T.RowePrice®
INVEST WITH CONFIDENCE

QUARTERLY REVIEW

U.S. Equity Research Fund

As of September 30, 2020

PORTFOLIO HIGHLIGHTS

The portfolio outperformed the benchmark during the three-month period ended September 30, 2020.

Relative performance drivers:

- Stock selection in the information technology, energy, and financials sectors contributed to relative gains.
- Negative stock selection in the consumer discretionary and industrials and business services sectors weighed on relative returns.

FUND INFORMATION

Symbol	PRCOX
CUSIP	77954P108
Inception Date of Fund	November 30, 1994
Benchmark	S&P 500 Index
Expense Information (as of the most recent Prospectus)	0.50%
Fiscal Year End	December 31
12B-1 Fee	–
Total Assets (all share classes)	$4,553,091,144
Percent of Portfolio in Cash	0.5%

PERFORMANCE

(NAV, total return)

				Annualized			
	Three Months	**Year-to-Date**	**One Year**	**Three Years**	**Five Years**	**Ten Years**	**Fifteen Years**
U.S. Equity Research Fund	9.26%	5.66%	15.47%	12.44%	14.42%	13.77%	9.33%
S&P 500 Index	8.93	5.57	15.15	12.28	14.15	13.74	9.19

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
U.S. Equity Research Fund	Nov 30 1994	13.30%	1.29%	15.99%	32.73%	12.21%	2.90%	10.23%	23.72%	-4.63%	32.46%
S&P 500 Index		15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38	31.49

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. 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. Read it carefully. The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.
Prior to 1 July 2019, the name of the U.S. Equity Research Fund was the Capital Opportunity Fund.
As with all equity investments, this Fund's share price can fall because of weakness in the broad market, a particular industry, or specific holdings.
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.

PERFORMANCE REVIEW

Economic Rebound and Vaccine Hopes Boost U.S. Stocks
Stocks recorded a second consecutive quarter of strong gains, with investors continuing to focus much of their enthusiasm on the internet and technology giants benefiting from the stay-at-home economy. A faster rebound in the economy than many had expected seemed to play a key role in driving markets higher. Employers added jobs at a record pace beginning in June, and manufacturing signals were generally strong, as firms sought to replenish inventories depleted in the spring. The much larger services sector also began to expand again in June, although airlines and other industries continued to struggle with cautious consumers.

Investors took a renewed rise in U.S. coronavirus infections in July 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.

Information Technology
The information technology sector was the largest contributor to relative performance due to stock selection.

- An overweight position in software-as-a-service provider Salesforce.com helped relative returns. During the period, the company reported very strong results from its most recent quarter, with all key top-line metrics accelerating, and produced its best one-day return ever. In our view, the company has built an impressive end-to-end platform for the sales process at a time when larger enterprises are increasingly adopting high-quality, cloud-based software to control spending on IT infrastructure while improving productivity. We believe the digitalization of the enterprise remains a powerful secular tailwind for Salesforce.com, although we recently downgraded the stock given its current valuation.
- An overweight in graphic processing unit designer NVIDIA was beneficial as the company continued to benefit from strength in its data center and gaming segments. We appreciate NVIDIA's dominant position in parallel processing, its software solutions to facilitate customer success, and its leverage to secular growth trends in artificial intelligence and autonomous driving. We also think the company's plan to acquire mobile-chip designer Arm Holdings is strategically and financially attractive for the company.

Energy
Stock selection in the energy sector also aided relative gains.

- An underweight in integrated oil and gas company Exxon Mobil helped relative performance. Shares of the company took a hit during the quarter in conjunction with the broader energy sector, as oil prices declined during the coronavirus pandemic due to precipitating demand for the commodity. During the period, Exxon Mobil also reported weak quarterly results that fell short of consensus estimates, owing mostly to reduced oil-equivalent production, lower crude price realization, and thin refining margins in both U.S. and non-U.S. operations. We are cautious in the midterm as Exxon Mobil ramps up its capital expenditures, which could ultimately delay cash flows, dividends, and earnings growth.
- Not owning energy company Phillips 66 contributed to relative gains as expectations of an increased global oil supply and decreased demand as a result of the coronavirus outbreak continued to weigh on oil prices. We are underweight as we believe there are other investments in the space that offer a better risk/reward profile.

Financials
Within the financials sector, stock selection was beneficial.

- An overweight in Fifth Third Bancorp was beneficial as the ongoing reopening of the U.S. economy continued to help valuations. During the period, the company reported results from its most recent quarter that show lower expenses and solid loan and deposit balance growth, partially offset by higher provisions as a result of the coronavirus pandemic and a decline in revenues. In our view, Fifth Third Bancorp's pronounced efforts to de-risk its balance sheet and shield against a low-rate market backdrop should help it outperform peers, while its idiosyncratic earnings growth drivers provide upside potential.
- An underweight in U.S. money center bank Citigroup was beneficial. Shares fell in September after it was reported that the company may face disciplinary action for failing to improve its risk management systems. The move also accelerated planning for CEO Michael Corbat's retirement. We believe that the prospect of an elongated downturn is a significant headwind for the company, given its lack of strong leadership. Additionally, we feel that many of Citigroup's new customers signed up for promotions and carry higher credit risk than the average card holder.

Consumer Discretionary
Within the consumer discretionary sector, security selection detracted.

- Not owning retailer Target weighed on relative returns as the stock continued to benefit from strong digital sales and same-day services, including order pick-up, drive up, and online delivery. With traditional mass merchants facing headwinds, we do not believe Target offers attractive risk/reward potential.
- Not owning home construction company D.R. Horton weighed on relative results as the company saw rising sales orders amid an improving housing market. We remain underweight due to valuation concerns.

Industrials and Business Services
Within the industrials and business services sector, stock selection weighed on relative performance.

- Not owning agriculture and construction equipment manufacturer Deere hurt relative results as continued solid agricultural equipment demand, strong results from its most recent quarter, and an improved outlook drove shares of the stock higher during the quarter. While we like the company's dominant market share in a consolidated market and think it will benefit from troughing end markets, we remain underweight due to valuation concerns.
- Not owning Caterpillar, a leading manufacturer of construction and mining equipment as well as engines and turbines, detracted from relative gains. During the period, the company reported second-quarter earnings that beat estimates and three-month retail sales data that showed a deceleration in the declines from the previous month. We remain underweight as we believe the stock is fully valued.

PORTFOLIO POSITIONING AND ACTIVITY

The portfolio is managed by a team of approximately 30 equity research analysts, with capital allocated to each analyst in proportion to the weight of the stocks they follow within the S&P 500 Index. Each analyst makes buy and sell decisions and executes the trades within his or her coverage area. The analysts overweight the most attractive stocks, underweight the least attractive stocks, and opportunistically add high-conviction, nonindex securities from their coverage area.

Given the sector, industry and style-neutral position of the strategy, we would expect to generate the majority of our alpha from stock selection. The majority of the tracking error is due to stock-specific risk.

Significant Overweights

- Lam Research is a leading supplier of semiconductor capital equipment that we expect to benefit over the long term as customers step up spending to meet demand for memory chips and to drive innovation in logic chips. We believe the market does not fully appreciate the rising production cost curve in key semiconductor markets and the company's growth prospects once the recovery cycle takes hold.
- Salesforce.com is a leader in cloud-based enterprise software for managing customer relationships. In our view, Salesforce.com has built an impressive end-to-end platform for the sales process at a time when larger enterprises are increasingly adopting high-quality, cloud-based software to control spending on IT infrastructure while improving productivity. We believe Salesforce.com should be able to sustain an impressive rate of organic revenue growth in the coming years, despite the law of large numbers.
- Intuitive Surgical created the robotic surgery market and continues to benefit from the secular trend toward this technology. The company has a wide competitive moat due to patents, an entrenched installed base, and a large sales/service infrastructure. Intuitive Surgical also generates substantial free cash flow. Over time, we think new robot generations should unlock considerably larger procedure markets.
- NVIDIA is a leading designer of graphics processing units. We appreciate NVIDIA's dominant position in parallel processing, its software solutions to facilitate customer success, and its leverage to secular growth trends in artificial intelligence and autonomous driving.
- Fifth Third Bancorp is a high-quality regional bank. In our view, Fifth Third Bancorp's pronounced efforts to de-risk its balance sheet and shield against a low-rate market backdrop should help it outperform peers, while its idiosyncratic earnings growth drivers provide upside potential.

Significant Underweights

- JPMorgan Chase is a financial holding company engaged in investment banking and financial services. The company has above-average balance sheet strength and diversified business lines that are highly levered to consumers. However, we believe the stock is trading at a relative valuation premium, and we are wary that the market is underappreciating the earnings and credit headwinds the business may face. We prefer Bank of America.
- Adobe is a high-quality software business with a dominant market position in digital content creation. We think the company's growth rates will moderate significantly as the benefits of its recent subscription transition wane and fundamentals normalize. We also believe Adobe has limited cloud growth prospects without further acquisitions as its current portfolio of software assets is becoming less relevant.
- Intel is the largest manufacturer of leading-edge processors and maintains a near monopoly in the PC and server markets with the best manufacturing capability in the industry. However, we have concerns over the declining PC business as well as competitive pressures facing the company's manufacturing and design for new chips. We prefer Micron Technology.
- PayPal Holdings is the leading pure-play digital wallet with a business model that is a hybrid of a merchant acquirer, an issuer, and an open-loop payment network. While we like the company's strong balance sheet, its leverage to growth in e-commerce, and the potential monetization of its person-to-person mobile payments application Venmo, we believe there are better risk/reward opportunities elsewhere in the space. We prefer Visa.
- Bristol-Myers Squibb is a biopharmaceutical company with a primary focus in oncology, although it also has a number of brands in the areas of cardiovascular disease, autoimmune disease, and virology. We are underweight as we believe several patent expiries over the next several years will weaken the company's multiple unless new growth drivers can be identified. We prefer AbbVie.

Significant Purchases

- We increased our position in Bank of America during the quarter. We believe the company's credit profile and pre-provision net revenue generation offer downside protection while its well-balanced business model offers good upside/downside balance in a market upturn.
- We added to our position in banking company Wells Fargo. While we expect additional rate and credit pressure going forward, we continue to believe Wells Fargo has good long-term fundamentals and has made progress in addressing past issues in its sales culture.

Significant Sales

- We reduced our position in global bank JPMorgan Chase. We believe the stock is trading at a relative valuation premium, and we are wary that the market is underappreciating the earnings and credit headwinds the business may face.
- We decreased our position in diversified semiconductor device supplier Broadcom during the quarter. While we like Broadcom's shareholder-friendly capital return policies, and we believe Broadcom is well positioned to benefit from adoption of 5G technology, we don't find the stock attractive at current valuations.
- We eliminated our position in U.S. money center bank Citigroup during the quarter. We believe that the prospect of an elongated downturn is a significant headwind for the company, given its lack of strong leadership. Additionally, we feel that many of Citigroup's new customers signed up for promotions and carry higher credit risk than the average card holder.

- We trimmed our position in Applied Materials, a leading provider of semiconductor capital equipment. Although we remain favorable on Applied Materials, we view Micron Technology as a more attractive investment opportunity.
- We trimmed our position in energy drink company Monster Beverage. A combination of Monster's strong year-to-date performance combined with data points showing increased competitive dynamics in the energy beverage category have caused us to prefer the relative risk/reward profile of Coca-Cola.

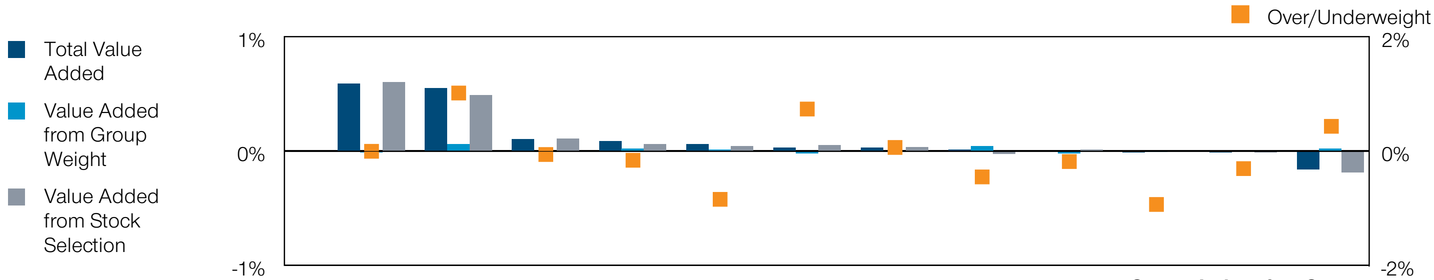
ORGANIZATIONAL UPDATE

Paul Greene (Information Technology), Eric DeVilbiss (Consumer Discretionary), and Peter Bates (Industrials) left the strategy. Paul Greene's coverage has been assumed by Jim Stillwagon who joined the strategy. Eric and Peter's coverages have been assumed by remaining Consumer Discretionary and Industrials analysts. As of September 30th, 2020, there are 28 participating analysts.

QUARTERLY ATTRIBUTION

SECTOR ATTRIBUTION DATA VS. S&P 500 INDEX

(3 months ended September 30, 2020)



	Total	Info Tech	Energy	Finan-cials	Health Care	Comm Svcs	Utilities	Real Es-tate	Materi-als	Con-sumer Staples	Indust & Bus Svcs	Con-sumer Disc
Over/Underweight	0.00%	1.02%	-0.05%	-0.16%	-0.85%	0.73%	0.07%	-0.45%	-0.18%	-0.92%	-0.30%	0.44%
Fund Performance	9.52	13.86	-16.49	4.92	6.21	9.41	7.53	0.95	14.44	10.35	12.36	13.43
Index Performance	8.93	11.95	-19.72	4.45	5.87	8.94	6.14	1.92	13.48	10.35	12.48	15.06
Value Add - Group Weight	-0.01	0.06	-0.01	0.02	0.02	-0.02	0.00	0.04	-0.02	-0.01	0.00	0.02
Value Add - Stock Selection	0.60	0.50	0.11	0.06	0.04	0.05	0.04	-0.02	0.02	0.00	-0.01	-0.18
Total Contribution	0.59	0.55	0.11	0.09	0.06	0.04	0.03	0.02	0.00	-0.01	-0.01	-0.16

TOP 5 RELATIVE CONTRIBUTORS VS. S&P 500 INDEX

(3 months ended September 30, 2020)

Security	% of Equities	Stock Return (%)	Net Contribution (Basis Points)
Salesforce.Com, Inc.	1.4%	34.16%	19
Nvidia Corporation	1.7	42.50	18
Advanced Micro Devices, Inc.	0.7	55.84	15
Intel Corporation	0.0	-17.15	12
Intuitive Surgical, Inc.	0.8	24.52	11

TOP 5 RELATIVE DETRACTORS VS. S&P 500 INDEX

(3 months ended September 30, 2020)

Security	% of Equities	Stock Return (%)	Net Contribution (Basis Points)
Adobe Incorporated	0.0%	–%	-10
Deere & Company	0.0	–	-8
Paypal Holdings, Inc.	0.2	13.09	-8
Target Corporation	0.0	–	-7
Abbott Laboratories	0.2	19.48	-7

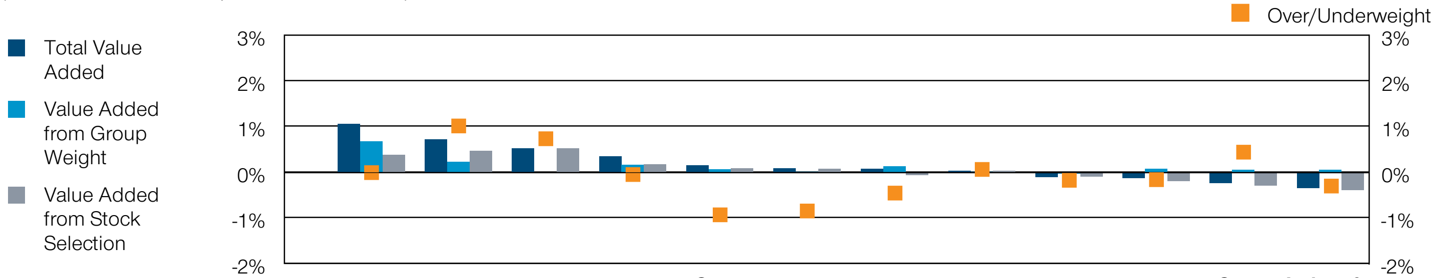
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.
Source: T. Rowe Price. Stock return reflects reinvestment of dividends and capital gains and is not representative of the Fund's performance.

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. 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.

12-MONTH ATTRIBUTION

SECTOR ATTRIBUTION DATA VS. S&P 500 INDEX

(12 months ended September 30, 2020)



	Total	Info Tech	Comm Svcs	Energy	Con-sumer Staples	Health Care	Real Es-tate	Utilities	Materi-als	Finan-cials	Con-sumer Disc	Indust & Bus Svcs
Over/Underweight	0.00%	1.02%	0.73%	-0.05%	-0.92%	-0.85%	-0.45%	0.07%	-0.18%	-0.16%	0.44%	-0.30%
Fund Performance	16.21	49.35	23.83	-42.83	9.50	20.61	-10.36	-3.22	8.81	-13.64	26.16	-3.38
Index Performance	15.15	47.23	18.37	-45.24	7.76	20.11	-7.28	-4.97	12.46	-11.87	28.89	1.34
Value Add - Group Weight	0.68	0.24	-0.01	0.17	0.06	0.01	0.14	0.00	-0.02	0.08	0.06	0.05
Value Add - Stock Selection	0.38	0.48	0.53	0.18	0.10	0.08	-0.07	0.04	-0.09	-0.19	-0.29	-0.39
Total Contribution	1.06	0.72	0.53	0.35	0.16	0.09	0.08	0.04	-0.10	-0.11	-0.23	-0.33

TOP 5 RELATIVE CONTRIBUTORS VS. S&P 500 INDEX

(12 months ended September 30, 2020)

Security	% of Equities	Stock Return (%)	Net Contribution (Basis Points)
Nvidia Corporation	1.7%	211.58%	60
Salesforce.Com, Inc.	1.4	69.31	31
Amazon.Com, Inc.	5.1	81.39	24
Chevron Corporation	0.3	-36.18	21
Facebook, Inc.	2.8	47.07	20

TOP 5 RELATIVE DETRACTORS VS. S&P 500 INDEX

(12 months ended September 30, 2020)

Security	% of Equities	Stock Return (%)	Net Contribution (Basis Points)
Adobe Incorporated	0.0%	–%	-42
Boeing Company	0.5	-56.06	-35
Paypal Holdings, Inc.	0.2	90.20	-32
Wells Fargo & Company	0.9	-51.29	-30
American International Group,	0.4	-48.66	-24

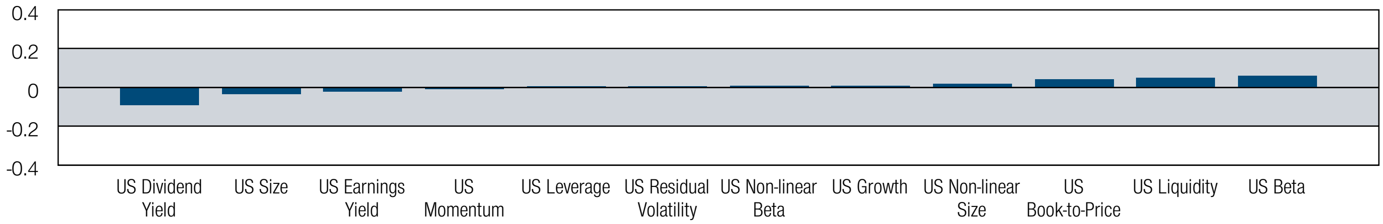
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.
Source: T. Rowe Price. Stock return reflects reinvestment of dividends and capital gains and is not representative of the Fund's performance.

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. 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.

PORTFOLIO POSITIONING

BARRA RISK FACTORS FOR U.S. EQUITY RESEARCH FUND

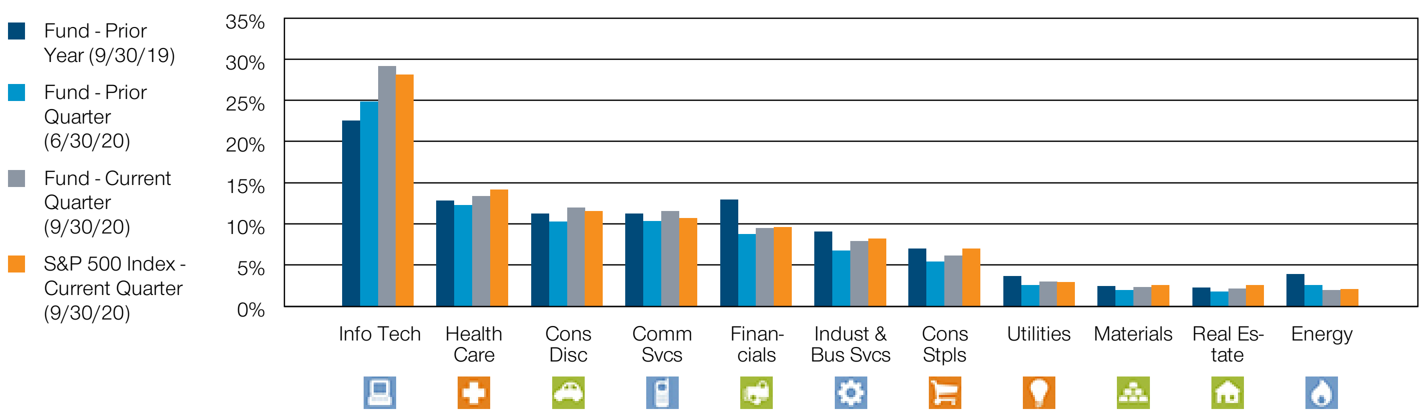
(Active Weights)



Barra. Barra and its affiliates and third party sources and providers (collectively, "Barra") makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any Barra data contained herein. The Barra 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 Barra. Historical Barra data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. None of the Barra data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Risk exposures of less than 0.2 are not statistically significant.

SECTOR DIVERSIFICATION – CHANGES OVER TIME



LARGEST PURCHASES

Issuer	Sector	% of Fund Current Quarter 9/30/20	% of Fund Prior Quarter 6/30/20
Microsoft		5.8%	5.4%
Amazon.com		5.2	4.4
Alphabet		3.5	3.3
Facebook		2.8	2.3
NVIDIA		1.7	1.2
Visa		1.4	1.3
AbbVie		1.0	1.0
Bank of America		0.9	0.1
Wells Fargo		0.9	0.7
Coca-Cola		0.7	0.4

LARGEST SALES

Issuer	Sector	% of Fund Current Quarter 9/30/20	% of Fund Prior Quarter 6/30/20
Salesforce.com		1.4%	1.1%
Linde		0.6	0.7
NextEra Energy		0.6	0.6
Pfizer		0.5	0.5
Applied Materials		0.4	0.6
Monster Beverage		0.2	0.3
JPMorgan Chase		0.1	0.9
Broadcom		0.0	0.5
Citigroup (E)		0.0	0.2
SVB Financial Group (E)		0.0	0.2

(E) Eliminated

For Sourcing Information, please see Additional Disclosures.

HOLDINGS

MAJOR POSITION CHANGES

Issuer	Industry	% of Fund 9/30/20	% of Fund 6/30/20	Difference (%)
Apple	Technology Hardware, Storage & Peripherals	6.8%	5.3%	1.5%
Bank of America	Banks	0.9	0.1	0.8
Amazon.com	Internet & Direct Marketing Retail	5.2	4.4	0.8
NVIDIA	Semicons & Semicon Equip	1.7	1.2	0.5
Facebook	Interactive Media & Services	2.8	2.3	0.5
JPMorgan Chase	Banks	0.1	0.9	-0.8
Broadcom	Semicons & Semicon Equip	0.0	0.5	-0.5
Citigroup (E)	Banks	0.0	0.2	-0.2
Applied Materials	Semicons & Semicon Equip	0.4	0.6	-0.2
SVB Financial Group (E)	Banks	0.0	0.2	-0.2

(E) Eliminated
Major position changes are based on security purchases and sales as well as fluctuations in market value.

TOP 10 ISSUERS

Issuer	Industry	% of Fund	% of S&P 500 Index
Apple	Technology Hardware, Storage & Peripherals	6.8%	6.7%
Microsoft	Software	5.8	5.7
Amazon.com	Internet & Direct Marketing Retail	5.2	4.8
Alphabet	Interactive Media & Services	3.5	3.1
Facebook	Interactive Media & Services	2.8	2.3
NVIDIA	Semicons & Semicon Equip	1.7	1.2
Visa	IT Services	1.4	1.2
Salesforce.com	Software	1.4	0.8
Comcast	Media	1.2	0.8
Procter & Gamble	Household Products	1.2	1.2

TOP 5 OVER/UNDERWEIGHT POSITIONS VS. S&P 500 INDEX

Issuer	Industry	% of Fund	% of S&P 500 Index	Over/Underweight
Lam Research	Semicons & Semicon Equip	0.8%	0.2%	0.6%
Salesforce.com	Software	1.4	0.8	0.5
Intuitive Surgical	Health Care Equip & Supplies	0.8	0.3	0.5
NVIDIA	Semicons & Semicon Equip	1.7	1.2	0.5
Fifth Third Bancorp	Banks	0.6	0.1	0.5
JPMorgan Chase	Banks	0.1	1.1	-0.9
Adobe	Software	0.0	0.8	-0.8
Intel	Semicons & Semicon Equip	0.0	0.8	-0.8
PayPal Holdings	IT Services	0.2	0.8	-0.6
Johnson & Johnson	Pharmaceuticals	0.9	1.4	-0.5

For Sourcing Information, please see Additional Disclosures.

INDUSTRY SPOTLIGHT

Retail Analyst

T. Rowe Price Equity Research Analyst Vivian Si has been covering retail companies, including mass merchants, department stores, auto parts retailers, and off-price and specialty apparel retailers, in the US Structured Research Equity Strategy since 2012. She believes her relatively long tenure as a retail analyst, her strong relationships with the companies she covers, her long-term approach to investing, and her willingness to wait out potential controversies are all factors that give her a competitive advantage and set her apart from her peers.

The coronavirus pandemic has amplified several ongoing trends affecting the retail industry, including the shift to e-commerce and customers' increasing preference for value. The companies that have consistently outperformed before and during the pandemic are the ones that have appealed to the value-seeking mentality of consumers by providing superior value to their competitors. The pandemic-related shutdowns in March and April also created an acceleration in some newer retail trends as people spent significantly more time at home. In many cases, household size expanded as many young adults moved back in with their families, increasing household consumption rates. Do-it-yourself (DIY) spending also accelerated as people had more time on their hands and tackled projects around the house themselves rather than outsourcing the work or replacing broken items.

Because Vivian covers different sleeves within retail, each with its own fundamentals and trends, she takes a high-level approach to determine which companies in each sleeve she thinks will be long-term market share gainers. Within her portfolio, Vivian is overweight off-price retailers, which appeal to value-conscious consumers across age groups and demographics by selling branded apparel, accessories, and home fashions at a discount to specialty retail and department stores. She is also overweight auto parts retailers, which she believes are steady, consistent businesses with good earnings growth. Conversely, Vivian is underweight mass merchants as she believes their market share maintenance comes at the expense of margins, and it is hard for mass merchants to drive enough earnings growth for consistent outperformance.

Ross Stores (ROST), the second-largest off-price retailer in the U.S., is the largest overweight position in Vivian's portfolio. Vivian believes Ross Stores offers superior value to its competitors and can drive margin expansion through same-store sales growth and operating discipline. She thinks the company is well positioned to generate topline growth by taking share from mid-tier department stores as it doubles its store base and expands into a national retailer. While customer traffic could be volatile through the fall due to the uncertainty of future coronavirus outbreaks in the U.S., Vivian believes Ross Stores should benefit from the pandemic-related bankruptcies and closures of weaker retailers. The company's focus on inventory management and cost control should also lead to continued margin improvement. Last, Vivian likes the management team's proven track record of maximizing long-term shareholder value by returning excess cash to shareholders through dividends and share repurchases.

Specialty retailer O'Reilly Automotive (ORLY) is another top overweight in Vivian's portfolio. O'Reilly sells automotive aftermarket parts, tools, supplies, and equipment to both DIY and professional (commercial and do-it-for-me) customers in the U.S. Vivian believes O'Reilly is the best-positioned auto parts retailer with a best-in-class management team. O'Reilly has built a sustainable competitive advantage around its supply chain and distribution capabilities, in an industry where parts availability, rather than price, is the key purchase criteria. As a result, the company is less susceptible to competitive pressures from online retailers than other specialty retailers. As the economy continues to reopen, Vivian thinks O'Reilly will continue to gain market share in both the professional and DIY markets and outpace overall industry growth and peer growth. She expects the company to generate high-single-digit topline growth through a combination of square footage expansion and sustainable same-store sales growth, which should drive above-consensus performance. While the company paused its share repurchase program in March in response to the coronavirus pandemic, it has since resumed buybacks.

Dollar General (DG), one of the largest discount retailers in the U.S., is another top overweight in Vivian's portfolio. Dollar General stores offer a broad selection of merchandise, including consumables, seasonal items, home products, and apparel. Dollar General is more insulated from the shift to e-commerce due to its low-income demographic, rural footprint, small basket, and combination of convenience and value. Historically, the company has performed well during market downturns, and it benefited as an essential retailer during the pandemic-related shutdown. While the company has done well with low- and moderate-income consumers, it has recently attracted a slightly higher-end demographic, with household income up to USD100K. Recognizing the opportunity to retain these customers, Dollar General is accelerating its remodels and the rollout of several initiatives designed to expand the company's product offering and its digital capabilities, which will provide customers with a fuller, more relevant, and more convenient fill-in trip.

Conversely, Target (TGT) and Walmart (WMT), the two largest big-box retailers in the U.S., are top underweight positions in Vivian's portfolio. As consumers increasingly value convenience, both companies have been losing shoppers to small-format stores, such as grocery stores and dollar stores, and online retailers. While both Target and Walmart have invested substantially in e-commerce capabilities to remain competitive with Amazon and maintain their current market share, these defensive measures are pressuring profitability and returns on invested capital. Although both companies benefited from stock-up trips, lack of brick-and-mortar competition from the shutdown, and government stimulus measures early in the pandemic, Vivian expects that sales will revert to more normalized levels with the recent expiration of enhanced unemployment benefits. With the secular headwinds pressuring traditional mass merchants, Vivian believes the risk/reward is not currently attractive for Target or Walmart.

Looking ahead, Vivian expects the retail environment will remain volatile over the next year. She believes companies that appeal to the value-seeking mentality of the consumer by providing superior value to their competitors will continue to gain market share while weaker retailers will to go out of business, creating additional market share opportunities for those who remain. As always, Vivian will continue to make investment decisions based on an in-depth fundamental analysis of each company as well as her views on the evolving competitive environment and ongoing changes in consumer behavior.

PORTFOLIO MANAGEMENT

Portfolio Manager:	Managed Fund Since:	Joined Firm:
Ann Holcomb	2015	1996
Jason Polun	2015	2003
Thomas Watson	2017	2007
Josh Nelson	2019	2007

Additional Disclosures

Unless otherwise noted, index returns are shown with gross dividends reinvested.
The manager’s views and portfolio holdings are historical and subject to change. This material should not be deemed a recommendation to buy or sell any of the securities mentioned. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.
The information shown does not reflect any Exchange Traded Funds (ETFs) that may be held in the portfolio.
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 future updates to GICS for prospective reporting.
The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc, ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by T. Rowe Price. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any or such standard or classification, Without limiting any or the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.
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.
This material has been prepared for informational purposes only. The views and opinions stated in this commentary are those of the portfolio managers listed as of the date indicated. These views and opinions are subject to change based on market or other conditions and may differ from those of other T. Rowe Price associates. Actual market and investment results may differ materially from expectations.

T. Rowe Price Investment Services, Inc., Distributor.
202010-1340135