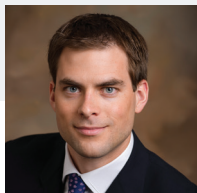




**PRICE
POINT®**

July 2018

In-depth analysis and insights
to inform your decision-making.



Ken Allen
*Portfolio Manager,
Science & Technology Equity Strategy*

Global Technology **TECHNOLOGY'S GOLDEN ERA IS ONLY IN EARLY STAGES**

KEY POINTS

- We are relatively early in a golden age for technology innovation, as the extraordinary power of the Internet has enabled unprecedented value creation by giant companies as well as nimble emerging leaders.
- E-commerce, online advertising, and cloud computing are still in the early innings and many newer trends, such as artificial intelligence and autonomous vehicles, offer huge growth potential.
- Leading firms have vast powers to disrupt many industries, so investors need to stay abreast of their strategies.
- Earnings for technology companies should remain healthy, but valuations are more of a concern in certain areas.

WHAT IS YOUR APPROACH TO INVESTING IN SCIENCE AND TECHNOLOGY?

We focus on innovation and key trends and how they are impacting industries and companies. And then we try to buy durable businesses at good prices. Technology is so dynamic and the stocks can be so volatile that a fair amount of those opportunities arise. We particularly focus on owning companies whose prospects for generating cash over the medium and long term are most attractive relative to their prices.

To do this well, you need excellent analysts covering the gamut of industries, sectors, and companies, and we greatly benefit from the research capabilities and insights of our global technology research team. We have deep experience in

assessing innovation and researching companies. We learn from each other in assessing not just the micro context for each of our companies but also the macro context of the trends that they are operating within. That's a key competitive advantage.

To get to know the companies really well, we talk to customers, partners, management, and other industry participants. In discussing a particular trend with a CEO, we want to know if their capabilities make them well positioned to benefit from it, whether they are applying their assets in ways that are likely to be successful, and whether they are visionary enough to evolve and adapt. We also carefully assess the risk factors of the stocks we own, including their vulnerability to

increased competition and economic and technology supply chain cycles.

We have the advantage of being able to take a longer-term view than many investors. Some great opportunities can surface when investors overreact to short-term setbacks for companies that have durable businesses and considerable potential over the longer term. For instance, that has happened with Amazon.com and Google (Alphabet) countless times just in the nine years I've been managing the portfolio.

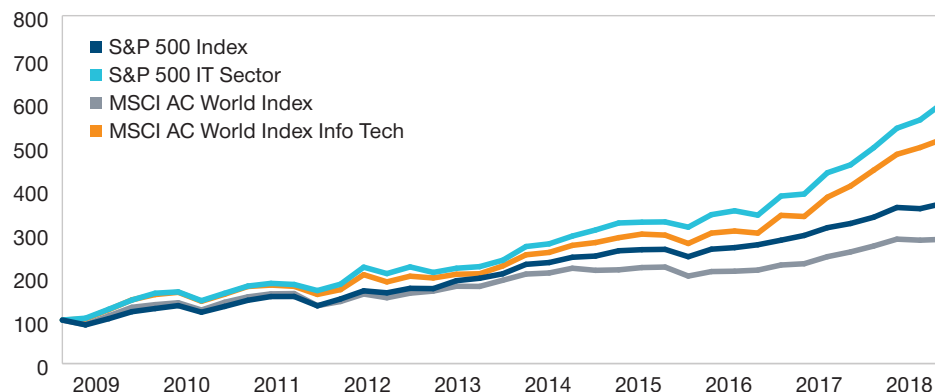
WHAT'S DRIVING THE RECENT WAVE OF INNOVATION?

In many ways, we are in a “golden era” of innovation. Technology products and services are dramatically more central to our individual and work lives than just a few years ago and are key drivers of success or failure in all industries. Smartphones have become ubiquitous companions, providing continuous access to vast amounts of computing power, online services and apps, and things to purchase. Businesses have expanded their use of technology for improving individual productivity, collaboration, remote work, business insights, and customer service. Further, the increasing availability of artificial intelligence (AI) and machine learning will help accelerate this rapid pace of innovation.

These powerful trends have fueled the unprecedented rise of the technology titans—Apple, Google (Alphabet), Microsoft, Facebook, and Amazon, along with Tencent and Alibaba in China, which arguably have been as strong in China as their Western counterparts are in North America. These companies are pushing the boundaries of what's possible. Remarkably, they have become the seven most valuable companies in

FIGURE 1: Technology Leading Global Equity Market Performance

Total return indexed to 100 as of December 31, 2008, through March 31, 2018



Past performance cannot guarantee future results.

Source: FactSet Research Systems Inc. All rights reserved.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

FIGURE 2: Technology Has Produced Massive Performers

As of June 30 2018

Revenue in USD (billions)

| Company | 2009 | Latest Fiscal Year |
|-------------------|------|--------------------|
| Apple | \$43 | \$229 |
| Amazon.com | \$25 | \$178 |
| Google (Alphabet) | \$24 | \$111 |
| Microsoft | \$58 | \$90 |
| Facebook | \$1 | \$41 |

Sources: T. Rowe Price calculations using data from FactSet Research Systems Inc. All rights reserved.

For illustrative purposes only. This information is not intended to be a recommendation to take any particular investment action and is subject to change. No assumptions should be made that the securities identified and discussed above were or will be profitable.

the world, driven by the extraordinary power of the Internet.

This group's investment in research and development and capital expenditures has skyrocketed over the past decade, pouring unprecedented amounts of money and resources into innovation. These companies have had a staggering increase in revenue recently and could potentially generate hundreds of billions of dollars more in the coming years from

gaining share of their core markets and continuing to innovate and expand.

WHAT ARE THE IMPLICATIONS FOR INVESTORS OF SUCH DOMINANCE?

I think investors in tech stocks and any other industry have to be very focused on what these seven companies are doing. Several of them should be able to create vastly more value for both customers and investors in the coming years. They also have vast disruptive

The specific securities identified and described above and the following pages do not necessarily represent securities purchased, sold or recommended for the strategy. This information is not intended to be a recommendation to take any particular investment action and is subject to change. No assumptions should be made that the securities identified and discussed above were or will be profitable.

potential, especially Amazon and Google (Alphabet). Their ambition and capabilities are unlike anything we have seen in the business world in modern times. Over the next decade, they could begin to remake entire industries that historically have been relatively slow moving and have had little to do with technology.

Among these biggest tech stocks, there is likely to be meaningful dispersion in performance, so choosing the ones that are best positioned will be critical. We've recently favored Google (Alphabet), Alibaba, and Facebook, all of which were pressured, providing opportunity in recent months. It should also be noted that the biggest companies can't and aren't trying to do everything, so there will remain compelling opportunities in other tech leaders and emerging performers.

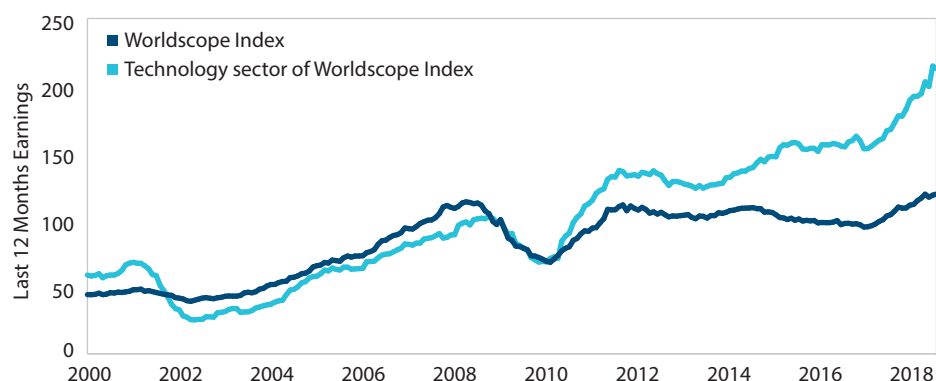
WHAT ARE SOME OF THE KEY THEMES YOU ARE FOCUSING ON?

We continue to emphasize innovative and durable leaders in Internet-related companies, which account for about one-third of the portfolio. Broadly speaking, the Internet is still a business opportunity in the making. E-commerce is still less than 15% of the overall global retail industry. Online advertising accounts for less than 25% of the global market for advertising and related marketing. The leading companies such as Amazon, Facebook, and Google (Alphabet) are investing aggressively to expand and to avoid the disruption that has historically befallen many technology leaders from one era to the next. Because they are forgoing higher profits today, their valuations are even more predicated on longer-term cash flows than for a typical company. I'm finding opportunity in several non-U.S. markets where we expect significant long-term growth for regional leaders in e-commerce, online travel, and social advertising.

In many important instances, online leaders are bringing their hard-earned strengths and expanding competencies to the offline world, including in retail logistics and physical stores. Perhaps most notably,

FIGURE 3: Tech Earnings Outstripped Those of the Global Market

As of June 30, 2018. Based on latest 12 months earnings, indexed to 100 as of January 1, 2009.



Sources: Worldscope, Datastream, Goldman Sachs Global Investment Research.

Alibaba and Amazon are applying their technology expertise and troves of valuable data to the offline world, bringing attributes that online customers value to physical stores. I think of this as tech-driven retail, and it is vastly expanding the opportunities of these leading companies. These large investments in assets and stores weigh heavily on companies' margins but offer potentially much higher earnings and cash flows over time.

Cloud computing is another key theme that, while not new, remains at a very early stage. The penetration of the public cloud, which comprises companies' with the data centers that store and help manage other companies IT workloads, is only about 5% of the overall market. We have significant exposure to cloud computing services like Amazon Web Services, Microsoft's Azure, and Alibaba Cloud, each of which has massive scale that will be difficult for others to match. The opportunity is not only providing enterprise technology in the cloud, but also bringing innovative new technologies to on-premises data centers that will continue to house many important IT functions.

The other biggest part of cloud computing, software-as-a-service, offers considerable opportunity in many players beyond the public cloud giants such as Intuit, Salesforce.com, and Workday. We also are attracted to the long-term

potential of autonomous vehicles. For instance, the Waymo division of Alphabet, which is a leader in the technology. We view Tesla also has great potential in that area in addition to electric vehicles.

WHAT ABOUT ARTIFICIAL INTELLIGENCE?

The Internet and cloud giants, with their huge customer bases and leading capabilities in data management and software, are leading in the development of AI. They have invested billions of dollars in AI and machine learning for myriad business and consumer products and services. The leaders are also competing to be the go-to platforms others tap in to for analytics, speech recognition, image recognition, and other key AI applications to make their products better. The result is a healthy competitive environment, where even the smallest start-ups can use the capabilities of the hyper-scale clouds. That, more than anything, will drive the permeation of AI and machine learning over the next few years.

WITH DATA PRIVACY CONCERNS RISING, IS REGULATION BECOMING A GREATER RISK TO THE INDUSTRY'S GROWTH POTENTIAL?

Regulation and other possible oversight actions pose a risk for many of the largest tech companies. On the one hand, this reflects their competitive strength and

business value; on the other, it could at some point make their further growth more challenging. Generally, I'm comfortable that the risk of regulation making any of the industry leaders significantly less valuable is relatively low. I believe their value to customers, technological innovation, and talent will enable them to navigate the evolving regulatory landscape.

THE TECHNOLOGY SECTOR HAS MASSIVELY OUTPERFORMED THE BROADER MARKET, DRIVEN BY STRONG EARNINGS AND RISING PROFIT MARGINS. HOW DO YOU VIEW THE FUNDAMENTAL OUTLOOK NOW?

Growth in spending for technology products and services by consumers and businesses has been extraordinarily positive. It probably can't accelerate from here, and it remains cyclical, so spending would most likely weaken in a faltering economy. And certainly geopolitics and global trade risks have the potential to undercut the otherwise promising outlook for technology earnings. But innovations are expanding the use and value of technology products and services more than ever. Leaders are taking massive chunks of market share in areas of the economy that are not traditionally

associated with technology spending, such as retail and advertising. The pie has expanded so much for many of these companies, and the penetration in these areas is still so low, that several of the biggest players and many emerging leaders should have massive growth ahead of them.

I don't know if technology earnings, even if they remain robust, will be good enough for broad-based stock appreciation in light of elevated valuations in several areas. Nevertheless, valuations vary considerably, so there are still attractive opportunities in individual companies. With the fastest-growing companies trading at relatively high valuations, though, it's critical to identify those that could continue to gain share and expand their opportunities. Investors could lose a lot of money in companies that fail to do that. Losses could also be significant in companies with seemingly modest valuations if their businesses are disrupted.

We think a rigorous understanding of innovation and evolving industry dynamics is essential to investing in the potential companies in favor and avoiding the companies at risk.

FIGURE 4: T. Rowe Price Science & Technology Equity Representative Portfolio Top 10 Holdings

As of May 31, 2018 (in alphabetical order)

| |
|-------------------------|
| Alphabet |
| Altaba |
| Amazon.com |
| Booking Holdings Inc. |
| Broadcom |
| Ctrip.com International |
| Facebook |
| Micron Technology |
| Microsoft |
| Qualcomm |

These holdings accounted for 46.3% of total net assets as of May 31, 2018.

The representative portfolio is an account we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of other accounts in the strategy. Information regarding the representative portfolio and the other accounts in the strategy is available upon request.

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for clients in the composite, and no assumptions should be made that the securities identified and discussed were or will be profitable.

INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

Key Risks – The following risks are materially relevant to the strategy highlighted in this material:

Transactions in securities of foreign currencies may be subject to fluctuations of exchange rates which may affect the value of an investment. The strategy is subject to the volatility inherent in equity investing, and its value may fluctuate more than a strategy investing in income-oriented securities. The strategy is subject to sector concentration risk and is more susceptible to developments affecting those sectors than a strategy with a broader mandate.

Important Information

This material is being furnished for general informational purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice, and prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a reliable indicator of future performance.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date written and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction.

Australia—Issued in Australia by T. Rowe Price Australia Limited (ABN: 13 620 668 895 and AFSL: 503741), Level 50, Governor Phillip Tower, 1 Farrer Place, Suite 50B, Sydney, NSW 2000, Australia. For Wholesale Clients only.

Brunei—This material is intended to certain specific institutional investors for information purpose only and must not, therefore, be delivered to, or relied on by, a retail client.

China—This material is provided to specific qualified domestic institutional investor or sovereign wealth fund on a one-on-one basis. No invitation to offer, or offer for, or sale of, the shares will be made in the People's Republic of China ("PRC") (which, for such purpose, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan) or by any means that would be deemed public under the laws of the PRC. The information relating to any strategy and/or product contained in this material has not been submitted to or approved by the China Securities Regulatory Commission or any other relevant governmental authority in the PRC. Any strategy and/or any product mentioned herein may only be offered or sold to investors in the PRC that are expressly authorized under the laws and regulations of the PRC to buy and sell securities denominated in a currency other than the Renminbi (or RMB), which is the official currency of the PRC. Potential investors who are resident in the PRC are responsible for obtaining the required approvals from all relevant government authorities in the PRC, including, but not limited to, the State Administration of Foreign Exchange, before purchasing the shares. This document further does not constitute any securities or investment advice to citizens of the PRC, or nationals with permanent residence in the PRC, or to any corporation, partnership, or other entity incorporated or established in the PRC.

Hong Kong—Issued in Hong Kong by T. Rowe Price Hong Kong Limited, 21/F, Jardine House, 1 Connaught Place, Central, Hong Kong. T. Rowe Price Hong Kong Limited is licensed and regulated by the Securities & Futures Commission. For Professional Investors only.

Indonesia—This material is delivered to eligible institutional person and is for institutional use only. Under no circumstances should the material, in whole or in part, be copied or redistributed or provided in any medium without consent from T. Rowe Price. No distribution of this material to any member of the public is permitted.

Korea—This material is intended only to Qualified Professional Investors upon specific and unsolicited request and may not be reproduced in whole or in part nor can they be transmitted to any other person in the Republic of Korea.

Malaysia—This material can only be delivered to specific institutional investor upon specific and unsolicited request. Any strategy and/or any products mentioned in the material has not been authorised for distribution in Malaysia. This material is solely for institutional use and for informational purposes only. It is not intended for use with the public and not intended for general circulation or distribution in Malaysia.

Philippines—THIS MATERIAL IS FOR QUALIFIED BUYERS ONLY. ANY STRATEGY AND/OR ANY SECURITIES MENTIONED IN THIS DOCUMENT HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE OF ANY STRATEGY AND/OR ANY SECURITIES IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE, UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

Singapore—Issued in Singapore by T. Rowe Price Singapore Private Ltd., No. 501 Orchard Rd, #10-02 Wheelock Place, Singapore 238880. T. Rowe Price Singapore Private Ltd. is licensed and regulated by the Monetary Authority of Singapore. For Institutional and Accredited Investors only.

Taiwan—The material is for general information only. Any strategy and/or any product mentioned in this material is not registered in Taiwan and may not be sold, issued or offered in Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the strategy and/or any product associated with the strategy in Taiwan.

Thailand—This material has not been and will not be filed with or approved by the Securities Exchange Commission of Thailand or any other regulatory authority in Thailand. The material is provided solely to "institutional investors" as defined under relevant Thai laws and regulations. No distribution to any member of the public in Thailand other than "institutional investors" is permitted.

T. ROWE PRICE, INVEST WITH CONFIDENCE and the Bighorn Sheep design are, collectively and/or apart, trademarks or registered trademarks of T. Rowe Price Group, Inc. All rights reserved.