

# Equity Income Fund (PRFDX)

As of September 30, 2025



# T.RowePrice

## Portfolio Highlights

The portfolio underperformed the Russell 1000 Value Index for the three-month period ended September 30, 2025.

Relative performance drivers (versus the Russell 1000 Value Index):

- + Industrials and Business Services (stock selection)
- + Utilities (stock selection and overweight allocation)
- Consumer Staples (stock selection)
- Materials (stock selection)

Additional details:

- Market dynamics, driven more by policy and sentiment than fundamentals, challenged our stock selection, especially in the health care and consumer-related sectors. Nevertheless, we remained focused on identifying companies with strong fundamentals and long-term value, while seeking opportunities to upgrade portfolio quality when stocks become oversold.
- The current market environment is marked by significant uncertainty, increased speculation, and a narrowing of the market. Valuations remained elevated, approaching levels that have historically suggested caution. Consequently, we want to avoid anchoring to one path forward and instead manage the portfolio with the aim of allowing stock selection to continue driving our relative performance while cautiously favoring opportunities with strong long-term prospects despite short-term uncertainty.

## Fund Information

CUSIP	779547108
Inception Date of Fund	October 31, 1985
Benchmark	Russell 1000 Value Index
Expense Information (as of the most recent Prospectus)	0.67%
Total Assets (all share classes)	\$16,369,872,337
Percent of Portfolio in Cash	1.4%

## Performance (%) (NAV, total return performance > 1 year is annualized)

	3m	YTD	1yr	3yrs	5yrs	10yrs	15yrs
Equity Income Fund	3.84	10.32	6.99	15.17	14.75	10.85	10.48
Russell 1000 Value Index	5.33	11.65	9.44	16.96	13.88	10.72	11.24
S&P 500 Index	8.12	14.83	17.60	24.94	16.47	15.30	14.64

## Calendar Year Performance (%) (NAV, total return)

	Inception Date	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equity Income Fund	Oct 31 1985	-6.66	19.28	16.18	-9.30	26.58	1.32	25.68	-3.28	9.65	11.88
Russell 1000 Value Index		-3.83	17.34	13.66	-8.27	26.54	2.80	25.16	-7.54	11.46	14.37
S&P 500 Index		1.38	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29	25.02

**Past performance is not a guarantee or a reliable indicator of future results. 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](https://www.troweprice.com).**

The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.

The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details.

**Risks: Dividend-paying stocks:** The fund's emphasis on dividend-paying stocks could cause the fund to underperform similar funds that invest without consideration of a company's track record of paying dividends. **Value investing:** The fund's value approach to investing could cause it to underperform other stock funds that employ a different investment style. **Diversification:** Diversification cannot assure a profit or protect against loss in a declining market. See the prospectus for more detail on the fund's principal risks.

## Performance Review

### U.S. Equities Reached Record Highs as Tariff, Rate Uncertainty Settled

U.S. stocks ended the quarter higher, with major indexes pushing to all-time highs as the summer progressed. A combination of broadly resilient economic data, the removal of some trade-related overhangs, and anticipation for a late-period interest rate reduction generated investor enthusiasm throughout the quarter. July featured an extension of President Donald Trump's initial 90-day tariff pause, as well as strong second-quarter corporate earnings, which served as a tailwind for equities as the quarter kicked off. Some economic data, including nonfarm payroll, caused concern as August came, but the market recovered to continue its climb as Federal Reserve Chair Jerome Powell seemed to confirm an interest rate cut was imminent. A 25-basis-point rate cut occurred in September and, along with more positive economic data and continued evidence of strength around artificial intelligence, served as a tailwind for sentiment as the quarter wound down.

### Relative Contributors

#### Industrials and Business Services (stock selection)

- **L3Harris Technologies:** Shares of L3Harris Technologies (LHX) rose over the period due to strong quarterly results, with sales and earnings surpassing expectations, driven by robust order activity and strategic asset monetization. Management also raised guidance and highlighted new opportunities in the Aerojet segment, which supplies propulsion systems for the company's defense-related projects. Additionally, LHX secured several important contracts over the period, including a significant Javelin propulsion agreement and a major U.S. Navy radio systems deal, boosting investor confidence and reinforcing the company's position as a key defense industry player. We believe that L3Harris Technologies is well positioned to benefit as the Department of Defense shifts from conventional weapons toward heavier investment in technology and connectivity, supporting organic revenue growth and margin expansion potential.
- **GE Aerospace:** Shares of GE Aerospace advanced due to a robust second-quarter earnings report that beat expectations, driven by strong commercial and defense demand. Management also raised its full-year guidance and long-term outlook through 2028, reinforcing investor confidence. Substantial shareholder returns through increased dividends and ongoing buybacks also buoyed sentiment. We appreciate GE Aerospace's strong position in the aircraft industry and believe its unique market positioning will help drive margin expansion and improved pricing.

#### Utilities (stock selection and overweight allocation)

- **Sempra:** Shares of Sempra advanced as the company beat quarterly profit estimates, fueled by strong performance in its U.S. utility operations and disciplined cost management, and affirmed forward guidance. The utility company also advanced agreements around its liquefied natural gas (LNG) infrastructure portfolio and finalized several offtake contracts for its Port Arthur LNG Phase 2 project. Later, Sempra announced the sale of a sizable stake in its infrastructure arm and the final investment decision for the development of the Port Arthur project, strengthening its utility growth narrative and unlocking capital potential. We believe that Sempra has the potential for earnings growth as it is supported by high-quality utilities in California and Texas, liquefied natural gas projects in its infrastructure business, and a strong management team.

- **XCEL Energy:** Shares of XCEL Energy rose, initially boosted by strong financial results, including higher-than-expected earnings and robust revenue growth driven by increased rates and demand. Later on, additional momentum followed the settlement of wildfire litigation at a lower-than-anticipated cost, removing a significant financial overhang and easing investor concerns. Shares were further supported by plans to invest in new power generation in Texas and New Mexico. In our view, XCEL Energy's earnings and dividend growth will be fueled by investments in fleet transition, grid hardening, and transmission expansion. Moreover, with its strong management team and solid balance sheet, we believe the company is well positioned to manage wildfire liabilities and recover its stock value.

### Relative Detractors

#### Consumer Staples (stock selection)

- **Kenvue:** Shares of Kenvue declined after the company lowered its full-year guidance due to disappointing second-quarter results, which were impacted by weaker consumer demand, soft North American allergy and sun seasons, retail inventory fluctuations, and shipment timing changes in China. The stock faced further pressure when U.S. officials suggested a possible link between Tylenol use during pregnancy and autism risk. However, with no new scientific evidence, reassurances from Kenvue and medical groups helped the shares partially recover. We continue to believe Kenvue has room for operational improvement, margin expansion, and free cash flow conversion, which should benefit the stock.
- **Colgate-Palmolive:** Shares of Colgate-Palmolive fell amid a cautious consumer environment. Although the oral care company's quarterly results beat consensus estimates for earnings and revenue, investors reacted negatively as margin pressures from raw materials inflation and tariffs persisted; guidance was also lowered, with management citing a slower growth outlook. We view Colgate-Palmolive as a high-quality business with leading market share in several key categories and believe that management's efforts to stabilize market share through premium product innovation and increased ad spend could positively impact shares.

#### Materials (stock selection)

- **CF Industries:** Shares of CF Industries fell over the quarter. Despite the fertilizer company reporting strong urea and urea ammonium nitrate sales as well as robust cash flow, the market reacted negatively to increased production costs driven by higher natural gas prices, pressuring shares. In our view, there is option value within CF Industries, as blue and green ammonias could be used as a way to store low- or no-carbon power to address latency issues in renewable power generation.
- **International Paper:** Shares of International Paper underperformed the sector. The containerboard company's share price fell sharply in July due to a significant miss on consensus profit estimates, driven by unexpectedly high input costs and weak demand, especially in its European market. Ongoing softness in Europe and macroeconomic risks from recent expansion also weighed on sentiment. From our perspective, CEO Andrew Silvernail—who was pivotal in the success of IDEX during his tenure there as CEO—could be a catalyst for idiosyncratic value creation opportunity, especially with a potential cyclical recovery in the containerboard market.

## Portfolio Positioning And Activity

Market dynamics-shaped more by, in our opinion, policy and sentiment than fundamentals-have created headwinds for our stock selection, particularly in health care and consumer-related names, challenging our otherwise disciplined, research-driven approach. Our priority continues to be identifying companies with potential long-term value and strong fundamentals, while remaining vigilant for clear opportunities to optimize and upgrade the quality of the portfolio when names become oversold. We are committed to being thoughtful about risk and positioning, continuously challenging our investment theses and maintaining a broader perspective on the portfolio's long-term potential. Our aim is to create a portfolio that is balanced for a variety of market settings and remain consistent in our style, emphasizing valuation, dividend yield, and a long-term orientation.

## Significant Purchases

- **Union Pacific:** Union Pacific is a railroad company that primarily services the western side of the United States. We believe that the business offers an attractive investment as the railroad industry's unique market structure supports pricing power, a long-term value we believe the market underappreciates.
- **Bank of America:** Bank of America is an investment and financial services company. We believe its blend of offensive qualities (including rate sensitivity, scale, strong loan growth, and its capital markets business) and defensive traits (such as lower loan density, offsetting fee businesses, and conservative underwriting) helps the bank navigate uncertain macroeconomic environments.
- **Dover:** Dover is a diversified manufacturer with, in our view, a structural margin opportunity. We believe margin expansion from strategic costs, business mix, and portfolio actions will drive earnings growth and re-rate the multiple over time.
- **US Bancorp:** US Bancorp provides an array of financial services, including banking, lending, and wealth management. We believe the company offers an attractive risk/reward profile, supported by net interest margin expansion potential and a resilient credit profile.

## Significant Sales

- **Adobe:** We sold shares of Adobe, a software company known for its creative and marketing products, to manage our position size and reallocated assets into Salesforce.com, which we believe is less vulnerable to artificial intelligence and technology changes. We continue to view Adobe as a quality business and find value in its creative franchise.
- **South Bow:** We trimmed shares of South Bow, an energy infrastructure company that operates the Keystone Pipeline. We continue to believe stable cash flow from long-term contracts can fund smaller growth projects after debt reduction, supporting dividend growth and a multiple re-rating.
- **Volkswagen:** We sold shares of German automotive manufacturer Volkswagen due to reduced clarity on the company's investment spending outlook. While Volkswagen has a complex turnaround story, we continue to believe that the company's operational execution and capital allocation will improve under its new management team, which took over in 2022.
- **Dominion Energy:** We reduced our position in major utility company Dominion Energy, although we continue to believe a business review and regulatory changes will improve earnings predictability, eliminating historical overhangs and providing higher-quality growth.

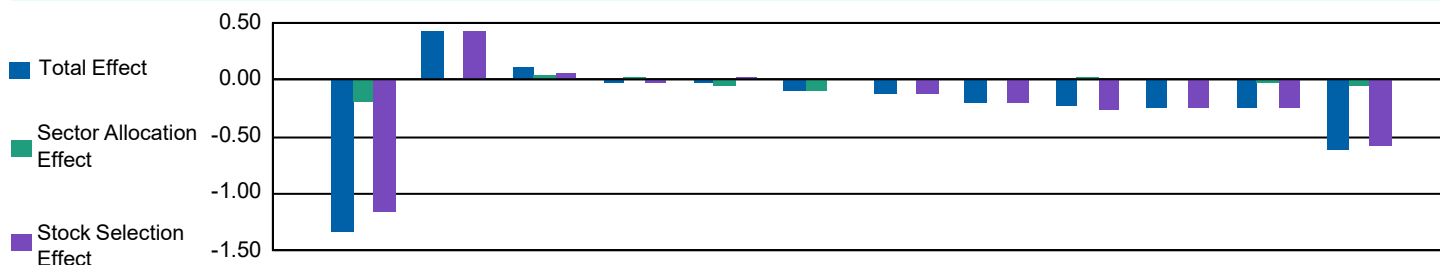
## Manager's Outlook

The current market environment is marked by significant uncertainty, increased speculation, and a narrowing of the market. Additionally, valuations remain elevated, approaching levels that have historically suggested caution, and we are proceeding accordingly. As a result, we want to avoid anchoring the portfolio to any one specific path forward, as we believe the market could take multiple possible directions from here, each with a variety of potential outcomes and risks. Given the wide range of potential outcomes, we have seen companies whose short-term outlooks may be uncertain but whose long-term prospects we view with confidence.

Moving ahead, we will persist in our efforts to create a portfolio that is not dependent on one particular economic or market environment but is instead designed to allow stock selection to continue driving our relative performance. Ultimately, we remain convinced that our commitment to our valuation discipline and long-term orientation will serve our clients well over a full market cycle.

## Quarterly Attribution

## Sector Attribution Data: Fund vs Russell 1000 Value Index (3 months ended September 30, 2025) (%)



	Total	Indust & Bus Svcs	Utilities	Real Estate	Consumer Disc	Comm Svcs	Info Tech	Health Care	Energy	Financials	Materials	Consumer Staples
Over/Under Weight	N/A	-0.03	1.65	-0.45	-3.21	-1.82	-1.06	1.23	2.77	-0.03	-1.10	0.36
Fund Performance	3.98	8.26	9.46	3.57	7.09	11.83	3.95	3.85	3.42	3.71	-2.30	-8.25
Index Performance	5.33	4.98	8.34	4.22	6.65	11.74	5.29	5.52	6.32	4.78	5.69	-1.96
Sector Allocation Effect	-0.19	0.00	0.05	0.01	-0.05	-0.10	0.00	0.00	0.03	0.00	-0.01	-0.05
Stock Selection Effect	-1.16	0.43	0.06	-0.03	0.02	0.00	-0.11	-0.20	-0.26	-0.24	-0.25	-0.58
Total Effect	-1.35	0.43	0.11	-0.02	-0.03	-0.10	-0.12	-0.21	-0.23	-0.24	-0.25	-0.62

## Top 5 Relative Contributors vs. Russell 1000 Value Index (3 Months ended September 30, 2025)

Security	% of Equities	Net Contribution (bps)
L3Harris Technologies, Inc.	1.8	33
Samsung Electronics Co., Ltd.	1.1	30
Citigroup Inc.	2.0	27
Las Vegas Sands Corp.	1.3	26
General Electric Company	1.2	20

## Top 5 Relative Detractors vs. Russell 1000 Value Index (3 Months ended September 30, 2025)

Security	% of Equities	Net Contribution (bps)
Kenvue Inc.	1.0	-27
Elevance Health, Inc.	1.4	-25
Johnson & Johnson	0.4	-20
Micron Technology, Inc.	0.0	-18
Fiserv, Inc.	0.6	-15

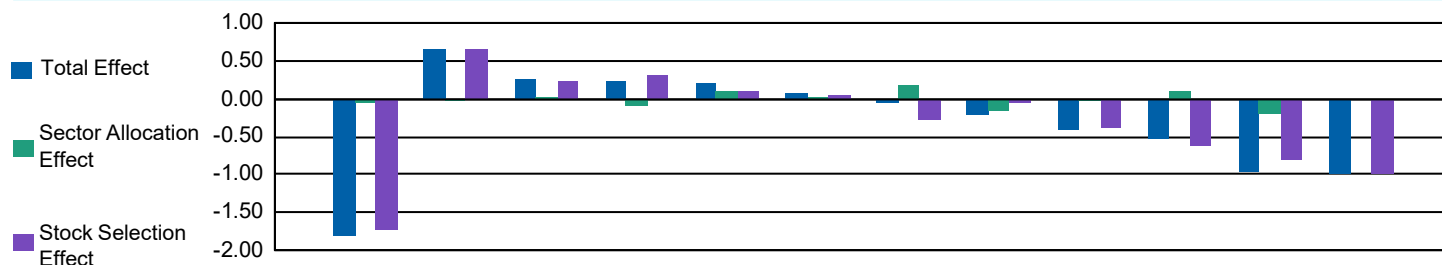
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

**Past performance is not a guarantee or a reliable indicator of future results.** Analysis represents the total performance of the portfolio as calculated by the FactSet attribution model and is inclusive of other assets. Non-equity positions are excluded from 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 to USD 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 2025 FactSet. All Rights Reserved. MSCI/S&P GICS Sectors; Analysis by T. Rowe Price. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees.

## 12-Month Attribution

## Sector Attribution Data: Fund vs Russell 1000 Value Index (12 months ended September 30, 2025) (%)



	Total	Indust & Bus Svcs	Financials	Energy	Materials	Utilities	Consumer Disc	Comm Svcs	Consumer Staples	Real Estate	Health Care	Info Tech
Over/Under Weight	N/A	-0.03	-0.03	2.77	-1.10	1.65	-3.21	-1.82	0.36	-0.45	1.23	-1.06
Fund Performance	7.63	18.23	24.46	9.45	-1.08	10.74	-4.22	26.06	-1.95	-14.43	-12.88	3.69
Index Performance	9.44	13.22	23.32	5.91	-1.70	9.61	3.44	27.12	2.47	-1.44	-8.14	14.63
Sector Allocation Effect	-0.07	-0.02	0.01	-0.08	0.10	0.01	0.19	-0.16	-0.02	0.09	-0.18	0.00
Stock Selection Effect	-1.74	0.67	0.24	0.31	0.10	0.06	-0.26	-0.07	-0.38	-0.63	-0.80	-0.99
Total Effect	-1.81	0.65	0.25	0.24	0.20	0.07	-0.07	-0.23	-0.40	-0.54	-0.98	-0.99

## Top 5 Relative Contributors vs. Russell 1000 Value Index (12 Months ended September 30, 2025)

Security	% of Equities	Net Contribution (bps)
Citigroup Inc.	2.0	63
General Electric Company	1.2	60
Charles Schwab Corporation	1.9	55
L3Harris Technologies, Inc.	1.8	47
Wells Fargo & Company	1.6	47

## Top 5 Relative Detractors vs. Russell 1000 Value Index (12 Months ended September 30, 2025)

Security	% of Equities	Net Contribution (bps)
Elevance Health, Inc.	1.4	-72
Jpmorgan Chase & Co.	1.9	-49
Stanley Black & Decker, Inc.	1.2	-46
Weyerhaeuser Company	1.0	-37
Kenvue Inc.	1.0	-36

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 vs. Russell 1000 Value Index (%)

Sector	Fund 9/30/24	Fund 6/30/25	Fund 9/30/25	Benchmark 9/30/25
Financials	21.4	22.9	22.6	22.6
Indust & Bus Svcs	13.0	13.5	13.7	13.2
Health Care	16.6	12.8	12.9	11.7
Info Tech	9.1	9.0	9.2	10.3
Energy	8.6	8.8	8.7	5.9
Cons Stpls	9.1	8.9	7.9	7.6
Comm Svcs	3.7	5.9	6.2	8.1
Utilities	6.5	5.9	6.2	4.5
Cons Disc	3.2	4.4	4.5	7.7
Real Estate	4.3	3.7	3.7	4.2
Materials	3.3	3.0	3.1	4.2

## Largest Purchases

Issuer	Sector	% of Fund 9/30/25	% of Fund 6/30/25
Union Pacific (N)	Indust & Bus Svcs	0.7	0.0
Bank of America	Financials	1.5	1.1
Dover (N)	Indust & Bus Svcs	0.2	0.0
U.S. Bancorp	Financials	1.1	0.9
Avery Dennison (N)	Materials	0.2	0.0
Colgate-Palmolive	Consumer Staples	1.1	1.1
XCEL Energy	Utilities	0.5	0.2
American International Group	Financials	1.2	1.2
Ralliant	Info Tech	0.3	0.2
T-Mobile US (N)	Comm Svcs	0.1	0.0

## Largest Sales

Issuer	Sector	% of Fund 9/30/25	% of Fund 6/30/25
Adobe	Info Tech	0.1	0.3
South Bow	Energy	0.4	0.4
Volkswagen	Consumer Discretionary	0.4	0.5
Dominion Energy	Utilities	0.5	0.7
Hartford Insurance	Financials	0.9	1.1
Schlumberger	Energy	0.6	0.7
CSX	Indust & Bus Svcs	1.0	1.0
Siemens	Indust & Bus Svcs	1.3	1.3
Accenture	Info Tech	0.6	0.8
Conagra Brands	Consumer Staples	0.2	0.3

(N) New Position

A purchase or sale that occurred as a result of a corporate action where the Portfolio Manager had no discretion, if any, will not be displayed. Securities are shown in order by their total net cost and proceed values. Net is defined as total cost of purchases less total proceeds of sales.

## Holdings

## Top 10 Issuers

Issuer	Industry	% of Fund	% of Russell 1000 Value Index
Alphabet	Interactive Media & Services	2.9	3.1
MetLife	Insurance	2.2	0.2
Southern Company	Electric Utilities	2.1	0.4
Qualcomm	Semicons & Semicon Equip	2.1	0.5
Citigroup	Banks	2.0	0.5
JPMorgan Chase	Banks	1.9	3.0
Charles Schwab	Capital Markets	1.9	0.5
Boeing	Aerospace & Defense	1.8	0.5
L3Harris Technologies	Aerospace & Defense	1.8	0.2
Kimberly-Clark	Household Products	1.6	0.1

## Top 5 Over/Underweight Positions vs. Russell 1000 Value Index

Issuer	Industry	% of Fund	% of Benchmark	Over/Underweight (%)
MetLife	Insurance	2.2	0.2	2.0
Southern Company	Electric Utilities	2.1	0.4	1.8
L3Harris Technologies	Aerospace & Defense	1.8	0.2	1.6
Qualcomm	Semicons & Semicon Equip	2.1	0.5	1.6
TotalEnergies	Oil, Gas & Consumable Fuels	1.5	0.0	1.5
Berkshire Hathaway CL A	Financial Services	0.0	3.2	-3.2
Johnson & Johnson	Pharmaceuticals	0.4	1.5	-1.1
JPMorgan Chase	Banks	1.9	3.0	-1.1
Cisco Systems	Communications Equipment	0.0	0.9	-0.9
IBM	IT Services	0.0	0.9	-0.9

Portfolio Management

	Managed Since	Joined Firm
John Linehan	2015	1998

Additional Disclosures

**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](https://www.troweprice.com). Read it carefully.**

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Portfolio holdings in this report are presented gross of any non-reclaimable withholding tax. Any non-reclaimable withholding tax is included in position market values. Portfolio diversification data is calculated net of any non-reclaimable withholding tax. Any non-reclaimable tax withheld is not reflected in category market values.

Fund Assets, holdings-based analytics (excluding portfolio turnover), and portfolio attribution are calculated using T. Rowe Price's internal Investment Book of Records (IBOR). Due to timing and accounting methodology differences, IBOR data may differ from the Accounting Book of Records (ABOR) data provided by the Fund's accountant.

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

T. Rowe Price uses the current MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry 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.

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 investments in the securities identified and discussed were or will be profitable.

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.

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