T. Rowe Price®

SEMIANNUAL REPORT

June 30, 2019

T. ROWE PRICE

Health Sciences Portfolio

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HIGHLIGHTS

- The Health Sciences Portfolio returned 17.65% in the six months ended June 30, 2019. The portfolio outperformed its benchmark, the Lipper Variable Annuity Underlying Health/Biotechnology Funds Average, but trailed the broad market as measured by the S&P 500 Index.
- Across the board, stock selection powered our strong relative returns, especially within the biotechnology and pharmaceutical segments. Every industry group within the sector contributed to relative results.
- While volatility will likely remain a feature of the health care sector in the near term, we believe the fundamental quality of companies will drive long-term performance.
- We remain focused on investing in companies that are developing new and effective therapies for unmet medical needs and on businesses that lower costs or improve the quality of the health care system.

Dear Investor

Markets overcame a bout of volatility in May and recorded exceptional returns in the six months ended June 30, 2019. The large-cap S&P 500 Index reached record highs and notched its best start to a year in over two decades. Overseas equity markets were also strong, while bond prices rose as longer-term interest rates fell to their lowest levels since late 2016.

Markets rebounded to start the year, as many of the worries behind the sell-off in late 2018 receded. Investors seemed most relieved by a dovish pivot in monetary policy. The S&P 500 scored its best daily gain for the period on January 4, after Federal Reserve Chair Jerome Powell pledged that the central bank would respond with all the tools at its disposal to counteract an economic downturn or financial turmoil. The Fed soon paused and kept rates steady following a series of quarterly hikes stretching back to late 2017.

Investors also seemed comforted by progress in U.S.-China trade relations. In March, President Donald Trump postponed a threatened tariff increase on Chinese goods and remarked that the two sides were "getting very close" to a deal. Encouraging statements continued to flow from the White House, and speculation grew that Chinese President Xi Jinping would soon visit Washington to sign an agreement.

Hopes for a deal were dashed in early May, however, sending stocks sharply lower. With negotiations at a standstill, on May 10, the administration increased the tariff rate to 25% from 10% on $200 billion in Chinese goods, as the president had long threatened. China soon retaliated with its own tariffs. A technological "cold war" also seemed to be developing, with both sides taking measures to cut off the other's access to key components and raw materials. Stocks fell sharply in response, and the small- and mid-cap indexes moved back into correction territory, or down more than 10% from the highs they established late in the previous summer.

Another turn in trade policy in June helped stocks recover their losses. The White House abandoned an earlier threat to put tariffs on Mexican imports in response to immigration issues, and President Trump again softened his stance on China. Markets were closed on the final weekend of the month, when the president announced that he and President Xi had agreed to resume trade negotiations and arranged a truce that would at least temporarily prevent the imposition of further tariffs.

An even bigger factor in the June rebound appeared to be growing confidence that the Fed would cut interest rates rather than merely keep them steady. Fed Chair Powell pledged that policymakers were paying close attention to the impact of trade tensions on the economy and would "act as appropriate to sustain the expansion." Policymakers also dropped references to being "patient" in adjusting monetary policy. By the end of the month, futures markets were pricing in 75 basis points (0.75 percentage point) of cuts in the second half of the year, with a reasonable chance of more to come in 2020.

The dovish shift in Fed policy has been driven by accumulating evidence of slowing global growth. Rising trade barriers have taken a heavy toll on the global manufacturing sector, and business investment has pulled back as managers confront additional sources of uncertainty, such as the possibility of a disorderly Brexit this October. As a result, corporate earnings growth has stalled in the U.S. and turned negative in other major markets. On the positive side, consumers remain in much better shape, particularly domestically.

We see little evidence to suggest a recession is on the horizon. Indeed, with markets at all-time highs, investors seem willing to bet that this decade-long economic recovery still has legs. We will keep a close eye on developments and rely on our careful fundamental research to avoid pitfalls; I am confident our strategic investing approach will continue to serve our shareholders well.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,

Robert Sharps

Group Chief Investment Officer

INVESTMENT OBJECTIVE

The fund seeks long-term capital appreciation.

FUND COMMENTARY

How did the fund perform in the past six months?

The Health Sciences Portfolio returned 17.65% in the six-month period ended June 30, 2019. The portfolio outperformed its benchmark, the Lipper Variable Annuity Underlying Health/Biotechnology Funds Average, but underperformed the broad U.S. equity market as measured by the S&P 500 Index. (Returns for II Class shares varied slightly, reflecting their different fee structure. *Past performance cannot guarantee future results.*)

PERFORMANCE COMPARISON

Six-Month Period Ended 6/30/19	Total Return
Health Sciences Portfolio	17.65%
Health Sciences Portfolio–II	17.48
S&P 500 Index	18.54
Lipper Variable Annuity Underlying Health/Biotechnology Funds Average	13.74

What factors influenced the fund's performance?

The health care sector endured a volatile start to 2019, in part because health care is shaping up to be one of the principal issues of the 2020 U.S. election cycle. Although volatility will likely persist in the near term, we believe the fundamental underpinnings and the quality of companies we own will drive long-term performance. Stock selection was the key driver of the portfolio's outperformance through the first six months of the year, and every segment within the sector generated positive absolute and relative returns.

Our biotechnology holdings contributed the most to relative results thanks to stock selection, although our underweight exposure to the group was a modest detractor. **SAGE Therapeutics** was the portfolio's best first-half absolute and relative performance contributor. The company develops novel therapeutics for central nervous system-related indications. Its stock rallied on news of positive results from a Phase 3 trial of SAGE-217 (Zulresso) for the treatment of postpartum depression in women. The drug subsequently gained approval from the U.S. Food and Drug Administration in March. (Please refer to our portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Loxo Oncology was another strong relative performance contributor. It is developing small molecule therapeutics for the treatment of cancer. The stock surged after **Eli Lilly**, another portfolio holding, announced an all-cash takeover bid for the firm at a substantial premium.

Life sciences posted a solid absolute and relative performance contribution thanks to stock selection and an overweight allocation to the benchmark's best-performing segment. **Bruker** is a leading global supplier of high-value scientific and analytical instruments to researchers in academia, the pharmaceutical industry, and other end markets. Its shares surged thanks to solid first-quarter results and increased guidance from management.

Danaher posted solid gains after the company announced in February that it was acquiring GE's biopharma unit, GE Life Sciences, for roughly $20 billion. While Danaher is highly diversified in many growth areas of technology, we believe the acquisition will provide it with a robust innovation pipeline and favorable exposure to specific therapeutic assets and programs.

An underweight allocation to the services segment and good stock selection contributed to relative performance. Our underweight to **CVS Health** helped relative performance as its shares traded lower after management gave a downbeat full-year financial forecast in February, prompting us to eliminate our position. **Guardant Health** helped relative returns after the diagnostics company reported solid gains. It is the leading player in the emerging field of liquid biopsy-based testing across both clinical and biopharma channels.

Stock selection in the pharmaceuticals segment contributed to relative performance. **Novartis** helped relative performance as the company benefited from growth in its branded drug division, led by sales of Entresto, which helps lower blood pressure and sodium levels. Japanese pharmaceutical company **Daiichi Sankyo** contributed to relative returns after the company announced it signed a strategic collaboration with **AstraZeneca** in March for its flagship antibody drug conjugate product DS-8201. In our view, the deal with AstraZeneca, a leading oncology company with management members extremely experienced in the field of HER2 cancers, validates the value of its antibody drug.

How is the fund positioned?

We devote most of our efforts to identifying companies that are developing new and innovative medicines or treatments for unmet medical needs. We attempt to maintain broad industry diversification across the entire health care sector. However, we do not attempt to mirror the benchmark's allocations. The portfolio's large allocations to the biotechnology and pharmaceuticals segments stem from our belief that the discovery, development, manufacture, and commercialization of innovative, game-changing medicines are the primary drivers of long-term value in the health care sector.

INDUSTRY DIVERSIFICATION

	Percent of Net Assets 12/31/18	6/30/19
Biotechnology	30.5%	30.7%
Products and Devices	20.0	23.7
Services	23.9	19.2
Pharmaceuticals	15.8	14.9
Life Sciences	9.0	10.7
Consumer Nondurables	0.0	0.2
Other and Reserves	0.8	0.6
Total	**100.0%**	**100.0%**

Historical weightings reflect current industry/sector classifications.

Biotechnology represents our largest allocation within the portfolio. We believe that many of the best investments in health care will come from therapeutics companies or those that produce medicines that prevent disease, relieve symptoms, and provide cures. We added to our positions in **Regeneron Pharmaceuticals** and **Ascendis Pharma**. We also eliminated **Gilead Sciences** and trimmed our stake in **Alexion Pharmaceuticals**.

Life sciences is the smallest industry allocation in the portfolio, although we are overweight versus the benchmark. Within the segment, we have core positions in **Thermo Fisher Scientific**, Danaher, and **Agilent Technologies**. We maintained our underweight in the services segment, which is a broad category that includes payers, providers, drug distributors, and health care IT companies. We trimmed our exposures to managed care companies **UnitedHealth Group**, **Anthem**, **Cigna**, and **Centene** and eliminated CVS Health.

Conversely, we have a modest overweight to pharmaceuticals. We generally favor companies that are developing novel therapeutics. **Pfizer**, Novartis, AstraZeneca, and **Merck** are our largest positions within the group.

What is portfolio management's outlook?

Health care innovation remains robust, and we continue to believe that companies producing leading-edge therapeutics and medical devices offer some of the market's most attractive growth opportunities for investors with a long-term investment horizon. However, political rhetoric surrounding the sector is likely to increase as we move closer to the upcoming U.S. presidential election cycle, which could lead to periods of increased uncertainty and heightened volatility as candidates propose how to contain health care costs.

Regulatory worries weighed on the health care sector over the period, but concerns about drug pricing reform have largely abated. The discussion related to punitive indexing of Medicare Part B drugs, including injectable drugs used largely to treat conditions that affect the elderly, has substantially moderated. Concerns about a "Medicare for All" single-payer health care system have also started to fade with Democratic presidential candidates instead endorsing a buy-in or public option. This has been widely viewed as a positive for Medicare Advantage-focused managed care companies. However, with health care affordability a top concern among voters, we expect substantial discussion on the issue from the presidential candidates, which could create volatility within the health care services segment.

This year has seen an uptick in merger and acquisition activity in biopharma, as larger companies with ample cash on their balance sheets and access to cheap capital have sought to replenish their pipelines and improve their growth prospects. We think that the prospects for more deal-making remain strong, particularly around the areas of oncology, inflammation, and gene therapy, despite the runup in valuations for smaller-cap biotech companies.

While the health care sector faces heightened political risk ahead of the 2020 election, our longer-term view on the sector remains positive because of tailwinds related to aging populations, continual clinical needs, and accelerating innovation. We believe that our disciplined investment approach based on intensive fundamental research into individual health care companies lays the groundwork for solid long-term returns for your portfolio.

The views expressed reflect the opinions of T. Rowe Price as of the date of this report and are subject to change based on changes in market, economic, or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

RISKS OF GROWTH INVESTING

Growth stocks can be volatile for several reasons. Since these companies usually invest a high portion of earnings in their businesses, they may lack the dividends of value stocks that can cushion stock prices in a falling market. Also, earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth.

RISKS OF HEALTH SCIENCES INVESTING

Portfolios that invest only in specific industries will experience greater volatility than those investing in a broad range of industries. Companies in the health sciences field are subject to special risks, such as increased competition within the health care industry, changes in legislation or government regulations, reductions in government funding, product liability or other litigation, and the obsolescence of popular products.

TWENTY-FIVE LARGEST HOLDINGS

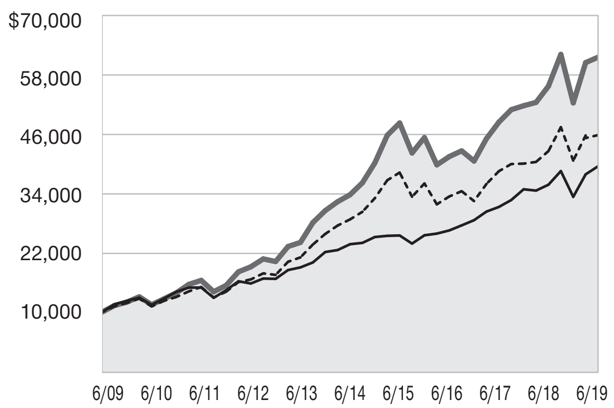
	Percent of Net Assets 6/30/19
UnitedHealth Group	5.7%
Intuitive Surgical	4.7
Becton, Dickinson & Company	4.6
Vertex Pharmaceuticals	3.7
Thermo Fisher Scientific	3.5
Pfizer	2.9
Stryker	2.8
SAGE Therapeutics	2.6
Anthem	2.5
Danaher	2.2
Novartis	1.9
HCA Healthcare	1.9
Cigna	1.9
Agilent Technologies	1.8
Alexion Pharmaceuticals	1.8
AstraZeneca	1.5
Sarepta Therapeutics	1.4
Merck	1.4
Centene	1.3
Roche Holding	1.3
Amgen	1.2
Bristol-Myers Squibb	1.2
Regeneron Pharmaceuticals	1.1
Hologic	1.1
Humana	1.1
Total	**57.1%**

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

GROWTH OF $10,000

This chart shows the value of a hypothetical $10,000 investment in the portfolio over the past 10 fiscal year periods or since inception (for portfolios lacking 10-year records). The result is compared with benchmarks, which include a broad-based market index and may also include a peer group average or index. Market indexes do not include expenses, which are deducted from portfolio returns as well as mutual fund averages and indexes.

HEALTH SCIENCES PORTFOLIO



	As of 6/30/19
Health Sciences Portfolio	$61,420
S&P 500 Index	39,416
Lipper Variable Annuity Underlying Health/Biotechnology Funds Average	46,250

Note: Performance for the II Class will vary due to its differing fee structure. See the Average Annual Compound Total Return table.

AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 6/30/19	1 Year	5 Years	10 Years
Health Sciences Portfolio	10.50%	12.77%	19.90%
Health Sciences Portfolio–II	10.21	12.49	19.60

The fund's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-469-6587 (financial advisors, or customers who have an advisor, should call 1-800-638-8790). Total returns do not include charges imposed by your insurance company's separate account. If these had been included, performance would have been lower.

This table shows how the portfolio would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. When assessing performance, investors should consider both short- and long-term returns.

FUND EXPENSE EXAMPLE

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. Please note that the fund has two classes of shares: the original share class and II Class. II Class shares are sold through financial intermediaries, which are compensated for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and actual expenses. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

FUND EXPENSE EXAMPLE (CONTINUED)

HEALTH SCIENCES PORTFOLIO

	Beginning Account Value 1/1/19	Ending Account Value 6/30/19	Expenses Paid During Period* 1/1/19 to 6/30/19
Health Sciences Portfolio			
Actual	$1,000.00	$1,176.50	$5.07
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.13	4.71
Health Sciences Portfolio–II			
Actual	1,000.00	1,174.80	6.42
Hypothetical (assumes 5% return before expenses)	1,000.00	1,018.89	5.96

*Expenses are equal to the fund's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (181), and divided by the days in the year (365) to reflect the half-year period. The annualized expense ratio of the Health Sciences Portfolio was 0.94%, and the Health Sciences Portfolio–II was 1.19%.

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Health Sciences Class

	6 Months Ended 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
NET ASSET VALUE						
Beginning of period	$ 40.34	$ 42.33	$ 34.64	$ 38.98	$ 37.40	$ 30.65
Investment activities						
Net investment loss[1][2]	(0.02)	(0.05)	(0.07)	(0.09)	(0.14)	(0.09)
Net realized and unrealized gain / loss	7.14	0.55	9.62	(3.99)	4.88	9.74
Total from investment activities	7.12	0.50	9.55	(4.08)	4.74	9.65
Distributions						
Net realized gain	–	(2.49)	(1.86)	(0.26)	(3.16)	(2.90)
NET ASSET VALUE						
End of period	**$ 47.46**	**$ 40.34**	**$ 42.33**	**$ 34.64**	**$ 38.98**	**$ 37.40**
Ratios/Supplemental Data						
Total return[2][3]	**17.65%**	**1.11%**	**27.58%**	**(10.48)%**	**12.76%**	**31.57%**
Ratios to average net assets: [2]						
Gross expenses before waivers/payments by Price Associates	0.94%[4]	0.95%	0.95%	0.95%	0.95%	0.95%
Net expenses after waivers/payments by Price Associates	0.94%[4]	0.95%	0.95%	0.95%	0.95%	0.95%
Net investment loss	(0.08)%[4]	(0.12)%	(0.17)%	(0.27)%	(0.33)%	(0.26)%
Portfolio turnover rate	16.7%	45.5%	42.8%	28.5%	31.6%	43.0%
Net assets, end of period (in thousands)	$ 113,129	$ 95,922	$ 88,840	$ 71,085	$ 100,233	$ 75,142

(1) Per share amounts calculated using average shares outstanding method.
(2) See Note 5 for details of expense-related arrangements with Price Associates.
(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.
(4) Annualized

The accompanying notes are an integral part of these financial statements.

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Health Sciences-II Class

	6 Months Ended 6/30/19	Year Ended 12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
NET ASSET VALUE						
Beginning of period	$ 38.62	$ 40.73	$ 33.38	$ 37.67	$ 36.25	$ 29.80
Investment activities						
Net investment loss[1][2]	(0.07)	(0.17)	(0.16)	(0.18)	(0.24)	(0.17)
Net realized and unrealized gain / loss	6.82	0.55	9.27	(3.85)	4.73	9.45
Total from investment activities	6.75	0.38	9.11	(4.03)	4.49	9.28
Distributions						
Net realized gain	–	(2.49)	(1.76)	(0.26)	(3.07)	(2.83)
NET ASSET VALUE						
End of period	**$ 45.37**	**$ 38.62**	**$ 40.73**	**$ 33.38**	**$ 37.67**	**$ 36.25**
Ratios/Supplemental Data						
Total return[2][3]	**17.48%**	**0.86%**	**27.31%**	**(10.72)%**	**12.47%**	**31.22%**
Ratios to average net assets: [2]						
Gross expenses before waivers/payments by Price Associates	1.19%[4]	1.20%	1.20%	1.20%	1.20%	1.20%
Net expenses after waivers/payments by Price Associates	1.19%[4]	1.20%	1.20%	1.20%	1.20%	1.20%
Net investment loss	(0.33)%[4]	(0.39)%	(0.42)%	(0.52)%	(0.58)%	(0.51)%
Portfolio turnover rate	16.7%	45.5%	42.8%	28.5%	31.6%	43.0%
Net assets, end of period (in thousands)	$ 493,724	$ 434,528	$ 603,253	$ 492,442	$ 672,690	$ 500,848

(1) Per share amounts calculated using average shares outstanding method.
(2) See Note 5 for details of expense-related arrangements with Price Associates.
(3) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.
(4) Annualized

The accompanying notes are an integral part of these financial statements.

PORTFOLIO OF INVESTMENTS‡

(Cost and value in $000s)

	Shares	$ Value
COMMON STOCKS 98.0%		
Biotechnology 28.3%		
Major Biotechnology 8.0%		
Alkermes (1)	31,182	703
Amgen	39,043	7,195
Array BioPharma (1)	15,582	722
Biogen (1)	17,711	4,142
Exact Sciences (1)	39,400	4,651
Neurocrine Biosciences (1)	60,860	5,138
Seattle Genetics (1)	42,516	2,942
Vertex Pharmaceuticals (1)	121,566	22,293
Zogenix (1)	24,700	1,180
		48,966
Other Biotechnology 20.3%		
ACADIA Pharmaceuticals (1)	119,609	3,197
Acceleron Pharma (1)	49,815	2,046
Acerta Pharma, Class B, Acquisition Date: 5/12/15, Cost $203 (1)(2)(3)	8,013,195	641
Agios Pharmaceuticals (1)	27,213	1,357
Aimmune Therapeutics (1)	52,162	1,086
Alder Biopharmaceuticals (1)	87,212	1,027
Alexion Pharmaceuticals (1)	82,565	10,814
Allogene Therapeutics (1)	48,091	1,291
Alnylam Pharmaceuticals (1)	26,754	1,941
AnaptysBio (1)	12,714	717
Apellis Pharmaceuticals (1)	12,142	308
Ascendis Pharma, ADR (1)	57,876	6,664
Atara Biotherapeutics (1)	9,590	193
Audentes Therapeutics (1)	16,353	619
Autolus Therapeutics, ADR (1)	11,578	186
Avrobio (1)	9,649	157
BeiGene, ADR (1)	14,306	1,773
BioMarin Pharmaceutical (1)	52,987	4,538
Bluebird Bio (1)	28,199	3,587
Blueprint Medicines (1)	40,063	3,779
Corvus Pharmaceuticals (1)	26,399	99

(Cost and value in $000s)

	Shares	$ Value
CytomX Therapeutics (1)	22,487	252
Denali Therapeutics (1)	17,500	363
Enanta Pharmaceuticals (1)	27,275	2,302
Exelixis (1)	108,299	2,314
Fate Therapeutics (1)	30,089	611
FibroGen (1)	38,167	1,724
Forty Seven (1)	11,105	118
G1 Therapeutics (1)	20,711	635
Global Blood Therapeutics (1)	31,759	1,671
GlycoMimetics (1)	33,984	405
Homology Medicines (1)	27,625	541
Immunomedics (1)	73,033	1,013
Incyte (1)	68,367	5,809
Insmed (1)	54,676	1,400
Intra-Cellular Therapies (1)	11,000	143
Ionis Pharmaceuticals (1)	35,861	2,305
Iovance Biotherapeutics (1)	115,153	2,824
Minerva Neurosciences (1)	40,633	229
Mirati Therapeutics (1)	19,700	2,029
Moderna (1)	19,845	291
Momenta Pharmaceuticals (1)	33,207	413
MyoKardia (1)	32,276	1,618
Myovant Sciences (1)	39,684	359
Nektar Therapeutics (1)	18,407	655
Novocure (1)	60,390	3,819
PTC Therapeutics (1)	53,146	2,392
Regeneron Pharmaceuticals (1)	22,273	6,971
REGENXBIO (1)	25,100	1,289
Rhythm Pharmaceuticals (1)	14,748	325
Rocket Pharmaceuticals (1)	21,241	319
RPI International Holdings Partnership, Acquisition Date: 5/21/15, Cost $680 (2)(3)	5,765	897
Sage Therapeutics (1)	85,920	15,731
Sarepta Therapeutics (1)	56,370	8,565
Scholar Rock Holding (1)	9,988	158
TherapeuticsMD (1)	43,698	114
Theravance Biopharma (1)	9,909	162

(Cost and value in $000s)	Shares	$ Value
Tocagen (1)	19,482	130
Ultragenyx Pharmaceutical (1)	46,719	2,967
WaVe Life Sciences (1)	13,908	363
Xencor (1)	61,527	2,518
Zai Lab, ADR (1)	7,838	273
		123,037
Total Biotechnology		172,003
Consumer Nondurables 0.2%		
Healthcare Services 0.2%		
Pax Labs, Class A, Acquisition Date: 4/18/19, Cost $1,452, (1)(2)(3)	96,421	1,452
Total Consumer Nondurables		1,452
Life Sciences 10.2%		
Life Sciences 10.2%		
Abcam (GBP)	65,489	1,227
Agilent Technologies	149,118	11,135
Bruker	69,769	3,485
Danaher	93,777	13,403
GenMark Diagnostics (1)	111,027	720
Illumina (1)	12,164	4,478
Mettler-Toledo International (1)	2,976	2,500
Quanterix (1)	36,096	1,220
Quidel (1)	38,693	2,295
Thermo Fisher Scientific	73,321	21,533
Total Life Sciences		61,996
Pharmaceuticals 14.3%		
European Major - Pharmaceuticals 0.0%		
Zeneca, Acquisition Date: 7/18/13, Cost $0 (1)(2)(3)	12,799	8
		8
Major Pharmaceuticals 13.4%		
Allergan	24,146	4,043
Amarin, ADR (1)	151,894	2,945
AstraZeneca, ADR	217,000	8,958
Bristol-Myers Squibb	158,237	7,176
Chugai Pharmaceutical (JPY)	26,700	1,749

(Cost and value in $000s)	Shares	$ Value
Daiichi Sankyo (JPY)	78,200	4,101
Eli Lilly	58,664	6,499
Merck	101,683	8,526
Novartis (CHF)	127,371	11,628
Pfizer	400,200	17,337
Roche Holding (CHF)	28,479	8,008
		80,970
Specialty Pharmaceuticals 0.9%		
Cara Therapeutics (1)	28,206	606
GW Pharmaceuticals, ADR (1)	7,604	1,311
Madrigal Pharmaceuticals (1)	2,966	311
Perrigo	25,200	1,200
Tricida (1)	55,904	2,206
		5,634
Total Pharmaceuticals		86,612
Products & Devices 21.8%		
Implants 13.9%		
Align Technology (1)	6,426	1,759
AtriCure (1)	25,700	767
Becton Dickinson & Company	106,610	26,867
Intuitive Surgical (1)	54,275	28,470
NuVasive (1)	9,600	562
Stryker	83,791	17,226
Teleflex	15,520	5,139
Verily Life Sciences, Series B, Acquisition Date: 1/23/19, Cost $643 (1)(2)(3)	5,220	643
Wright Medical Group (1)	93,581	2,790
		84,223
Other Products & Devices 7.9%		
ABIOMED (1)	5,628	1,466
Alcon (CHF)(1)	65,957	4,073
Argenx, ADR (1)	38,471	5,447
Avantor (1)	201,498	3,847
Cooper	16,686	5,621
DexCom (1)	30,036	4,501
Hologic (1)	142,165	6,827
ICU Medical (1)	15,678	3,949

(Cost and value in $000s)	Shares	$ Value
Insulet (1)	17,000	2,029
JAND, Class A, Acquisition Date: 4/23/15 - 3/9/18, Cost $353 (1)(2)(3)	29,873	457
Lantheus Holdings (1)	45,566	1,289
Nevro (1)	32,275	2,092
Penumbra (1)	17,162	2,746
Shockwave Medical (1)	8,454	483
Shockwave Medical, Acquisition Date: 11/10/16 - 9/27/17, Cost $712 (3)	57,762	3,133
		47,960
Total Products & Devices		132,183
Services 18.3%		
Other Services 1.6%		
Elanco Animal Health (1)	101,784	3,440
Guardant Health (1)	24,429	2,109
HTG Molecular Diagnostics (1)	74,012	123
West Pharmaceutical Services	31,100	3,892
		9,564
Payors 14.3%		
Anthem	53,885	15,207
Centene (1)	155,204	8,139
Cigna	72,932	11,491
Humana	25,184	6,681
Molina Healthcare (1)	29,365	4,203
UnitedHealth Group	141,590	34,549
WellCare Health Plans (1)	23,421	6,677
		86,947
Providers 2.4%		
Acadia Healthcare (1)	33,884	1,184
HCA Healthcare	85,208	11,518
Teladoc Health (1)	19,600	1,302
Universal Health Services, Class B	4,750	619
		14,623
Total Services		111,134

(Cost and value in $000s)	Shares	$ Value
Total Miscellaneous Common Stocks 4.9% (4)		29,444
Total Common Stocks (Cost $373,087)		**594,824**
PREFERRED STOCKS 0.3%		
Life Sciences 0.3%		
Life Sciences 0.3%		
Sartorius (EUR)(5)	9,410	1,930
Total Life Sciences		1,930
Total Preferred Stocks (Cost $1,374)		**1,930**
CONVERTIBLE PREFERRED STOCKS 1.3%		
Biotechnology 0.0%		
Other Biotechnology 0.0%		
Rapt Therapeutics, Senior Series C-2, Acquisition Date: 6/7/19, Cost $113 (2)(3)	49,183	113
Total Biotechnology		113
Products & Devices 0.7%		
Capital Equipment 0.0%		
Reflexion Medical, Series C, Acquisition Date: 4/3/18, Cost $255 (1)(2)(3)	150,708	255
		255
Implants 0.5%		
Becton Dickinson & Company, Series A, 6.125%, 5/1/20	18,082	1,124
Kardium, Series D, Acquisition Date: 11/29/18, Cost $391 (2)(3)	403,778	391
Outset Medical, Series C, Acquisition Date: 4/19/17, Cost $724 (1)(2)(3)	279,529	870
Outset Medical, Series D, Acquisition Date: 8/20/18, Cost $503 (1)(2)(3)	161,707	503
		2,888

(Cost and value in $000s)	Shares	$ Value
Other Products & Devices 0.2%		
JAND, Series D, Acquisition Date: 4/23/15, Cost $709 (1)(2)(3)	61,723	944
JAND, Series E, Acquisition Date: 3/9/18, Cost $43 (1)(2)(3)	2,753	42
		986
Total Products & Devices		4,129
Services 0.6%		
Information & Data Technology 0.1%		
Doximity, Series C, Acquisition Date: 4/10/14, Cost $219 (1)(2)(3)	45,378	385
		385
Other Services 0.5%		
Freenome Holdings, Series B, Acquisition Date: 6/24/19, Cost $325 (2)(3)	71,397	325
Tempus Labs, Series D, Acquisition Date: 3/16/18, Cost $533 (1)(2)(3)	56,856	1,368
Tempus Labs, Series E, Acquisition Date: 8/23/18, Cost $629 (1)(2)(3)	37,551	928
Tempus Labs, Series F, Acquisition Date: 4/30/19, Cost $197 (2)(3)	7,944	197
		2,818
Total Services		3,203
Total Convertible Preferred Stocks (Cost $5,545)		**7,445**
SHORT-TERM INVESTMENTS 0.7%		
Money Market Funds 0.7%		
T. Rowe Price Government Reserve Fund, 2.46% (6)(7)	4,377,224	4,377
Total Short-Term Investments (Cost $4,377)		**4,377**
Total Investments in Securities		
100.3% of Net Assets (Cost $384,383)	**$**	**608,576**

‡ Shares are denominated in U.S. dollars unless otherwise noted.
(1) Non-income producing
(2) Level 3 in fair value hierarchy. See Note 2.
(3) Security cannot be offered for public resale without first being registered under the Securities Act of 1933 and related rules ("restricted security"). Acquisition date represents the day on which an enforceable right to acquire such security is obtained and is presented along with related cost in the security description. The fund has registration rights for certain restricted securities. Any costs related to such registration are borne by the issuer. The aggregate value of restricted securities (excluding 144A holdings) at period-end amounts to $13,552 and represents 2.2% of net assets.
(4) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.
(5) Preferred stocks are shares that carry certain preferential rights. The dividend rate may not be consistent each pay period and could be zero for a particular year.
(6) Seven-day yield
(7) Affiliated Companies
ADR American Depositary Receipts
CHF Swiss Franc
EUR Euro
GBP British Pound
JPY Japanese Yen

Affiliated Companies

($000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company that is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2019. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund	$ —	$ —	$ 33
T. Rowe Price Short-Term Fund	—	—	—++
Totals	$ —#	$ —	$ 33+

Supplementary Investment Schedule

Affiliate	Value 12/31/18	Purchase Cost	Sales Cost	Value 6/30/19
T. Rowe Price Government Reserve Fund	$ 4,050	¤	¤	$ 4,377
T. Rowe Price Short-Term Fund	—	¤	¤	—
				$ 4,377^

\# Capital gain distributions from mutual funds represented $0 of the net realized gain (loss).

++ Excludes earnings on securities lending collateral, which are subject to rebates and fees as described in Note 3.

\+ Investment income comprised $33 of dividend income and $0 of interest income.

¤ Purchase and sale information not shown for cash management funds.

^ The cost basis of investments in affiliated companies was $4,377.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ASSETS AND LIABILITIES

($000s, except shares and per share amounts)

Assets		
Investments in securities, at value (cost $384,383)	$	608,576
Receivable for investment securities sold		1,653
Receivable for shares sold		262
Dividends receivable		170
Foreign currency (cost $19)		19
Other assets		215
Total assets		610,895
Liabilities		
Payable for investment securities purchased		3,091
Investment management and administrative fees payable		630
Payable for shares redeemed		321
Total liabilities		4,042
NET ASSETS	**$**	**606,853**
Net Assets Consist of:		
Total distributable earnings (loss)	$	241,730
Paid-in capital applicable to 13,266,299 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		365,123
NET ASSETS	**$**	**606,853**
NET ASSET VALUE PER SHARE		
Health Sciences Class ($113,129,032 / 2,383,921 shares outstanding)	**$**	**47.46**
Health Sciences – II Class ($493,723,994 / 10,882,378 shares outstanding)	**$**	**45.37**

The accompanying notes are an integral part of these financial statements.

Unaudited

STATEMENT OF OPERATIONS

($000s)

	6 Months Ended 6/30/19
Investment Income (Loss)	
Income	
Dividend	$ 2,481
Securities lending	16
Interest	7
Total income	2,504
Expenses	
Investment management and administrative expense	2,731
Rule 12b-1 fees – Health Sciences-II Class	592
Total expenses	3,323
Net investment loss	(819)
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	15,740
Foreign currency transactions	12
Net realized gain	15,752
Change in net unrealized gain / loss	
Securities	76,628
Other assets and liabilities denominated in foreign currencies	2
Change in net unrealized gain / loss	76,630
Net realized and unrealized gain / loss	92,382
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 91,563**

The accompanying notes are an integral part of these financial statements.

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

($000s)

	6 Months Ended 6/30/19	Year Ended 12/31/18 (1)
Increase (Decrease) in Net Assets		
Operations		
Net investment loss	$ (819)	$ (2,508)
Net realized gain	15,752	133,608
Change in net unrealized gain / loss	76,630	(109,777)
Increase in net assets from operations	91,563	21,323
Distributions to shareholders		
Net earnings		
Health Sciences Class	–	(5,576)
Health Sciences-II Class	–	(26,410)
Decrease in net assets from distributions	–	(31,986)
Capital share transactions*		
Shares sold		
Health Sciences Class	10,773	20,654
Health Sciences-II Class	31,392	99,589
Distributions reinvested		
Health Sciences Class	–	5,576
Health Sciences-II Class	–	26,410
Shares redeemed		
Health Sciences Class	(10,389)	(13,810)
Health Sciences-II Class	(46,936)	(289,399)
Decrease in net assets from capital share transactions	(15,160)	(150,980)
Net Assets		
Increase (decrease) during period	76,403	(161,643)
Beginning of period	530,450	692,093
End of period	**$ 606,853**	**$ 530,450**

*Share information		
Shares sold		
Health Sciences Class	240	446
Health Sciences-II Class	725	2,261
Distributions reinvested		
Health Sciences Class	–	137
Health Sciences-II Class	–	677
Shares redeemed		
Health Sciences Class	(234)	(304)
Health Sciences-II Class	(1,095)	(6,497)
Decrease in shares outstanding	(364)	(3,280)

(1) Pursuant to the SEC's Disclosure Update and Simplification rule, certain prior year amounts have been reclassified to conform to current year presentation.

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price Equity Series, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Health Sciences Portfolio (the fund) is a nondiversified, open-end management investment company established by the corporation. Shares of the fund are currently offered only through certain insurance companies as an investment medium for both variable annuity contracts and variable life insurance policies. The fund seeks long-term capital appreciation. The fund has two classes of shares: the Health Sciences Portfolio (Health Sciences Class) and the Health Sciences Portfolio–II (Health Sciences-II Class). Health Sciences Portfolio–II Class shares are sold through financial intermediaries, which it compensates for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity. Certain prior year amounts in the accompanying financial statements and financial highlights have been restated to conform to current year presentation.

Investment Transactions, Investment Income, and Distributions Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared and paid by each class annually. A capital gain distribution may also be declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of such transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is not bifurcated from the portion attributable to changes in market prices.

Class Accounting Investment income, investment management and administrative expense, and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class. Health Sciences–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

New Accounting Guidance In March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

NOTE 2 - VALUATION

The fund's financial instruments are valued and each class's net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

Fair Value The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) is an internal committee that has been delegated certain responsibilities by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

Valuation Techniques Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices for domestic securities and the last quoted sale or closing price for international securities.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted to reflect the fair value of such securities at the close of the NYSE. If the fund determines that developments between the close of a foreign market and the close of the NYSE will affect the value of some or all of its portfolio securities, the fund will adjust the previous quoted prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust quoted prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with quoted prices and information to evaluate or adjust those prices. The fund cannot predict how often it will use quoted prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares quoted prices, the next day's opening prices in the same markets, and adjusted prices.

Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. Non-U.S. equity securities generally are categorized in Level 2 of the fair value hierarchy despite the availability of quoted prices because, as described above, the fund evaluates and determines whether those quoted prices reflect fair value at the close of the NYSE or require adjustment. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants, transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2019 (for further detail by category, please refer to the accompanying Portfolio of Investments):

($000s)	Level 1	Level 2	Level 3	Total Value
Assets				
Common Stocks	$ 552,838	$ 37,888	$ 4,098	$ 594,824
Preferred Stocks	–	1,930	–	1,930
Convertible Preferred Stocks	–	1,124	6,321	7,445
Short-Term Investments	4,377	–	–	4,377
Total	$ 557,215	$ 40,942	$ 10,419	$ 608,576

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2019. Gain (loss) reflects both realized and change in unrealized gain/loss on Level 3 holdings during the period, if any, and is included on the accompanying Statement of Operations. The change in unrealized gain/loss on Level 3 instruments held at June 30, 2019, totaled $1,000,000 for the six months ended June 30, 2019. During the year, transfers out of Level 3 were because observable market data became available for the security.

($000s)	Beginning Balance 1/1/19	Gain (Loss) During Period	Total Purchases	Transfers Out of Level 3	Ending Balance 6/30/19
Investments in Securities					
Common Stocks	$ 1,911	$ 92	$ 2,095	$ –	$ 4,098
Convertible Preferred Stocks	5,573	908	635	(795)	6,321
Total Level 3	$ 7,484	$ 1,000	$ 2,730	$ (795)	$ 10,419

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Securities Lending The fund may lend its securities to approved borrowers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At June 30, 2019, there were no securities on loan.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $96,752,000 and $111,231,000, respectively, for the six months ended June 30, 2019.

NOTE 4 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

At June 30, 2019, the cost of investments for federal income tax purposes was $387,198,000. Net unrealized gain aggregated $221,377,000 at period-end, of which $231,512,000 related to appreciated investments and $10,135,000 related to depreciated investments.

NOTE 5 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management and administrative agreement between the fund and Price Associates provides for an all-inclusive annual fee equal to 0.95% of the fund's average daily net assets. The fee is computed daily and paid monthly. The all-inclusive fee covers investment management, shareholder servicing, transfer agency, accounting, and custody services provided to the fund, as well as fund directors' fees and expenses. Interest; expenses related to borrowing, taxes, and brokerage and other transaction costs; and other non-recurring expenses permitted by the investment management agreement are paid directly by the fund. Effective July 1, 2018, T. Rowe Price has contractually agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's overall management fee rate to 0.94% of the fund's average daily net assets, through at least April 30, 2020. This contractual arrangement will renew automatically for one-year terms thereafter and may be terminated only with approval of the fund's Board. The fund has no obligation to repay fees reduced under this arrangement.

The fund may invest its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). The Price Reserve Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. The Price Reserve Funds pay no investment management fees.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the six months ended June 30, 2019, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

https://www3.troweprice.com/usis/corporate/en/utility/policies.html

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS

Effective for reporting periods on or after March 1, 2019, a fund, except a money market fund, files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. Prior to March 1, 2019, a fund, including a money market fund, filed a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. A money market fund files detailed month-end portfolio holdings information on Form N-MFP with the SEC each month and posts a complete schedule of portfolio holdings on its website (troweprice.com) as of each month-end for the previous six months. A fund's Forms N-PORT, N-MFP and N-Q are available electronically on the SEC's website (sec.gov).

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor), on behalf of the fund. In that regard, at an in-person meeting held on March 11–12, 2019 (Meeting), the Board, including a majority of the fund's independent directors, approved the continuation of the fund's Advisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Advisor and the approval of the Advisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract by independent legal counsel from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Advisor was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the Advisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting, but also the knowledge gained over time through interaction with the Advisor about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

Services Provided by the Advisor

The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's senior management team and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor.

Investment Performance of the Fund

The Board took into account discussions with the Advisor and reports that it receives throughout the year relating to fund performance. In connection with the Meeting, the Board reviewed the fund's net annualized total returns for the 1-, 2-, 3-, 4-, 5-, and 10-year periods as of September 30, 2018, and compared these returns with the performance of a peer group of funds with similar investment programs and a wide variety of other previously agreed-upon comparable performance measures and market data, including those supplied by Broadridge, which is an independent provider of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing the T. Rowe Price funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. Under the Advisory Contract, the fund pays the Advisor a single fee, or all-inclusive management fee, which is based on the fund's average daily net assets. However, the fund has a contractual limitation in place whereby the Advisor has agreed to waive a portion of the management fee it is entitled to receive from the fund in order to limit the fund's management fee rate to 0.94% of the fund's average daily net assets. Any fees waived under this management fee waiver agreement are not subject to reimbursement to the Advisor by the fund. The all-inclusive management fee includes investment management services and provides for the Advisor to pay all of the fund's ordinary, recurring operating expenses except for interest, taxes, portfolio transaction fees, and any nonrecurring extraordinary expenses that may arise. The Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

useful for purposes of providing certainty of fees and expenses for the investors in these funds and has historically sought to set the initial all-inclusive fee rate at levels below the expense ratios of comparable funds to take into account the potential future economies of scale. Because the fund serves as an underlying option to variable annuity products, the all-inclusive fee structure is utilized to create certainty for the annuity providers' overall pricing decisions and disclosures. Assets of the fund are included in the calculation of the group fee rate, which serves as a component of the management fee for many T. Rowe Price funds and declines at certain asset levels based on the combined average net assets of most of the T. Rowe Price funds (including the fund). Although the fund does not have a group fee component to its management fee, its assets are included in the calculation because the primary investment resources utilized to manage the fund are shared with other actively managed funds. The Board concluded that, based on the profitability data it reviewed and consistent with this all-inclusive management fee structure, the advisory fee structure for the fund continued to be appropriate.

Fees and Expenses

The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, total expenses, actual management fees, and nonmanagement expenses of the fund with a group of competitor funds selected by Broadridge (Expense Group) and (ii) total expenses, actual management fees, and nonmanagement expenses of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate, and total expenses (all of which generally reflect the all-inclusive management fee rate and do not deduct the operating expenses paid by the Advisor as part of the overall management fee) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the fourth quintile (Expense Group), the fund's actual management fee rate ranked in the fourth quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the fourth quintile (Expense Group and Expense Universe).

The Board requested additional information from management with respect to the fund's relative management fees and total expenses ranking in the fourth quintile and reviewed and considered the information provided relating to the fund, other funds in the peer groups, and other factors that the Board determined to be relevant.

The Board also reviewed the fee schedules for institutional accounts and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business are fundamentally different from those of the mutual fund business. The Board considered information showing that the Advisor's mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various relevant factors, such as the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Advisor's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Advisor to manage its mutual fund business versus managing a discrete pool of assets as a subadvisor to another institution's mutual fund or for an institutional account and that the Advisor generally performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price funds than it does for institutional account clients.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract

As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder).

T. Rowe Price®

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Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

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