm that all investments managed by T. Rowe Price on behalf of UWO are in compliance with the terms and conditions of the purchase agreement signed between T. Rowe Price Global Investment Services Limited and The University of Western Ontario on September 30, 2008 and the T. Rowe Price Funds SICAV prospectus
- Describe any material litigation to which your firm, key personnel or the funds have been party over the past year
- Describe any material issue raised as a result of recent regulatory reviews
- Confirm that your key investment personnel complies with an appropriate code of ethics
- Confirm that any conflict of interest or potential conflict of interest involving T. Rowe Price or key investment personnel has been disclosed

OTHER:

- Office tour