



QUARTERLY REVIEW

Health Sciences Fund

As of March 31, 2024

PORTFOLIO HIGHLIGHTS

The portfolio performed in line with the Lipper Health/Biotechnology Funds Index but underperformed the broad market, as measured by the S&P 500 Index, for the three-month period ended March 31, 2024.

Relative performance drivers (versus the Lipper Health/Biotechnology Funds Index):

- Pharmaceuticals contributed due to stock picks and an overweight exposure.
- Security selection and an underweight exposure to the services segment added value.
- Stock picks in the biotechnology subsector detracted from relative returns.

Additional highlights:

- Overall, stock selection added value, but subsector weighting marginally detracted.
- The health care space remains a dynamic and complex landscape with much fertile ground to explore. Looking ahead, we believe fundamentals will only become more important in identifying the sector's strongest performers, and effective stock selection will be paramount to generating outperformance. We will maintain our focus on identifying highly innovative therapeutic companies - both those developing lifesaving and lifestyle-enhancing devices, as well as those that we believe can improve the standard of care in a cost-effective manner.

FUND INFORMATION

Symbol	PRHSX
CUSIP	741480107
Inception Date of Fund	December 29, 1995
Benchmark	S&P 500 Index
Expense Information (as of the most recent Prospectus)	0.80%
Fiscal Year End	December 31
12B-1 Fee	—
Total Assets (all share classes)	\$15,415,200,556
Percent of Portfolio in Cash	0.1%

PERFORMANCE

(NAV, total return)

	Three Months	One Year	Annualized			
			Three Years	Five Years	Ten Years	Fifteen Years
Health Sciences Fund	7.95%	13.90%	3.54%	9.99%	11.75%	17.56%
Lipper Health/Biotechnology Funds Index	7.88	15.21	1.07	8.32	9.75	15.03
S&P 500 Index	10.56	29.88	11.49	15.05	12.96	15.63

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Health Sciences Fund	Dec 29 1995	31.94%	12.98%	-10.35%	27.95%	1.23%	29.11%	30.12%	13.27%	-12.19%	3.08%
Lipper Health/Biotechnology Funds Index		30.61	8.55	-11.07	24.98	3.07	27.60	27.95	3.24	-12.94	5.24
S&P 500 Index		13.69	1.38	11.96	21.83	-4.38	31.49	18.40	28.71	-18.11	26.29

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](https://www.troweprice.com). The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.

Due to the fund's concentration in health sciences companies, its share price will be more volatile than that of more diversified funds. Further, these firms are often dependent on government funding and regulation and are vulnerable to product liability lawsuits and competition from low-cost generic products. The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details.

PERFORMANCE REVIEW

Stocks Produce Strong Gains to Start the Year

U.S. stocks produced strong first-quarter gains that lifted several broad indexes to all-time highs. The market was driven by investors' optimism about the corporate profit potential stemming from advances in artificial intelligence. Investors were also encouraged by the outcome of the Fed's most recent monetary policy meeting. Although the central bank kept short-term interest rates steady throughout the quarter, in mid-March policymakers maintained their year-end 2023 "dot plot" projections for three quarter-point interest rate cuts by the end of 2024 despite recent upticks in inflation readings.

Health care stocks, as represented by the Lipper Health/Biotechnology Funds Index, gained ground in the first quarter. On a subsector basis, pharmaceuticals was the benchmark's best-performing group, buoyed by continued strength from GLP-1-related names, and a handful of better-than-expected earnings releases. The products and devices subsector also posted double-digit returns as the group's focus appears to be rotating away from inflationary pressures and supply chain issues and toward innovation and product cycles, with exciting product launches expected in 2024. The life sciences and biotechnology segments also posted solid gains during the quarter as many companies benefited from investor anticipation of favorable macroeconomic conditions and the prospect of the Federal Reserve cutting interest rates within the year. Services, while still posting a modestly positive return, lagged the broader sector as the segment has come under pressure due to uncertainty around the trajectory of cost trends and the impact of upcoming U.S. elections.

Pharmaceuticals Contributed Due to Stock Picks and an Overweight Exposure

- Our position in Eli Lilly added value during the quarter. Shares of the pharmaceutical company were buoyed by several factors, including (1) encouraging revenue guidance and better-than-expected pricing for Mounjaro, (2) significant capacity expansion underway to accommodate expected future demand for GLP-1 products, and (3) uncertainty around the outlook for a competitor's obesity drug following weaker-than-expected clinical trial data. 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, which we believe it is positioned to realize a significant long-term benefit from.

Security Selection and an Underweight Exposure to the Services Segment Added Value

- Our underweight exposure to Agilon Health, a value-based physician enablement company, assisted relative performance. Shares traded sharply lower in January after company management lowered its medical margin and earnings guidance, citing continued medical cost pressure beyond the utilization concerns being seen in the wider Medicare Advantage space.
- Shares of Elevance Health benefited from the company's better-than-feared quarterly results amid heightened concerns over worsening cost trends in the broader managed care space that have had an adverse impact on several of the insurer's peers. We remain constructive on Elevance, which

has an advantaged business with irreplicable scale and leading market share. We think the firm offers an attractive mix of company-specific growth drivers while operating in a structurally growing industry, all at a compelling valuation when considering the company's room for improving returns and long runway for growth.

Stock Picks in the Biotechnology Subsector Detracted From Relative Returns

- The portfolio's underweight exposure to Viking Therapeutics detracted. Shares surged in February after the clinical-stage biotech announced impressive topline results from its Phase 2 study assessing the safety and efficacy of its dual GLP-1/GIP agonist in obesity.
- Shares of Alnylam Pharmaceuticals traded lower following the company's announcement that it was adjusting the study design for its Phase 3 trial testing whether its RNAi therapeutic vutrisiran can reduce the rate of death and cardiac hospitalizations in patients with transthyretin-mediated amyloidosis with cardiomyopathy. While the changes may increase the likelihood of the trial demonstrating a treatment effect, investors reacted negatively to the increased uncertainty around the treatment's overall efficacy and commercial viability.

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.

Biotechnology

We modestly added to our biotechnology exposure during the quarter, and the subsector still represents the portfolio's largest allocation. Biotechnology stocks continue to recover from recent lows, but modestly underperformed the broader market during the first quarter. The early stages of 2024 have injected a dose of optimism into the subsector, particularly among small- to mid-cap names, buoyed by the anticipation of favorable macroeconomic conditions and the prospect of the Federal Reserve cutting interest rates within the year, potentially stimulating investment appetite for higher-risk, higher-reward developmental stage companies. Looking beyond interest rate dynamics, the biotech segment has benefited from encouraging clinical trial outcomes, an uptick in merger and acquisition activity, new product launches, a cooperative stance from the U.S. Food and Drug Administration (FDA), and a more accommodative capital markets environment. Despite these overarching economic and sector-specific conditions, biotech investing remains uniquely idiosyncratic, hinging on individual companies' clinical trial outcomes and the depth of their drug development pipelines. This can allow for exceptional returns in varying market conditions, and compelling risk/reward scenarios for well-chosen investments—even in market downturns.

- We bought shares of Regeneron Pharmaceuticals following a favorable court ruling for the company that will allow its retinal disease drug Eylea to retain its U.S. patent protection through mid-2027. We appreciate Regeneron for its productive research and development platform, broad portfolio of FDA-approved medicines, and pipeline of cancer assets.

- We added to our position in Blueprint Medicines, a precision therapy company developing investigational medicines for patients with a broad range of cancers and rare diseases. The company's recent launch of Ayvakit-originally approved to treat advanced systemic mastocytosis-in indolent systemic mastocytosis (ISM) has been stronger than anticipated, and Blueprint faces limited competition in the ISM space. We like Blueprint Medicines for its validated drug discovery engine and believe it has the characteristics of a sustainable company that can continue to drive value creation in the long term.
- Karuna Therapeutics is a clinical-stage biopharma company focused on developing treatments for psychiatric disorders. We eliminated our position in January following news that the company had agreed to be acquired by Bristol-Myers Squibb, with the deal expected to close in the first half of 2024.

Services

We are underweight services, a broad category that includes payors, providers, drug distributors, and health care IT companies. Within the subsector, our largest exposure is to managed care, which has come under pressure due to uncertainty around the trajectory of cost trends and the impact of upcoming U.S. elections. While we remain confident that fundamentals are largely sound and longer-term growth algorithms are intact, market activity and some modest reductions to manage position sizes have lowered our exposure to the group.

- UnitedHealth Group is a best-in-class managed care company with a vertically integrated business model. While we continue to view the company as well positioned and it remains a top-five holding in the fund, we trimmed some of our exposure to the managed care giant in order to manage position size amid Medicare Advantage headwinds.
- We added to our underweight position in Cigna during the quarter. We appreciate Cigna for its more limited exposure to Medicare Advantage headwinds than some of its managed care peers, as well as the company's increased transparency and the lifting of some overhangs around its Evernorth business.

Products and Devices

The portfolio has an underweight exposure to the products and devices subsector. Procedure volumes are generally back to pre-pandemic levels as patient demand has recovered and inflationary pressures, staffing issues, and supply chain bottlenecks have continued to moderate. While much is yet to be determined, the subsector's focus appears to be returning to innovation and product cycles, which have historically been key growth drivers, with exciting new product launches anticipated in 2024. Within the space, we are largely focused on companies that offer products and tools we believe help doctors and offer quality-of-life benefits for patients, but we are being selective in what we own given somewhat expensive valuations and concerns that inflation could be stickier and longer lasting, which could limit the ability of companies to drive operating margin expansion and bottom-line growth.

- We continued adding to our stake in Edwards Lifesciences, a global leader in patient-focused medical innovations for structural heart disease and critical care monitoring, during the quarter. We believe Edwards Lifesciences is a high-quality growth company with upside potential from revenue reacceleration in transcatheter aortic valve replacement. Additionally, it should benefit from new product launches in mitral and tricuspid therapies.

- Catalent is a contract development and manufacturing organization that provides outsourced manufacturing services for pharma and consumer health companies. We eliminated our holding in February, following news that the company had agreed to be acquired by Novo Holdings, with the deal expected to close toward the end of 2024.

MANAGER'S OUTLOOK

The health care space remains a dynamic and complex landscape with much fertile ground to explore. While the sector continues to navigate near-term headwinds, we believe long-term investors will be well rewarded as the structural tailwinds of aging populations, persistent clinical needs, and rapid scientific advancements remain firmly in place. In our view, companies developing innovative, game-changing medical therapies, as well as those offering cost-effective, high-quality services are poised to create significant long-term value for investors.

Given the historical disparity in performance between winners and losers within the sector, we continue to emphasize the importance of maintaining a broadly diversified portfolio rooted in fundamental, bottom-up analysis. This approach aligns with our strengths as active managers.

We are encouraged by the sustained improvement in scientific productivity, which is fueling significant investment and medical breakthroughs in the form of new treatments. These innovations are helping to address unmet clinical needs and enhance patients' quality of life. However, substantial challenges persist, as many prevalent disorders, such as cancer, multiple sclerosis, and heart disease, continue to affect large patient populations in need of better treatment options.

Looking ahead, we believe fundamentals will only become more important in identifying the sector's strongest performers, and effective stock selection will be paramount to generating outperformance. We will maintain our focus on identifying highly innovative therapeutic companies—both those developing lifesaving and lifestyle-enhancing devices, as well as those that can improve the standard of care in a cost-effective manner.

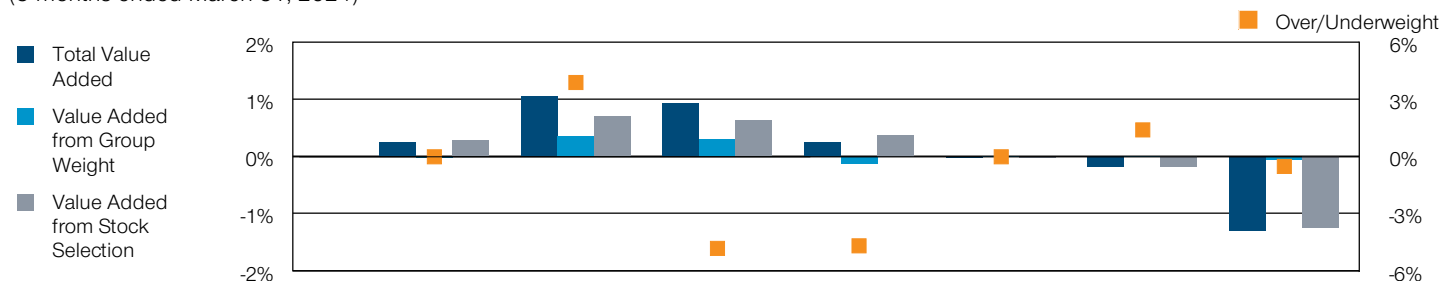
ORGANIZATIONAL UPDATE

There were no organizational updates during the first quarter.

QUARTERLY ATTRIBUTION

SECTOR ATTRIBUTION DATA VS. LIPPER HEALTH/BIOTECHNOLOGY FUNDS INDEX

(3 months ended March 31, 2024)



	Total	Pharmaceuticals	Services	Products & Devices	Other	Life Sciences	Biotechnology
Over/Underweight	0.00%	3.89%	-4.82%	-4.66%	0.00%	1.42%	-0.52%
Fund Performance	8.03	23.56	3.81	12.41	-42.28	6.95	2.47
Index Performance	7.78	19.12	0.88	10.20	-24.66	8.71	6.44
Value Add - Group Weight	-0.02	0.36	0.30	-0.11	0.00	0.00	-0.04
Value Add - Stock Selection	0.28	0.70	0.64	0.37	-0.01	-0.18	-1.25
Total Contribution	0.25	1.07	0.94	0.26	-0.01	-0.18	-1.29

TOP 5 RELATIVE CONTRIBUTORS VS. LPR HEALTH/BIOTECH IX

(3 months ended March 31, 2024)

Security	% of Equities	Net Contribution (Basis Points)
Eli Lilly And Company	9.9%	99
Merck & Co., Inc.	4.0	78
Intuitive Surgical, Inc.	4.1	38
Agilon Health, Inc.	0.0	28
Stryker Corporation	3.6	27

TOP 5 RELATIVE DETRACTORS VS. LPR HEALTH/BIOTECH IX

(3 months ended March 31, 2024)

Security	% of Equities	Net Contribution (Basis Points)
Boston Scientific Corporation	1.1%	-63
Viking Therapeutics, Inc.	0.0	-40
Abbvie Inc.	0.5	-35
Krystal Biotech, Inc.	0.5	-26
Alnylam Pharmaceuticals, Inc.	1.3	-20

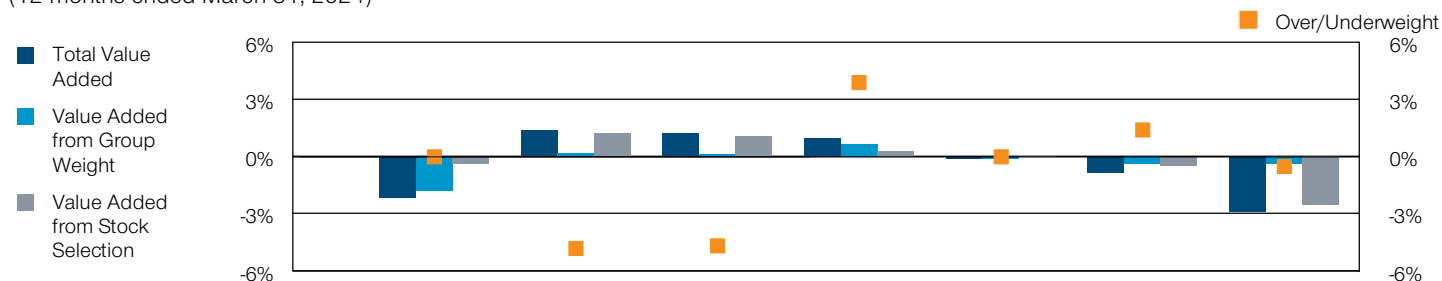
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

Past performance is not a reliable indicator of future performance. All numbers are percentages. 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 2024 FactSet. All Rights Reserved. Analysis by T. Rowe Price. T. Rowe Price uses a custom structure for sector and industry reporting for this product. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance returns are in USD.

12-MONTH ATTRIBUTION

SECTOR ATTRIBUTION DATA VS. LIPPER HEALTH/BIOTECHNOLOGY FUNDS INDEX

(12 months ended March 31, 2024)



	Total	Services	Products & Devices	Pharmaceuticals	Other	Life Sciences	Biotechnology
Over/Underweight	0.00%	-4.82%	-4.66%	3.89%	0.00%	1.42%	-0.52%
Fund Performance	14.55	12.82	14.80	45.67	-61.18	1.89	13.12
Index Performance	16.68	7.36	8.76	43.71	-13.30	5.18	21.79
Value Add - Group Weight	-1.76	0.16	0.13	0.67	-0.11	-0.36	-0.37
Value Add - Stock Selection	-0.37	1.23	1.07	0.30	0.00	-0.45	-2.53
Total Contribution	-2.13	1.39	1.20	0.97	-0.10	-0.81	-2.90

TOP 5 RELATIVE CONTRIBUTORS VS. LPR HEALTH/BIOTECH IX

(12 months ended March 31, 2024)

Security	% of Equities	Net Contribution (Basis Points)
Eli Lilly And Company	9.9%	196
Merck & Co., Inc.	4.0	96
Intuitive Surgical, Inc.	4.1	96
Agilon Health, Inc.	0.0	63
Stryker Corporation	3.6	35

TOP 5 RELATIVE DETRACTORS VS. LPR HEALTH/BIOTECH IX

(12 months ended March 31, 2024)

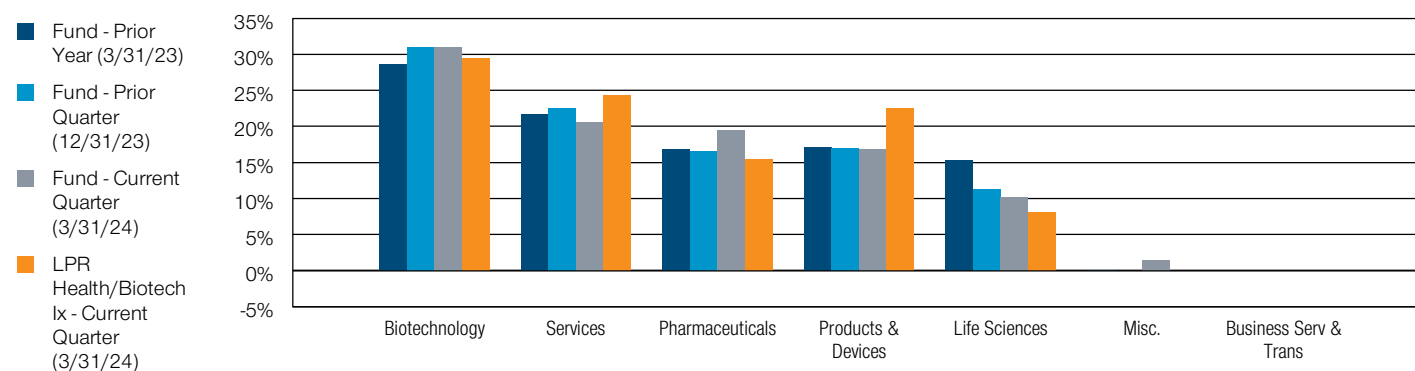
Security	% of Equities	Net Contribution (Basis Points)
Boston Scientific Corporation	1.1%	-116
Krystal Biotech, Inc.	0.5	-48
Viking Therapeutics, Inc.	0.0	-46
Abbvie Inc.	0.5	-44
Cigna Group	1.9	-32

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 3/31/24	% of Fund Prior Quarter 12/31/23
Regeneron Pharmaceuticals	Biotechnology	2.7%	1.9%
Edwards Lifesciences	Products & Devices	1.3	0.7
Cigna	Services	1.9	1.2
Blueprint Medicines	Biotechnology	1.3	1.0
Madrigal Pharmaceuticals (N)	Pharmaceuticals	0.5	0.0
Cardinal Health (N)	Services	0.6	0.0
Celldex Therapeutics	Biotechnology	0.4	0.1
Ascendis Pharma	Biotechnology	0.6	0.3
Bio-Techne	Life Sciences	0.5	0.3
Neurocrine Biosciences	Biotechnology	0.7	0.5

(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.

LARGEST SALES

Issuer	Sector	% of Fund Current Quarter 3/31/24	% of Fund Prior Quarter 12/31/23
UnitedHealth Group	Services	6.1%	8.1%
Karuna therapeutics (E)	Biotechnology	0.0	1.0
Thermo Fisher Scientific	Life Sciences	4.0	4.7
Humana	Services	0.5	1.5
Vertex Pharmaceuticals	Biotechnology	2.1	2.7
Catalent (E)	Products & Devices	0.0	0.4
Molina Healthcare	Services	1.4	1.8
Avantor (E)	Products & Devices	0.0	0.4
Eli Lilly and Co	Pharmaceuticals	9.9	8.0
Teleflex	Products & Devices	0.0	0.4

HOLDINGS

TOP 10 ISSUERS

Issuer	Industry	% of Fund	% of LPR Health/Biotech Ix
Eli Lilly and Co	Major Pharmaceuticals	9.9%	6.5%
UnitedHealth Group	Payors	6.1	6.5
Intuitive Surgical	Implants	4.1	2.1
Thermo Fisher Scientific	Life Sciences	4.0	2.9
Merck	Major Pharmaceuticals	4.0	0.0
Stryker	Implants	3.6	2.1
Elevance Health	Payors	3.6	1.3
Danaher	Life Sciences	3.0	3.6
Regeneron Pharmaceuticals	Other Biotechnology	2.7	1.8
Vertex Pharmaceuticals	Major Biotechnology	2.1	1.6

TOP 5 OVER/UNDERWEIGHT POSITIONS VS. LPR HEALTH/BIOTECH IX

Issuer	Industry	% of Fund	% of LPR Health/Bio tech Ix	Over/Underweight
Merck	Major Pharmaceuticals	4.0%	0.0%	4.0%
Eli Lilly and Co	Major Pharmaceuticals	9.9	6.5	3.4
Elevance Health	Payors	3.6	1.3	2.2
Intuitive Surgical	Implants	4.1	2.1	2.0
Stryker	Implants	3.6	2.1	1.6
Boston Scientific	Implants	1.1	4.7	-3.6
AbbVie	Major Pharmaceuticals	0.5	2.7	-2.2
CVS Health	Distribution	0.0	2.0	-2.0
Abbott Laboratories	Implants	0.0	1.1	-1.1
Vaxcyte	Other Biotechnology	0.0	0.9	-0.9

PORTFOLIO MANAGEMENT



Portfolio Manager:
Ziad Bakri

Managed Fund Since:
2016

Joined Firm:
2011

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

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.

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.

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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