



QUARTERLY REVIEW

**QM U.S. Small-Cap Growth Equity Fund**

As of June 30, 2020

**PORTFOLIO HIGHLIGHTS**

The portfolio produced a very strong positive return in absolute terms but underperformed its benchmark, the MSCI US Small Cap Growth Index, in the second quarter of 2020.

Relative performance drivers:

- Stock selection in the consumer discretionary, health care, and information technology sectors hurt the portfolio's relative performance.
- On the other hand, our stock choices among financials helped relative results.

Additional highlights:

- Despite the recovery in asset prices, the path to economic recovery remains uncertain, and some industries may remain challenged. We expect continued choppiness in the market.
- Volatility has been extraordinary, but our longstanding investment strategy and stock selection process remain the same. We continue to look for high-quality companies that generate good cash flows and are judicious in deploying capital.

**FUND INFORMATION**

Symbol	PRDSX
CUSIP	779917103
Inception Date of Fund	June 30, 1997
Benchmark	MSCI US Small Cap Growth Index
Expense Information (as of the most recent Prospectus)	0.79%
Fiscal Year End	December 31
12B-1 Fee	-
Total Assets (all share classes)	\$8,237,261,331
Percent of Portfolio in Cash	0.5%

**PERFORMANCE**

(NAV, total return)

	Three Months	Year-to-Date	One Year	Annualized			
				Three Years	Five Years	Ten Years	Fifteen Years
QM U.S. Small-Cap Growth Equity Fund	24.02%	-5.57%	1.52%	8.81%	8.24%	14.73%	10.07%
MSCI US Small Cap Growth Index	31.76	-1.90	4.77	8.86	7.43	13.65	9.71

**CALENDAR YEAR PERFORMANCE**

(NAV, total return)

	Inception Date	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
QM U.S. Small-Cap Growth Equity Fund	Jun 30 1997	33.50%	1.54%	15.69%	44.19%	6.38%	2.33%	11.31%	22.12%	-6.86%	32.76%
MSCI US Small Cap Growth Index		30.71	-1.53	17.57	44.50	4.69	-3.05	13.44	21.46	-9.03	29.50

**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 investments are subject to risk, including the possible loss of the money you invest. The fund's strategy relies heavily on quantitative models to analyze data and construct investment portfolios. Relying on these models entails the risk that the models themselves may be limited or incorrect, that the data the models rely on may be incorrect or incomplete, and that the adviser may not be successful in selecting companies for investment or determining the weighting of particular stocks.

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

### Stocks Notch Best Quarter in Decades on Recovery Hopes

Stocks rebounded in the second quarter, with the major indexes recording their best quarterly performance in decades. Progress in the battle against the coronavirus boosted markets early in the quarter, with infection rates, hospitalizations, and deaths beginning to decline in early April in New York and other hard-hit areas. The turnaround encouraged the nation's governors to begin the gradual reopening of businesses and public facilities, while major firms resumed manufacturing operations in late April. After coasting lower for several weeks, however, the national number of daily diagnosed new cases began to climb in June, resulting in periodic selloffs in equities. The overall tone of economic data improved throughout the quarter and may have helped offset renewed coronavirus fears. After a historical plunge in April, payrolls surged by a record amount in May. Retail sales also bounced back, and several indicators suggested a recovery in manufacturing.

### Stock Selection in the Consumer Discretionary Sector Hurt Relative Performance

- Service Corp International is a large provider of death-care services via funeral homes and cemeteries in North America, with a focus on more upscale facilities. Shares significantly lagged the sector and the broad market amid reduced pre-need cemetery sales during the pandemic and concerns that a weak economy will prompt customers to favor cremation or lower-cost funerals. There is also a regulatory overhang weighing on the stock as the Federal Trade Commission is considering revising industry regulations to increase price transparency of death-care services. However, we believe that the company will be able to adapt to any changes.
- Domino's Pizza delivered another positive return in the second quarter, though shares significantly lagged other consumer discretionary stocks that rallied more sharply in anticipation of a recovering economy. Nevertheless, we like how the company has adapted to the pandemic quickly and effectively by putting in place contactless delivery, new carryout procedures, and thorough store cleaning protocols so operations and throughput remain reliable. In addition, we believe this pizza delivery chain will continue to grow and gain market share over time as the company leverages its industry-leading digital eco-system, offers new products, and pursues new and innovative marketing opportunities.
- Bright Horizons Family Solutions is a provider of worksite childcare services in the U.S. and Europe. Shares appreciated but trailed in the broad market rally amid concerns that the company will face continuing challenges as economies reopen, such as capacity constraints from companies, regulators, and consumer demand. We continue to hold the shares, as we like this high-quality company's unique business model and believe that it will benefit from demand for childcare in an environment of undersupply. We also believe that the company should be able to opportunistically add childcare centers in a cost-effective manner as the economy takes time to recover.

### Health Care Stock Choices Also Detracted From Relative Results

- Quidel is a manufacturer of diagnostics health care products and rapid diagnostic testing products. The company, which has a high return on invested capital and a reasonable valuation compared with its peers, recently received U.S. Food and Drug Administration (FDA) approval for an antigen test for COVID-19. We established a position in the second quarter; unfortunately, the timing of our purchase and our underweighting versus the benchmark did not enable us to benefit fully from the stock's brisk gains.
- Shares of Chemed, which operates VITAS Healthcare, a hospice and palliative care services business, as well as the Roto-Rooter plumbing business, produced mild gains and significantly trailed other companies in the sector. We trimmed our stake during the quarter in favor of other companies with better growth potential.

### Our Information Technology Holdings Trailed Their Benchmark Peers

- Booz Allan Hamilton Holding is a highly regarded management consulting, technology, and engineering services company that works with the U.S. government and its agencies in defense and intelligence matters. Shares appreciated in the second quarter but lagged higher-risk technology stocks that rallied sharply. Nevertheless, we continue to believe that Booz Allan, which delivers differentiated cyber security products and services, will benefit over time as the government's spending on cyber security increases.
- CACI International is an IT services company that provides services to the federal government, especially national security and defense agencies. While we like the company's steady growth profile, which we believe bodes well for its long-term performance, the stock failed to keep up with the sector during the second-quarter rally.

### Stock Choices in the Financials Sector Also Helped Relative Results

- MarketAxess Holdings operates a major electronic trading platform for domestic high-quality and high yield bonds. Shares surged during the quarter, propelled by strong earnings and revenues stemming from increased bond trading activity, as well new market participants using the company's trading platform. We believe that MarketAxess is a high-quality asset and that the company will increase its market share over time.
- Shares of Green Dot, the leading provider of general-purpose reloadable cards in the U.S., also performed well. Operational missteps had plagued the company last year; a new experienced CEO, better-than-expected quarterly results, and optimism as economies slowly reopen lifted investor sentiment. The bankruptcy of competitor Wirecard further boosted shares. We believe that the company could become a substantially larger platform over time with solid execution.

## PORTFOLIO POSITIONING AND ACTIVITY

Stock selection in the portfolio is primarily based on our quantitative model, but we have the benefit of leveraging the fundamental research conducted by T. Rowe Price's equity analysts. In constructing the portfolio, our sector weights are usually in line with those of the MSCI US Small Cap Growth Index, but we will occasionally overweight or underweight certain sectors based on our analysis.

Health care, information technology, industrials and business services, and consumer discretionary are the portfolio's largest sector allocations as of June 30, and these sectors accounted for many of our purchases and sales during the quarter. We've highlighted some key trades from various sectors.

### Health Care

- Masimo is a manufacturer of non-invasive medical monitoring technologies, such as pulse oximetry devices. The stock has performed very well this year, and while we continue to anticipate increased demand for the company's products over time, we reduced our stake to manage its position size in the portfolio, and because its market capitalization has increased toward the upper portion of the small-cap growth universe.
- Molina Healthcare is a Medicaid managed care company. The company contracts with various state governments to provide health care coverage for lower-income individuals. While we continue to believe that the long-term fundamentals of the managed care space remain favorable, we trimmed our position because its market capitalization and valuation have increased.

### Information Technology

- During the quarter, we established a new position in Power Integrations, an analog semiconductor company focused solely on high power discrete integration. It has a strong patent portfolio, singular engineering focus, and unique process design that we believe result in superior products and higher gross margins than its peers.
- We added to our stake in Paylocity, a small- and medium-sized payroll company and human capital management vendor benefiting from the market migration from outsourced providers to software-as-a-service (SaaS) companies. It has above-average revenue growth that we believe could be sustained for some time. The company also has a high return on invested capital.

### Industrials and Business Services

- We established a position in MSA Safety, a leading maker of safety equipment. The company is gaining market share in several product lines, and its respirator business is growing rapidly as companies are focusing on employee safety. The company has a strong management team, and we believe it has a good runway for margin opportunity.
- We also added UFP Industries (formerly Universal Forest Products) to the portfolio. This is a well-managed holding company whose subsidiaries supply wood and other building

materials to retail, construction, and industrial markets. The company is closely tied to the housing market, and we believe it will benefit from a cyclical recovery in the broader economy.

### Consumer Discretionary

- Penn National Gaming is a casino operator whose shares rallied as economies reopened, allowing its casinos to resume operations. It is also a potential beneficiary of on-line sports betting in the future. We trimmed our holdings due to the stock's valuation and to manage its position size in the portfolio.
- We established a new position in RH, a luxury home furnishings retailer that curates and scales assorted products from artisans worldwide. With a strong brand and a long runway for growth, both in the U.S. and overseas, RH offers a strong risk/reward tradeoff.

## MANAGER'S OUTLOOK

The rally in the second quarter was by fueled by optimism that COVID-19 was beginning to subside and by historic fiscal and monetary stimulus. The stimulus provided in the quarter was significantly larger than what was provided over multiple years following the 2008-2009 global financial crisis, and, if it remains as strong, we don't expect an immediate change in factor leadership.

Though much of the economy has begun reopening, there appear to be a few persistent trends that have carried through to this phase. For example, the travel industry may remain challenged, as many consumers are wary of close-quarters flights with strangers. Banks continue to face the headwind of near-zero interest rates, which will continue through at least 2022, according to recent Federal Reserve announcements. Brick-and-mortar retailers are under pressure as COVID-19 accelerated the structural shift to ecommerce and working from home appears to be the wave of the future, which will weigh on office property owners and the eco-system (e.g., restaurants) that rely on people going to the office.

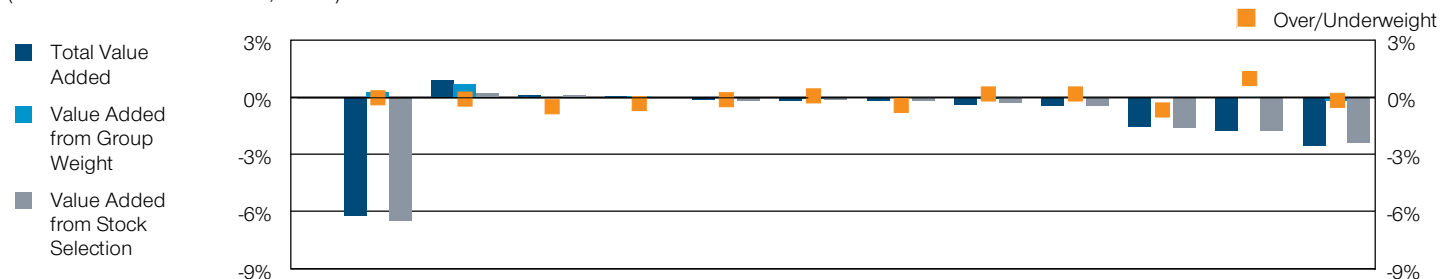
Despite the recovery in asset prices, the path to economic recovery remains uncertain, and, as we write this commentary, we are seeing a resurgence of COVID-19 cases across the U.S. We expect continued choppiness in the market, which we feel is fully valued, until a vaccine is developed and we get a more permanent reopening.

The investment landscape has changed dramatically and abruptly, and volatility this year has been extraordinary at times, but we can assure you that our longstanding investment strategy and stock selection process remain the same. We take macroeconomic events into account in the course of monitoring portfolio risks, and we believe that having a bottom-up stock selection process, and not relying on sector bets versus our benchmark, helps us avoid risks due to large moves in any one sector. We continue to look for high-quality stocks of companies that generate good cash flows and are judicious in deploying capital. We believe that such companies will persevere through challenging economic and financial conditions and distinguish themselves over time with strong operating and share-price performance relative to lower-quality businesses. We are grateful for your continued confidence in our investment management abilities.

## QUARTERLY ATTRIBUTION

### SECTOR ATTRIBUTION DATA VS. MSCI US SMALL CAP GROWTH INDEX

(3 months ended June 30, 2020)



	Total	Energy	Financials	Utilities	Comm Svcs	Materials	Consumer Staples	Real Estate	Indust & Bus Svcs	Info Tech	Health Care	Consumer Disc
Over/Underweight	0.00%	-0.07%	-0.48%	-0.29%	-0.12%	0.10%	-0.41%	0.20%	0.21%	-0.66%	1.01%	-0.16%
Fund Performance	24.34	52.97	22.42	0.63	21.37	25.98	17.05	7.32	23.34	26.10	24.99	34.18
Index Performance	30.52	5.75	18.38	2.05	25.34	29.74	21.18	13.84	25.45	33.72	30.98	61.25
Value Add - Group Weight	0.27	0.69	0.02	0.09	0.01	-0.03	0.00	-0.07	0.03	0.00	-0.02	-0.14
Value Add - Stock Selection	-6.45	0.23	0.13	-0.02	-0.13	-0.12	-0.18	-0.29	-0.43	-1.54	-1.74	-2.37
Total Contribution	-6.18	0.92	0.14	0.07	-0.12	-0.15	-0.17	-0.37	-0.41	-1.54	-1.76	-2.50

### TOP 5 RELATIVE CONTRIBUTORS VS. MSCI US SMALL CAP GROWTH INDEX

(3 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Chesapeake Energy Corporation	0.0%	103
Marketaxess Holdings Inc.	0.7	39
West Pharmaceutical Services, Inc.	0.8	38
Catalent, Inc.	0.8	33
Pool Corporation	0.9	33

### TOP 5 RELATIVE DETRACTORS VS. MSCI US SMALL CAP GROWTH INDEX

(3 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Etsy, Inc.	0.0%	-47
Quidel Corporation	0.3	-42
Carvana Co.	0.0	-41
Hubspot, Inc.	0.0	-35
Chegg, Inc.	0.0	-33

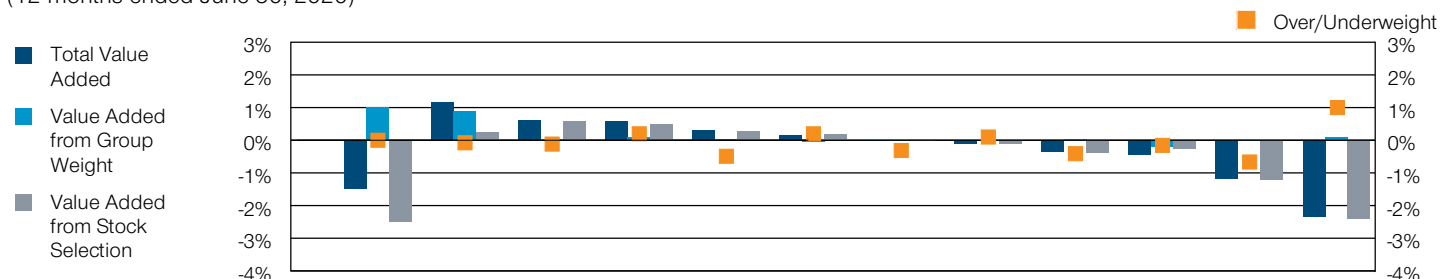
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

**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. MSCI US SMALL CAP GROWTH INDEX

(12 months ended June 30, 2020)



	Total	Energy	Comm Svcs	Indust & Bus Svcs	Financials	Real Estate	Utilities	Materials	Consumer Staples	Consumer Disc	Info Tech	Health Care
Over/Underweight	0.00%	-0.07%	-0.12%	0.21%	-0.48%	0.20%	-0.29%	0.10%	-0.41%	-0.16%	-0.66%	1.01%
Fund Performance	2.31	-57.81	18.24	-4.24	-4.88	6.29	8.53	-16.09	-3.86	0.21	8.71	9.93
Index Performance	3.77	-67.93	-0.98	-7.25	-9.75	-0.54	9.78	-14.56	6.57	4.53	14.86	20.35
Value Add - Group Weight	1.04	0.92	0.02	0.11	0.04	-0.02	0.00	0.00	0.05	-0.19	0.02	0.08
Value Add - Stock Selection	-2.51	0.25	0.61	0.50	0.28	0.18	-0.01	-0.10	-0.38	-0.24	-1.19	-2.40
Total Contribution	-1.47	1.17	0.62	0.61	0.31	0.16	-0.01	-0.10	-0.34	-0.43	-1.17	-2.32

### TOP 5 RELATIVE CONTRIBUTORS VS. MSCI US SMALL CAP GROWTH INDEX

(12 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Chesapeake Energy Corporation	0.0%	85
West Pharmaceutical Services, Inc.	0.8	43
Cable One, Inc.	1.0	37
Marketaxess Holdings Inc.	0.7	37
Fair Isaac Corporation	0.9	30

### TOP 5 RELATIVE DETRACTORS VS. MSCI US SMALL CAP GROWTH INDEX

(12 months ended June 30, 2020)

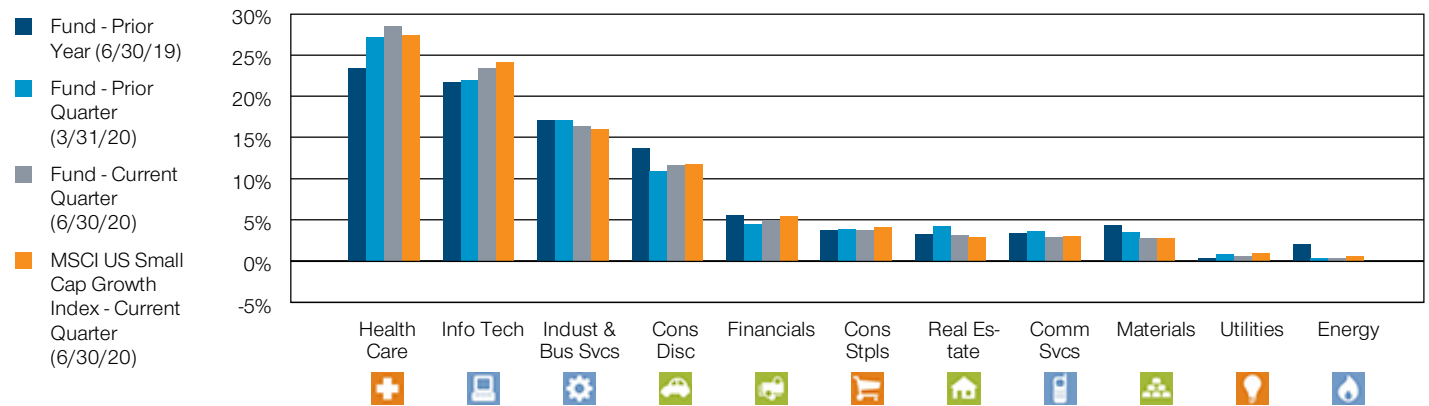
Security	% of Equities	Net Contribution (Basis Points)
Teladoc Health, Inc.	0.0%	-53
Sage Therapeutics, Inc.	0.1	-47
Quidel Corporation	0.3	-44
Carvana Co.	0.0	-30
Medicines Company	0.0	-25

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.

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## PORTFOLIO POSITIONING

### SECTOR DIVERSIFICATION – CHANGES OVER TIME



### LARGEST PURCHASES

Issuer	Sector	% of Fund Current Quarter 6/30/20	% of Fund Prior Quarter 3/31/20
Paylocity Holding	Info Tech	0.6%	0.1%
Five9 (N)	Info Tech	0.6	0.0
Kemper	Health Care	0.6	0.3
LPL Financial Holdings (N)	Health Care	0.6	0.0
RH (N)	Health Care	0.5	0.0
Power Integrations (N)	Info Tech	0.4	0.0
Quidel (N)	Health Care	0.4	0.0
Inphi (N)	Info Tech	0.3	0.0
Tempur Sealy International (N)	Health Care	0.3	0.0
MSA Safety (N)	Indust & Bus Svcs	0.3	0.0

(N) New Position

### LARGEST SALES

Issuer	Sector	% of Fund Current Quarter 6/30/20	% of Fund Prior Quarter 3/31/20
Cable One	Comm Svcs	1.0%	1.5%
Molina Healthcare	Health Care	0.7	1.0
Charles River Laboratories International	Health Care	0.6	0.8
Masimo	Health Care	0.5	1.1
Bio-Rad Laboratories	Health Care	0.3	0.6
HEICO	Indust & Bus Svcs	0.2	0.5
Texas Roadhouse	Health Care	0.2	0.4
Penn National Gaming	Health Care	0.2	0.3
Ingersoll-Rand	Indust & Bus Svcs	0.1	0.4
CubeSmart	Real Estate	0.1	0.5

For Sourcing Information, please see Additional Disclosures.

## HOLDINGS

### TOP 10 ISSUERS

Issuer	Industry	% of Fund	% of MSCI US Small Cap Growth Index
Horizon therapeutics	Pharmaceuticals	1.1%	0.8%
Monolithic Power Systems	Semicons & Semicon Equip	1.0	0.0
Cable One	Media	1.0	0.0
Entegris	Semicons & Semicon Equip	1.0	0.0
Fair Isaac	Software	0.9	0.0
Pool	Distributors	0.9	0.0
Helen of Troy Limited	Household Durables	0.8	0.4
Chemed	Health Care Providers & Svcs	0.8	0.0
Primerica	Insurance	0.8	0.4
Casella Waste Systems	Commercial Services & Supplies	0.8	0.2

### TOP 5 OVER/UNDERWEIGHT POSITIONS VS. MSCI US SMALL CAP GROWTH INDEX

Issuer	Industry	% of Fund	% of MSCI US Small Cap Growth Index	Over/Underweight
Monolithic Power Systems	Semicons & Semicon Equip	1.0%	0.0%	1.0%
Cable One	Media	1.0	0.0	1.0
Entegris	Semicons & Semicon Equip	1.0	0.0	1.0
Fair Isaac	Software	0.9	0.0	0.9
Pool	Distributors	0.9	0.0	0.9
HubSpot	Software	0.0	0.7	-0.7
Chegg	Diversified Consumer Services	0.0	0.6	-0.6
Carvana	Specialty Retail	0.0	0.6	-0.6
Trex	Building Products	0.0	0.6	-0.6
Nuance Communications	Software	0.0	0.6	-0.6

## PORTFOLIO MANAGEMENT



**Portfolio Manager:**  
Sudhir Nanda

**Managed Fund Since:**  
2006

**Joined Firm:**  
2000

For Sourcing Information, please see Additional Disclosures.

## Additional Disclosures

Source for MSCI data: MSCI. 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.

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.

Source for Sector Diversification: 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.

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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