

Health Sciences Fund (PRHSX)

As of March 31, 2026



T. Rowe Price

Portfolio Highlights

The portfolio underperformed the Russell 3000 Health Care Index and the broad market, as measured by the S&P 500 Index, for the three-month period ended March 31, 2026.

Relative performance drivers (versus the Russell 3000 Health Care Index):

- + Products and devices (underweight)
- + Services (stock selection and underweight)
- Pharmaceuticals (stock selection and underweight)

Additional highlights:

- Overall, stock selection detracted from relative results, but sector weighting capped losses.
- From a positioning standpoint, the portfolio remains anchored to biotech given a confluence of tailwinds; however, other subsectors are beginning to show signs of recovery and may present attractive opportunities ahead.

Fund Information

CUSIP	741480107
Inception Date of Fund	December 29, 1995
Benchmark	Russell 3000 Health Care Index
Expense Information (as of the most recent Prospectus)	0.83%
Total Assets (all share classes)	\$10,897,166,739
Percent of Portfolio in Cash	1.1%

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

	3m	1yr	3yrs	5yrs	10yrs	15yrs
Health Sciences Fund	-6.24	10.42	5.84	2.93	9.85	13.41
Lipper Health/Biotechnology Funds Index	-5.68	14.12	7.62	2.24	9.34	12.07
Russell 3000 Health Care Index	-4.88	4.91	6.24	4.81	9.80	12.23

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

	Inception Date	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Health Sciences Fund	Dec 29 1995	-10.35	27.95	1.23	29.11	30.12	13.27	-12.19	3.08	1.82	17.72
Lipper Health/Biotechnology Funds Index		-11.07	24.98	3.07	27.60	27.95	3.24	-12.94	5.24	1.70	21.68
Russell 3000 Health Care Index		-3.33	23.13	5.63	22.11	19.34	18.60	-6.10	2.87	3.48	14.56

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.

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: Health sciences companies: A fund that focuses its investments in specific industries or sectors is more susceptible to adverse developments affecting those industries and sectors than a more broadly diversified fund. **Large- and mid-cap stocks:** Securities issued by large- and mid-cap companies tend to be less volatile than securities issued by small-cap companies. However, large-cap companies may not be able to attain the high growth rates of successful small-cap companies, especially during strong economic periods, and may be unable to respond as quickly to competitive challenges. See the prospectus for more detail on the fund's principal risks.

Performance Review

U.S. Equities Sell Off in March as Conflict in Iran Disrupts Global Energy Markets

U.S. equity markets produced mixed results across the first quarter of 2026, as a constructive opening to the year gave way to significant headwinds in March. Equity markets advanced to start the year, supported by solid corporate earnings and broadly favorable economic data. Geopolitical developments, including the U.S. military's capture of Venezuelan President Nicolás Maduro and persistent commentary from President Donald Trump regarding the potential U.S. acquisition of Greenland, introduced volatility at intervals but did not undermine the broader advance. The U.S. Supreme Court's ruling against the constitutionality of a segment of President Trump's tariffs and the Trump Administration's imposition of new tariffs in response introduced some uncertainty in February.

Later in the quarter, U.S. equity markets pulled back as a sudden escalation of conflict in the Middle East disrupted global energy markets, stoked inflation concerns, and created an abrupt shift in the macroeconomic backdrop. The outbreak of the U.S.-Israeli conflict with Iran at the end of February sent oil prices surging over the course of March and introduced a new and significant source of uncertainty for corporate costs, consumer spending, and Federal Reserve policy.

Health care stocks, as represented by the Russell 3000 Health Care Index, posted losses in the first quarter. On a subsector basis, performance was mostly negative. Life sciences names were weighed down by several factors, including concerns that a life science tools recovery may not materialize as quickly as expected, as well as investor fears that the integration of artificial intelligence into the drug discovery process could present a headwind to companies in the group. The services subsector also lost ground as woes in the managed care industry continued. Conversely, biopharma companies benefited from positive clinical data across several large disease areas, a renewed mergers and acquisitions environment, as well as promising drug launches and approvals. The pharmaceuticals segment was largely flat.

Relative Contributors

Products and Devices (underweight)

- The products and devices subsector posted double-digit losses during the period-the portfolio's underweight exposure to the segment assisted relative returns. The group was negatively affected by some worse-than-expected earnings results, and multiple companies in the subsector contended with significant cybersecurity incidents.

Services (stock selection and underweight)

- BrightSpring Health Services:** BrightSpring Health Services is a diversified pharmacy services and home/behavioral health company. Shares benefited from the company's investor day, which reaffirmed BrightSpring's near- and long-term outlook as two important growth drivers-growing access to limited-distribution drugs and the conversion of large brand-name drugs to generics-continue to enable strength in its pharmacy segment. We are constructive on BrightSpring Health as we think the company will continue to see growth acceleration driven by these tailwinds.
- Humana:** Our underweight allocation to Humana assisted relative performance. Shares fell alongside its managed care peers that have Medicare Advantage (MA) exposure at the end of January after the Centers for Medicare & Medicaid Services announced its initial proposal indicating a near-flat increase in MA funding in 2027, a negative surprise for investors expecting a higher rate.

Relative Detractors

- Johnson & Johnson:** The portfolio's significant underweight exposure to Johnson & Johnson detracted. Shares climbed following the company's earnings release in late January, which was highlighted by accelerating revenue growth-driven by strength in its innovative medicines segment-and a better-than-expected outlook for 2026.
- Novo Nordisk:** Shares of Novo Nordisk traded sharply lower in February due to the biopharmaceutical company's weaker-than-expected outlook for 2026, driven by heightened competitive and pricing pressures hurting sales of its weight loss drug. Additionally, Novo's release of Phase 3 data for its next-generation obesity shot disappointed investors, as the treatment elicited less weight loss in patients than a competitor's shot. We reduced our position in Novo Nordisk to fund higher-conviction ideas elsewhere in the portfolio.
- Merck:** Shares of Merck surged in February as investors reacted positively to the company's improving mid-to-long-term growth profile and a strong research and development catalyst setup for the remainder of 2026. Our underweight position in Merck detracted; however, we added to our stake in the company during the quarter.

Portfolio Positioning And Activity

From a high level, the areas that we have always favored (companies that are developing innovative, game-changing therapies and companies that are improving the standard of care in a cost-effective manner) will remain areas we focus on because we think that's where investors can realize long-term value add and the best return-on-innovation.

Significant Purchases

- Johnson & Johnson:** We added modestly to our position in Johnson & Johnson (JNJ), reducing our underweight exposure given the company's solid long-term earnings growth outlook, which is supported by a broad set of launches and upcoming catalysts such as Milvexian data and potential strategic actions around its orthopedics business. While we believe JNJ's near-term valuation appears full and may limit multiple expansion, its defensive characteristics and earnings visibility support a more balanced positioning.
- Merck:** During the quarter we continued to build our position in pharmaceutical giant Merck. We have become increasingly confident that the company's merger and acquisition activity and investment in its pipeline will allow Merck to drive growth through the loss of exclusivity for its core Keytruda franchise and emerge with a younger and more diversified asset base.
- Amgen:** We initiated a position in Amgen in February following its solid earnings, which included better-than-expected quarterly revenue and 2026 guidance, supported by continued growth across several key products and strong operational execution.

Significant Sales

- Penumbra:** We eliminated our position in Penumbra during the quarter following news that the company had agreed to be acquired by Boston Scientific, with the deal expected to close in 2026.
- Eli Lilly:** While Eli Lilly remains the top holding in the fund, we trimmed our position due to potential competitive risks from cheaper, compounded versions of the company's blockbuster weight loss medications. We remain constructive on Eli Lilly's expansive suite of products in development, particularly its leading portfolio of incretin-targeted therapeutics for both diabetes and weight loss, as well as its higher-risk Alzheimer's program. In our view, Eli Lilly's high-quality base business provides a solid platform for additional growth from its well-developed pipeline.

- **Argenx:** We maintain a positive view of Argenx, as we believe Vyvgart is poised to capture the majority share of a significant market opportunity; however, we continued moderating our position in the company due to significant stock price appreciation. Shares have traded sharply higher since mid-2025 due to strong performance from Vyvgart and positive pipeline developments.

Manager's Outlook

After finishing the prior year strong, the health care sector got off to a difficult start in 2026 as the life sciences, services, and products and devices subsectors all posted double-digit losses. Life sciences names were weighed down by several factors, including concerns that a life science tools recovery may not materialize as quickly as expected, as well as investor fears that the integration of artificial intelligence into the drug discovery process could present a headwind to companies in the space. The products and devices subsector was negatively affected by some worse-than-expected earnings results, and multiple companies in the group contended with significant cybersecurity incidents. Woes in the managed care space continued during the quarter as the Centers for Medicare & Medicaid Services announced its initial Medicare Advantage funding proposal indicating a near-flat increase in funding for 2027, a negative surprise for investors expecting a higher rate.

On the positive side, biopharma companies continued their momentum. Strength was driven by positive clinical data across several large disease areas, a renewed mergers and acquisitions environment, as well as promising drug launches and approvals, the latter of which suggests that the U.S. Food and Drug Administration is earnest about its desire to get the best drugs to market as fast as is safely possible—a major tailwind for the space.

Looking ahead, we remain confident in the long-term fundamentals of the health care sector. We believe that structural drivers, including demographic trends, innovation, and the ongoing need to improve outcomes while controlling costs, will support sustained growth in health care spending. In our view, over time, value creation will continue to accrue to companies developing differentiated, high-impact therapies, as well as those delivering high-quality care in a cost-effective manner. At the same time, dispersion within the sector remains elevated, making management execution, capital allocation, and underlying fundamentals critical determinants of success. As a result, selectivity remains central to our investment approach.

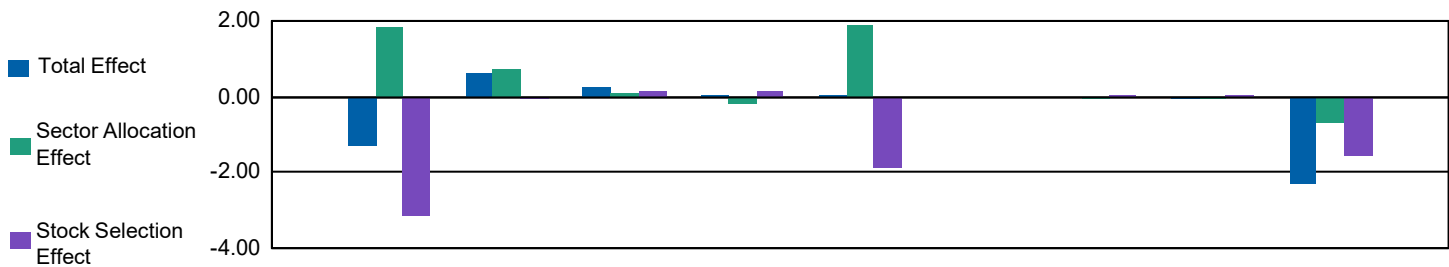
From a positioning standpoint, the portfolio remains anchored to biotech given the confluence of tailwinds discussed above; however, other subsectors are beginning to show signs of recovering and may present attractive opportunities ahead.

Organizational Update

Effective June 30, 2026, Ziad Bakri, portfolio manager of the Health Sciences Equity Strategy will leave the firm. Effective April 1, 2026, Jeff Holford joined Ziad as co-portfolio manager and will become sole portfolio manager when Ziad departs.

Quarterly Attribution

Sector Attribution Data: Fund vs Russell 3000 Health Care Index (3 months ended March 31, 2026) (%)



	Total	Products & Devices	Services	Life Sciences	Biotechnology	Financial	Miscellaneous	Consumer Nondurables	Pharmaceuticals
Over/Under Weight	N/A	-8.41	-1.85	0.17	23.67	0.10	0.04	0.17	-14.61
Fund Performance	-6.18	-14.74	-10.43	-13.64	-0.60	0.00	4.53	-7.03	-6.46
Index Performance	-4.86	-13.91	-11.55	-15.47	4.44	0.00	32.38	-17.06	0.49
Sector Allocation Effect	1.87	0.74	0.12	-0.15	1.89	0.00	-0.01	-0.05	-0.72
Stock Selection Effect	-3.18	-0.09	0.16	0.17	-1.88	0.00	0.01	0.03	-1.58
Total Effect	-1.31	0.65	0.28	0.02	0.01	0.00	0.00	-0.02	-2.30

Top 5 Relative Contributors vs. Russell 3000 Health Care Index (3 Months ended March 31, 2026)

Security	% of Equities	Net Contribution (bps)
Abbott Laboratories	0.0	60
Boston Scientific Corporation	0.9	25
Eli Lilly And Company	10.1	24
Arcellx, Inc.	0.0	22
Unitedhealth Group Incorporated	3.1	21

Top 5 Relative Detractors vs. Russell 3000 Health Care Index (3 Months ended March 31, 2026)

Security	% of Equities	Net Contribution (bps)
Johnson & Johnson	2.4	-147
Argenx Se	2.9	-44
Novo Nordisk A/S	0.2	-33
Pfizer Inc.	0.0	-32
Amgen Inc.	1.0	-27

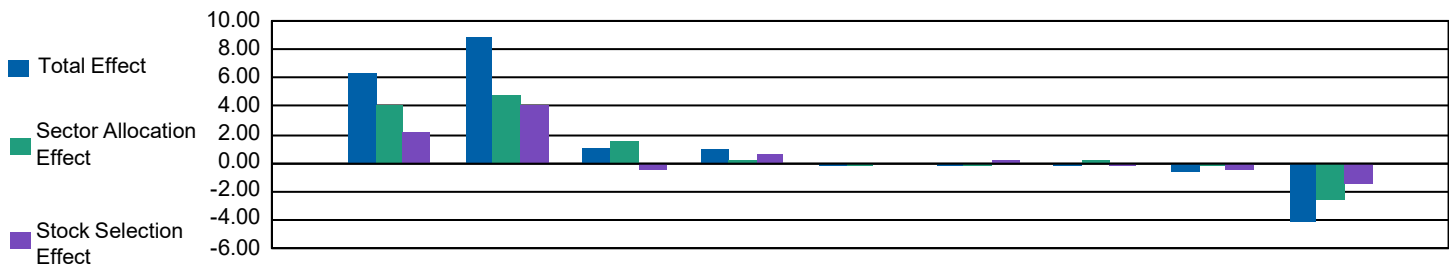
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

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 2026 FactSet. All Rights Reserved. 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 3000 Health Care Index (12 months ended March 31, 2026) (%)



	Total	Biotechnology	Medical Devices	Health Services	Financial	Miscellaneous	Consumer Nondurables	Life Sciences	Pharmaceuticals
Over/Under Weight	N/A	23.67	-8.41	-1.85	0.10	0.04	0.17	0.17	-14.61
Fund Performance	11.25	42.57	-13.68	-19.01	0.00	1.36	0.84	-7.81	15.37
Index Performance	4.93	28.66	-11.93	-22.18	0.00	94.15	83.03	-2.79	21.48
Sector Allocation Effect	4.10	4.84	1.55	0.29	-0.01	-0.02	0.20	-0.20	-2.70
Stock Selection Effect	2.22	4.13	-0.47	0.68	0.00	0.01	-0.22	-0.45	-1.44
Total Effect	6.33	8.97	1.07	0.97	-0.01	-0.01	-0.03	-0.66	-4.14

Top 5 Relative Contributors vs. Russell 3000 Health Care Index (12 Months ended March 31, 2026)

Security	% of Equities	Net Contribution (bps)
Insmed Incorporated	1.1	163
Argenx Se	2.9	104
Avidity Biosciences, Inc.	0.0	80
Abbott Laboratories	0.0	80
Astrazeneca Plc	3.2	76

Top 5 Relative Detractors vs. Russell 3000 Health Care Index (12 Months ended March 31, 2026)

Security	% of Equities	Net Contribution (bps)
Johnson & Johnson	2.4	-349
Merck & Co., Inc.	3.4	-122
Amgen Inc.	1.0	-72
Pfizer Inc.	0.0	-44
Vertex Pharmaceuticals Incorporated	2.4	-40

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 3000 Health Care Index (%)

Sector	Fund 3/31/25	Fund 12/31/25	Fund 3/31/26	Benchmark 3/31/26
Biotechnology	36.8	42.2	44.9	21.2
Pharmaceuticals	17.3	21.7	23.6	38.2
Services	18.4	13.3	12.7	14.5
Products & Devices	17.5	13.8	9.9	18.8
Life Sciences	9.0	8.6	7.4	7.3
Consumer Nondurables	0.0	0.2	0.2	0.0
Misc.	0.1	0.0	0.1	0.1
Financial	0.1	0.1	0.1	0.0

Largest Purchases

Issuer	Sector	% of Fund 3/31/26	% of Fund 12/31/25
Johnson & Johnson (N)	Pharmaceuticals	2.4	0.0
Merck	Pharmaceuticals	3.4	1.8
Amgen (N)	Biotechnology	1.0	0.0
Vertex Pharmaceuticals	Biotechnology	2.4	1.7
Roivant Sciences	Biotechnology	1.2	0.6
Royalty Pharma	Biotechnology	0.5	0.2
Protagonist Therapeutics	Biotechnology	1.1	0.7
United Therapeutics	Biotechnology	1.4	0.9
Monte Rosa therapeutics	Biotechnology	0.3	0.2
Charles River Laboratories International (N)	Life Sciences	0.1	0.0

Largest Sales

Issuer	Sector	% of Fund 3/31/26	% of Fund 12/31/25
Penumbra (E)	Products & Devices	0.0	1.4
Eli Lilly and Co	Pharmaceuticals	10.1	12.4
Insmad	Biotechnology	1.1	1.9
Argenx	Biotechnology	3.0	3.9
IDEXX Laboratories	Products & Devices	0.0	0.7
Centessa Pharmaceuticals (E)	Biotechnology	0.0	0.5
Alnylam Pharmaceuticals	Biotechnology	1.6	2.3
Boston Scientific	Products & Devices	0.7	1.6
Danaher	Life Sciences	2.0	2.7
Arcellx (E)	Biotechnology	0.0	0.2

(N) New Position

(E) Eliminated

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 3000 Health Care Index
Eli Lilly and Co	Major Pharmaceuticals	10.1	12.3
Thermo Fisher Scientific	Life Sciences	4.1	3.1
Intuitive Surgical	Implants	3.7	2.7
Stryker	Implants	3.5	1.9
Merck	Major Pharmaceuticals	3.4	5.0
AstraZeneca	Major Pharmaceuticals	3.2	0.0
UnitedHealth Group	Payors	3.1	4.1
Argenx	Other Biotechnology	3.0	0.0
AbbVie	Major Pharmaceuticals	2.8	6.4
Regeneron Pharmaceuticals	Other Biotechnology	2.7	1.3

Top 5 Over/Underweight Positions vs. Russell 3000 Health Care Index

Issuer	Industry	% of Fund	% of Benchmark	Over/Underweight (%)
AstraZeneca	Major Pharmaceuticals	3.2	0.0	3.2
Argenx	Other Biotechnology	3.0	0.0	3.0
Stryker	Implants	3.5	1.9	1.6
Ascendis Pharma	Other Biotechnology	1.5	0.0	1.5
Regeneron Pharmaceuticals	Other Biotechnology	2.7	1.3	1.4
Johnson & Johnson	Major Pharmaceuticals	2.4	9.8	-7.3
AbbVie	Major Pharmaceuticals	2.8	6.4	-3.6
Abbott Laboratories	Implants	0.0	3.0	-3.0
Pfizer	Major Pharmaceuticals	0.0	2.7	-2.7
Amgen	Major Biotechnology	1.0	3.1	-2.2

Portfolio Management

	Managed Since	Joined Firm
Ziad Bakri	2016	2011
Jeff Holford	2026	2018

Effective 1 April 2026, Jeff Holford, assumed co-portfolio management responsibility for the Fund.

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. Read it carefully.

Visit Troweprice.com/glossary for a glossary of financial terminology.

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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 a custom structure for sector and industry reporting for this product.

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

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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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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