



## STRATEGY HIGHLIGHTS

As of 31 March 2024

# Health Sciences Equity Strategy

**Total Strategy Assets:**<sup>1</sup> \$19.5 billion

Figures shown in U.S. Dollars

### INVESTMENT APPROACH

- Stock selection is based on analysis of specific long-term trends in the health care sector and rigorous fundamental analysis.
- Focus on steadily growing companies with above-average and accelerating growth per share, recurring revenues, and high or growing market share resulting from a sustainable competitive advantage.
- We seek companies that have the greatest ability to bring new products and technologies to the health care marketplace that will improve the practice of medicine and satisfy unmet clinical needs.
- Investment candidates should possess a catalyst designed to unlock unrecognized or underappreciated economic and/or strategic value.

### PORTFOLIO CONSTRUCTION

- Typically 200-250 stock portfolio
- Typical position sizes range from 0.25% to 5.00%
- The strategy is diversified across pharmaceuticals, health care services companies, products and devices providers, and biotechnology firms
- Industry allocations are a by-product of our bottom-up stock selection process

### BENCHMARK

- Lipper Health/Biotechnology Funds Index

### PORTFOLIO MANAGEMENT

#### Ziad Bakri, CFA®

- 18 years of investment experience; 12 years with T. Rowe Price.
- M.D., University of Nottingham

### PORTFOLIO SPECIALISTS

#### Brian Dausch, CFA®

- 26 years of investment experience; 25 years with T. Rowe Price.
- B.S., University of Delaware

Portfolio Specialists do not assume management responsibilities.

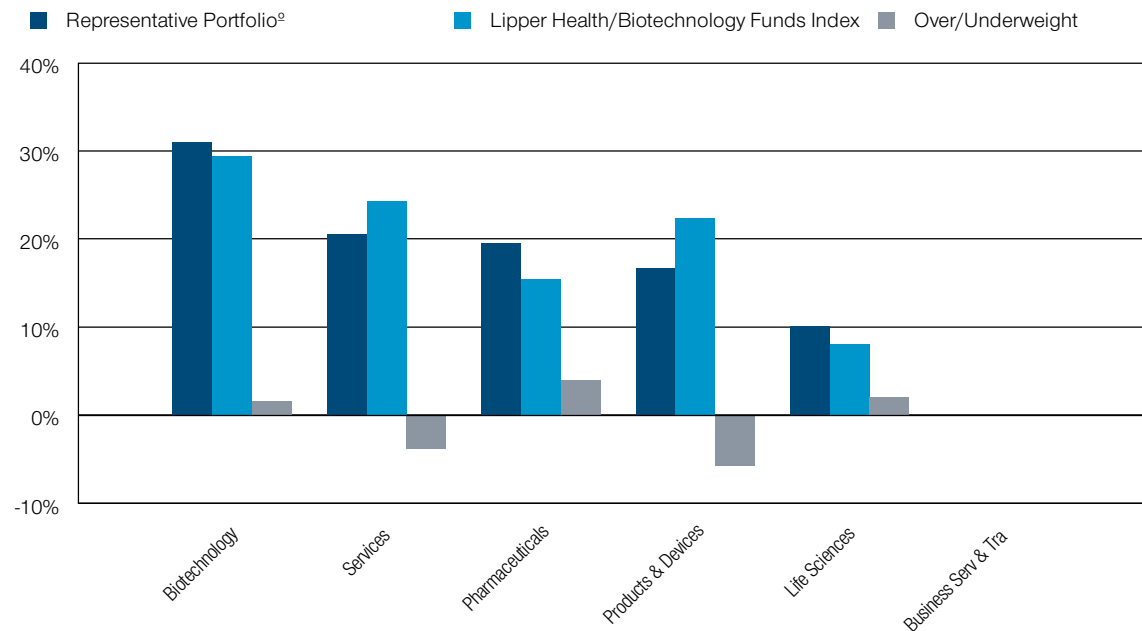
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<sup>1</sup> Includes a U.S.-registered mutual fund, a variable annuity portfolio, a separate account, and subadvised portfolios.

## TOP 10 ISSUERS

	% of Representative Portfolio <sup>°</sup>
Eli Lilly and Co	9.9%
UnitedHealth Group	6.1
Intuitive Surgical	4.1
Thermo Fisher Scientific	4.0
Merck	4.0
Stryker	3.6
Elevance Health	3.6
Danaher	3.0
Regeneron Pharmaceuticals	2.7
Vertex Pharmaceuticals	2.1
<b>Total</b>	<b>43.1%</b>

## SECTOR DIVERSIFICATION



## PORTFOLIO CHARACTERISTICS

	Representative Portfolio <sup>°</sup>	Lipper Health/Biotechnology Funds Index
Projected Earnings Growth Rate (3 - 5 Years)* <sup>°</sup> †	12.4%	11.7%
Price to Earnings (12 Months Forward)* <sup>°</sup> †	30.4X	30.4X
Return on Equity (Last 12 Months excl. charges) <sup>°</sup>	17.8%	15.0%
Price to Book (trailing) <sup>°</sup>	6.9X	5.6X
Investment Weighted Median Market Cap (mm)	\$105,645	\$71,489
Investment Weighted Average Market Cap (mm)	\$186,697	\$149,341
Number of Issuers	235	348
Top 20 Issuers as % of Total	58.6%	49.8%
Portfolio Turnover ††	48.4%	–

<sup>°</sup>Statistics are based on investment-weighted median.

\*I/B/E/S © 2024 Refinitiv. All rights reserved.

†These statistics are based on the Composite's underlying holdings and are not a projection of future portfolio performance. Actual results may vary.

<sup>°</sup>Please see Additional Disclosures section for further information.

††Portfolio Turnover represents 1 year period ending 12/31/2023.

**PERFORMANCE**

	Three Months	One Year	Annualized			
			Three Years	Five Years	Ten Years	Fifteen Years
Health Sciences Equity Composite (Gross)	8.16%	14.93%	4.29%	10.77%	12.57%	18.45%
Health Sciences Equity Composite (Net)	8.00	14.25	3.67	10.11	11.90	17.75
Lipper Health/Biotechnology Funds Index	7.88	15.21	1.07	8.32	9.75	15.03
Value Added (Gross)	0.28	-0.28	3.22	2.45	2.82	3.42
Value Added (Net)	0.12	-0.96	2.60	1.79	2.15	2.72

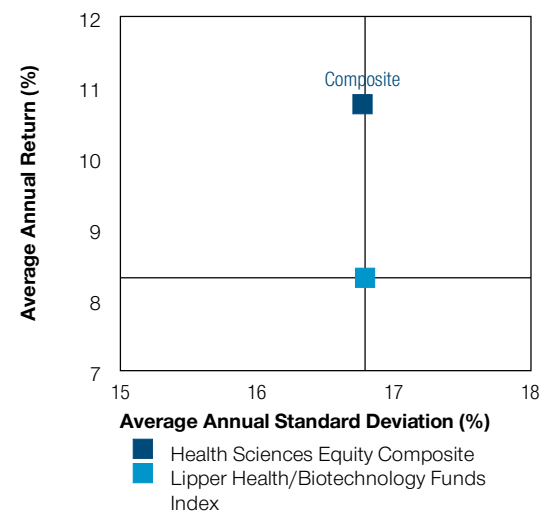
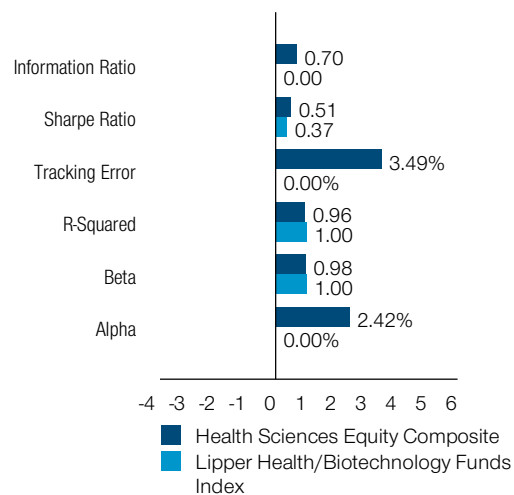
**Past performance is not a reliable indicator of future performance.**

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the highest applicable management fee that would be charged based on the fee schedule contained within this material, without the benefit of breakpoints. Gross and net performance returns reflect the reinvestment of dividends and are net of all non-reclaimable withholding taxes on dividends, interest income, and capital gains.

See GIPS® Composite Report located in this material for additional information.

**RISK/RETURN CHARACTERISTICS**

Five Years ended 31 March 2024



**Past performance is not a reliable indicator of future performance.** Statistics based on monthly gross returns. Returns would have been lower as the result of the deduction of applicable fees.

FEE SCHEDULE

Health Sciences Equity Composite

The Health Sciences Equity Composite seeks long-term capital appreciation primarily through investment in companies engaged in the research, development, production, or distribution of products or services related to health care, medicine, or life sciences. (Created April 2010, inception January 31, 1996.)

Flat fee	60 basis points
Minimum separate account size	\$50 million

## GIPS® Composite Report

## Health Sciences Equity Composite

Period Ended December 31, 2023

Figures Shown in U.S. dollar

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Gross Annual Returns (%)	32.96	13.83	-9.66	28.90	1.98	30.12	30.88	13.93	-11.60	4.02
Net Annual Returns (%) <sup>1</sup>	31.41	12.48	-10.75	27.39	0.76	28.60	29.35	12.59	-12.67	2.78
Lipper Health/Biotechnology Funds Index (%)	30.61	8.55	-11.07	24.98	3.07	27.60	27.95	3.24	-12.94	5.24
Composite 3-Yr St. Dev.	13.57	14.76	16.77	15.59	16.89	16.71	19.69	17.16	18.24	15.49
Lipper Health/Biotechnology Funds Index 3-Yr St. Dev.	13.25	15.65	18.87	17.91	18.42	16.47	18.97	16.90	18.03	15.58
Composite Dispersion	N/A	N/A	N/A	N/A	N/A	0.04	0.56	0.54	0.27	0.34
Comp. Assets (Millions)	13,442.7	16,307.9	11,799.4	13,832.9	13,457.5	16,057.7	21,542.8	23,153.7	20,185.3	18,397.6
# of Accts. in Comp.	4	4	5	5	6	6	7	6	8	7
Total Firm Assets (Billions)	749.6	772.4	817.2	1,000.2	972.7	1,218.2	1,482.5	1,653.6	1,237.4	1,403.8 <sup>2</sup>

<sup>1</sup>The fee rate used to calculate net returns is 1.20%. This represents the maximum fee rate applicable to all composite members. **Past performance is not a reliable indicator of future performance.**

<sup>2</sup>Preliminary - subject to adjustment.

T. Rowe Price (TRP) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. TRP has been independently verified for the 27-year period ended June 30, 2023 by KPMG LLP. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm wide basis. Verification does not ensure the accuracy of any specific composite presentation. TRP is a U.S. investment management firm with various investment advisers registered with the U.S. Securities and Exchange Commission, the U.K. Financial Conduct Authority, and other regulatory bodies in various countries and holds itself out as such to potential clients for GIPS purposes. TRP further defines itself under GIPS as a discretionary investment manager providing services primarily to institutional clients with regard to various mandates, which include U.S., international, and global strategies but excluding the services of the Private Asset Management group. As of October 1, 2022, there is no minimum asset level for portfolio inclusion into the composite. Prior to October 2022, the minimum asset level for equity portfolios to be included in composites was \$5 million. The minimum asset level for fixed income and asset allocation portfolios to be included in composites was \$10 million. Valuations are computed and performance reported in U.S. dollars.

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the maximum fee rate applicable to all composite members as shown above. Gross performance returns reflect the reinvestment of dividends and are net of nonreclaimable withholding taxes on dividends, interest income, and capital gains. Gross performance returns are used to calculate presented risk measures. Effective June 30, 2013, portfolio valuation and assets under management are calculated based on the closing price of the security in its respective market. Previously portfolios holding international securities may have been adjusted for after-market events. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within a composite for the full year. Dispersion is not calculated for the composites in which there are five or fewer portfolios. Some portfolios may trade futures, options, and other potentially high-risk derivatives which generally represent less than 10% of a portfolio. Prior to September 1, 2013, the strategy utilized options contracts to generate income and seek protection against a decline in the value of the strategy securities or an increase in prices of securities that may be purchased. Derivative exposure in the strategy typically was in the mid to upper teens percentage range and generally did not exceed 25%.

Benchmarks are taken from published sources and may have different calculation methodologies, pricing times, and foreign exchange sources from the composite.

Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow greater than or equal to 15% of portfolio assets. The temporary removal of such an account occurs at the beginning of the measurement period in which the significant cash flow occurs and the account re-enters the composite on the last day of the current month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request.

The firm's list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

## ADDITIONAL DISCLOSURES

Portfolio Construction: There is no guarantee that the investment will remain within the anticipated ranges of exposure.

Unless indicated otherwise the source of all data is T. Rowe Price.

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

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Unless otherwise noted, index returns are shown with gross dividends reinvested.

T. Rowe Price uses a custom structure for sector and industry reporting for this product.

Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.

The representative portfolio is an account in the composite 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. Please see the GIPS® Composite Report for additional information on the composite.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.

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## Risks

The following risks are materially relevant to the portfolio.

**Currency** - Currency exchange rate movements could reduce investment gains or increase investment losses. **Issuer concentration** - Issuer concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting those issuers in which the portfolio's assets are concentrated. **Sector concentration** - Sector concentration risk may result in performance being more strongly affected by any business, industry, economic, financial or market conditions affecting a particular sector in which the portfolio's assets are concentrated. **Small and mid-cap** - Small and mid-size company stock prices can be more volatile than stock prices of larger companies.

### General Portfolio Risks

**Equity** - Equities can lose value rapidly for a variety of reasons and can remain at low prices indefinitely. **ESG and sustainability** - ESG and Sustainability risk may result in a material negative impact on the value of an investment and performance of the portfolio. **Geographic concentration** - Geographic concentration risk may result in performance being more strongly affected by any social, political, economic, environmental or market conditions affecting those countries or regions in which the portfolio's assets are concentrated. **Investment portfolio** - Investing in portfolios involves certain risks an investor would not face if investing in markets directly. **Management** - Management risk may result in potential conflicts of interest relating to the obligations of the investment manager. **Market** - Market risk may subject the portfolio to experience losses caused by unexpected changes in a wide variety of factors. **Operational** - Operational risk may cause losses as a result of incidents caused by people, systems, and/or processes.

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