



QUARTERLY REVIEW

Health Sciences Fund

As of June 30, 2020

PORTFOLIO HIGHLIGHTS

The Health Sciences Fund outperformed the broad market, as measured by the S&P 500 Index, but underperformed the Lipper Health/Biotechnology Funds Index for the three-month period ended June 30, 2020.

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

- The biotechnology subsector was the largest detractor from relative performance due to stock selection and an underweight allocation.
- Stock selection detracted in products and devices.
- The services segment was the largest source of relative strength over the period, driven by stock selection and an underweight allocation.

Additional highlights:

- Our primary focus is on companies that discover and develop medicines and therapeutic devices that we believe address patients' unmet needs and can improve their lives, as well as businesses in the health care services area that provide quality outcomes in a cost-effective manner. During the quarter, we added to positions in the biotechnology and pharmaceuticals segments.
- We believe that the health care sector is favorably positioned for long-term growth given the secular tailwinds related to aging populations, increasing demand for clinical procedures, and accelerating innovation in medicines and medical devices.

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)	0.76%
Fiscal Year End	December 31
12B-1 Fee	-
Total Assets (all share classes)	\$14,590,294,069
Percent of Portfolio in Cash	0.1%

PERFORMANCE

(NAV, total return)

	Three Months	Year-to-Date	One Year	Annualized			
				Three Years	Five Years	Ten Years	Fifteen Years
Health Sciences Fund	23.49%	6.91%	17.47%	14.35%	8.53%	20.50%	15.60%
Lipper Health/Biotechnology Funds Index	24.28	8.64	22.23	14.15	8.09	18.52	12.95
S&P 500 Index	20.54	-3.08	7.51	10.73	10.73	13.99	8.83

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Health Sciences Fund	Dec 29 1995	16.33%	11.01%	31.93%	51.40%	31.94%	12.98%	-10.35%	27.95%	1.23%	29.11%
Lipper Health/Biotechnology Funds Index		11.86	9.30	23.91	51.33	30.61	8.55	-11.07	24.98	3.07	27.60
S&P 500 Index		15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38	31.49

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. 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. 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. For Sourcing Information, please see Additional Disclosures.

PERFORMANCE REVIEW

U.S. stocks post best quarter in two decades

Stocks rebounded in the second quarter, with the S&P 500 Index recording its best quarterly performance since 1998. Consumer discretionary, technology, and energy shares led with total returns in excess of 30%, while utilities and consumer staples shares recorded much smaller gains. Within the Lipper Health Care Index, the biotechnology and life sciences segments both gained more than 30% in the quarter, pharmaceuticals and products and devices advanced more than 20%, while services lagged but still posted better than a 15% return.

Progress in the battle against the coronavirus boosted markets early in the quarter, with infection rates, hospitalizations, and deaths beginning to decline in early April in New York and other hard-hit areas. The turnaround encouraged the nation's governors to begin the gradual reopening of businesses and public facilities, while automakers and other major firms resumed manufacturing operations in late April. Throughout the quarter, markets appeared to react to reports of progress in developing treatments and a vaccine for the coronavirus. Anthony Fauci, the nation's top infectious diseases official, later told a congressional committee that a vaccine was a matter of "when and not if" and that that he was "cautiously optimistic" that one would arrive by the end of the year.

Within biotechnology, stock selection and an underweight allocation detracted.

- Shares of Immunomedics more than doubled in the period as the company's advanced breast cancer drug, Trodelvy, received an unexpected early approval from the U.S. Food and Drug Administration. While we maintain a modest position in the name, we are underweight relative to the benchmark, which weighed on relative results.
- Our position in orphan disease company Sarepta Therapeutics generated strong returns on the back of positive developments around its gene therapy program. Although our underweight exposure to the company detracted from our relative results, we think there is a high probability of success for its Duchenne muscular dystrophy product SRP-9001.

Stock selection in products and devices was a source of relative weakness.

- The halt in high-margin elective procedures has weighed on Stryker's orthopedics business. The diversified medical technology company has successfully leveraged a core position in orthopedics markets to enter new markets, including general surgery and neurotechnology, which boast faster secular growth prospects and less pricing pressure. We think the potential for future capital deployment and the growing success of its Mako robotic technology offer additional upside.

Security selection in pharmaceuticals hurt relative results.

- Shares of Merck were volatile during the period and significantly underperformed the broader pharmaceuticals segment. The stock was pressured by competitive concerns around its Keytruda oncology franchise as well as management's announcement of lowered full-year guidance

following the release of first-quarter results. We think the stock has been trading at a substantial discount and continue to hold the name.

The services sector contributed due to stock selection and an underweight.

- West Pharmaceutical Services is a leading global manufacturer of packaging components for injectable drugs, and it also provides contract manufacturing to the pharmaceutical industry. Shares spiked after the company reported strong first-quarter results driven by increasing demand for higher-value and higher-margin products and services. We think the company is well positioned to continue growing through the downturn as underlying fundamentals remain strong.
- An underweight allocation to Cigna, which languished in the powerful second-quarter rally, benefited the portfolio's relative results. Despite strength from its pharmacy benefit management business and lower-than-expected medical costs, record levels of unemployment negatively impacted commercial enrollment. With the threat of 'Medicare for All' essentially off the table, we remain constructive on the managed care space, and we believe Cigna's merger with Express Scripts presents attractive longer-term synergies that could help unlock shareholder value for the combined entity.

An overweight coupled with solid stock selection contributed in life sciences.

- Shares of Quidel, a manufacturer of diagnostics products and solutions, spiked in May after the company received an emergency use authorization from the U.S. Food and Drug Administration to use and market its rapid point-of-care coronavirus antigen diagnostics test, which detects current infection. Testing was slow to ramp up in the U.S., so we viewed this as a positive development in helping to provide insights into the virus.

PORTFOLIO POSITIONING AND ACTIVITY

We continue to focus on companies developing innovative, game-changing therapies and companies that are improving the standard of care in a cost-effective manner. Due to accelerating innovation, the new desire on both sides of the political aisle for companies to be rewarded for research and development, and the improving efficiency of the drug approval process, we added to our biotechnology and pharmaceuticals holdings.

Biotechnology

Biotechnology represents our largest allocation within the portfolio. We believe that many of the best investments in health care will come from therapeutics companies producing medicines that prevent disease, relieve symptoms, and provide cures. Our biotechnology holdings generally lean toward the smaller side of the capitalization spectrum as smaller companies tend to benefit more from successful product launches than larger, mature companies. While this approach can increase volatility at the individual stock level due to the binary nature of clinical drug trials, we seek to manage this risk by limiting position sizes. As potential therapies successfully clear clinical hurdles, we may increase our positions as the risks decline.

- Ionis Pharmaceuticals was among our larger additions in the space over the period. The commercial-stage biotech company is built around its antisense drug discovery platform. Antisense drugs can modulate the production of disease-causing proteins at the gene level. We believe that the multiyear risk/reward trade-off is skewed to the upside, and the stock trades at a significant discount to our intermediate-term price target.

Pharmaceuticals

As is the case with biotechnology, we generally favor pharmaceuticals companies that are developing novel therapeutics. Within the segment, we continue to see more innovation, terminal values are improving as patent risks are removed, and we think public perception will also improve as coronavirus treatments and vaccines are developed. We appreciate the defensive nature of pharmaceutical investments, and valuations among large-cap pharmaceuticals are not demanding.

- We initiated a position in Sanofi, a diversified multinational health care company engaged in the development, manufacturing, and sale of pharmaceutical, vaccine, and OTC health care products. We think the company has a solid business with a diversified revenue base and appreciate its strong balance sheet and cash flows, which management could deploy to further build out product pipelines and accelerate growth over the medium term.
- We added to our stake in European pharmaceutical company AstraZeneca. While we think the prospects of the firm's oncology franchise are promising, it has a high level of diversification from a product, geographic, and payor perspective that should serve it well over time.

Products and Devices

We are cautious on the near-term outlook for the products and devices segment, which had been a top-performing area within health care prior to the coronavirus crisis. With many elective surgical procedures being deferred due to the virus, we think visibility around earnings and cash flow in the space will remain somewhat clouded over the next year or two, and we intend to remain selective with the names we own.

- While we modestly scaled back our position in Becton, Dickinson & Company, it remains a core holding in the portfolio. We continue to have a positive view on the firm's high-quality business that is demonstrating strong and durable growth as it continues to reduce leverage and improve its capital structure.

Services

We have an underweight exposure to the services sector, which is a broad category that includes payors, providers, drug distributors, and health care IT companies. Within the sector, our largest exposure is to payors. Reduced utilization resulting from the deferral of elective medical procedures during the coronavirus outbreak has benefited managed care companies, and the diminishing likelihood of a single-payer system in the U.S. is another positive for the group.

- We eliminated our position in Cardinal Health, the second-largest drug distributor in North America. We sold our shares as the stock recovered from the first-quarter sell-off and redeployed the proceeds into faster-growing opportunities with more compelling risk/reward potential.

Life Sciences

Broadly speaking, life sciences companies make analytical tools and other equipment, along with a range of clinical and research services. Although the smallest subsector in both the portfolio and our benchmark, the life sciences group represents our largest overweight. We have a favorable long-term outlook on the bioprocessing trend, which should be positive for the space, as these companies provide the picks and shovels for manufacturers. Companies in the space are also involved in diagnostics and testing, which should see increased demand as a result of the ongoing pandemic.

MANAGER'S OUTLOOK

Health care investors should expect ongoing market volatility given the uncertainty surrounding the global coronavirus pandemic. However, fundamentals for the sector continue to improve on the back of accelerating innovation, new technology platforms, a favorable funding environment, and relative leniency from regulators. We have also gained some clarity around November's U.S. elections with Joe Biden's emergence as the Democratic presidential front-runner, which likely removes the worst-case scenario for the sector—a single-payer health care system.

We think one of the longer-term outcomes of the pandemic is that investors will put a greater premium on innovation and novel drug platforms. This should result in a wider spread in valuations between "high- and low-value" medicines. The intense focus on the importance of drug development during this crisis is also likely to change public perceptions on the trade-off between drug pricing and innovation. It may also engender some political goodwill that could dampen drug pricing rhetoric that has existed for years.

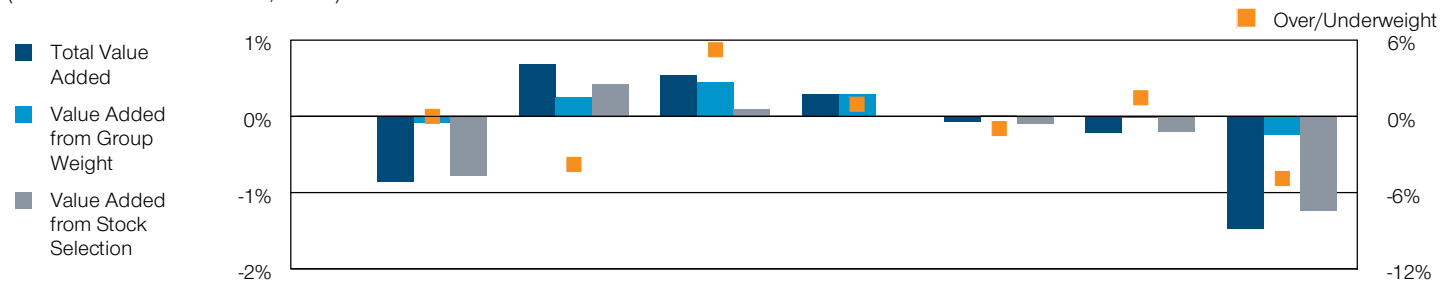
Diminished political risk of a drastic overhaul of the U.S. health insurance system is also likely to provide a tailwind for managed care firms, at least in the intermediate term. The benefits accrued from the deferral of elective procedures due to the pandemic are likely to far outweigh the increase in costs associated with virus-related hospitalizations. The products and devices segment had been a top-performing area within health care prior to the coronavirus crisis. With many elective surgical procedures being deferred due to the virus, we think visibility around earnings and cash flow in the space will remain somewhat clouded over the next year or two, and we intend to remain extremely selective with the names we own.

As always, our focus is on companies developing products and treatments for a wide range of conditions that improve the standard of care, address unmet medical needs, and provide services that improve access to and the affordability of health care. We are confident our emphasis on taking a longer-term view and identifying investment ideas through fundamental, bottom-up research will continue to add value for our clients.

QUARTERLY ATTRIBUTION

SECTOR ATTRIBUTION DATA VS. LIPPER HEALTH/BIOTECHNOLOGY FUNDS INDEX

(3 months ended June 30, 2020)



	Total	Services	Life Sciences	Other	Products & Devices	Pharmaceuticals	Biotechnology
Over/Underweight	0.00%	-3.78%	5.27%	0.96%	-0.93%	1.49%	-4.89%
Fund Performance	23.38	18.30	35.43	111.76	20.65	19.21	26.74
Index Performance	24.24	15.80	33.97	0.00	21.38	21.07	30.09
Value Add - Group Weight	-0.08	0.26	0.45	0.29	0.02	-0.01	-0.24
Value Add - Stock Selection	-0.78	0.43	0.10	0.00	-0.10	-0.20	-1.24
Total Contribution	-0.86	0.68	0.55	0.29	-0.08	-0.21	-1.48

TOP 5 RELATIVE CONTRIBUTORS VS. LPR HEALTH/BIOTECH IX

(3 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Thermo Fisher Scientific Inc.	3.6%	56
Incyte Corporation	1.7	51
Quidel Corporation	1.0	50
Seattle Genetics, Inc.	1.6	36
Hologic, Inc.	1.1	35

TOP 5 RELATIVE DETRACTORS VS. LPR HEALTH/BIOTECH IX

(3 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Immunomedics, Inc.	0.4%	-56
Sarepta Therapeutics, Inc.	0.6	-47
Novavax, Inc.	0.1	-45
Regeneron Pharmaceuticals, Inc.	2.2	-38
Biomarin Pharmaceutical Inc.	0.7	-31

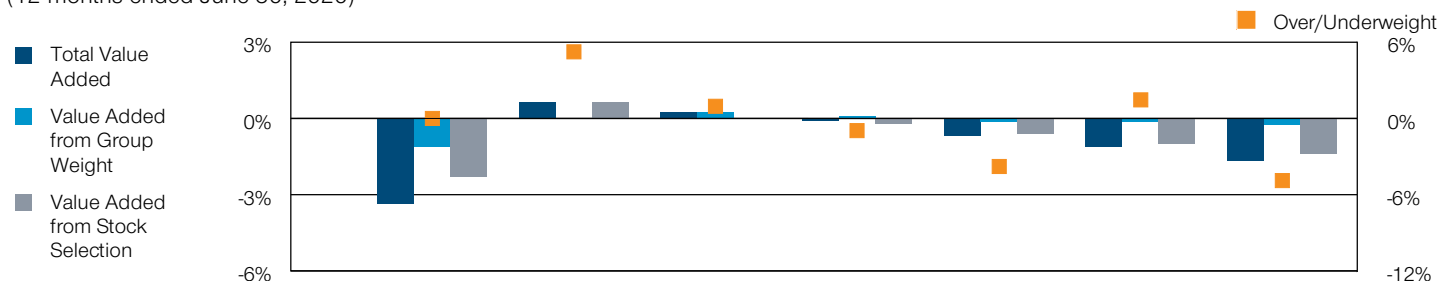
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

Past performance is not a reliable indicator of future performance. Numbers may not total due to rounding; all other numbers are percentages. Analysis represents the total performance of the portfolio as calculated by the FactSet attribution model and is inclusive of other assets that will not receive a classification assignment in the detailed structure shown. Returns will not match official T. Rowe Price performance because FactSet uses different exchange rate sources and does not capture intra-day trading. Performance for each security is obtained in the local currency and, if necessary, is converted using an exchange rate determined by an independent third party. Figures are shown with gross dividends reinvested. Sources: Financial data and analytics provider FactSet. Copyright 2020 FactSet. All Rights Reserved. Analysis by T. Rowe Price Associates, Inc. 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. For Sourcing Information, please see Additional Disclosures.

12-MONTH ATTRIBUTION

SECTOR ATTRIBUTION DATA VS. LIPPER HEALTH/BIOTECHNOLOGY FUNDS INDEX

(12 months ended June 30, 2020)



	Total	Life Sciences	Other	Products & Devices	Services	Pharmaceuticals	Biotechnology
Over/Underweight	0.00%	5.27%	0.96%	-0.93%	-3.78%	1.49%	-4.89%
Fund Performance	18.02	30.09	111.76	7.99	15.65	17.76	23.80
Index Performance	21.40	21.31	0.00	9.32	19.22	26.39	27.85
Value Add - Group Weight	-1.10	-0.01	0.27	0.11	-0.12	-0.13	-0.23
Value Add - Stock Selection	-2.28	0.66	0.00	-0.20	-0.58	-1.01	-1.41
Total Contribution	-3.38	0.65	0.27	-0.08	-0.71	-1.13	-1.64

TOP 5 RELATIVE CONTRIBUTORS VS. LPR HEALTH/BIOTECH IX

(12 months ended June 30, 2020)

Security	% of Equities	Net Contribution (Basis Points)
Quidel Corporation	1.0%	67
Seattle Genetics, Inc.	1.6	66
Boston Scientific Corporation	0.0	66
Thermo Fisher Scientific Inc.	3.6	48
Dexcom, Inc.	1.2	46

TOP 5 RELATIVE DETRACTORS VS. LPR HEALTH/BIOTECH IX

(12 months ended June 30, 2020)

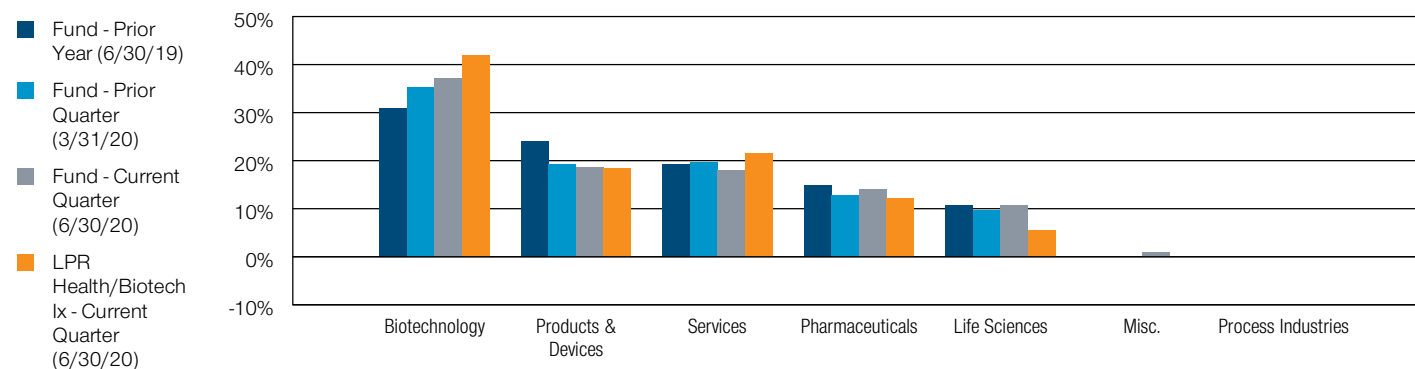
Security	% of Equities	Net Contribution (Basis Points)
Sage Therapeutics, Inc.	0.3%	-69
Immunomedics, Inc.	0.4	-57
Novavax, Inc.	0.1	-44
Sarepta Therapeutics, Inc.	0.6	-42
Masimo Corporation	0.0	-41

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PORTFOLIO POSITIONING

SECTOR DIVERSIFICATION – CHANGES OVER TIME



LARGEST PURCHASES

Issuer	Sector	% of Fund Current Quarter 6/30/20	% of Fund Prior Quarter 3/31/20
Merck	Pharmaceuticals	2.2%	1.7%
AstraZeneca	Pharmaceuticals	1.7	1.5
Roche Holding	Pharmaceuticals	1.4	1.3
Argenx	Products & Devices	1.3	0.8
Exelixis	Biotechnology	0.8	0.6
Ultragenyx Pharmaceutical	Biotechnology	0.7	0.3
Sanofi (N)	Pharmaceuticals	0.6	0.0
Ionis Pharmaceuticals	Biotechnology	0.6	0.3
FibroGen	Biotechnology	0.3	0.2
Novo Nordisk (NE)	Pharmaceuticals	0.0	0.0

(N) New Position

(E) Eliminated

(NE) New Position Eliminated

LARGEST SALES

Issuer	Sector	% of Fund Current Quarter 6/30/20	% of Fund Prior Quarter 3/31/20
Vertex Pharmaceuticals	Biotechnology	4.2%	4.6%
Amgen	Biotechnology	1.9	2.5
Roche Holding	Pharmaceuticals	1.4	1.3
HCA Healthcare	Services	0.9	1.3
Biogen	Biotechnology	0.9	2.0
Alcon	Products & Devices	0.5	0.7
Novartis (E)	Pharmaceuticals	0.0	0.7
Galapagos (E)	Biotechnology	0.0	0.3
Novo Nordisk (NE)	Pharmaceuticals	0.0	0.0
Cardinal Health (NE)	Services	0.0	0.0

For Sourcing Information, please see Additional Disclosures.

HOLDINGS

TOP 10 ISSUERS

Issuer	Industry	% of Fund	% of LPR Health/Biotech Ix
UnitedHealth Group	Payors	5.4%	6.2%
Vertex Pharmaceuticals	Major Biotechnology	4.2	3.5
Thermo Fisher Scientific	Life Sciences	3.6	1.7
Intuitive Surgical	Implants	3.3	1.9
Becton, Dickinson & Company	Implants	2.8	2.2
Eli Lilly And	Major Pharmaceuticals	2.3	1.9
Danaher	Life Sciences	2.2	1.4
Merck	Major Pharmaceuticals	2.2	0.0
Regeneron Pharmaceuticals	Other Biotechnology	2.2	3.5
AbbVie	Major Pharmaceuticals	2.1	2.3

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	2.2%	0.0%	2.2%
Thermo Fisher Scientific	Life Sciences	3.6	1.7	1.9
Incyte	Other Biotechnology	1.7	0.2	1.4
Intuitive Surgical	Implants	3.3	1.9	1.4
Stryker	Implants	1.8	0.6	1.2
Boston Scientific	Implants	0.0	2.2	-2.2
Regeneron Pharmaceuticals	Other Biotechnology	2.2	3.5	-1.3
Amgen	Major Biotechnology	1.9	3.1	-1.2
Cigna	Payors	1.7	2.8	-1.2
Abbott Laboratories	Implants	0.0	1.0	-1.0

PORTFOLIO MANAGEMENT



Portfolio Manager:
Ziad Bakri

Managed Fund Since:
2016

Joined Firm:
2011

For Sourcing Information, please see Additional Disclosures.

Additional Disclosures

Source for Lipper data: Lipper Inc.

Lipper Data (excluding Performance and Risk Return exhibits) is estimated by T. Rowe Price based on information provided by Lipper, Inc., and LionShares. T. Rowe Price identifies the funds that compose the Lipper index and builds an aggregate portfolio for the index based on each fund's holdings as provided by LionShares. Please note that the portfolio holdings for each fund within the index are based on the most recent public information that is available, and since the funds have different reporting periods, some of this information may not be current.

Source for S&P data: S&P. "Standard & Poor's®", "S&P®", "S&P 500®", "Standard & Poor's 500", and "500" are trademarks of Standard & Poor's, and have been licensed for use by T. Rowe Price. The fund is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the fund.

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

The manager's views and portfolio holdings are historical and subject to change. This material should not be deemed a recommendation to buy or sell any of the securities mentioned. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.

The information shown does not reflect any Exchange Traded Funds (ETFs) that may be held in the portfolio.

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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