



PORTFOLIO UPDATE

# Health Sciences Fund

As of September 30, 2020



**Portfolio Manager:**

Ziad Bakri

**Managed Fund Since:**

2016

**Joined Firm:**

2011

## INVESTMENT OBJECTIVE

The fund seeks long-term capital appreciation.

## FUND INFORMATION

Symbol	PRHSX
CUSIP	741480107
Inception Date of Fund	December 29, 1995
Benchmark	S&P 500 Index
Expense Information (as of the most recent Prospectus)	0.76%
Fiscal Year End	December 31
12B-1 Fee	-

## MARKET COMMENTARY

U.S. stocks were broadly negative for the month; it was the first month of losses since March. In fact, the technology-heavy Nasdaq Composite Index briefly entered correction territory, falling more than 10% from the all-time high that was established on September 2, amid concerns about valuations in some sectors due to significant gains since late March. Some investors were concerned about the durability of the economic recovery and disappointed that Congress failed to agree on new fiscal stimulus legislation, particularly an extension of additional weekly unemployment benefits that expired at the end of July.

While the major U.S. stock indexes were negative for the month, mid- and small-cap shares held up slightly better than large-caps. As measured by various Russell indexes, growth stocks outperformed value stocks among small- and mid-caps, while value did better than growth among large-caps. Investors took a renewed rise in U.S. coronavirus infections this summer largely in stride, but fears in September of a possible "second wave" in Europe and the U.S. seemed to elicit more concern. Conversely, markets appeared to get a boost from reports of progress in developing vaccines and treatments.

The Lipper Health/Biotechnology Funds Index posted positive results and outperformed the overall equity market, as represented by the S&P 500 Index. Subsector performance within the health care index was mixed during the month. The biotechnology and life sciences subsectors were in the positive territory. Conversely, the pharmaceuticals and services subsectors underperformed.

## PERFORMANCE

(NAV, total return)

	One Month	Three Months	Year-to-Date	One Year	Annualized			
					Three Years	Five Years	Ten Years	Fifteen Years
Health Sciences Fund	1.63%	6.85%	14.23%	35.92%	14.92%	12.97%	20.06%	15.27%
Lipper Health/Biotechnology Funds Index	1.00	5.11	14.19	37.17	14.03	12.71	18.15	12.76
S&P 500 Index	-3.80	8.93	5.57	15.15	12.28	14.15	13.74	9.19

**Performance data quoted represents past performance and is not a reliable indicator of future performance. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance, visit [troweprice.com](http://troweprice.com). Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call 1-800-638-7780 or visit [troweprice.com](http://troweprice.com). Read it carefully.** The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any. Due to the fund's concentration in health sciences companies, its share price will be more volatile than that of more diversified funds. Further, these firms are often dependent on government funding and regulation and are vulnerable to product liability lawsuits and competition from low-cost generic products. The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details. For Sourcing Information, please see Additional Disclosures.

**RISK RETURN CHARACTERISTICS**

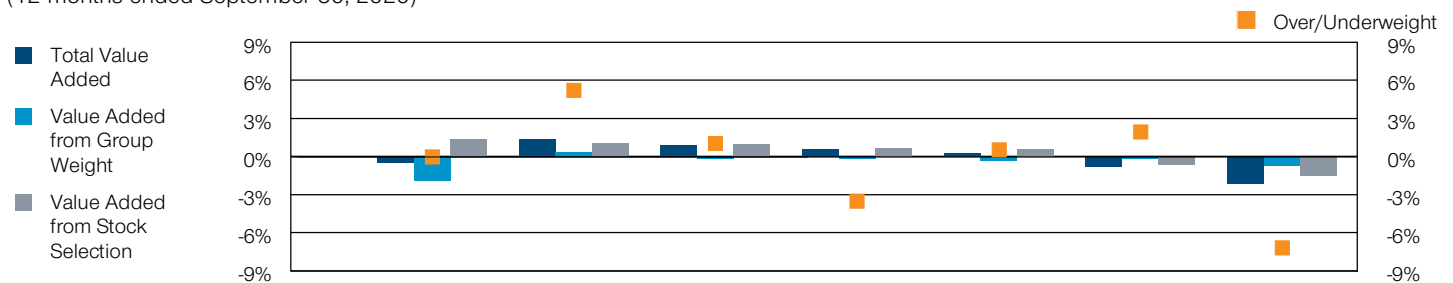
(Five Years ended September 30, 2020)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Health Sciences Fund	17.55%	0.79%	0.95	0.96	0.07	0.67	3.50%
LPR Health/Biotech Ix	18.23	0.00	1.00	1.00	0.00	0.63	0.00
Health Sciences Fund	17.55	0.44	0.92	0.60	-0.11	0.67	11.24
S&P 500 Index	14.76	0.00	1.00	1.00	0.00	0.87	0.00

**Past performance is not a reliable indicator of future performance.** Figures are calculated using monthly data and are net of fees.

**SECTOR ATTRIBUTION DATA VS. LIPPER HEALTH/BIOTECHNOLOGY FUNDS INDEX**

(12 months ended September 30, 2020)



	Total	Life Sciences	Products & Devices	Services	Other	Pharmaceuticals	Biotechnology
Over/Underweight	0.00%	5.23%	1.08%	-3.46%	0.56%	1.95%	-7.18%
Fund Performance	36.71	57.07	30.20	37.69	102.71	19.48	45.87
Index Performance	37.17	43.50	25.67	34.01	-19.00	24.51	50.17
Value Add - Group Weight	-1.86	0.34	-0.10	-0.08	-0.24	-0.13	-0.65
Value Add - Stock Selection	1.39	1.05	1.00	0.64	0.53	-0.63	-1.49
Total Contribution	-0.46	1.39	0.90	0.56	0.30	-0.76	-2.14

**Past performance is not a reliable indicator of future performance.** Numbers may not total due to rounding; all other numbers are percentages. Analysis represents the total performance of the portfolio as calculated by the FactSet attribution model and is inclusive of other assets that will not receive a classification assignment in the detailed structure shown. Returns will not match official T. Rowe Price performance because FactSet uses different exchange rate sources and does not capture intra-day trading. Performance for each security is obtained in the local currency and, if necessary, is converted using an exchange rate determined by an independent third party. Figures are shown with gross dividends reinvested. Sources: Financial data and analytics provider FactSet. Copyright 2020 FactSet. All Rights Reserved. Analysis by T. Rowe Price Associates, Inc. T. Rowe Price uses a custom structure for sector and industry reporting for this product. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance returns are in USD. For Sourcing Information, please see Additional Disclosures.

**TOP 10 ISSUERS**

Comprising 31.6% of total net assets.

	Industry	% of Fund
UnitedHealth Group	Payors	5.7%
Thermo Fisher Scientific	Life Sciences	4.1
Intuitive Surgical	Implants	3.9
Vertex Pharmaceuticals	Major Biotechnology	3.4
Merck	Major Pharmaceuticals	3.3
Danaher	Life Sciences	2.6
Becton, Dickinson & Company	Implants	2.3
Stryker	Implants	2.1
Humana	Payors	2.0
Eli Lilly and Co	Major Pharmaceuticals	2.0

Issuers are as of the date indicated and are subject to change.

**PORTFOLIO CHARACTERISTICS**

	Health Sciences Fund	LPR Health/Biotech Ix	S&P 500 Index
Number of Issuers	237	410	500
Investment Weighted Median Market Cap (mm)	\$42,146	\$39,468	\$152,757
Price to Earnings (12 Months Forward)* ° †	28.5X	29.5X	25.7X
Price to Book°	7.6X	6.6X	6.8X
Projected Earnings Growth Rate (3 - 5 Years)* ° †	12.7%	12.7%	8.8%
Return on Equity (Last 12 Months excl. charges)°	14.8%	14.1%	23.6%
Top 20 Issuers as Percent of Total	48.0%	46.6%	38.4%
Total Assets (all share classes)	15,313,609,265	-	-
Percent of Portfolio in Cash	-0.1%	-	-

°Investment Weighted Median.

\*I/B/E/S © 2020 Refinitiv. All rights reserved

†Based on the fund's underlying holdings and is not a projection of future portfolio performance.

**GEOGRAPHICAL DIVERSIFICATION**

	United States	United Kingdom	Germany	Switzerland	Netherlands	Japan	China	Denmark	France	Italy	Other
Health Sciences Fund	87.1%	2.4%	2.2%	1.9%	1.5%	1.3%	1.1%	1.0%	1.0%	0.5%	0.1%
LPR Health/Biotech Ix	88.4	2.1	0.4	2.5	1.7	0.3	1.0	1.7	1.0	0.1	0.8
<b>Over/Underweight</b>	<b>-1.4</b>	<b>0.4</b>	<b>1.8</b>	<b>-0.7</b>	<b>-0.2</b>	<b>1.1</b>	<b>0.1</b>	<b>-0.6</b>	<b>-0.1</b>	<b>0.4</b>	<b>-0.7</b>

**SECTOR DIVERSIFICATION**

	Biotechnology	Products & Devices	Services	Pharmaceuticals	Life Sciences	Misc.
Health Sciences Fund	34.7%	19.7%	19.1%	13.5%	12.2%	0.9%
LPR Health/Biotech Ix	41.0	18.4	21.9	11.4	6.9	0.3
<b>Over/Underweight</b>	<b>-6.3</b>	<b>1.3</b>	<b>-2.8</b>	<b>2.1</b>	<b>5.2</b>	<b>0.5</b>

For Sourcing Information, please see Additional Disclosures.

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

The information shown does not reflect any Exchange Traded Funds (ETFs) that may be held in the portfolio.

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.

"Other" includes any categories not explicitly mentioned.

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

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

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