



**SEMIANNUAL REPORT**

June 30, 2021

T. ROWE PRICE

# Health Sciences Portfolio

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## HIGHLIGHTS

- The Health Sciences Portfolio returned 9.44% in the six months ended June 30, 2021. 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.
- Stock selection drove the portfolio's strong relative performance versus its peer group. The biotechnology and services subsectors contributed the most to outperformance.
- Generally, we continue to invest in companies developing treatments or products for a wide range of conditions that improve the standard of care and meet unmet medical needs, as well as companies that provide services that improve access to and affordability of health care. During the period, we increased our allocations to the life sciences and services subsectors and trimmed pharmaceuticals.
- We remain positive on the long-term prospects for investing in the health care sector as the pace of medical innovation and our understanding of the genetic causes of disease continue to accelerate.

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## Dear Investor

Global stock markets produced strong returns during the first half of 2021, while rising yields weighed on returns in some bond sectors. Investor sentiment was buoyed by the reopening of developed market economies, unprecedented fiscal and monetary stimulus, and expectations that the economy would benefit from a release of pent-up demand.

All major global and regional equity benchmarks recorded positive results during the period. Developed market stocks generally outperformed emerging markets, while in the U.S., small-cap equities outpaced large-caps and value performed better than growth. The large-cap S&P 500 Index returned 15% and finished the period at a record high. The energy sector, which was the worst performer in 2020, was the leader for the six-month period amid a sharp increase in oil prices. Financial stocks also produced strong results as banks benefited from an increase in long-term interest rates, while the real estate sector was helped by a rollback in many pandemic-related restrictions. Utilities underperformed with slight gains.

Fiscal and monetary support remained a key factor in providing a positive backdrop for markets. President Joe Biden signed the \$1.9 trillion American Rescue Plan Act into law in March, and the Federal Reserve kept its short-term lending rates near zero. However, as a result of strong economic growth, central bank policymakers revised their outlook in a somewhat less dovish direction near the end of the period and indicated that rate hikes could commence in 2023, which was earlier than previously expected.

The economic recovery was evident in a variety of indicators. According to the latest estimate, U.S. gross domestic product grew at an annualized rate of 6.4% in the first quarter of 2021 following 4.3% growth in the fourth quarter of 2020. Weekly jobless claims declined throughout the period to new pandemic-era lows, although the monthly nonfarm payroll report disappointed at times as employers struggled to fill positions. Meanwhile, overall profits for companies in the S&P 500 rose by nearly 53% year over year in the first quarter, according to FactSet—the best showing since late 2009.

However, less favorably, inflation concerns led to some volatility in the equity market and caused a sharp rise in longer-term Treasury yields in the first quarter. (Bond prices and yields

move in opposite directions.) While inflation measures were above the Fed's 2% long-term inflation target toward the end of our reporting period—core consumer prices, for example, recorded their largest annual increase (3.8%) since 1992 in May—investors seemed to accept the Fed's determination that rising price pressures were due to transitory factors arising from the reopening of the global economy.

Longer-term Treasury yields trended lower as inflation expectations began to wane later in the period, but they still finished significantly higher than they were at the end of 2020. Rising yields were a headwind for many fixed income investors; however, high yield bonds, which are less sensitive to interest rate changes, produced solid results, and investment-grade corporate bonds also performed well amid solid corporate fundamentals.

As we look ahead, the central question for investors—assuming the economy's recovery from the pandemic continues apace—is whether the returns on financial assets will be as robust. Valuations are elevated in nearly all asset classes, and, in some areas, there are clear signs of speculation. That said, a transformed global economic landscape is generating potential opportunities as well as risks. Post-pandemic trends have the potential to create both winners and losers, giving active portfolio managers greater scope to seek excess returns. It is not an easy environment to invest in, but our investment teams remain rooted in company fundamentals and focused on the long term, and they will continue to apply strong fundamental analysis as they seek out the best investments for your portfolio.

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 9.44% in the six-month period ended June 30, 2021. 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. (Returns for II Class shares varied slightly, reflecting their different fee structure. *Past performance cannot guarantee future results.*)

PERFORMANCE COMPARISON	
Six-Month Period Ended 6/30/21	Total Return
Health Sciences Portfolio	9.44%
Health Sciences Portfolio-II	9.32
S&P 500 Index	15.25
Lipper Variable Annuity Underlying Health/Biotechnology Funds Average	8.27

### What factors influenced the fund's performance?

Stock selection and, to a lesser extent, allocation decisions contributed to the portfolio's solid absolute and relative results. We believe our focus on bottom-up stock selection will continue to be the primary long-term performance driver as shown in the Growth of \$10,000 chart on page 5.

Biotechnology was the portfolio's largest source of relative performance thanks to good stock selection. Shares of BioNTech, a commercial-stage biotechnology company based in Germany, more than doubled over the period. The mRNA-based coronavirus vaccine it developed with Pfizer helped drive solid growth in vaccine revenues. Shares of Moderna Therapeutics, which also saw its stock more than double in the six months ended June 30, 2021, and which is an innovative company that developed its own mRNA-based coronavirus vaccine, similarly benefited from strong demand for vaccinations globally. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Stock selection within the services subsector contributed to relative gains. Doximity, a leading digital platform for U.S. health care professionals, which allows users to collaborate with colleagues, coordinate patient care, and conduct virtual patient visits, was the best contributor in the subsector as its stock moved sharply higher following the company's late-June initial public offering. The company, which generates revenue from digital advertising, has built an unparalleled, highly

engaged network of medical professionals with a sophisticated targeting engine valuable to pharmaceutical companies and hospitals. We think the company is well positioned to capture the continuing shift of health care advertising and marketing spending in digital channels. Shares of Alignment Healthcare, an artificial intelligence-enabled Medicare Advantage insurer that uses data and analytics on its member population to drive better outcomes and lower medical costs, surged following the company's initial public offering in March.

The products and devices subsector detracted the most from relative performance due to stock selection. Shares of iRhythm Technologies, which makes a wearable heart monitor for detecting cardiac arrhythmias, plunged in late January due to growing uncertainty about Medicare reimbursement rates for its Zio XT monitor. The stock came under further pressure in April after the company announced it would no longer offer its Zio Service to Medicare patients and in early June after the firm's chief executive officer resigned.

Within life sciences, negative contributions from stock selection more than offset relative gains from an overweight allocation to the group. Seer, which saw its stock surge following its December initial public offering, trended lower over the period as a lack of near-term catalysts for the firm dampened investor enthusiasm. We maintain a positive view on Seer, which is aiming to use population-level proteomic analyses and machine learning to develop blood tests to detect diseases before symptoms appear.

### How is the fund positioned?

Given our broad mandate, we look to invest in innovative therapeutic and device companies that will meaningfully contribute to human health and serve severe and unmet medical needs, as well as in companies that improve access to and affordability of health care. We want to own companies developing innovative, game-changing therapies and those that are improving the standard of care in a cost-effective manner because those are areas where we think investors can realize the best long-term growth. The portfolio maintains a balanced blend of therapeutics (biotechnology and pharmaceuticals) and nontherapeutics (life sciences, products and devices, and services) companies.

Biotechnology represents our largest allocation within the portfolio. We remain optimistic on the subsector given the acceleration in innovation occurring in the space, which should lead to meaningful drug launches that will cure diseases or dramatically improve quality of life in the coming years. We continue to look for secular winners—companies that have the best chance of dominating their space through drugs likely to become standard of care in large and well-characterized markets or companies with platform value that can replicate their success. We added to our position in

Moderna during the period. The company's mRNA technology has been de-risked with the successful development of its coronavirus vaccine, and the company is developing other vaccines against viruses including respiratory syncytial virus and cytomegalovirus for which there are no currently approved vaccines. We also think the coronavirus vaccine business will be durable given the likely need for repeated vaccinations.

#### INDUSTRY DIVERSIFICATION

	Percent of Net Assets	
	12/31/20	6/30/21
Biotechnology	33.5%	32.3%
Services	20.7	23.3
Products and Devices	18.8	17.8
Life Sciences	13.1	14.7
Pharmaceuticals	12.3	10.2
Consumer Nondurables	0.0	0.3
Other and Reserves	1.6	1.4
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Historical weightings reflect current industry/sector classifications.

As is the case with biotechnology, we generally favor pharmaceutical companies that are developing novel therapeutics. We appreciate the defensive nature of pharmaceutical investments, and valuations among large-cap pharmaceuticals are not demanding. We added to our stake in Eli Lilly. We think the company has a number of under-appreciated late-stage development programs with high probabilities of success that will gain increased visibility and revenue upgrades over the next 12–18 months, including its Alzheimer's drug donanemab, which recently received the Food and Drug Administration Breakthrough Therapy designation. We also moderated our position in Merck and eliminated positions in Japanese pharmaceutical companies Daiichi Sankyo, Chugai Pharmaceuticals, and Astellas Pharma to fund higher-conviction ideas.

Within the services segment, managed care represents our largest exposure. We remain focused on owning managed care companies with strong fundamentals, high-quality management teams, and compelling runways for long-term growth. We modestly added to the subsector during the reporting period.

We maintained an overweight to the life sciences tools space, which is levered to the ongoing innovation within the biopharma space and has companies with meaningful diagnostics businesses that should benefit from a robust coronavirus testing ecosystem. Within the space, we have core positions in Danaher and Thermo Fisher Scientific.

#### What is portfolio management's outlook?

We remain positive on the long-term prospects for investing in the health care sector as the pace of medical innovation and our understanding of the genetic causes of disease continue to accelerate. Advances in technology and medicine are leading to new pathways in biology and a better understanding of disease drivers. Technology is enhancing the ability to make better choices when selecting chemical compounds to treat many conditions, which should ultimately improve the success rates of clinical trials.

In addition to the advances we expect to see on the therapeutic side of health care, we also think that there will be enduring post-pandemic trends that benefit life sciences tools companies—those that develop the platforms, instrumentation, and technology that drive future discovery and the application of drugs and diagnostics. We believe that strong biopharma demand, improving science, increased funding, and positive bioprocessing trends should serve as tailwinds for the segment.

Products and devices companies are also well positioned to benefit from stronger demand, as volumes normalize for general diagnostic procedures; symptomatic and asymptomatic surgeries; and cardiovascular, neurological, and vascular surgeries, many of which had been deferred since the onset of the coronavirus pandemic. While the volume recovery times will vary by procedure type and level of urgency, we anticipate that most of the deferred procedures will be rescheduled and procedure volumes will continue to accelerate over the next two to three years.

We also think digitization of medical records, availability of digital claims data, electronic prescriptions, and data collected by personal wearable devices are likely to grow substantially. Platforms are also emerging to aggregate patient data, allowing for more robust data collection and analysis, which should lead to improvements in personalized care plans and therapies and drive better patient outcomes.

Our investment approach is aimed at building a diversified portfolio of companies with exposures to each of these areas. Broadly, we believe that health care can remain a strong area of long-term performance. Positive dynamics, including demographics with aging populations, the pace of scientific advances, prospects for safer and better medicines, demand for a higher quality of life, and society's willingness to spend on health care, all suggest that the sector will remain an area of long-term growth.

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 FUND INVESTING**

Portfolio's 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.

**BENCHMARK INFORMATION**

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**TWENTY-FIVE LARGEST HOLDINGS**

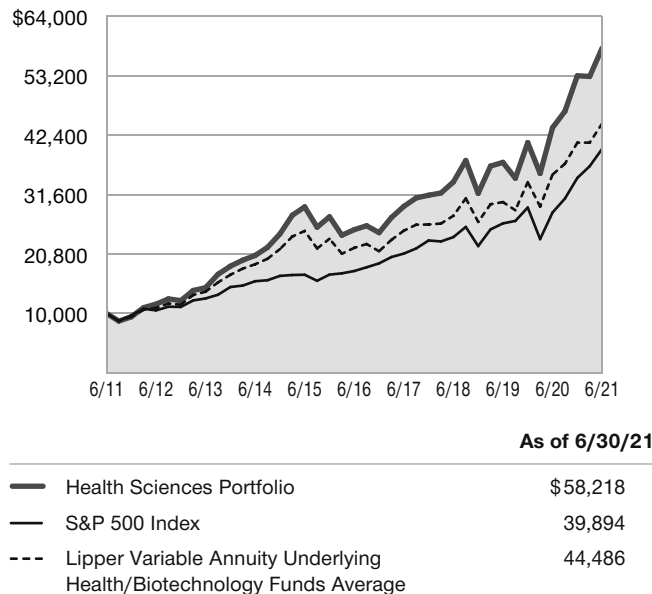
	<b>Percent of Net Assets 6/30/21</b>
UnitedHealth Group	6.0%
Thermo Fisher Scientific	3.7
Intuitive Surgical	3.6
Eli Lilly and Co.	3.5
Danaher	3.4
Stryker	2.3
Vertex Pharmaceuticals	2.2
BioNTech	1.8
Cigna	1.8
Humana	1.8
Centene	1.8
Moderna Therapeutics	1.7
Agilent Technologies	1.7
AbbVie	1.7
Anthem	1.6
AstraZeneca	1.6
Merck	1.4
Regeneron Pharmaceuticals	1.3
Argenx	1.3
HCA Healthcare	1.3
Becton, Dickinson & Company	1.2
Incyte	1.2
West Pharmaceutical Services	1.1
Amgen	1.1
Biogen	1.1
<b>Total</b>	<b>51.2%</b>

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



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 6/30/21	1 Year	5 Years	10 Years
Health Sciences Portfolio	33.06%	18.21%	19.26%
Health Sciences Portfolio-II	32.76	17.92	18.97

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)**

<b>HEALTH SCIENCES PORTFOLIO</b>			
	<b>Beginning Account Value 1/1/21</b>	<b>Ending Account Value 6/30/21</b>	<b>Expenses Paid During Period* 1/1/21 to 6/30/21</b>
<b>Health Sciences Portfolio</b>			
Actual	\$1,000.00	\$1,094.40	\$4.88
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.13	4.71
<b>Health Sciences Portfolio-II</b>			
Actual	1,000.00	1,093.20	6.18
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 Portfolio Class**

	6 Months Ended 6/30/21	Year Ended 12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 61.04	\$ 49.82	\$ 40.34	\$ 42.33	\$ 34.64	\$ 38.98
Investment activities						
Net investment loss <sup>(1)(2)</sup>	(0.10)	(0.12)	(0.08)	(0.05)	(0.07)	(0.09)
Net realized and unrealized gain/loss	5.86	14.90	11.73	0.55	9.62	(3.99)
Total from investment activities	5.76	14.78	11.65	0.50	9.55	(4.08)
Distributions						
Net realized gain	-	(3.56)	(2.17)	(2.49)	(1.86)	(0.26)
<b>NET ASSET VALUE</b>						
End of period	\$ 66.80	\$ 61.04	\$ 49.82	\$ 40.34	\$ 42.33	\$ 34.64

**Ratios/Supplemental Data**

<b>Total return<sup>(2)(3)</sup></b>	<b>9.44%</b>	<b>29.62%</b>	<b>28.95%</b>	<b>1.11%</b>	<b>27.58%</b>	<b>(10.48)%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/ payments by Price Associates <sup>(4)</sup>	0.95% <sup>(5)</sup>	0.95%	0.95%	0.95%	0.95%	0.95%
Net expenses after waivers/ payments by Price Associates	0.94% <sup>(5)</sup>	0.94%	0.94%	0.95%	0.95%	0.95%
Net investment loss	(0.32)% <sup>(5)</sup>	(0.23)%	(0.17)%	(0.12)%	(0.17)%	(0.27)%
Portfolio turnover rate	16.3%	38.0%	37.0%	45.5%	42.8%	28.5%
Net assets, end of period (in thousands)	\$ 174,414	\$ 159,718	\$ 122,289	\$ 95,922	\$ 88,840	\$ 71,085

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.<sup>(2)</sup> See Note 5 for details of expense-related arrangements with Price Associates.<sup>(3)</sup> 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.<sup>(4)</sup> See Note 5. Prior to 12/31/19, the gross expense ratios presented are net of a management fee waiver in effect during the period, as applicable.<sup>(5)</sup> Annualized

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

Unaudited

**FINANCIAL HIGHLIGHTS**

For a share outstanding throughout each period

**Health Sciences Portfolio - II  
Class**

	6 Months Ended 6/30/21	Year Ended 12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 57.96	\$ 47.48	\$ 38.62	\$ 40.73	\$ 33.38	\$ 37.67
Investment activities						
Net investment loss <sup>(1)(2)</sup>	(0.17)	(0.24)	(0.19)	(0.17)	(0.16)	(0.18)
Net realized and unrealized gain/loss	5.57	14.16	11.22	0.55	9.27	(3.85)
Total from investment activities	5.40	13.92	11.03	0.38	9.11	(4.03)
Distributions						
Net realized gain	-	(3.44)	(2.17)	(2.49)	(1.76)	(0.26)
<b>NET ASSET VALUE</b>						
End of period	\$ 63.36	\$ 57.96	\$ 47.48	\$ 38.62	\$ 40.73	\$ 33.38

**Ratios/Supplemental Data**

<b>Total return<sup>(2)(3)</sup></b>	<b>9.32%</b>	<b>29.27%</b>	<b>28.63%</b>	<b>0.86%</b>	<b>27.31%</b>	<b>(10.72)%</b>
Ratios to average net assets: <sup>(2)</sup>						
Gross expenses before waivers/ payments by Price Associates <sup>(4)</sup>	1.20% <sup>(5)</sup>	1.20%	1.20%	1.20%	1.20%	1.20%
Net expenses after waivers/ payments by Price Associates	1.19% <sup>(5)</sup>	1.19%	1.19%	1.20%	1.20%	1.20%
Net investment loss	(0.57)% <sup>(5)</sup>	(0.47)%	(0.42)%	(0.39)%	(0.42)%	(0.52)%
Portfolio turnover rate	16.3%	38.0%	37.0%	45.5%	42.8%	28.5%
Net assets, end of period (in thousands)	\$ 681,185	\$ 626,850	\$ 514,755	\$ 434,528	\$ 603,253	\$ 492,442

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.<sup>(2)</sup> See Note 5 for details of expense-related arrangements with Price Associates.<sup>(3)</sup> 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.<sup>(4)</sup> See Note 5. Prior to 12/31/19, the gross expense ratios presented are net of a management fee waiver in effect during the period, as applicable.<sup>(5)</sup> Annualized

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

T. ROWE PRICE HEALTH SCIENCES PORTFOLIO

June 30, 2021 (Unaudited)

**PORTFOLIO OF INVESTMENTS†**

**Shares \$ Value**

(Cost and value in \$000s)

**COMMON STOCKS 95.5%**

**BIOTECHNOLOGY 29.7%**

**Major Biotechnology 8.5%**

Alkermes (1)	3,602	88
Amgen	37,926	9,244
Biogen (1)	26,032	9,014
BioNTech, ADR (1)	70,112	15,697
Exact Sciences (1)	66,353	8,248
Exact Sciences CMO Milestone, Acquisition Date: 1/6/21, Cost \$— (1)(2)(3)	167,424	124
Exact Sciences Expense Fund, Acquisition Date: 1/6/21, Cost \$— (1)(2)(3)	171	—
Exact Sciences FDA Milestone, Acquisition Date: 1/6/21, Cost \$— (1)(2)(3)	83,712	62
Neurocrine Biosciences (1)	25,698	2,501
Novavax (1)	8,506	1,806
Seagen (1)	42,798	6,757
Vertex Pharmaceuticals (1)	93,863	18,926
		72,467

**Other Biotechnology 21.2%**

ACADIA Pharmaceuticals (1)	61,131	1,491
Accelaron Pharma (1)	63,812	8,008
Acerta Future Payments, Acquisition Date: 6/30/21, Cost \$1,273 (1)(2)(3)	1,272,869	1,141
Adaptive Biotechnologies (1)	54,298	2,219
ADC Therapeutics (1)	45,444	1,107
Agiros Pharmaceuticals (1)	23,813	1,312
Akero Therapeutics (1)	14,465	359
Alector (1)	35,946	749
Allogene Therapeutics (1)	38,003	991
Alnylam Pharmaceuticals (1)	46,720	7,920
Apellis Pharmaceuticals (1)	67,474	4,264
Ardelyx (1)	54,286	411
Arvinas (1)	28,180	2,170
Ascendis Pharma, ADR (1)	31,856	4,191
Atea Pharmaceuticals (1)	49,141	1,056
Avidity Biosciences (1)	11,000	272
Axsome Therapeutics (1)	18,038	1,217
BeiGene, ADR (1)	12,427	4,265
BioMarin Pharmaceutical (1)	11,675	974
Blueprint Medicines (1)	30,097	2,647
C4 Therapeutics (1)	46,487	1,759
Centessa Pharmaceuticals, Acquisition Date: 1/29/21, Cost \$320 (1)(3)	29,134	615
Cerevel Therapeutics Holdings (1)	58,109	1,489
Cerevel Therapeutics Holdings, Warrants, 7/29/20, 11.50% (1)	8,527	122
CRISPR Therapeutics (1)	11,246	1,821
Day One Biopharmaceuticals (1)	9,014	205
Day One Biopharmaceuticals, Acquisition Date: 2/2/21-6/8/21, Cost \$163 (1)(3)	12,097	262
Deciphera Pharmaceuticals (1)	7,904	289
Denali Therapeutics (1)	67,064	5,260

**Shares \$ Value**

(Cost and value in \$000s)

Design Therapeutics, Series B, Acquisition Date: 1/25/21, Cost \$280 (1)(3)	26,196	495
Dicerna Pharmaceuticals (1)	31,209	1,165
Enanta Pharmaceuticals (1)	1,119	49
Evotec (EUR) (1)	38,969	1,768
Exelixis (1)	238,731	4,350
Fate Therapeutics (1)	43,258	3,754
Flame Biosciences, Acquisition Date: 9/28/20, Cost \$247 (1)(2)(3)	37,754	247
Generation Bio (1)	74,303	1,999
Genmab (DKK) (1)	9,565	3,919
Global Blood Therapeutics (1)	17,439	611
IGM Biosciences (1)	14,136	1,176
Immunocore Holdings, ADR (1)	13,891	542
Incyte (1)	117,015	9,844
Insmid (1)	102,962	2,930
Intellia Therapeutics (1)	24,035	3,892
Ionis Pharmaceuticals (1)	60,561	2,416
Iovance Biotherapeutics (1)	66,115	1,720
IVERIC bio (1)	72,350	457
Karuna Therapeutics (1)	18,194	2,074
Kodiak Sciences (1)	52,476	4,880
Kronos Bio (1)	27,817	666
Longboard Pharmaceuticals (1)	9,326	85
Longboard Pharmaceuticals, Series A, Acquisition Date: 10/27/20-3/23/21, Cost \$187 (1)(3)	25,823	224
Lonza Group (CHF)	3,528	2,501
Mersana Therapeutics (1)	40,479	550
Mirati Therapeutics (1)	27,259	4,403
Moderna (1)	61,737	14,507
Monte Rosa Therapeutics (1)	17,726	402
Monte Rosa Therapeutics, Inc., Acquisition Date: 3/11/21, Cost \$317 (1)(3)	30,338	654
Novocure (1)	29,031	6,440
Prelude Therapeutics (1)	15,060	431
Progenic Pharmaceuticals, CVR	45,500	—
Protagonist Therapeutics (1)	36,590	1,642
Prothena (1)	44,850	2,306
PTC Therapeutics (1)	18,651	788
Radius Health (1)	22,332	407
RAPT Therapeutics (1)	30,840	980
Reata Pharmaceuticals, Class A (1)	7,806	1,105
Regeneron Pharmaceuticals (1)	20,482	11,440
REGENXBIO (1)	10,157	395
Repligen (1)	5,229	1,044
Replimune Group (1)	50,631	1,945
Rocket Pharmaceuticals (1)	42,051	1,862
Sage Therapeutics (1)	20,889	1,187
Sarepta Therapeutics (1)	14,044	1,092
Scholar Rock Holding (1)	37,872	1,095
Soaring Eagle Acquisition SPAC/ Ginkgo Bio PIPE (1)(4)	24,515	220
Stoke Therapeutics (1)	11,567	389
Translate Bio (1)	15,345	423
Turning Point Therapeutics (1)	21,362	1,667
Ultragenyx Pharmaceutical (1)	63,775	6,081

T. ROWE PRICE HEALTH SCIENCES PORTFOLIO

	Shares	\$ Value
(Cost and value in \$000s)		
uniQure (1)	21,800	671
Xencor (1)	44,027	1,518
Zai Lab, ADR (1)	15,636	2,767
Zentalis Pharmaceuticals (1)	34,656	1,844
Zymeworks (1)	14,452	501
		181,106
Total Biotechnology		253,573
<b>LIFE SCIENCES 12.8%</b>		
<b>Life Sciences 12.8%</b>		
Abcam (GBP) (1)	60,070	1,149
Agilent Technologies	97,909	14,472
Bio-Techne	5,200	2,341
Bruker	86,276	6,555
Danaher	108,246	29,049
Invitae (1)	39,987	1,349
Mettler-Toledo International (1)	1,976	2,737
Olink Holding, ADR (1)	42,033	1,447
Ortho Clinical Diagnostics Holdings (1)	139,243	2,981
Pacific Biosciences of California (1)	120,478	4,213
Quanterix (1)	26,917	1,579
Quidel (1)	20,583	2,637
Schrodinger (1)	9,112	689
Seer (1)	128,759	4,221
Thermo Fisher Scientific	62,293	31,425
Twist Bioscience (1)	17,619	2,348
Total Life Sciences		109,192
<b>MISCELLANEOUS 0.7%</b>		
<b>Miscellaneous 0.7%</b>		
CM Life Sciences II SPAC/SomaLogic PIPE (1)(4)	33,747	399
CM Life Sciences SPAC/Mount Sinai Genomics PIPE (1)(4)	29,761	375
Health Sciences Acquisitions Corp 2 (1)	30,999	316
Quantum, Acquisition Date: 3/15/21, Cost \$833 (1)(3)	83,330	971
Revolution Healthcare Acquisition (1)	77,870	781
Royalty Pharma, Acquisition Date: 5/21/15, Cost \$680 (1)(3)	53,480	2,192
Royalty Pharma, Class A	27,296	1,119
Total Miscellaneous		6,153
<b>PHARMACEUTICALS 9.9%</b>		
<b>European Major - Pharmaceuticals 0.5%</b>		
Merck (EUR)	20,287	3,893
Zeneca, CVR, Acquisition Date: 7/18/13, Cost \$0 (1)(2)(3)	12,799	—
		3,893
<b>Major Pharmaceuticals 9.4%</b>		
AbbVie	125,400	14,125
AstraZeneca, ADR	230,792	13,824
Eisai (JPY)	22,700	2,231
Eli Lilly	129,865	29,807
Merck	158,911	12,359

	Shares	\$ Value
(Cost and value in \$000s)		
Roche Holding (CHF)	21,257	8,010
		80,356
<b>Specialty Pharmaceuticals 0.0%</b>		
Cara Therapeutics (1)	17,336	247
		247
Total Pharmaceuticals		84,496
<b>PROCESS INDUSTRIES 0.0%</b>		
<b>Healthcare 0.0%</b>		
FS Development SPAC/Pardes Bio PIPE (1)(4)	23,939	215
Total Process Industries		215
<b>PRODUCTS &amp; DEVICES 16.9%</b>		
<b>Implants 8.5%</b>		
AtriCure (1)	18,463	1,465
Becton Dickinson & Company	42,184	10,259
Intuitive Surgical (1)	33,211	30,542
iRhythm Technologies (1)	9,228	612
Stryker	75,849	19,700
Teleflex	17,251	6,931
Verily Life Sciences, Series B, Acquisition Date: 1/23/19, Cost \$644 (1)(2)(3)	5,220	715
Zimmer Biomet Holdings	17,100	2,750
		72,974
<b>Other Products &amp; Devices 8.4%</b>		
10X Genomics, Class A (1)	21,960	4,300
Alcon (CHF)	24,198	1,697
Argenx, ADR (1)	37,173	11,192
Avantor (1)	176,955	6,284
Burning Rock Biotech, ADR (1)	21,102	622
Catalent (1)	35,584	3,847
Cooper	8,886	3,521
Dexcom (1)	12,663	5,407
Hologic (1)	116,665	7,784
ICU Medical (1)	329	68
Inari Medical (1)	6,233	581
Insulet (1)	14,008	3,845
JAND, Class A, Acquisition Date: 4/23/15-3/9/18, Cost \$353 (1)(2)(3)	29,873	733
Lantheus Holdings (1)	36,471	1,008
Nevro (1)	14,892	2,469
Outset Medical (1)	51,307	2,564
Pax Labs, Class A, Acquisition Date: 4/18/19, Cost \$1,452 (1)(2)(3)	385,684	648
Penumbra (1)	25,591	7,014
Shockwave Medical (1)	45,557	8,644
		72,228
Total Products & Devices		145,202
<b>SERVICES 21.0%</b>		
<b>Distribution 0.2%</b>		
Option Care Health (1)	66,508	1,455
		1,455
<b>Information 1.7%</b>		
Doximity, Class A (1)	25,755	1,499

	Shares	\$ Value
(Cost and value in \$000s)		
Doximity, Series C, Acquisition Date: 4/10/14, Cost \$219 (1)(3)	90,756	5,018
Veeva Systems, Class A (1)	24,686	7,676
		14,193
<b>Other Services 2.9%</b>		
Elanco Animal Health (1)	41,696	1,446
Envista Holdings (1)	88,948	3,843
Guardant Health (1)	32,957	4,093
Pennant Group (1)	24,219	991
Phreesia (1)	44,504	2,728
West Pharmaceutical Services	26,511	9,520
Wuxi Biologics Cayman (HKD) (1)	135,000	2,472
		25,093
<b>Payors 14.4%</b>		
Alignment Healthcare (1)	21,396	500
Alignment Healthcare, Acquisition Date: 2/28/20, Cost \$816 (1)(3)	101,076	2,244
Anthem	36,487	13,931
Bright Health Group, Acquisition Date: 9/16/20, Cost \$958 (1)(3)	140,718	2,294
Centene (1)	206,412	15,054
Cigna	65,739	15,585
Humana	34,306	15,188
Molina Healthcare (1)	28,715	7,266
UnitedHealth Group	128,664	51,522
		123,584
<b>Providers 1.8%</b>		
Amedisys (1)	7,621	1,867
HCA Healthcare	52,236	10,799
Surgery Partners (1)	34,352	2,288
		14,954
Total Services		179,279
Total Miscellaneous Common Stocks 4.5% (5)		38,426
<b>Total Common Stocks (Cost \$390,469)</b>		<b>816,536</b>

**CONVERTIBLE PREFERRED STOCKS 3.8%****BIOTECHNOLOGY 1.0%****Other Biotechnology 1.0%**

Affinivax, Series C, Acquisition Date: 1/6/21, Cost \$605 (1)(2)(3)	19,155	605
Delfi Diagnostics, Series A, Acquisition Date: 1/12/21, Cost \$201 (1)(2)(3)	97,051	201
FOG Pharma, Series C, Acquisition Date: 1/11/21, Cost \$79 (1)(2)(3)	5,462	79
Genesis Therapeutics, Series A, Acquisition Date: 11/24/20, Cost \$191 (1)(2)(3)	37,471	191
Ginkgo Bioworks, Series E, Acquisition Date: 7/30/19-9/9/19, Cost \$975 (1) (3)	6,577	2,918
Gyroscope Therapeutics, Series C-1, Acquisition Date: 3/30/21, Cost \$364 (1)(2)(3)	158,436	364

	Shares	\$ Value
(Cost and value in \$000s)		
Imago Biosciences, Series C, Acquisition Date: 11/12/20, Cost \$242 (1)(2)(3)	200,438	242
Immuneering, Series B, Acquisition Date: 12/21/20-5/4/21, Cost \$321 (1) (2)(3)	31,206	321
Insitro, Series B, Acquisition Date: 5/21/20, Cost \$248 (1)(2)(3)	39,793	728
Insitro, Series C, Acquisition Date: 4/7/21, Cost \$481 (1)(2)(3)	26,282	481
Lianbio, Series A, Acquisition Date: 10/28/20, Cost \$519 (1)(2)(3)	9,162	519
Prime Medicine, Series B, Acquisition Date: 4/19/21, Cost \$319 (1)(2)(3)	72,781	319
Ring Therapeutics, Series B, Acquisition Date: 4/12/21, Cost \$404 (1)(2)(3)	43,885	404
Scribe Therapeutics, Series B, Acquisition Date: 3/17/21, Cost \$278 (1)(2)(3)	45,881	278
Tenaya Therapeutics, Series C, Acquisition Date: 12/17/20, Cost \$241 (1)(2)(3)	116,470	241
Theseus Pharmaceuticals, Series B, Acquisition Date: 2/9/21, Cost \$199 (1)(2)(3)	22,950	199
Treeline, Acquisition Date: 4/9/21, Cost \$323 (1)(2)(3)	41,232	323
Vividion Therapeutics, Series C, Acquisition Date: 2/18/21, Cost \$318 (1)(2)(3)	151,376	318
Total Biotechnology		8,731

**CONSUMER NONDURABLES 0.3%****Healthcare Services 0.2%**

Capsule, Series D, Acquisition Date: 4/7/21, Cost \$553 (1)(2)(3)	38,140	553
Color Health, Series D, Acquisition Date: 12/17/20, Cost \$501 (1)(2)(3)	13,310	501
Color Health, Series D-1, Acquisition Date: 1/13/20, Cost \$430 (1)(2)(3)	20,165	759
		1,813

**Hospital Supplies/Hosp  
Management 0.1%**

Procept Biorobotics, Series G, Acquisition Date: 6/10/21, Cost \$598 (1)(2)(3)	148,643	598
		598
Total Consumer Nondurables		2,411

**LIFE SCIENCES 0.9%****Life Sciences 0.9%**

Clear Labs, Series C, Acquisition Date: 5/13/21, Cost \$595 (1)(2)(3)	171,440	595
Element Biosciences, Series C, Acquisition Date: 6/21/21, Cost \$797 (1)(2)(3)	38,785	797
Inscripta, Series E, Acquisition Date: 3/30/21, Cost \$572 (1)(2)(3)	64,740	572

	Shares	\$ Value
(Cost and value in \$000s)		
Lumicks Tech, Series D, Acquisition Date: 4/14/21, Cost \$396 (1)(2)(3)	221	396
National Resilience, Series B, Acquisition Date: 10/23/20, Cost \$741 (1)(2)(3)	54,252	2,409
National Resilience, Series C, Acquisition Date: 6/9/21, Cost \$854 (1)(2)(3)	19,224	854
Rapid Micro Bio, Series D-1, Acquisition Date: 3/9/21, Cost \$298 (1)(2)(3)	82,738	298
Somalogic, Series A, Acquisition Date: 11/20/20-12/21/20, Cost \$706 (1)(3)	104,137	1,525
Total Life Sciences		7,446
<b>PRODUCTS &amp; DEVICES 0.5%</b>		
<b>Capital Equipment 0.1%</b>		
Reflexion Medical, Acquisition Date: 4/3/20, Cost \$97 (1)(2)(3)	51,079	116
Reflexion Medical, Series C, Acquisition Date: 4/3/18, Cost \$255 (1)(2)(3)	150,708	344
		460
<b>Implants 0.1%</b>		
Kardium, Series D-5, Acquisition Date: 11/29/18, Cost \$392 (1)(2)(3)	403,778	410
Kardium, Series D-6, Acquisition Date: 1/8/21, Cost \$565 (1)(2)(3)	556,501	565
		975
<b>Other Products &amp; Devices 0.3%</b>		
JAND, Series D, Acquisition Date: 4/23/15, Cost \$709 (1)(2)(3)	61,723	1,514
JAND, Series E, Acquisition Date: 3/9/18, Cost \$43 (1)(2)(3)	2,753	68
JAND, Series F, Acquisition Date: 4/3/20, Cost \$518 (1)(2)(3)	26,577	652
		2,234
Total Products & Devices		3,669
<b>SERVICES 1.1%</b>		
<b>Other Services 1.1%</b>		
Caris Life Sciences, Series C, Acquisition Date: 8/14/20, Cost \$467 (1)(2)(3)	169,277	1,371
Caris Life Sciences, Series D, Acquisition Date: 5/11/21, Cost \$826 (1)(2)(3)	101,939	826
Freename Holdings, Series B, Acquisition Date: 6/24/19, Cost \$325 (1)(2)(3)	71,397	472
Freename Holdings, Series C, Acquisition Date: 8/14/20, Cost \$276 (1)(2)(3)	41,732	276

	Shares	\$ Value
(Cost and value in \$000s)		
PrognomiQ, Series A-4, Acquisition Date: 11/15/19, Cost \$61 (1)(2)(3)	26,885	61
PrognomiQ, Series A-5, Acquisition Date: 5/12/20, Cost \$53 (1)(2)(3)	23,318	53
PrognomiQ, Series B, Acquisition Date: 9/11/20, Cost \$384 (1)(2)(3)	168,024	384
Tempus Labs, Series D, Acquisition Date: 3/16/18, Cost \$533 (1)(2)(3)	56,856	3,183
Tempus Labs, Series E, Acquisition Date: 8/23/18, Cost \$629 (1)(2)(3)	37,551	2,144
Tempus Labs, Series F, Acquisition Date: 4/30/19, Cost \$197 (1)(2)(3)	7,944	457
Tempus Labs, Series G, Acquisition Date: 2/6/20, Cost \$196 (1)(2)(3)	5,107	296
Tempus Labs, Series G-2, Acquisition Date: 11/19/20, Cost \$302 (1)(2)(3)	5,275	302
		9,825
<b>Providers 0.0%</b>		
Honor Technology, Series D, Acquisition Date: 10/16/20, Cost \$339 (1)(2)(3)	140,829	339
		339
Total Services		10,164
<b>Total Convertible Preferred Stocks (Cost \$20,516)</b>		
		<b>32,421</b>
<b>PREFERRED STOCKS 0.5%</b>		
<b>LIFE SCIENCES 0.5%</b>		
<b>Life Sciences 0.5%</b>		
Sartorius (EUR)	8,868	4,616
Total Life Sciences		4,616
<b>Total Preferred Stocks (Cost \$1,290)</b>		
		<b>4,616</b>
<b>SHORT-TERM INVESTMENTS 0.4%</b>		
<b>Money Market Funds 0.4%</b>		
T. Rowe Price Government Reserve Fund, 0.03% (6)(7)	3,466,250	3,466
<b>Total Short-Term Investments (Cost \$3,466)</b>		
		<b>3,466</b>
<b>Total Investments in Securities 100.2% of Net Assets (Cost \$415,741)</b>		
		<b>\$ 857,039</b>

‡ Shares are denominated in U.S. dollars unless otherwise noted.

- (1) Non-income producing
- (2) See Note 2. Level 3 in fair value hierarchy.
- (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 \$51,060 and represents 6.0% of net assets.
- (4) A portion of the position represents an unfunded commitment; a liability to fund the commitment has been recognized. The fund's total unfunded commitment at June 30, 2021, was \$1,120 and was valued at \$1,209 (0.1% of net assets).
- (5) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.
- (6) Seven-day yield
- (7) Affiliated Companies

ADR American Depositary Receipts

CHF Swiss Franc

CVR Contingent Value Rights

DKK Danish Krone

EUR Euro

GBP British Pound

HKD Hong Kong Dollar

JPY Japanese Yen

PIPE Private Investment in Public Equity

SPAC Special Purpose Acquisition Company

**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, 2021. 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	Change in Net		Investment
	Net Realized Gain (Loss)	Unrealized Gain/Loss	
T. Rowe Price Government Reserve Fund, 0.03%	\$ —#	\$ —	\$ 1+

**Supplementary Investment Schedule**

Affiliate	Value 12/31/20	Purchase Cost	Sales Cost	Value 06/30/21
T. Rowe Price Government Reserve Fund, 0.03%	\$ 3,869	□	□ \$	3,466^

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

+ Investment income comprised \$1 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 \$3,466.

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



T. ROWE PRICE HEALTH SCIENCES PORTFOLIO

June 30, 2021 (Unaudited)

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Assets**

Investments in securities, at value (cost \$415,741)	\$	857,039
Receivable for investment securities sold		1,311
Receivable for shares sold		261
Dividends receivable		222
Foreign currency (cost \$5)		5
Other assets		226
Total assets		<u>859,064</u>

**Liabilities**

Payable for investment securities purchased		2,156
Investment management and administrative fees payable		1,097
Payable for shares redeemed		212
Total liabilities		<u>3,465</u>

**NET ASSETS** **\$ 855,599**

**Net Assets Consist of:**

Total distributable earnings (loss)	\$	476,915
Paid-in capital applicable to 13,362,757 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares of the Corporation authorized		<u>378,684</u>

**NET ASSETS** **\$ 855,599**

**NET ASSET VALUE PER SHARE**

<b>Health Sciences Portfolio Class</b>		
(\$174,414,158 / 2,610,923 shares outstanding)	\$	<u>66.80</u>
<b>Health Sciences Portfolio - II Class</b>		
(\$681,184,686 / 10,751,834 shares outstanding)	\$	<u>63.36</u>

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

**STATEMENT OF OPERATIONS**

(\$000s)

6 Months  
Ended  
6/30/21**Investment Income (Loss)**

Dividend income	\$ 2,470
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## Expenses

Investment management and administrative expense	3,797
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Rule 12b-1 fees Health Sciences Portfolio - II Class	788
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Waived / paid by Price Associates	(40)
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Net expenses	4,545
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Net investment loss	(2,075)
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**Realized and Unrealized Gain / Loss**

Net realized gain on securities	27,416
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## Change in net unrealized gain / loss

Securities	47,831
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Other assets and liabilities denominated in foreign currencies	(8)
----------------------------------------------------------------	-----

Change in net unrealized gain / loss	47,823
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Net realized and unrealized gain / loss	75,239
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**INCREASE IN NET ASSETS FROM OPERATIONS**

\$ 73,164
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The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	6 Months Ended 6/30/21	Year Ended 12/31/20
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment loss	\$ (2,075)	\$ (2,787)
Net realized gain	27,416	56,318
Change in net unrealized gain / loss	47,823	123,822
Increase in net assets from operations	73,164	177,353
Distributions to shareholders		
Net earnings		
Health Sciences Portfolio Class	-	(8,773)
Health Sciences Portfolio - II Class	-	(35,048)
Decrease in net assets from distributions	-	(43,821)
Capital share transactions*		
Shares sold		
Health Sciences Portfolio Class	11,437	25,483
Health Sciences Portfolio - II Class	41,908	83,103
Distributions reinvested		
Health Sciences Portfolio Class	-	8,773
Health Sciences Portfolio - II Class	-	35,048
Shares redeemed		
Health Sciences Portfolio Class	(11,890)	(24,049)
Health Sciences Portfolio - II Class	(45,588)	(112,366)
Increase (decrease) in net assets from capital share transactions	(4,133)	15,992
<b>Net Assets</b>		
Increase during period	69,031	149,524
Beginning of period	786,568	637,044
<b>End of period</b>	<b>\$ 855,599</b>	<b>\$ 786,568</b>

## \*Share information

Shares sold		
Health Sciences Portfolio Class	184	484
Health Sciences Portfolio - II Class	702	1,658
Distributions reinvested		
Health Sciences Portfolio Class	-	143
Health Sciences Portfolio - II Class	-	601
Shares redeemed		
Health Sciences Portfolio Class	(189)	(465)
Health Sciences Portfolio - II Class	(764)	(2,287)
Increase (decrease) in shares outstanding	(67)	134

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. The fund seeks long-term capital appreciation. Shares of the fund are currently offered only to insurance company separate accounts established for the purpose of funding variable annuity contracts and variable life insurance policies. The fund has two classes of shares: the Health Sciences Portfolio (Health Sciences Portfolio Class) and the Health Sciences Portfolio–II (Health Sciences Portfolio–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.

**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. Premiums and discounts on debt securities are amortized for financial reporting purposes. 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. Non-cash dividends, if any, are recorded at the fair market value of the asset received. 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 provided by an outside pricing service. 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 Portfolio–II Class pays Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets.

**Capital Transactions** Each investor's interest in the net assets of the fund is represented by fund shares. The fund'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. Purchases and redemptions of fund shares are transacted at the next-computed NAV per share, after receipt of the transaction order by T. Rowe Price Associates, Inc., or its agents.

**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**

**Fair Value** The fund's financial instruments are valued at the close of the NYSE and 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 policies and procedures used in valuing financial instruments, including those which cannot be valued in accordance with normal procedures or using pricing vendors; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; evaluates the services and performance of the pricing vendors; oversees the pricing process to ensure policies and procedures are being followed; and provides guidance on internal controls and valuation-related matters. The Valuation Committee provides periodic reporting to the Board on valuation matters.

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 (including the fund's own assumptions in determining fair value)

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, including exchange-traded funds, 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.

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. Each business day, the fund uses information from outside pricing services to evaluate and, if appropriate, decide whether it is necessary to adjust quoted prices to reflect fair value by reviewing 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 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.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation. 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.

Investments for which market quotations or market-based valuations are not readily available or deemed unreliable are valued at fair value as determined in good faith by the Valuation Committee, in accordance with fair valuation policies and procedures. 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. Factors used in determining fair value vary by type of investment and may include market or investment specific considerations. 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; discounted cash flows; yield to maturity; 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 investment. 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.

**Valuation Inputs** The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on June 30, 2021 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
<b>Assets</b>				
Common Stocks	\$ 768,712	\$ 44,154	\$ 3,670	\$ 816,536
Convertible Preferred Stocks	—	4,443	27,978	32,421
Preferred Stocks	—	4,616	—	4,616
Short-Term Investments	3,466	—	—	3,466
Total	\$ 772,178	\$ 53,213	\$ 31,648	\$ 857,039

Following is a reconciliation of the fund's Level 3 holdings for the six months ended June 30, 2021. 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, 2021, totaled \$3,264,000 for the six months ended June 30, 2021. During the six months, transfers out of Level 3 were because observable market data became available for the security.

(\$000s)	Beginning Balance 1/1/21	Gain (Loss) During Period	Total Purchases	Total Sales	Transfer Out of Level 3	Ending Balance 6/30/21
Investment in Securities						
Common Stocks	\$ 4,136	\$ 403	\$ 1,273	\$ (2,142)	\$ —	\$ 3,670
Convertible Preferred Stocks	20,667	1,167	9,752	(1,914)	(1,694)	27,978
Total	\$ 24,803	\$ 1,570	\$ 11,025	\$ (4,056)	\$ (1,694)	\$ 31,648

In accordance with GAAP, the following table provides quantitative information about significant unobservable inputs used to determine the fair valuations of the fund's Level 3 assets, by class of financial instrument. Because the Valuation Committee considers a wide variety of factors and inputs, both observable and unobservable, in determining fair values, the unobservable inputs presented do not reflect all inputs significant to the fair value determination.

Investments in Securities	Value (000s)	Valuation Technique(s)+	Significant Unobservable Input(s)	Value or Range of Input(s)	Weighted Average of Input(s)*	Impact to Valuation from an Increase in Input**
Common Stock	\$ 3,670	Recent comparable transaction price(s)	—#	—#	—#	—#
			Discount for uncertainty	5% - 26%	26%	Decrease
		Market comparable	Enterprise value to sales multiple	3.4x - 4.8x	4.1x	Increase
			Sales growth rate	19%	19%	Increase
			Enterprise value to gross profit multiple	7.5x - 15.1x	11.3x	Increase
			Gross profit growth rate	21%	21%	Increase
			Discount for lack of marketability	10%	10%	Decrease
		Estimated liquidation value	Discount for lack of collectability	100%	100%	Decrease
		Expected present value	Discount rate for cost of equity	10%	10%	Decrease
Convertible Preferred Stocks	\$ 27,978	Recent comparable transaction price(s)	—#	—#	—#	—#
			Discount for cumulative preferred dividend rights	0% - 2%	2%	Decrease
			Premium for cumulative preferred dividend rights	0% - 1%	1%	Increase

# No quantitative unobservable inputs significant to the valuation technique were created by the fund's management.

\* Unobservable inputs were weighted by the relative fair value of the instruments.

\*\* Represents the directional change in the fair value of the Level 3 investment(s) that would have resulted from an increase in the corresponding input at period end. A decrease in the unobservable input would have had the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

+ Valuation techniques may change in order to reflect management's judgment of current market participant assumptions.

**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 invests 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.

**Private Investments Issued by Special Purpose Acquisition Companies** Special purpose acquisition companies (SPACs) are shell companies that have no operations but are formed to raise capital with the intention of merging with or acquiring a company with the proceeds of the SPAC's initial public offering ("IPO"). The fund may enter into a contingent commitment with a SPAC to purchase private investments in public equity (PIPE) if and when the SPAC completes its merger or acquisition. The fund maintains liquid assets sufficient to settle its commitment to purchase the PIPE. However, if the commitment expires, then no shares are purchased. Purchased PIPE shares will be restricted from trading until the registration statement for the shares is declared effective. Upon registration, the shares can be freely sold; however, in certain circumstances, the issuer may have the right to temporarily suspend trading of the shares in the first year after the merger or acquisition. The securities issued by a SPAC may be considered illiquid, more difficult to value, and/or be subject to restrictions on resale.

**Other** Purchases and sales of portfolio securities other than short-term securities aggregated \$130,652,000 and \$132,293,000, respectively, for the six months ended June 30, 2021.

**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, 2021, the cost of investments for federal income tax purposes was \$418,730,000. Net unrealized gain aggregated \$438,316,000 at period-end, of which \$445,901,000 related to appreciated investments and \$7,585,000 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 services and ordinary, recurring operating expenses but does not cover interest expense; expenses related to borrowing, taxes, and brokerage; or nonrecurring expenses. Effective July 1, 2018, Price Associates has contractually agreed, at least through April 30, 2022 to waive a portion of its management fee in order to limit the fund's management fee to 0.94% of the fund's average daily net assets. Thereafter, this agreement automatically renews for one-year terms unless terminated or modified by the fund's Board. Fees waived and expenses paid under this agreement are not subject to reimbursement to Price Associates by the fund. The total management fees waived were \$40,000 and allocated ratably in the amounts of \$8,000 and \$32,000 for the Health Sciences Portfolio Class and Health Sciences Portfolio-II Class, respectively, for the six months ended June 30, 2021.

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, 2021, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

Effective January 1, 2020, Price Associates has voluntarily agreed to reimburse the fund from its own resources on a monthly basis for the cost of investment research embedded in the cost of the fund's securities trades. This agreement may be rescinded at any time. For the six months ended June 30, 2021, this reimbursement amounted to \$6,000, which is included in Net realized gain (loss) on Securities in the Statement of Operations.

## **NOTE 6 - OTHER MATTERS**

Unpredictable events such as environmental or natural disasters, war, terrorism, pandemics, outbreaks of infectious diseases, and similar public health threats may significantly affect the economy and the markets and issuers in which a fund invests. Certain events may cause instability across global markets, including reduced liquidity and disruptions in trading markets, while some events may affect certain geographic regions, countries, sectors, and industries more significantly than others, and exacerbate other pre-existing political, social, and economic risks. During 2020, a novel strain of coronavirus (COVID-19) resulted in disruptions to global business activity and caused significant volatility and declines in global financial markets.

These types of events, such as the global pandemic caused by COVID-19, may also cause widespread fear and uncertainty, and result in, among other things: enhanced health screenings, quarantines, cancellations, and travel restrictions, including border closings; disruptions to business operations and supply chains and customer activity; exchange trading suspensions and closures, and overall reduced liquidity of securities, derivatives, and commodities trading markets; reductions in consumer demand and economic output; and significant challenges in healthcare service preparation and delivery. The fund could be negatively impacted if the value of a portfolio holding were harmed by such political or economic conditions or events. In addition, the operations of the fund, its investment advisers, and the fund's service providers may be significantly impacted, or even temporarily halted, as a result of any impairment to their information technology and other operation systems, extensive employee illnesses or unavailability, government quarantine measures, and restrictions on travel or meetings and other factors related to public emergencies.

Governmental and quasi-governmental authorities and regulators have in the past responded to major economic disruptions with a variety of significant fiscal and monetary policy changes, including but not limited to, direct capital infusions into companies, new monetary programs, and dramatically lower interest rates. An unexpected or quick reversal of these policies, or the ineffectiveness of these policies, could negatively impact overall investor sentiment and further increase volatility in securities markets.

## **INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS**

A description of the policies and procedures used by T. Rowe Price funds 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://www.troweprice.com/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**

The 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. The fund's reports on Form N-PORT are available electronically on the SEC's website (sec.gov). In addition, most T. Rowe Price funds disclose their first and third fiscal quarter-end holdings on **troweprice.com**.

**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 a meeting held on March 8–9, 2021 (Meeting), the Board, including all 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, 2020, 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 direct and indirect benefits that the Advisor (and its affiliates) may have realized from its relationship with the fund. In considering soft-dollar arrangements pursuant to which research may be received from broker-dealers that execute the fund's portfolio transactions, the Board noted that the Advisor bears the cost of research services for all client accounts that it advises, including the T. Rowe Price funds. 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. 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. 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 Advisor has generally implemented an all-inclusive management fee structure in situations where a fixed total expense ratio is 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

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)**

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 certain resources utilized to operate the fund are shared with other T. Rowe Price 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 other investment portfolios with similar mandates that are advised or subadvised by the Advisor and its affiliates, including separately managed accounts for institutional and individual investors; subadvised funds; and other sponsored investment portfolios, including collective investment trusts and pooled vehicles organized and offered to investors outside the United States. 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 proprietary 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, including subadvised funds.

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).

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# T.RowePrice®

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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.*