T. Rowe Price Capital Appreciation Fund Extends Unmatched Industry Streak To 16 Consecutive Years of Positive Returns

Fund has Outperformed S&P 500 with Lower Market Volatility

BALTIMORE (January 16, 2007) – The T. Rowe Price Capital Appreciation Fund – which returned 14.5% in 2006 – once again posted a positive calendar year return, making it the only domestic equity or balanced fund tracked by either Morningstar or Lipper to provide a gain for each of the past 16 years. In the Morningstar and Lipper universes, 881 and 651 domestic equity or balanced funds, respectively, had a 16-year track record as of December 31, 2006.

Moreover, during this 16-year period, the Fund outperformed the S&P 500 stock index with an annualized return of 13.1% compared with 11.8% for the index. The Fund has also outperformed the broader market index since its inception June 30, 1986 and on average has had lower volatility than the index as measured by standard deviation. It has had only one year of negative returns since inception. Of course, past performance cannot guarantee future results and the fund is subject to market risk, including the possible loss of principal.

The Fund, which is managed as a conservative, value-oriented fund, typically invests 60% to 65% of its assets in stocks with the remaining assets invested in convertible securities, bonds, cash, and foreign securities.

“One of the things that distinguishes the Capital Appreciation Fund and defines our investment approach is our flexible portfolio management,” says Jeff Arricale, co-manager of the Fund. “We often have found that the most attractive portion of a company’s capital structure may not be a common stock. In many cases, a bond or convertible has a better risk/reward profile. So we can go where we believe the value is.”

“What we are doing is trying to marry the very best of quantitative research, qualitative research, and fundamental analysis, and then select the best securities across the capital structure,” says David Giroux, co-manager of the Fund. “What that ends up achieving is equity-like returns without equity-like risk. Over time we have done that, and we hope to continue to give investors nice upside participation in good markets while preserving our clients’ capital in down markets.”

The Fund’s positive return streak and investment approach has been sustained over the years by several managers. Prior to Messrs. Arricale and Giroux, who became co-managers in July 2006, the Fund was managed by Stephen Boesel from August 2001 to June 2006 and by Rich Howard from January 1989 to July 2001.

The Fund had annualized total returns of 12.2% for both the 5- and 10-year periods ended December 31, 2006, respectively. Figures include changes in principal value, reinvested dividends, and capital gain distributions.

Founded in 1937, Baltimore-based T. Rowe Price (NASDAQ: TROW) is a global investment management firm with $308.1 billion in assets under management as of September 30, 2006. The firm provides a broad array of mutual funds, sub-advisory services, and separate account management for individual and institutional investors, financial intermediaries, and retirement plans. T. Rowe Price’s disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research.

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