QUARTERLY REVIEW

Health Sciences Fund (PRHSX)

As of December 31, 2025

Portfolio Highlights

The portfolio outperformed the Russell 3000 Health Care Index and the broad market, as measured by the S&P 500 Index, for the three-month period ended December 31, 2025.
Relative performance drivers (versus the Russell 3000 Health Care Index):
+ Products and Devices (stock selection and underweight)
+ Biotechnology (overweight)
+ Services (stock selection)
- No subsectors meaningfully detracted from relative returns

Additional highlights:

- Overall, stock selection and sector weighting both assisted relative results.
- In our view, over the long term, health care spending will continue to grow, and value will remain driven by companies developing innovative therapies, as well as those that are providing quality outcomes in a cost-effective manner; however, we believe prospects for individual companies will hinge on management execution and fundamentals, and as such, selectivity remains crucial.

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)	0.80%
Total Assets (all share classes)	$12,090,340,604
Percent of Portfolio in Cash	0.2%

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

	3m	1yr	3yrs	5yrs	10yrs	15yrs
Health Sciences Fund	15.45	17.72	7.30	4.21	9.14	14.80
Lipper Health/Biotechnology Funds Index	13.54	21.68	9.20	3.20	8.15	13.13
Russell 3000 Health Care Index	11.92	14.56	6.84	6.31	9.54	13.08

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

Markets Overcome Mounting Concerns Amid Strong Earnings, Rate Cuts, and AI Momentum

Stocks rose in the fourth quarter, capping a fairly strong year that saw major indexes rise to all-time highs. Equities were buoyed by favorable corporate earnings reports, business deals and partnerships involving artificial intelligence (AI), and expectations for interest rate cuts due to signs of a weakening labor market. Indeed, the Federal Reserve, which resumed rate reductions in September despite continued elevated inflation, lowered rates again in October and December. The market overcame concerns about U.S.-China trade relations, possible credit issues in certain pockets of the market, strongly differing views among U.S. central bank officials about monetary policy, elevated valuations and enormous capital expenditures among artificial intelligence-related companies, and the federal government shutdown, which lasted for about six weeks--the longest in U.S. history--and resulted in an economic data vacuum.

Health care stocks, as represented by the Russell 3000 Health Care Index, posted significant gains in the fourth quarter. On a subsector basis, performance was positive across the space. Biotechnology led the way, bolstered by positive clinical data across several large disease areas, promising drug launches and approvals, and a renewed mergers and acquisitions environment--partly driven by interest from pharmaceuticals companies. The pharma subsector posted double-digit gains as a broad swath of names in the segment benefited from strong earnings and increased clarity on U.S. drug pricing reform. Life sciences also made large advances during the period amid improving bioprocessing volumes and growing investor conviction that an interest rate cutting cycle is beginning. Services was the laggard in the sector as utilization remains a concern in the managed care industry.

Relative Contributors

Products and Devices (stock selection and underweight)

- **Intuitive Surgical:** Shares of Intuitive Surgical, which underperformed in the third quarter, bounced back in October, trading sharply higher following the company's quarterly earnings. The market responded positively to its strong results, including better-than-expected procedures and system placements, as Intuitive was able to ease some investor concerns around slowing procedure growth. We maintain our view that the company is the clear leader in the global transition to robot-assisted surgery, which remains in the early stages of adoption.
- **Abbott Laboratories:** Shares of Abbott Laboratories fell during the period, weighed down by the company's in-line quarterly results in late October--strength in the company's medical technology segment was offset by weakness across its other businesses--as well as Abbott's announcement that it would be acquiring Exact Sciences, a cancer screening and diagnostics company. Our minimal exposure to Abbott Laboratories, which has since been eliminated, contributed to relative results.

Biotechnology (overweight)

The portfolio's overweight exposure to the biotechnology subsector--the top-performing group in the benchmark during the quarter--added value. Biotechnology stocks were buoyed by multiple factors, including positive clinical data across several large disease areas, promising drug launches and approvals, and a renewed mergers and acquisitions environment. The subsector, which can be particularly sensitive to changes in interest rates, also benefited from heightened investor confidence that a more accommodative Federal Reserve will be a tailwind for the subsector.

Services (stock selection)

- **Guardant Health:** Shares of diagnostics company Guardant Health rose following its quarterly earnings, which illustrated better-than-expected revenue and gross margins, as well as accelerating oncology volume growth. We appreciate Guardant Health's leading liquid therapy selection business and believe the stock should benefit from several near-term positive catalysts and estimate revisions.
- **BrightSpring Health Services:** BrightSpring Health Services is a diversified pharmacy services and home/behavioral health company. Shares climbed as the company continues to benefit from two important growth drivers enabling strength in its pharmacy segment: (1) growing access to limited-distribution drugs and (2) the conversion of large brand name drugs to generics. We are constructive on BrightSpring Health as we think the company will continue to see growth acceleration driven by these tailwinds.

Relative Detractors

No subsectors materially detracted from relative performance during the period.

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

- **Merck:** During the quarter we bought shares of 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.
- **Eli Lilly:** We added to our position in Eli Lilly due to improved clarity into access and pricing dynamics for its portfolio of incretin medicines, alongside visibility into what we think is likely to be a faster-than-anticipated launch of the company's oral obesity medicine at more sustainable pricing. 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.
- **Regeneron Pharmaceuticals:** Regeneron Pharmaceuticals is a commercial-stage biotech company focused on the development and commercialization of biologic drugs. We increased our position during the period as company fundamentals have begun to improve, driven by strength in the high-dose version of its retinal disease drug Eylea. In our view, Regeneron is capable of outperforming the market over the near and long term due to: (1) underappreciated growth from Dupixent, its drug treating allergic/inflammatory conditions; (2) better-than-expected durability of its Eylea franchise; and (3) several high-quality pipeline candidates.

Significant Sales

- **Insmed:** Insmed is a biopharma company focused on developing and commercializing therapies for patients with serious lung diseases. During the period, the company provided a clinical update, announcing that the Phase 2b study of its treatment for chronic rhinosinusitis without nasal polyps failed and that it is ceasing development in this indication. While we trimmed some of our exposure in the wake of this negative update, we remain constructive on Insmed, which we appreciate for the strong performance of its lead asset Arikayce, as well as its multiple de-risked assets and potential for other pipeline assets to drive upside.
- **Avidity Biosciences:** We closed our position in Avidity Biosciences during the quarter following news that the company had agreed to be acquired by Novartis, with the deal expected to close in the first half of 2026.

- **Vertex Pharmaceuticals:** We continued to reduce our holding in Vertex Pharmaceuticals following setbacks to the company's pain franchise in the third quarter. The near-term total addressable market for Vertex's pain program shrank following feedback from the U.S. Food and Drug Administration suggesting that there is no longer a path for a broad peripheral neuropathic pain label, meaning the company will have to clinically execute on individual pain indications. In addition, Vertex announced that its monotherapy program in acute pain had been discontinued following a Phase 2 trial failure. Despite these headwinds, we continue to appreciate Vertex for its leadership in the cystic fibrosis space, where its growth remains exceptional.

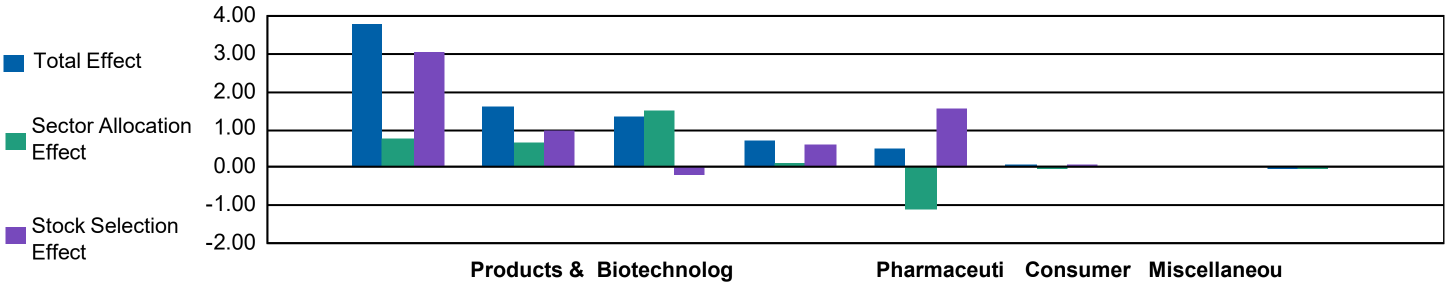
Manager's Outlook

The health care sector continued to build momentum in the fourth quarter, finishing the year strong and posting double-digit gains during the 12-month period. Biotechnology stocks recovered sharply from the first half of the year, bolstered by positive clinical data across several large disease areas, promising drug launches and approvals, and a renewed mergers and acquisitions environment--partly driven by interest from pharmaceuticals companies. Encouragingly, we're seeing proof that these companies are being rewarded for a wave of innovation that we believe could usher in a golden age of drug discovery and development across an array of indications, potentially setting up the segment for a multiyear growth runway. Life sciences companies have enabled this biopharma innovation, and management teams are optimistic about the pickup in bioprocessing volumes and the potential for pharmaceutical reshoring, which would also drive increasing equipment demand. In our view, the fundamental outlook for these companies is encouraging and supports our conviction within the sector, especially as some of the fog around the macroeconomic environment has lifted, allowing investors to refocus on what drives long-term returns within the space.
Additionally, the outlooks for a broad swath of pharmaceuticals companies improved due to increased clarity on U.S. drug pricing reform; however, there remains an immense amount of policy uncertainty affecting companies across the sector. Furthermore, while we are increasingly optimistic about the stabilization in Medicare cost trends, utilization remains a concern in the managed care space, particularly for companies with significant exposure to Affordable Care Act exchanges and Medicaid.

In our view, over the long term, health care spending will continue to grow, and value will remain driven by companies developing innovative therapies, as well as those that are providing quality outcomes in a cost-effective manner; however, we believe prospects for individual companies will hinge on management execution and fundamentals, and as such, selectivity remains crucial.
In biopharma, we continue to focus on companies pioneering groundbreaking therapies. With elevated utilization trends remaining a concern in the services subsector, we have shifted some of our focus to drug distributors, a group that we believe has strong fundamentals and less political headline risk. For medical technology and life science tools names, we are prioritizing investments in companies that have a strong competitive moat; a history of pricing power; a track record of strong execution, particularly in times of chaos; and companies for which the environment has experienced relatively minimal change.

Quarterly Attribution

Sector Attribution Data: Fund vs Russell 3000 Health Care Index (3 months ended December 31, 2025) (%)



	Total	Products & Devices	Biotechnology	Services	Pharmaceuticals	Consumer Nondurables	Miscellaneous	Life Sciences
Over/Under Weight	N/A	-7.53	19.74	-2.24	-14.55	0.20	-0.05	0.01
Fund Performance	15.70	9.63	18.80	3.76	28.27	50.63	67.34	17.51
Index Performance	11.92	3.56	19.15	0.29	18.17	-7.13	15.26	17.45
Sector Allocation Effect	0.75	0.63	1.52	0.12	-1.09	-0.03	0.00	-0.03
Stock Selection Effect	3.04	0.96	-0.19	0.60	1.57	0.09	0.00	0.00
Total Effect	3.78	1.59	1.34	0.72	0.48	0.06	0.00	-0.03

Top 5 Relative Contributors vs. Russell 3000 Health Care Index (3 Months ended December 31, 2025)

Security	% of Equities	Net Contribution (bps)
Argenx Se	3.9	64
Avidity Biosciences, Inc.	0.0	53
Intuitive Surgical, Inc.	4.5	51
Insmed Incorporated	1.9	50
Astrazeneca Plc	2.8	49

Top 5 Relative Detractors vs. Russell 3000 Health Care Index (3 Months ended December 31, 2025)

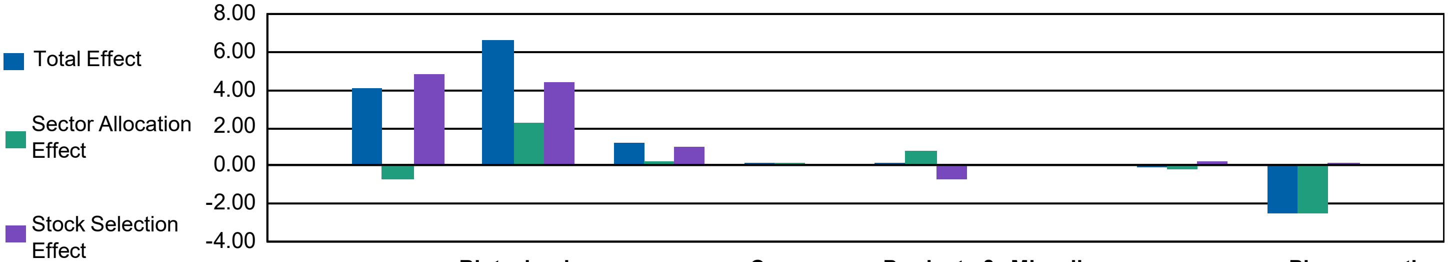
Security	% of Equities	Net Contribution (bps)
Johnson & Johnson	0.0	-97
Merck & Co., Inc.	1.8	-91
Amgen Inc.	0.0	-45
Eli Lilly And Company	12.4	-40
Bristol-Myers Squibb Company	0.0	-34

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 December 31, 2025) (%)



	Total	Biotechnology	Services	Consumer Nondurables	Products & Devices	Miscellaneous	Life Sciences	Pharmaceuticals
Over/Under Weight	N/A	19.74	-2.24	0.20	-7.53	-0.05	0.01	-14.55
Fund Performance	18.69	40.74	-1.64	85.21	2.66	3.75	4.85	29.83
Index Performance	14.56	26.97	-6.73	120.67	5.73	15.35	3.01	29.86
Sector Allocation Effect	-0.74	2.25	0.24	0.09	0.78	0.00	-0.23	-2.58
Stock Selection Effect	4.87	4.45	0.94	0.00	-0.77	0.00	0.22	0.04
Total Effect	4.13	6.70	1.18	0.09	0.01	0.00	-0.01	-2.55

Top 5 Relative Contributors vs. Russell 3000 Health Care Index (12 Months ended December 31, 2025)

Security	% of Equities	Net Contribution (bps)
Insmed Incorporated	1.9	188
Argenx Se	3.9	141
Alnylam Pharmaceuticals, Inc.	2.3	114
Astrazeneca Plc	2.8	84
Avidity Biosciences, Inc.	0.0	80

Top 5 Relative Detractors vs. Russell 3000 Health Care Index (12 Months ended December 31, 2025)

Security	% of Equities	Net Contribution (bps)
Johnson & Johnson	0.0	-291
Abbvie Inc.	2.7	-127
Merck & Co., Inc.	1.8	-83
Eli Lilly And Company	12.4	-76
Amgen Inc.	0.0	-64

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.
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Portfolio Positioning

Sector Diversification - Changes Over Time vs. Russell 3000 Health Care Index (%)

Sector	Fund 12/31/24	Fund 9/30/25	Fund 12/31/25	Benchmark 12/31/25
Biotechnology	37.8	44.0	42.2	19.6
Pharmaceuticals	17.6	16.0	21.7	36.2
Products & Devices	18.4	15.5	13.8	20.9
Services	14.6	16.4	13.3	15.3
Life Sciences	11.0	7.7	8.6	8.0
Consumer Nondurables	0.0	0.2	0.2	0.0
Financial	0.0	0.1	0.1	0.0
Misc.	0.4	0.0	0.0	0.1

Largest Purchases

Issuer	Sector	% of Fund 12/31/25	% of Fund 9/30/25
Merck (N)	Pharmaceuticals	1.8	0.0
Eli Lilly and Co	Pharmaceuticals	12.4	8.7
Regeneron Pharmaceuticals	Biotechnology	2.5	1.5
Edwards Lifesciences (N)	Products & Devices	0.4	0.0
Structure Therapeutics	Biotechnology	0.6	0.1
AstraZeneca	Pharmaceuticals	2.8	2.3
Vera therapeutics	Biotechnology	0.8	0.3
Bridgebio Pharma (N)	Biotechnology	0.5	0.0
Roivant Sciences (N)	Biotechnology	0.6	0.0
Waters (N)	Life Sciences	0.2	0.0

Largest Sales

Issuer	Sector	% of Fund 12/31/25	% of Fund 9/30/25
Insmed	Biotechnology	1.9	3.0
Avidity Biosciences (E)	Biotechnology	0.0	1.0
Intuitive Surgical	Products & Devices	4.5	4.8
Argenx	Biotechnology	3.9	4.6
Vertex Pharmaceuticals	Biotechnology	1.7	2.3
Quest Diagnostics (E)	Services	0.0	0.7
Cigna	Services	0.8	1.6
Exact Sciences (E)	Biotechnology	0.0	0.4
Boston Scientific	Products & Devices	1.6	2.4
Sanofi (E)	Pharmaceuticals	0.0	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.

Holdings

Top 10 Issuers

Issuer	Industry	% of Fund	% of Russell 3000 Health Care Index
Eli Lilly and Co	Major Pharmaceuticals	12.4	13.6
Intuitive Surgical	Implants	4.5	3.1
Thermo Fisher Scientific	Life Sciences	4.3	3.4
Argenx	Other Biotechnology	3.9	0.0
Stryker	Implants	3.5	1.9
UnitedHealth Group	Payors	3.3	4.7
AstraZeneca	Major Pharmaceuticals	2.8	0.0
AbbVie	Major Pharmaceuticals	2.7	6.4
Danaher	Life Sciences	2.7	2.3
Regeneron Pharmaceuticals	Other Biotechnology	2.5	1.2

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

Issuer	Industry	% of Fund	% of Benchmark	Over/ Underweight (%)
Argenx	Other Biotechnology	3.9	0.0	3.9
AstraZeneca	Major Pharmaceuticals	2.8	0.0	2.8
Stryker	Implants	3.5	1.9	1.6
Alnylam Pharmaceuticals	Other Biotechnology	2.3	0.8	1.5
BeOne Medicines	Other Biotechnology	1.5	0.0	1.5
Johnson & Johnson	Major Pharmaceuticals	0.0	7.8	-7.8
AbbVie	Major Pharmaceuticals	2.7	6.4	-3.6
Abbott Laboratories	Implants	0.0	3.4	-3.4
Amgen	Major Biotechnology	0.0	2.8	-2.8
Merck	Major Pharmaceuticals	1.8	4.2	-2.4

Portfolio Management

	Managed Since	Joined Firm
Ziad Bakri	2016	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. 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 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.
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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