



PORTFOLIO UPDATE

# Capital Appreciation Fund

As of January 31, 2021



**Portfolio Manager:**

David Giroux

**Managed Fund Since:**

2006

**Joined Firm:**

1998

## INVESTMENT OBJECTIVE

The fund seeks long-term capital appreciation by investing primarily in common stocks. It may also hold fixed income and other securities to help preserve principal value.

## FUND INFORMATION

Symbol	PRWCX
CUSIP	77954M105
Inception Date of Fund	June 30, 1986
Benchmark	S&P 500 Index
Expense Information (as of the most recent Prospectus)	0.70%
Fiscal Year End	December 31
12B-1 Fee	-

## MARKET COMMENTARY

U.S. equities were mixed in January after a bout of late-month selling. As measured by various Russell indexes, growth stocks narrowly outperformed value stocks among large-cap shares, while value outperformed growth in mid- and small-cap stocks. Within the S&P 500 Index, sector performance was mixed. Energy and health care outperformed while consumer staples and industrials and business services posted moderate losses. As measured by the Bloomberg Barclays U.S. Aggregate Bond Index, bonds delivered negative returns.

Stocks surged early in the month due to expectations for new fiscal stimulus from the federal government and broader distribution of coronavirus vaccines. Stocks retreated late in the month amid concerns about high valuations and unusual fluctuations in the prices of certain stocks that hedge funds had been selling short. A coordinated effort by retail investors to aggressively buy shares of heavily shorted companies forced hedge funds that had sold the stocks short to reduce their losses by purchasing the shares and selling other widely held names, contributing to swings in major equity benchmarks. The month also brought confirmation that the economic recovery had slowed, as nonfarm payrolls in December declined for the first time since April.

Equity valuations remain relatively full as the market reflects an increasingly optimistic outlook for economic growth. While we continue to find idiosyncratic opportunities to buy high quality assets at attractive valuations, we also pared holdings of certain companies to manage position size. We hold a balanced view of current risks and have positioned the portfolio accordingly, as we expect uncertainty around the duration and impact of the pandemic to drive further volatility. We favor strong companies with resilient earnings profiles and solid balance sheets that we believe can perform well in a variety of economic environments. We remain committed to finding the best risk-adjusted opportunities across the asset class spectrum to help balance our goals of preserving invested capital and generating equity-like returns over the long term with less risk than the broader equity market.

## PERFORMANCE

(NAV, total return)

	One Month	Three Months	One Year	Annualized			
				Three Years	Five Years	Ten Years	Fifteen Years
Capital Appreciation Fund	-1.93%	8.73%	13.58%	11.91%	13.30%	11.83%	9.70%
S&P 500 Index	-1.01	14.05	17.25	11.70	16.16	13.50	9.62

The 1-, 5-, and 10-year annualized returns as of 12/31/20 were 18.16%, 13.09% and 12.24% for the fund. **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.

All funds are subject to market risk, including possible loss of principal.

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**

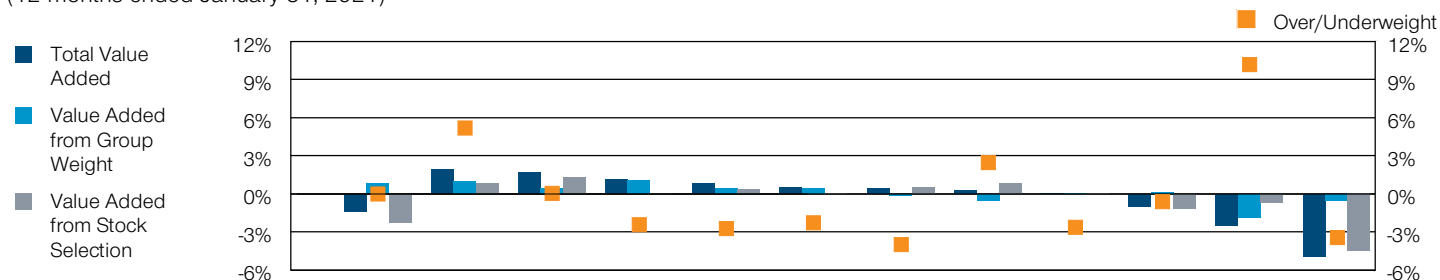
(Five Years ended January 31, 2021)

	Active Share* (as of 1/31/21)	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Capital Appreciation Fund	77.0%	10.00%	2.33%	0.64	0.90	-0.45	1.20	6.30%
S&P 500 Index	-	14.90	0.00	1.00	1.00	0.00	1.00	0.00

\* Active Share is a snapshot in time as of the indicated date.

**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. S&P 500 INDEX (EQUITY ONLY)**

(12 months ended January 31, 2021)



	Total	Financials	Health Care	Energy	Consumer Staples	Real Estate	Comm Svcs	Indust & Bus Svcs	Materials	Consumer Disc	Utilities	Info Tech
Over/Underweight	0.00%	5.21%	0.05%	-2.41%	-2.72%	-2.25%	-3.96%	2.49%	-2.59%	-0.59%	10.21%	-3.42%
Fund Performance	15.84	19.10	27.32	-27.58	12.66	5.79	32.29	12.28	60.50	17.19	-11.86	12.43
Index Performance	17.25	-0.77	18.27	-22.60	4.65	-3.03	20.90	6.79	25.63	33.00	-6.65	37.13
Value Add - Group Weight	0.83	1.01	0.44	1.11	0.45	0.49	-0.07	-0.49	0.02	0.11	-1.77	-0.48
Value Add - Stock Selection	-2.24	0.91	1.26	0.01	0.38	0.03	0.52	0.81	0.08	-1.09	-0.69	-4.46
Total Contribution	-1.41	1.92	1.71	1.12	0.84	0.52	0.45	0.33	0.10	-0.99	-2.46	-4.94

**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 equity only performance of the portfolio as calculated by the FactSet attribution model and is exclusive of non-equity positions. 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 2021 FactSet. All Rights Reserved. MSCI/S&P GICS Sectors; Analysis by T. Rowe Price Associates, Inc. T. Rowe Price uses the current MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. T. Rowe Price will adhere to all updates to GICS for prospective reporting. 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 31.8% of total net assets.

	<b>Industry</b>	<b>% of Fund</b>
Microsoft	Software	4.3%
GE	Industrial Conglomerates	3.8
Amazon.com	Internet & Direct Marketing Retail	3.7
Alphabet	Interactive Media & Services	3.3
Marsh & McLennan	Insurance	3.1
American Electric Power	Electric Utilities	3.1
PNC Financial Services Group	Banks	2.9
Fiserv	IT Services	2.8
Yum! Brands	Hotels Restaurants & Leisure	2.5
Humana	Health Care Providers & Svcs	2.4

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

**PORTFOLIO CHARACTERISTICS**

	<b>Capital Appreciation Fund</b>	<b>S&amp;P 500 Index</b>
Number of Holdings	190	505
Investment Weighted Median Market Cap (mm)	\$60,810	\$177,908
Price to Earnings (12 Months Forward)* ° †	23.2X	23.7X
Price to Book°	4.4X	6.7X
Projected Earnings Growth Rate (3 - 5 Years)* ° †	11.8%	12.0%
Return on Equity (Last 12 Months excl. charges)°	11.8%	24.4%
Top 20 Holdings as Percent of Total	46.7%	37.3%
Total Assets (all share classes)	44,029,073,900	-
Percent of Portfolio in Cash	16.8%	-

°Investment Weighted Median.

\*I/B/E/S © 2021 Refinitiv. All rights reserved

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

**SECTOR DIVERSIFICATION – EQUITY ONLY**

	<b>Info Tech</b>	<b>Health Care</b>	<b>Financials</b>	<b>Utilities</b>	<b>Cons Disc</b>	<b>Indust &amp; Bus Svcs</b>	<b>Comm Svcs</b>	<b>Cons Stpls</b>	<b>Real Estate</b>	<b>Energy</b>	<b>Materials</b>
Capital Appreciation Fund	24.3%	15.5%	14.7%	13.1%	11.9%	10.1%	6.7%	3.5%	0.2%	0.0%	0.0%
S&P 500 Index	27.8	13.8	10.3	2.8	12.9	8.1	10.7	6.2	2.5	2.4	2.6
<b>Over/Underweight</b>	<b>-3.5</b>	<b>1.7</b>	<b>4.4</b>	<b>10.4</b>	<b>-1.0</b>	<b>2.0</b>	<b>-4.0</b>	<b>-2.7</b>	<b>-2.3</b>	<b>-2.4</b>	<b>-2.6</b>

For Sourcing Information, please see Additional Disclosures.

## Definitions

Active Share is a holdings based measure of active management representing the percentage of a portfolio's holdings that differ from those in its benchmark. Compared to tracking error, which measures the standard deviation of the difference in a manager's returns versus the Benchmark returns, Active Share allows investors to get a clearer understanding of what a manager is doing to drive performance, rather than drawing conclusions from observed returns. The greater the difference between the asset composition of a product and its benchmark, the greater the active share is.

## 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.

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Equities include common stocks as well as convertible securities.

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

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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