December 31, 2009

# Capital Opportunity Fund

*Annual Report*

T. Rowe Price®

## T. Rowe Price Capital Opportunity Fund

### HIGHLIGHTS

- U.S. stocks rallied off March 2009 lows and ended sharply higher for the year.
- The Capital Opportunity Fund posted a strong gain during its fiscal year, outpacing the S&P 500 Index.
- The fund's results versus the S&P 500 benefited from stock selection in most sectors.
- We continue to emphasize rigorous research to discover shares of companies we believe have the potential for capital appreciation while maintaining sector weightings in line with the S&P 500.

The views and opinions in this report were current as of December 31, 2009. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

# Fellow Shareholders

U.S. stocks ended 2009 with solid gains, capping off a volatile year. The more cyclical sectors rebounded sharply after underperforming traditionally defensive sectors in late 2008 and early 2009. The rebound in U.S. equities—a comeback of historic proportions from the March trough—provided a welcome relief for investors who suffered devastating losses in 2008.

**Performance Comparison**

| | Total Return | |
|---|---|---|
| Periods Ended 12/31/09 | 6 Months | 12 Months |
| Capital Opportunity Fund | 21.90% | 29.28% |
| Capital Opportunity Fund–Advisor Class | 21.62 | 28.76 |
| Capital Opportunity Fund–R Class | 21.54 | 28.52 |
| S&P 500 Index | 22.59 | 26.46 |
| Lipper Large-Cap Core Funds Index | 21.64 | 28.15 |

Your fund performed well in 2009, posting a 29.28% return that meaningfully outpaced the S&P 500 Index. (Returns for Advisor and R Class shares reflected their different fee structures.) Our objective is to outperform the S&P 500 by investing in our analysts' highest-conviction stocks while maintaining a sector-neutral allocation. The fund's strong relative performance was led by our holdings in information technology, consumer discretionary, and health care. Meanwhile, financials weighed on results, especially in the fourth quarter following strong contributions in 2008.

## MARKET ENVIRONMENT

At its nadir on March 9, 2009, the S&P 500 Index was off 25% from its level at the start of 2009. From that low point for the year, U.S. equities staged a major rally that resulted in whopping gains of more than 67%. For the year, the index returned just over 26%. Over the year, large-cap growth stocks outperformed large-cap value by a significant margin.

Following its longest period of contraction since World War II, the U.S. economy began to grow again in the second half of the year. Particularly encouraging was a turnaround in the housing sector on a national basis. While the labor market remained weak, declines in monthly payroll cuts raised hopes that employers might begin adding jobs in the months ahead. Nevertheless, we recognize that unemployment measured on broader terms remains high relative to the last few decades.

Government intervention, including measures designed to help the economy and the credit markets, played a large role in the turnaround. The Treasury Department's Troubled Asset Relief Program (TARP) injected enormous amounts of capital into the banking system, and the Fed's Term Asset-Backed Securities Loan Facility (TALF) was steadily expanded to support the market for bundled student, auto, credit card, small business, and commercial real estate loans. The Fed also bought long-term Treasury securities in an effort to keep a lid on long-term interest rates and increase liquidity before ending the program in October. Finally, the central bank continued its purchases of mortgage-backed securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae, which helped keep mortgage rates near multi-decade lows. The prospects for continuing low rates and healthier corporate earnings stimulated investors' appetites for riskier assets, including stocks.

### Sector Diversification

| | Percent of Net Assets | |
|---|---|---|
| | 6/30/09 | 12/31/09 |
| Information Technology | 18.3% | 19.7% |
| Financials | 13.2 | 14.0 |
| Health Care | 14.1 | 12.6 |
| Energy | 12.5 | 12.1 |
| Consumer Staples | 11.7 | 11.1 |
| Industrials and Business Services | 9.6 | 10.3 |
| Consumer Discretionary | 9.3 | 9.9 |
| Utilities | 3.8 | 3.3 |
| Materials | 3.1 | 3.1 |
| Telecommunication Services | 3.5 | 3.0 |
| Other and Reserves | 0.9 | 0.9 |
| Total | 100.0% | 100.0% |

Historical weightings reflect current industry/sector classifications.

All sectors of the large-cap S&P 500 Index gained ground in 2009. Shares of information technology companies produced powerful returns, thanks to attractive valuations, aggressive cost-cutting, cash-rich balance sheets, and better-than-expected revenues. Materials stocks soared with commodity prices, while consumer discretionary shares climbed as investors anticipated that the sector would benefit substantially from an economic recovery and increased consumer spending. Utilities and telecommunication services—two sectors often perceived as relatively safe havens in an economic downturn—trailed with modest gains. Energy stocks also lagged, even though oil prices rebounded sharply from the lows reached early in the year.

## PORTFOLIO REVIEW

Stock selection in information technology was the largest contributor to the fund's strong results relative to the S&P 500 Index. The software industry was boosted by stabilizing business trends, aggressive cost-cutting, and improving revenues. Our positions in **Microsoft**, **Red Hat**, and **Autodesk** added relative value. Microsoft, the fund's second-largest holding, has improved its expense management and is benefiting from the launch of several major products including Windows 7, Bing for Internet search, and Natal, a novel technology for the Xbox game platform. Red Hat, a leading provider of open source software, showed strong revenue and billings growth relative to its competitors. The improved business environment and aggressive cost-cutting boosted Autodesk, a provider of computer-aided design software. We remain overweight due to the company's market leadership, long-term growth prospects, and strong cash generation. (Please refer to the portfolio of investments for a detailed list of holdings and the amount each represents in the portfolio.)

Stock selection in semiconductors and semiconductor equipment also helped relative results, led by **Advanced Micro Devices**. The company benefited from a recently settled antitrust lawsuit with Intel and unveiled new products that should bolster the company's competitive position. We like the firm's innovative product offerings, improving balance sheet, and strong cash generation opportunities.

The fund's third-largest holding, **Apple**, was our top absolute contributor. The company's iPhone and iMac personal computers continued to sell quite well despite the challenging economic environment. The company has just released several new products, including an iPhone at lower price points, and it is expected to introduce an innovative electronic tablet in 2010.

Our technology positioning was not entirely successful, though. Our lighter exposure to database software provider **Oracle** was the fund's largest relative detractor for the year. Delays in its pending acquisition of Sun Microsystems, a distributor of software and related services for open-source database programs, are weighing on the company's long-term growth prospects. We continue to prefer Microsoft.

Stock selection in consumer discretionary stocks also aided relative results, led by Internet and catalog retailers. **Amazon.com** recently posted impressive quarterly performance, which was supported by solid revenue growth both in the U.S. and internationally. The company's innovations and strategic acquisitions continue to underpin its competitive position in global e-commerce. Online travel aggregator **Expedia**, another solid contributor, has effectively invested in its platform, generates significant free cash flow, and is benefiting as leisure travel recovers.

### Portfolio Characteristics

| As of 12/31/09 | Capital Opportunity Fund | S&P 500 Index |
|---|---|---|
| Investment-Weighted Median Market Cap (billions) | $44.6 | $43.0 |
| Earnings Growth Rate Estimated Next Five Years* | 10.2% | 9.9% |
| P/E Ratio (Based on Next 12 Months' Estimated Earnings)* | 15.0X | 15.0X |

*Source for data: IBES. Forecasts are in no way indicative of future investment returns.

Health care stocks sold off early in the year on concerns of the impact of health care reform, but the sector has come back from these lows as continued progress is made on reform legislation and it appears that a universal plan is off the table. Fund holding **Covidien**, which is not included in the index, sells medical devices and commodity medical supplies to hospitals. The company has multiple drivers for margin expansion and is poised for growth after a recent period of underinvestment. Another strong performer was leading pharmaceutical distributor **McKesson**, which is well positioned to benefit from the move toward generic pharmaceuticals and federal stimulus spending on health care technology.

Stock selection in industrials and business services also helped fund performance. Commercial services and supplies company **Republic Services** is realizing synergies from its integration of Allied Waste. Machinery company **Danaher** was supported by the company's diversified end markets among secular growth areas, such as health care and water and environmental test equipment, which allow the company to generate revenue both organically and through acquisitions. In addition, the company has been cutting costs, paving the way for good earnings growth as the company's revenue outlook fully recovers.

By sector, stock selection in financials was the sole detractor from relative performance. Our lighter average exposure to **Wells Fargo** over the course of the year hurt performance as shares surged on positive developments in the financials sector. We have been adding to our holdings in the bank after it alleviated our balance sheet concerns through an equity offering early in the period and then raised additional capital to repay its TARP loan. The improving news on the financial front also benefited **U.S. Bancorp**, and our underweight detracted as shares surged. After it successfully completed a required stress test, we added to our holdings through an equity offering. We believe U.S. Bancorp now maintains the necessary balance sheet strength to execute deals in the future.

## OUTLOOK

The powerful rally off the March 2009 lows drove price/earnings ratios and other measures of value more in line with their historic norms. We are optimistic that gradually improving earnings growth and stronger balance sheets will lead to higher stock prices over the long term, but our optimism about a solid recovery in 2010 is tempered by persistent headwinds that continue to weigh on the economy and a market that has already anticipated that we left the recession at the door. We continue to emphasize rigorous research to discover shares of companies we believe have the potential for capital appreciation while maintaining sector weightings in line with the S&P 500. Our investment approach remains steady and tested, and we believe it should continue to perform well in a variety of market environments. Thank you for your support.

Respectfully submitted,

Anna M. Dopkin
*President of the fund and chairman of its Investment Advisory Committee*

January 19, 2010

*The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the fund's investment program.*

## Risks of Investing

As with all stock mutual funds, the fund's share price can fall because of weakness in the stock market, a particular industry, or specific holdings. Stock markets can decline for many reasons, including adverse political or economic developments, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment.

## Glossary

**Lipper indexes:** Track the performance of the largest mutual funds in a particular category as determined by Lipper Inc.

**Price/earnings (P/E) ratio:** A valuation measure calculated by dividing the price of a stock by its current or projected earnings per share. This ratio gives investors an idea of how much they are paying for current or future earnings power.

**S&P 500 Index:** Tracks the stocks of 500 mostly large U.S. companies.

## Portfolio Highlights

### TWENTY-FIVE LARGEST HOLDINGS

| | Percent of Net Assets 12/31/09 |
|---|---|
| ExxonMobil | 3.4% |
| Microsoft | 2.6 |
| Apple | 2.0 |
| Procter & Gamble | 2.0 |
| AT&T | 2.0 |
| JPMorgan Chase | 1.8 |
| Bank of America | 1.8 |
| Johnson & Johnson | 1.8 |
| IBM | 1.7 |
| Google | 1.7 |
| Chevron | 1.7 |
| Wells Fargo | 1.5 |
| Wal-Mart | 1.4 |
| GE | 1.4 |
| Intel | 1.3 |
| PepsiCo | 1.3 |
| Coca-Cola | 1.3 |
| Pfizer | 1.3 |
| Merck | 1.2 |
| Philip Morris International | 1.1 |
| Hewlett-Packard | 1.1 |
| Schlumberger | 1.1 |
| Cisco Systems | 1.0 |
| Goldman Sachs | 0.9 |
| Qualcomm | 0.9 |
| Total | 39.3% |

Note: Table excludes investments in the T. Rowe Price Government Reserve Investment Fund.

## Portfolio Highlights

### CONTRIBUTIONS TO THE CHANGE IN NET ASSET VALUE

Six Months Ended 12/31/09

| Best Contributors | | Worst Contributors | |
|---|---|---|---|
| Microsoft | 9¢ | Sprint Nextel | -1¢ |
| Apple | 9 | MetroPCS Communications | -1 |
| Google | 7 | Citigroup* | -1 |
| GE | 5 | ExxonMobil | -1 |
| IBM | 5 | Gilead Sciences | -1 |
| JPMorgan Chase | 5 | St. Jude Medical | 0 |
| Procter & Gamble | 4 | NRG Energy | 0 |
| Merck | 4 | State Street | 0 |
| Hewlett-Packard | 4 | Lockheed Martin | 0 |
| Amazon.com | 4 | NYSE Euronext* | 0 |
| Total | 56¢ | Total | -5¢ |

12 Months Ended 12/31/09

| Best Contributors | | Worst Contributors | |
|---|---|---|---|
| Apple | 16¢ | ExxonMobil | -7¢ |
| Microsoft | 15 | Wells Fargo | -2 |
| Google | 11 | U.S. Bancorp | -2 |
| IBM | 8 | Citigroup | -1 |
| JPMorgan Chase | 8 | MetroPCS Communications | -1 |
| Amazon.com | 7 | Gilead Sciences | -1 |
| Goldman Sachs | 6 | Marshall & Ilsley | -1 |
| Bank of America | 5 | Fifth Third Bancorp | -1 |
| Schlumberger | 5 | PNC Financial Services Group | -1 |
| Intel | 5 | KeyCorp | -1 |
| Total | 86¢ | Total | -18¢ |

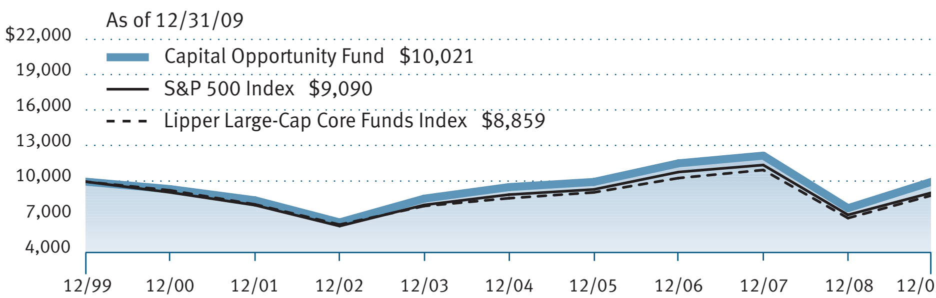
*Position added.

## Performance and Expenses

### Growth of $10,000

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

**CAPITAL OPPORTUNITY FUND**




Note: Performance for the Advisor and R Class shares will vary due to their differing fee structure. See returns table below.

### Average Annual Compound Total Return

This table shows how the fund would have performed each year if its actual (or cumulative) returns had been earned at a constant rate.

| Periods Ended 12/31/09 | 1 Year | 5 Years | 10 Years | Since Inception | Inception Date |
|---|---|---|---|---|---|
| Capital Opportunity Fund | 29.28% | 0.99% | 0.02% | – | – |
| Capital Opportunity Fund–Advisor Class | 28.76 | 0.71 | – | 0.71% | 12/31/04 |
| Capital Opportunity Fund–R Class | 28.52 | 0.47 | – | 0.47 | 12/31/04 |

*Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. 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 1-800-225-5132 or, for Advisor and R Class shares, 1-800-638-8790.*

Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. When assessing performance, investors should consider both the short- and long-term returns.

## Expense Ratio

| | |
|---|---|
| Capital Opportunity Fund | *0.79%* |
| Capital Opportunity Fund–Advisor Class | *1.31* |
| Capital Opportunity Fund–R Class | *2.16* |

The expense ratio shown is as of the fund's fiscal year ended 12/31/08. This number may vary from the expense ratio shown elsewhere in this report because it is based on a different time period and, if applicable, does not include fee or expense waivers.

## 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.

Please note that the fund has three share classes: The original share class ("investor class") charges no distribution and service (12b-1) fee; Advisor Class shares are offered only through unaffiliated brokers and other financial intermediaries and charge a 0.25% 12b-1 fee; and R Class shares are available to retirement plans serviced by intermediaries and charge a 0.50% 12b-1 fee. Each share class is presented separately in the table.

**Actual Expenses**
The first line of the following table ("Actual") provides information about actual account values and expenses based on the fund's actual returns. You may use the information in 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 in 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.

**Note:** T. Rowe Price charges an annual small-account maintenance fee of $10, generally for accounts with less than $2,000 ($500 for UGMA/UTMA). The fee is waived for any investor

## FUND EXPENSE EXAMPLE (CONTINUED)

whose T. Rowe Price mutual fund accounts total $25,000 or more, accounts employing automatic investing, and IRAs and other retirement plan accounts that utilize a prototype plan sponsored by T. Rowe Price (although a separate custodial or administrative fee may apply to such accounts). This fee is not included in the accompanying table. If you are subject to the fee, keep it in mind when you are estimating the ongoing expenses of investing in the fund and when comparing the expenses of this fund with other funds.

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.

### T. ROWE PRICE CAPITAL OPPORTUNITY FUND

| | Beginning Account Value 7/1/09 | Ending Account Value 12/31/09 | Expenses Paid During Period* 7/1/09 to 12/31/09 |
|---|---|---|---|
| **Investor Class** | | | |
| Actual | $1,000.00 | $1,219.00 | $4.14 |
| Hypothetical (assumes 5% return before expenses) | 1,000.00 | 1,021.48 | 3.77 |
| **Advisor Class** | | | |
| Actual | 1,000.00 | 1,216.20 | 6.14 |
| Hypothetical (assumes 5% return before expenses) | 1,000.00 | 1,019.66 | 5.60 |
| **R Class** | | | |
| Actual | 1,000.00 | 1,215.40 | 7.54 |
| Hypothetical (assumes 5% return before expenses) | 1,000.00 | 1,018.40 | 6.87 |

*Expenses are equal to the fund's annualized expense ratio for the six-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184) divided by the days in the year (365) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.74%, the Advisor Class was 1.10%, and the R Class was 1.35%.

## Financial Highlights

For a share outstanding throughout each period

### Investor Class

| | Year Ended 12/31/09‡ | 12/31/08‡ | 12/31/07‡ | 12/31/06‡ | 12/31/05‡ |
|---|---|---|---|---|---|
| **NET ASSET VALUE** | | | | | |
| Beginning of period | $ 10.08 | $ 16.18 | $ 15.89 | $ 13.85 | $ 13.31 |
| Investment activities | | | | | |
| Net investment income | 0.16 | 0.18 | 0.16 | 0.16 | 0.10 |
| Net realized and unrealized gain (loss) | 2.79 | (6.09) | 0.73 | 2.03 | 0.51 |
| Total from investment activities | 2.95 | (5.91) | 0.89 | 2.19 | 0.61 |
| Distributions | | | | | |
| Net investment income | (0.15) | (0.14) | (0.15) | (0.15) | (0.07) |
| Net realized gain | – | (0.05) | (0.45) | – | – |
| Total distributions | (0.15) | (0.19) | (0.60) | (0.15) | (0.07) |
| **NET ASSET VALUE** | | | | | |
| **End of period** | **$ 12.88** | **$ 10.08** | **$ 16.18** | **$ 15.89** | **$ 13.85** |

### Ratios/Supplemental Data

| | | | | | |
|---|---|---|---|---|---|
| **Total return(1)** | **29.28%** | **(36.48)%** | **5.64%** | **15.81%** | **4.58%** |
| Ratio of total expenses to average net assets | 0.79% | 0.79% | 0.74% | 0.78% | 1.02% |
| Ratio of net investment income to average net assets | 1.42% | 1.30% | 0.97% | 1.08% | 0.76% |
| Portfolio turnover rate | 43.2% | 64.1% | 53.9% | 52.5% | 46.2% |
| Net assets, end of period (in thousands) | $ 228,507 | $ 169,418 | $ 252,581 | $ 227,286 | $177,252 |

‡ Per share amounts calculated using average shares outstanding method.

(1) 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.

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

## Financial Highlights

For a share outstanding throughout each period

### Advisor Class

| | Year Ended 12/31/09‡ | 12/31/08‡ | 12/31/07‡ | 12/31/06‡ | 12/31/05‡ |
|---|---|---|---|---|---|
| **NET ASSET VALUE** | | | | | |
| Beginning of period | $ 10.05 | $ 16.18 | $ 15.92 | $ 13.86 | $ 13.31 |
| Investment activities | | | | | |
| Net investment income | 0.13(2) | 0.14(2) | 0.11(2) | 0.11(2) | 0.09 |
| Net realized and unrealized gain (loss) | 2.76 | (6.08) | 0.72 | 2.04 | 0.51 |
| Total from investment activities | 2.89 | (5.94) | 0.83 | 2.15 | 0.60 |
| Distributions | | | | | |
| Net investment income | (0.11) | (0.14) | (0.12) | (0.09) | (0.05) |
| Net realized gain | – | (0.05) | (0.45) | – | – |
| Total distributions | (0.11) | (0.19) | (0.57) | (0.09) | (0.05) |
| **NET ASSET VALUE** | | | | | |
| **End of period** | **$ 12.83** | **$ 10.05** | **$ 16.18** | **$ 15.92** | **$ 13.86** |

| **Ratios/Supplemental Data** | | | | | |
|---|---|---|---|---|---|
| **Total return(1)** | **28.76%(2)** | **(36.66)%(2)** | **5.25%(2)** | **15.51%(2)** | **4.50%** |
| Ratio of total expenses to average net assets | 1.10%(2) | 1.10%(2) | 1.10%(2) | 1.10%(2) | 1.08% |
| Ratio of net investment income to average net assets | 1.15%(2) | 1.42%(2) | 0.63%(2) | 0.77%(2) | 0.67% |
| Portfolio turnover rate | 43.2% | 64.1% | 53.9% | 52.5% | 46.2% |
| Net assets, end of period (in thousands) | $ 6,470 | $ 6,546 | $ 549 | $ 344 | $ 261 |

‡ Per share amounts calculated using average shares outstanding method.

(1) 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.

(2) Excludes expenses in excess of a 1.10% contractual expense limitation in effect through 4/30/10.

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

## Financial Highlights

For a share outstanding throughout each period

### R Class

| | Year Ended 12/31/09‡ | 12/31/08‡ | 12/31/07‡ | 12/31/06‡ | 12/31/05‡ |
|---|---|---|---|---|---|
| **NET ASSET VALUE** | | | | | |
| Beginning of period | $ 10.10 | $ 16.17 | $ 15.91 | $ 13.86 | $ 13.31 |
| Investment activities | | | | | |
| Net investment income | 0.09(2) | 0.10(2) | 0.06(2) | 0.07(2) | 0.05 |
| Net realized and unrealized gain (loss) | 2.79 | (6.06) | 0.73 | 2.03 | 0.52 |
| Total from investment activities | 2.88 | (5.96) | 0.79 | 2.10 | 0.57 |
| Distributions | | | | | |
| Net investment income | (0.10) | (0.06) | (0.08) | (0.05) | (0.02) |
| Net realized gain | – | (0.05) | (0.45) | – | – |
| Total distributions | (0.10) | (0.11) | (0.53) | (0.05) | (0.02) |
| **NET ASSET VALUE** | | | | | |
| **End of period** | **$ 12.88** | **$ 10.10** | **$ 16.17** | **$ 15.91** | **$ 13.86** |

**Ratios/Supplemental Data**

| | | | | | |
|---|---|---|---|---|---|
| **Total return(1)** | **28.52%(2)** | **(36.83)%(2)** | **5.00%(2)** | **15.15%(2)** | **4.28%** |
| Ratio of total expenses to average net assets | 1.35%(2) | 1.35%(2) | 1.35%(2) | 1.35%(2) | 1.35% |
| Ratio of net investment income to average net assets | 0.81%(2) | 0.72%(2) | 0.38%(2) | 0.51%(2) | 0.40% |
| Portfolio turnover rate | 43.2% | 64.1% | 53.9% | 52.5% | 46.2% |
| Net assets, end of period (in thousands) | $ 753 | $ 282 | $ 493 | $ 300 | $ 261 |

‡ Per share amounts calculated using average shares outstanding method.

(1) 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.

(2) Excludes expenses in excess of a 1.35% contractual expense limitation in effect through 4/30/10.

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

December 31, 2009

## Portfolio of Investments ‡

(Cost and value in $000s)

| | Shares/$ Par | Value |
|---|---|---|
| **COMMON STOCKS 98.8%** | | |
| **CONSUMER DISCRETIONARY 9.9%** | | |
| **Auto Components 0.2%** | | |
| Johnson Controls | 20,100 | 547 |
| | | 547 |
| **Automobiles 0.3%** | | |
| Ford Motor (1) | 23,400 | 234 |
| Harley-Davidson | 15,900 | 401 |
| | | 635 |
| **Distributors 0.0%** | | |
| Genuine Parts | 2,400 | 91 |
| | | 91 |
| **Diversified Consumer Services 0.2%** | | |
| Apollo Group, Class A (1) | 5,200 | 315 |
| DeVry | 1,200 | 68 |
| H&R Block | 3,600 | 82 |
| | | 465 |
| **Hotels, Restaurants & Leisure 2.1%** | | |
| International Game Technology | 9,500 | 178 |
| Marriott, Class A | 25,575 | 697 |
| McDonald's | 30,300 | 1,892 |
| MGM Mirage (1) | 52,886 | 482 |
| Starbucks (1) | 35,200 | 812 |
| Starwood Hotels & Resorts Worldwide | 4,500 | 165 |
| Wynn Resorts | 2,200 | 128 |
| Yum! Brands | 14,300 | 500 |
| | | 4,854 |
| **Household Durables 0.1%** | | |
| D. R. Horton | 9,400 | 102 |
| Lennar, Class A | 7,500 | 96 |
| | | 198 |

| | Shares/$ Par | Value |
|---|---|---|
| (Cost and value in $000s) | | |
| **Internet & Catalog Retail 1.2%** | | |
| Amazon.com (1) | 13,000 | 1,749 |
| Expedia (1) | 22,900 | 589 |
| Liberty Media Interactive, Class A (1) | 28,700 | 311 |
| priceline.com (1) | 1,100 | 240 |
| | | 2,889 |
| **Leisure Equipment & Products 0.1%** | | |
| Hasbro | 11,000 | 353 |
| | | 353 |
| **Media 2.6%** | | |
| Cablevision, Class A | 16,200 | 418 |
| DIRECTV (1) | 7,300 | 243 |
| Discovery Communications, Class A (1) | 3,200 | 98 |
| Discovery Communications, Class C (1) | 10,200 | 270 |
| Lamar Advertising (1) | 3,600 | 112 |
| McGraw-Hill | 8,700 | 292 |
| News Corp, Class A | 16,200 | 222 |
| Omnicom | 10,700 | 419 |
| Time Warner | 41,400 | 1,206 |
| Time Warner Cable, Class A | 29,925 | 1,239 |
| Walt Disney | 46,500 | 1,500 |
| | | 6,019 |
| **Multiline Retail 0.4%** | | |
| Kohl's (1) | 15,900 | 857 |
| | | 857 |
| **Specialty Retail 2.2%** | | |
| AutoZone (1) | 3,300 | 522 |
| Bed Bath & Beyond (1) | 19,700 | 761 |
| GAP | 32,600 | 683 |
| Home Depot | 48,640 | 1,407 |
| Lowe's | 67,860 | 1,587 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| Sherwin-Williams | 4,700 | 290 |
| | | 5,250 |
| **Textiles, Apparel & Luxury Goods 0.5%** | | |
| Coach | 15,000 | 548 |
| Nike, Class B | 8,200 | 542 |
| | | 1,090 |
| Total Consumer Discretionary | | 23,248 |
| **CONSUMER STAPLES 11.1%** | | |
| **Beverages 2.6%** | | |
| Coca-Cola | 52,440 | 2,989 |
| Pepsi Bottling Group | 4,800 | 180 |
| PepsiCo | 49,565 | 3,014 |
| | | 6,183 |
| **Food & Staples Retailing 2.7%** | | |
| Costco Wholesale | 900 | 53 |
| CVS Caremark | 43,339 | 1,396 |
| Sysco | 18,800 | 525 |
| Wal-Mart | 61,560 | 3,291 |
| Walgreen | 25,200 | 925 |
| Whole Foods Market (1) | 7,400 | 203 |
| | | 6,393 |
| **Food Products 1.2%** | | |
| Archer-Daniels-Midland | 8,600 | 269 |
| Campbell Soup | 18,500 | 626 |
| J.M. Smucker | 3,255 | 201 |
| Kellogg | 15,600 | 830 |
| Kraft Foods, Class A | 34,587 | 940 |
| | | 2,866 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| **Household Products 3.0%** | | |
| Clorox | 11,500 | 701 |
| Colgate-Palmolive | 5,185 | 426 |
| Kimberly-Clark | 18,300 | 1,166 |
| Procter & Gamble | 78,690 | 4,771 |
| | | 7,064 |
| **Personal Products 0.1%** | | |
| Avon | 3,600 | 113 |
| | | 113 |
| **Tobacco 1.5%** | | |
| Altria Group | 47,900 | 940 |
| Philip Morris International | 55,910 | 2,695 |
| | | 3,635 |
| Total Consumer Staples | | 26,254 |
| **ENERGY 12.1%** | | |
| **Energy Equipment & Services 2.1%** | | |
| Baker Hughes | 14,120 | 571 |
| BJ Services | 16,780 | 312 |
| Diamond Offshore Drilling | 1,700 | 167 |
| FMC Technologies (1) | 12,480 | 722 |
| Halliburton | 8,800 | 265 |
| Schlumberger | 40,480 | 2,635 |
| Smith International | 12,700 | 345 |
| | | 5,017 |
| **Oil, Gas & Consumable Fuels 10.0%** | | |
| Cabot Oil & Gas | 8,000 | 349 |
| Chevron | 51,472 | 3,963 |
| ConocoPhillips | 23,220 | 1,186 |
| CONSOL Energy | 10,100 | 503 |

(Cost and value in $000s)

| | Shares/$ Par | Value |
|---|---|---|
| Devon Energy | 7,400 | 544 |
| EOG Resources | 9,340 | 909 |
| ExxonMobil | 116,528 | 7,946 |
| Hess | 8,100 | 490 |
| Massey Energy | 2,300 | 97 |
| Murphy Oil | 15,800 | 856 |
| Newfield Exploration (1) | 14,100 | 680 |
| Occidental Petroleum | 16,360 | 1,331 |
| Peabody Energy | 10,700 | 484 |
| Range Resources | 5,300 | 264 |
| Southwestern Energy (1) | 17,900 | 863 |
| Spectra Energy | 31,700 | 650 |
| Suncor Energy | 14,900 | 526 |
| Valero Energy | 16,800 | 281 |
| Williams Companies | 27,800 | 586 |
| XTO Energy | 22,250 | 1,035 |
| | | 23,543 |
| Total Energy | | 28,560 |
| **FINANCIALS 13.6%** | | |
| **Capital Markets 2.8%** | | |
| Bank of New York Mellon | 24,000 | 671 |
| Charles Schwab | 22,600 | 425 |
| Goldman Sachs | 13,100 | 2,212 |
| Invesco | 18,400 | 432 |
| Janus Capital Group | 20,900 | 281 |
| Morgan Stanley | 43,300 | 1,282 |
| Northern Trust | 9,500 | 498 |
| State Street | 14,700 | 640 |
| TD Ameritrade Holding (1) | 11,700 | 227 |
| | | 6,668 |

(Cost and value in $000s)

| | Shares/$ Par | Value |
|---|---|---|
| **Commercial Banks 2.9%** | | |
| Fifth Third Bancorp | 37,600 | 367 |
| First Horizon National | 10,543 | 141 |
| KeyCorp | 44,900 | 249 |
| Marshall & Ilsley | 43,600 | 238 |
| PNC Financial Services Group | 7,100 | 375 |
| Regions Financial | 51,300 | 271 |
| SunTrust | 12,700 | 258 |
| U.S. Bancorp | 52,700 | 1,186 |
| Wells Fargo | 133,459 | 3,602 |
| | | 6,687 |
| **Consumer Finance 0.4%** | | |
| American Express | 18,200 | 738 |
| SLM Corporation (1) | 23,800 | 268 |
| | | 1,006 |
| **Diversified Financial Services 4.2%** | | |
| Bank of America | 224,161 | 3,376 |
| Citigroup | 302,300 | 1,001 |
| CME Group | 1,300 | 437 |
| IntercontinentalExchange (1) | 2,500 | 281 |
| JPMorgan Chase | 102,600 | 4,275 |
| Moody's | 8,900 | 238 |
| NASDAQ OMX Group (1) | 3,700 | 73 |
| NYSE Euronext | 9,200 | 233 |
| | | 9,914 |
| **Insurance 2.5%** | | |
| Aflac | 17,100 | 791 |
| Allstate | 10,000 | 300 |
| Aon | 15,900 | 610 |
| Assurant | 7,800 | 230 |
| Chubb | 12,700 | 625 |

(Cost and value in $000s)

| | Shares/$ Par | Value |
|---|---|---|
| Genworth Financial, Class A (1) | 13,500 | 153 |
| Hartford Financial Services | 6,800 | 158 |
| Lincoln National | 7,500 | 187 |
| Loews | 10,200 | 371 |
| Marsh & McLennan | 12,700 | 280 |
| MetLife | 20,900 | 739 |
| Prudential Financial | 14,700 | 731 |
| The Travelers Companies | 14,659 | 731 |
| | | 5,906 |
| **Real Estate Investment Trusts (REITs) 0.8%** | | |
| AvalonBay Communities, REIT | 4,600 | 378 |
| Boston Properties, REIT | 5,600 | 375 |
| Kimco Realty, REIT | 9,300 | 126 |
| Simon Property Group, REIT | 11,420 | 911 |
| | | 1,790 |
| Total Financials | | 31,971 |
| **HEALTH CARE 12.6%** | | |
| **Biotechnology 1.8%** | | |
| Amgen (1) | 24,400 | 1,380 |
| Biogen Idec (1) | 7,000 | 374 |
| Celgene (1) | 16,600 | 924 |
| Cephalon (1) | 2,700 | 169 |
| Gilead Sciences (1) | 26,560 | 1,150 |
| Vertex Pharmaceuticals (1) | 4,500 | 193 |
| | | 4,190 |
| **Health Care Equipment & Supplies 2.3%** | | |
| Baxter International | 16,500 | 968 |
| Boston Scientific (1) | 31,400 | 283 |
| C.R. Bard | 4,300 | 335 |
| CareFusion (1) | 12,250 | 306 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| Covidien | 12,650 | 606 |
| Dentsply International | 6,500 | 229 |
| Hospira (1) | 3,300 | 168 |
| Intuitive Surgical (1) | 1,000 | 303 |
| Medtronic | 28,400 | 1,249 |
| St. Jude Medical (1) | 12,900 | 475 |
| Stryker | 10,200 | 514 |
| | | 5,436 |
| **Health Care Providers & Services 2.1%** | | |
| Aetna | 10,600 | 336 |
| Cardinal Health | 4,600 | 148 |
| CIGNA | 8,600 | 303 |
| DaVita (1) | 5,300 | 311 |
| Express Scripts (1) | 8,900 | 769 |
| Humana (1) | 5,800 | 255 |
| McKesson | 6,300 | 394 |
| Medco (1) | 10,500 | 671 |
| Tenet Healthcare (1) | 36,500 | 197 |
| UnitedHealth Group | 23,800 | 726 |
| WellPoint (1) | 16,800 | 979 |
| | | 5,089 |
| **Life Sciences Tools & Services 0.3%** | | |
| Life Technologies (1) | 4,200 | 219 |
| Thermo Fisher Scientific (1) | 5,100 | 243 |
| Waters Corporation (1) | 3,400 | 211 |
| | | 673 |
| **Pharmaceuticals 6.1%** | | |
| Abbott Laboratories | 32,700 | 1,766 |
| Allergan | 11,400 | 718 |
| Bristol Myers Squibb | 48,900 | 1,235 |
| Eli Lilly | 23,000 | 821 |
| Johnson & Johnson | 64,200 | 4,135 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| Merck | 76,394 | 2,791 |
| Pfizer | 163,492 | 2,974 |
| | | 14,440 |
| Total Health Care | | 29,828 |
| **INDUSTRIALS & BUSINESS SERVICES 10.3%** | | |
| **Aerospace & Defense 2.9%** | | |
| Boeing | 18,100 | 980 |
| General Dynamics | 7,300 | 498 |
| Goodrich | 6,500 | 418 |
| Honeywell International | 16,700 | 655 |
| Lockheed Martin | 13,000 | 979 |
| Northrop Grumman | 7,400 | 413 |
| Precision Castparts | 4,700 | 519 |
| Raytheon | 7,500 | 386 |
| Rockwell Collins | 2,800 | 155 |
| United Technologies | 26,900 | 1,867 |
| | | 6,870 |
| **Air Freight & Logistics 1.0%** | | |
| C.H. Robinson Worldwide | 4,200 | 247 |
| Expeditors International of Washington | 5,400 | 187 |
| FedEx | 6,600 | 551 |
| UPS, Class B | 22,100 | 1,268 |
| | | 2,253 |
| **Airlines 0.1%** | | |
| Southwest Airlines | 30,800 | 352 |
| | | 352 |
| **Building Products 0.2%** | | |
| Masco | 26,200 | 362 |
| | | 362 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| **Commercial Services & Supplies 0.6%** | | |
| Cintas | 7,100 | 185 |
| Republic Services | 33,240 | 941 |
| Stericycle (1) | 7,300 | 403 |
| | | 1,529 |
| **Construction & Engineering 0.2%** | | |
| Fluor | 7,100 | 320 |
| Foster Wheeler (1) | 6,000 | 176 |
| Quanta Services (1) | 3,200 | 67 |
| | | 563 |
| **Electrical Equipment 0.7%** | | |
| Cooper Industries | 9,200 | 392 |
| Emerson Electric | 11,700 | 498 |
| Rockwell Automation | 14,700 | 691 |
| | | 1,581 |
| **Industrial Conglomerates 2.2%** | | |
| 3M | 22,200 | 1,835 |
| GE | 213,800 | 3,235 |
| McDermott International (1) | 6,100 | 146 |
| | | 5,216 |
| **Machinery 1.5%** | | |
| Danaher | 21,200 | 1,594 |
| Deere | 14,200 | 768 |
| Illinois Tool Works | 4,700 | 226 |
| PACCAR | 18,600 | 675 |
| Stanley Works | 3,000 | 154 |
| | | 3,417 |
| **Professional Services 0.0%** | | |
| Robert Half International | 3,240 | 87 |
| | | 87 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| **Road & Rail 0.8%** | | |
| CSX | 8,000 | 388 |
| Norfolk Southern | 8,000 | 419 |
| Union Pacific | 15,600 | 997 |
| | | 1,804 |
| **Trading Companies & Distributors 0.1%** | | |
| Fastenal | 4,400 | 183 |
| | | 183 |
| Total Industrials & Business Services | | 24,217 |
| **INFORMATION TECHNOLOGY 19.7%** | | |
| **Communications Equipment 2.5%** | | |
| Cisco Systems (1) | 102,800 | 2,461 |
| JDS Uniphase (1) | 34,200 | 282 |
| Juniper Networks (1) | 27,300 | 728 |
| Motorola (1) | 54,300 | 421 |
| Qualcomm | 46,100 | 2,133 |
| | | 6,025 |
| **Computers & Peripherals 5.7%** | | |
| Apple (1) | 22,800 | 4,808 |
| Dell (1) | 36,100 | 518 |
| EMC (1) | 49,000 | 856 |
| Hewlett-Packard | 51,700 | 2,663 |
| IBM | 31,400 | 4,110 |
| NetApp (1) | 8,300 | 286 |
| SanDisk (1) | 5,700 | 165 |
| | | 13,406 |
| **Electronic Equipment, Instruments & Components 0.6%** | | |
| Agilent Technologies (1) | 10,100 | 314 |
| Corning | 30,700 | 593 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| First Solar (1) | 600 | 81 |
| Tyco Electronics | 18,650 | 458 |
| | | 1,446 |
| **Internet Software & Services 2.0%** | | |
| Google, Class A (1) | 6,500 | 4,030 |
| VeriSign (1) | 17,600 | 427 |
| Yahoo! (1) | 17,300 | 290 |
| | | 4,747 |
| **IT Services 1.9%** | | |
| Accenture, Class A | 18,230 | 756 |
| Automatic Data Processing | 13,950 | 597 |
| Computer Sciences (1) | 5,500 | 316 |
| Fidelity National Information | 6,100 | 143 |
| Fiserv (1) | 4,900 | 238 |
| MasterCard, Class A | 2,900 | 742 |
| Paychex | 5,800 | 178 |
| Visa, Class A | 12,300 | 1,076 |
| Western Union | 23,600 | 445 |
| | | 4,491 |
| **Semiconductor & Semiconductor Equipment 2.6%** | | |
| Advanced Micro Devices (1) | 30,900 | 299 |
| Applied Materials | 47,400 | 661 |
| Intel | 153,200 | 3,125 |
| KLA-Tencor | 5,400 | 195 |
| Marvell Technology Group (1) | 7,100 | 147 |
| MEMC Electronic Materials (1) | 5,700 | 78 |
| Micron Technology (1) | 34,200 | 361 |
| National Semiconductor | 35,500 | 545 |
| NVIDIA (1) | 16,600 | 310 |
| Texas Instruments | 12,800 | 334 |
| | | 6,055 |

(Cost and value in $000s)

| | Shares/$ Par | Value |
|---|---|---|
| **Software 4.4%** | | |
| Autodesk (1) | 44,600 | 1,133 |
| CA | 42,600 | 957 |
| Electronic Arts (1) | 9,800 | 174 |
| Intuit (1) | 19,100 | 587 |
| McAfee (1) | 18,300 | 742 |
| Microsoft | 203,000 | 6,190 |
| Red Hat (1) | 16,700 | 516 |
| | | 10,299 |
| Total Information Technology | | 46,469 |
| **MATERIALS 3.1%** | | |
| **Chemicals 1.5%** | | |
| Dow Chemical | 11,300 | 312 |
| DuPont | 23,500 | 791 |
| Monsanto | 15,900 | 1,300 |
| Potash Corporation of Saskatchewan | 1,600 | 173 |
| Praxair | 11,700 | 940 |
| Sigma Aldrich | 1,600 | 81 |
| | | 3,597 |
| **Construction Materials 0.2%** | | |
| Vulcan Materials | 7,300 | 385 |
| | | 385 |
| **Metals & Mining 1.1%** | | |
| Cliffs Natural Resources | 1,600 | 74 |
| Eldorado Gold (1) | 13,000 | 184 |
| Freeport-McMoRan Copper & Gold (1) | 13,644 | 1,095 |
| Newmont Mining | 8,200 | 388 |
| Nucor | 8,900 | 415 |
| USX-U.S. Steel Group | 8,400 | 463 |
| | | 2,619 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| **Paper & Forest Products 0.4%** | | |
| International Paper | 18,500 | 495 |
| Weyerhaeuser | 9,400 | 406 |
| | | 901 |
| Total Materials | | 7,502 |
| **TELECOMMUNICATION SERVICES 3.0%** | | |
| **Diversified Telecommunication Services 2.1%** | | |
| AT&T | 169,757 | 4,758 |
| Verizon Communications | 2,700 | 90 |
| | | 4,848 |
| **Wireless Telecommunication Services 0.9%** | | |
| American Tower, Class A (1) | 16,817 | 727 |
| Crown Castle International (1) | 12,100 | 472 |
| MetroPCS Communications (1) | 26,600 | 203 |
| NII Holdings, Class B (1) | 4,100 | 138 |
| Sprint Nextel (1) | 187,000 | 684 |
| | | 2,224 |
| Total Telecommunication Services | | 7,072 |
| **UTILITIES 3.3%** | | |
| **Electric Utilities 2.0%** | | |
| Allegheny Energy | 10,100 | 237 |
| American Electric Power | 23,500 | 818 |
| Duke Energy | 10,000 | 172 |
| Edison International | 7,800 | 271 |
| Entergy | 8,900 | 729 |
| Exelon | 16,700 | 816 |
| FirstEnergy | 9,900 | 460 |
| FPL Group | 4,400 | 233 |
| Pepco Holdings | 12,900 | 217 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| Pinnacle West Capital | 4,900 | 179 |
| PPL | 16,300 | 527 |
| Progress Energy | 2,300 | 94 |
| | | 4,753 |
| **Independent Power Producers & Energy Traders 0.5%** | | |
| AES (1) | 8,000 | 106 |
| Constellation Energy Group | 15,300 | 538 |
| NRG Energy (1) | 23,200 | 548 |
| | | 1,192 |
| **Multi-Utilities 0.8%** | | |
| CenterPoint Energy | 48,700 | 707 |
| NiSource | 4,900 | 75 |
| Public Service Enterprise | 9,000 | 298 |
| Sempra Energy | 6,500 | 364 |
| Teco Energy | 21,000 | 341 |
| XCEL Energy | 3,500 | 74 |
| | | 1,859 |
| Total Utilities | | 7,804 |
| Total Common Stocks (Cost $190,429) | | 232,925 |
| **CONVERTIBLE PREFERRED STOCKS 0.4%** | | |
| **FINANCIALS 0.4%** | | |
| **Diversified Financial Services 0.4%** | | |
| Bank of America (1) | 58,400 | 871 |
| Total Convertible Preferred Stocks (Cost $901) | | 871 |

| (Cost and value in $000s) | Shares/$ Par | Value |
|---|---|---|
| **SHORT-TERM INVESTMENTS 1.1%** | | |
| **Money Market Funds 1.0%** | | |
| T. Rowe Price Government Reserve Investment Fund, 0.10% (2)(3) | 2,292,538 | 2,293 |
| | | 2,293 |
| **U.S. Treasury Obligations 0.1%** | | |
| U.S. Treasury Bills, 0.20%, 6/3/10 (4) | 250,000 | 250 |
| | | 250 |
| Total Short-Term Investments (Cost $2,543) | | 2,543 |
| **Total Investments in Securities 100.3% of Net Assets (Cost $193,873)** | | **$ 236,339** |

‡ Denominated in U.S. dollars unless otherwise noted.
(1) Non-income producing
(2) Seven-day yield
(3) Affiliated Companies
(4) All or a portion of this security is pledged to cover margin requirements on futures contracts at December 31, 2009.
REIT Real Estate Investment Trust

**Futures Contracts**

($000s)

| | Expiration | Contract Value | Unrealized Gain (Loss) |
|---|---|---|---|
| Long, 28 S&P 500 E-mini contracts $150 par of 0.20% U.S. Treasury Bills pledged as initial margin | 3/10 | $ 1,555 | $ 13 |
| Net payments (receipts) of variation margin to date | | | (30) |
| Variation margin receivable (payable) on open futures contracts | | | $ (17) |

## 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 which is under common ownership or control. Based on the fund's relative ownership, the following securities were considered affiliated companies for all or some portion of the year ended December 31, 2009. Purchase and sales cost and investment income reflect all activity for the period then ended.

| Affiliate | Purchase Cost | Sales Cost | Investment Income | Value 12/31/09 | Value 12/31/08 |
|---|---|---|---|---|---|
| T. Rowe Price Government Reserve Investment Fund, 0.10% | ¤ | ¤ | $ 4 | $ 2,293 | $ 1,053 |
| Totals | | | $ 4 | $ 2,293 | $ 1,053 |

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

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

| | |
|---|---|
| Investment in securities, at cost | $ 2,293 |
| Dividend income | 4 |
| Interest income | - |
| Investment income | $ 4 |
| Realized gain (loss) on securities | $ - |
| Capital gain distributions from mutual funds | $ - |

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

December 31, 2009

## Statement of Assets and Liabilities

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

| | |
|---|---|
| **Assets** | |
| Investments in securities, at value (cost $193,873) | $ 236,339 |
| Receivable for investment securities sold | 467 |
| Dividends and interest receivable | 320 |
| Receivable for shares sold | 133 |
| Other assets | 58 |
| Total assets | 237,317 |
| **Liabilities** | |
| Payable for investment securities purchased | 1,009 |
| Payable for shares redeemed | 383 |
| Investment management fees payable | 101 |
| Due to affiliates | 32 |
| Variation margin payable on futures contracts | 17 |
| Other liabilities | 45 |
| Total liabilities | 1,587 |
| **NET ASSETS** | **$ 235,730** |
| **Net Assets Consist of:** | |
| Undistributed net investment income | $ 617 |
| Accumulated undistributed net realized loss | (52,437) |
| Net unrealized gain | 42,479 |
| Paid-in capital applicable to 18,309,793 shares of $0.0001 par value capital stock outstanding; 1,000,000,000 shares authorized | 245,071 |
| **NET ASSETS** | **$ 235,730** |

December 31, 2009

## Statement of Assets and Liabilities

**NET ASSET VALUE PER SHARE**

| | | |
|---|---|---|
| **Investor Class** | | |
| **($228,507,031 / 17,747,242 shares outstanding)** | **$** | **12.88** |
| **Advisor Class** | | |
| **($6,469,604 / 504,077 shares outstanding)** | **$** | **12.83** |
| **R Class** | | |
| **($753,134 / 58,474 shares outstanding)** | **$** | **12.88** |

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

## Statement of Operations

($000s)

| | | Year Ended 12/31/09 |
|---|---|---|
| **Investment Income (Loss)** | | |
| Income | | |
| Dividend | | $ 4,426 |
| Interest | | 1 |
| Total income | | 4,427 |
| Expenses | | |
| Investment management | | 1,015 |
| Shareholder servicing | | |
| Investor Class | $ 207 | |
| Advisor Class | 10 | |
| R Class | 1 | 218 |
| Rule 12b-1 fees | | |
| Advisor Class | 19 | |
| R Class | 2 | 21 |
| Prospectus and shareholder reports | | |
| Investor Class | 32 | |
| Advisor Class | 9 | |
| R Class | 1 | 42 |
| Custody and accounting | | 198 |
| Registration | | 81 |
| Legal and audit | | 22 |
| Directors | | 6 |
| Miscellaneous | | 14 |
| Reductions of fees and expenses | | |
| Expenses reimbursed by manager | | (6) |
| Total expenses | | 1,611 |
| Net investment income | | 2,816 |

## Statement of Operations

($000s)

| | Year Ended 12/31/09 |
|---|---|
| **Realized and Unrealized Gain (Loss)** | |
| Net realized gain (loss) | |
| Securities | (17,833) |
| Futures | 211 |
| Net realized loss | (17,622) |
| Change in net unrealized gain (loss) | |
| Securities | 70,273 |
| Futures | (23) |
| Change in net unrealized gain | 70,250 |
| Net realized and unrealized gain | 52,628 |
| **INCREASE IN NET ASSETS FROM OPERATIONS** | **$ 55,444** |

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

## Statement of Changes in Net Assets

($000s)

| | Year Ended 12/31/09 | 12/31/08 |
|---|---|---|
| **Increase (Decrease) in Net Assets** | | |
| Operations | | |
| Net investment income | $ 2,816 | $ 2,887 |
| Net realized loss | (17,622) | (34,770) |
| Change in net unrealized gain (loss) | 70,250 | (63,916) |
| Increase (decrease) in net assets from operations | 55,444 | (95,799) |
| Distributions to shareholders | | |
| Net investment income | | |
| Investor Class | (2,655) | (2,390) |
| Advisor Class | (56) | (75) |
| R Class | (6) | (1) |
| Net realized gain | | |
| Investor Class | – | (854) |
| Advisor Class | – | (27) |
| R Class | – | (1) |
| Decrease in net assets from distributions | (2,717) | (3,348) |
| Capital share transactions* | | |
| Shares sold | | |
| Investor Class | 46,699 | 62,870 |
| Advisor Class | 4,272 | 7,563 |
| R Class | 458 | 58 |
| Distributions reinvested | | |
| Investor Class | 997 | 1,568 |
| Advisor Class | 56 | 102 |
| R Class | 4 | 3 |
| Shares redeemed | | |
| Investor Class | (39,091) | (49,659) |
| Advisor Class | (6,524) | (632) |
| R Class | (114) | (103) |
| Increase in net assets from capital share transactions | 6,757 | 21,770 |

## Statement of Changes in Net Assets

(000s)

| | Year Ended 12/31/09 | 12/31/08 |
|---|---|---|
| **Net Assets** | | |
| Increase (decrease) during period | 59,484 | (77,377) |
| Beginning of period | 176,246 | 253,623 |
| **End of period** | **$ 235,730** | **$ 176,246** |
| Undistributed net investment income | 617 | 518 |
| *Share information | | |
| Shares sold | | |
| Investor Class | 4,512 | 4,923 |
| Advisor Class | 448 | 663 |
| R Class | 40 | 4 |
| Distributions reinvested | | |
| Investor Class | 78 | 162 |
| Advisor Class | 5 | 10 |
| Shares redeemed | | |
| Investor Class | (3,644) | (3,897) |
| Advisor Class | (600) | (56) |
| R Class | (10) | (7) |
| Increase in shares outstanding | 829 | 1,802 |

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

## Notes to Financial Statements

T. Rowe Price Capital Opportunity Fund, Inc. (the fund), is registered under the Investment Company Act of 1940 (the 1940 Act) as a diversified, open-end management investment company. The fund seeks to provide long-term capital growth by investing primarily in U.S. common stocks. The fund has three classes of shares: the Capital Opportunity Fund original share class, referred to in this report as the Investor Class, offered since November 30, 1994; the Capital Opportunity Fund—Advisor Class (Advisor Class), offered since December 31, 2004; and the Capital Opportunity Fund—R Class (R Class), offered since December 31, 2004. Advisor Class shares are sold only through unaffiliated brokers and other unaffiliated financial intermediaries, and R Class shares are available to retirement plans serviced by intermediaries. The Advisor Class and R Class each operate under separate Board-approved Rule 12b-1 plans, pursuant to which each class compensates financial intermediaries for distribution, shareholder servicing, and/or certain administrative services. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to all classes; and, in all other respects, the same rights and obligations as the other classes.

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

**Basis of Preparation** The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the use of estimates made by fund management. Fund management believes that estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale of the securities. Further, fund management believes that no events have occurred between December 31, 2009, the date of this report, and February 25, 2010, the date of issuance of the financial statements, that require adjustment of, or disclosure in, the accompanying financial statements.

**Investment Transactions, Investment Income, and Distributions** Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. 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. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared and paid by each class annually. Capital gain distributions, if any, are generally declared and paid by the fund, annually.

**Class Accounting** The Advisor Class and R Class each pay distribution, shareholder servicing, and/or certain administrative expenses in the form of Rule 12b-1 fees, in an amount not exceeding 0.25% and 0.50%, respectively, of the class's average daily net assets. Shareholder servicing, prospectus, and shareholder report expenses incurred by each class are charged directly to the class to which they relate. Expenses common to all classes, investment income, and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class.

**Rebates and Credits** Subject to best execution, the fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the fund in cash. Commission rebates are reflected as realized gain on securities in the accompanying financial statements and totaled $7,000 for the year ended December 31, 2009. Additionally, the fund earns credits on temporarily uninvested cash balances held at the custodian, which reduce the fund's custody charges. Custody expense in the accompanying financial statements is presented before reduction for credits.

**New Accounting Pronouncement** On January 1, 2009, the fund adopted new accounting guidance that requires enhanced disclosures about derivative and hedging activities, including how such activities are accounted for and their effect on financial position, performance, and cash flows. Adoption of this guidance had no impact on the fund's net assets or results of operations.

## NOTE 2 - VALUATION

The fund's investments are reported at fair value as defined under GAAP. The fund determines the values of its assets and liabilities and computes its net asset value per share at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day that the NYSE is open for business.

**Valuation Methods** 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, except for OTC Bulletin Board securities, which are valued at the mean of the latest 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 latest bid and asked prices for domestic securities and the last quoted sale price for international securities. Debt securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation. Financial futures contracts are valued at closing settlement prices.

Other investments, including restricted securities, and those financial instruments 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 T. Rowe Price Valuation Committee, established by the fund's Board of Directors.

**Valuation Inputs** Various inputs are used to determine the value of the fund's financial instruments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar securities, interest rates, prepayment speeds, and credit risk)

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level. The following table summarizes the fund's financial instruments, based on the inputs used to determine their values on December 31, 2009:

| ($000s) | Level 1 Quoted Prices | Level 2 Significant Observable Inputs | Level 3 Significant Unobservable Inputs | Total Value |
|---|---|---|---|---|
| **Assets** | | | | |
| Investments in Securities, except: | $ 233,796 | $ — | $ — | $ 233,796 |
| Short-Term Investments | 2,293 | 250 | — | 2,543 |
| Total | $ 236,089 | $ 250 | $ — | $ 236,339 |
| **Liabilities** | | | | |
| Futures | $ — | $ 17 | $ — | $ 17 |
| Total | $ — | $ 17 | $ — | $ 17 |

## NOTE 3 - DERIVATIVE INSTRUMENTS

During the year ended December 31, 2009, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. Investments in derivatives can magnify returns positively or negatively; however, the fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover the settlement obligations under its open derivative contracts. During the year ended December 31, 2009, the fund's exposure to derivatives, based on underlying notional amounts, was generally between 0% and 1% of net assets.

The fund values its derivatives at fair value, as described below and in Note 2, and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. As of December 31, 2009, the fund held equity futures with cumulative unrealized gain of $13,000; the value reflected on the accompanying Statement of Assets and Liabilities is the related unsettled variation margin.

Additionally, during the year ended December 31, 2009, the fund recognized $211,000 of realized gain on Futures and a $23,000 change in unrealized loss on Futures related to its investments in equity derivatives; such amounts are included on the accompanying Statement of Operations.

Counterparty risk related to exchange-traded derivatives, including futures and options contracts, is minimal because the exchange's clearinghouse provides protection against defaults. Additionally, for exchange-traded derivatives, each broker in its sole discretion may change margin requirements applicable to the fund.

**Futures Contracts** The fund is subject to equity price risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rates, security prices, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; and/or to adjust credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a particular underlying financial instrument at an agreed-upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Upon entering into a futures contract, the fund is required to deposit with the broker cash or securities in an amount equal to a certain percentage of the contract value (initial margin deposit); the margin deposit must then be maintained at the established level over the life of the contract. Subsequent payments are made or received by the fund each day to settle daily fluctuations in the value of the contract (variation margin), which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the amount of unsettled variation margin; net variation margin receivable is reflected as an asset, and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values, and potential losses in excess of the fund's initial investment.

## NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Purchases and sales of portfolio securities other than short-term securities aggregated $91,626,000 and $85,129,000, respectively, for the year ended December 31, 2009.

## NOTE 5 - 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 fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after filing of the tax return but could be longer in certain circumstances.

Distributions during the years ended December 31, 2009 and December 31, 2008 were characterized for tax purposes as follows:

| ($000s) | December 31 | |
|---|---|---|
| | 2009 | 2008 |
| Ordinary income | $ 2,717 | $ 2,466 |
| Long-term capital gain | — | 882 |
| Total distributions | $ 2,717 | $ 3,348 |

At December 31, 2009, the tax-basis cost of investments and components of net assets were as follows:

| ($000s) | | |
|---|---|---|
| Cost of investments | $ | 204,460 |
| Unrealized appreciation | $ | 48,195 |
| Unrealized depreciation | | (16,316) |
| Net unrealized appreciation (depreciation) | | 31,879 |
| Undistributed ordinary income | | 617 |
| Capital loss carryforwards | | (41,259) |
| Post-October loss deferrals | | (578) |
| Paid-in capital | | 245,071 |
| Net assets | $ | 235,730 |

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales for tax purposes. The fund intends to retain realized gains to the extent of available capital loss carryforwards. The fund's unused capital loss carryforwards as of December 31, 2009, expire: $15,310,000 in fiscal 2016 and $25,949,000 in fiscal 2017. In accordance with federal income tax regulations applicable to investment companies, recognition of capital losses on certain transactions realized between November 1 and the fund's year end is deferred for tax purposes until the subsequent year (post-October loss deferrals); however, such losses are recognized for financial reporting purposes in the year realized.

## NOTE 6 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (the manager or Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. The investment management agreement between the fund and the manager provides for an annual investment management fee, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.20% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first $1 billion of assets to 0.285% for assets in excess of $220 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At December 31, 2009, the effective annual group fee rate was 0.30%.

The Advisor Class and R Class are also subject to a contractual expense limitation through the limitation dates indicated in the table below. During the limitation period, the manager is required to waive its management fee and/or reimburse expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, that would otherwise cause the class's ratio of annualized total expenses to average net assets (expense ratio) to exceed its expense limitation. Each class is required to repay the manager for expenses previously reimbursed and management fees waived to the extent the class's net assets have grown or expenses have declined sufficiently to allow repayment without causing the class's expense ratio to exceed its expense limitation. However, no repayment will be made more than three years after the date of any reimbursement or waiver or later than the repayment dates indicated in the table below.

| | Advisor Class | R Class |
|---|---|---|
| Expense Limitation | 1.10% | 1.35% |
| Limitation Date | April 30, 2010 | April 30, 2010 |
| Repayment Date | April 30, 2012 | April 30, 2012 |

Pursuant to this agreement, expenses in the amount of $6,000 were reimbursed by the manager during the year ended December 31, 2009. Including these amounts, expenses previously reimbursed by the manager in the amount of $24,000 remain subject to repayment at December 31, 2009.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates (collectively, Price). Price Associates computes the daily share prices and provides certain other administrative services to the fund. T. Rowe Price Services, Inc., provides shareholder and administrative services in its capacity as the fund's transfer and dividend disbursing agent. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the Investor Class and R Class. For the year ended December 31, 2009, expenses incurred pursuant to these service agreements were $125,000 for Price Associates; $127,000 for T. Rowe Price Services, Inc.; and $16,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

The fund may invest in the T. Rowe Price Reserve Investment Fund and the T. Rowe Price Government Reserve Investment Fund (collectively, the T. Rowe Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The T. Rowe Price Reserve Investment Funds are offered as cash management options to mutual funds, trusts, and other accounts managed by Price Associates and/or its affiliates and are not available for direct purchase by members of the public. The T. Rowe Price Reserve Investment Funds pay no investment management fees.

As of December 31, 2009, T. Rowe Price Group, Inc., and/or its wholly owned subsidiaries owned 1,227,569 shares of the Investor Class, and 19,715 shares of the R Class, aggregating 7% of the fund's net assets.

## Report of Independent Registered Public Accounting Firm

**To the Board of Directors and Shareholders of
T. Rowe Price Capital Opportunity Fund, Inc.**

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of T. Rowe Price Capital Opportunity Fund, Inc. (the "Fund") at December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2009 by correspondence with the custodian and brokers, and confirmation of the underlying fund by correspondence with the transfer agent, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 25, 2010

## Tax Information (Unaudited) for the Tax Year Ended 12/31/09

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

For taxable non-corporate shareholders, $2,816,000 of the fund's income represents qualified dividend income subject to the 15% rate category.

For corporate shareholders, $2,816,000 of the fund's income qualifies for the dividends-received deduction.

## 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, which you may request by calling 1-800-225-5132 or by accessing the SEC's Web site, www.sec.gov. The description of our proxy voting policies and procedures is also available on our Web site, www.troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

Each fund's most recent annual proxy voting record is available on our Web site and through the SEC's Web site. To access it through our Web site, follow the directions above, then click on the words "Proxy Voting Records" on the right side of the Proxy Voting Policies page.

## How to Obtain Quarterly Portfolio Holdings

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's Web site (www.sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 450 Fifth St. N.W., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

## About the Fund's Directors and Officers

Your fund is governed by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and other business affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of Board members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and T. Rowe Price International, Inc. (T. Rowe Price International); "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the directors and is available without charge by calling a T. Rowe Price representative at 1-800-225-5132.

### Independent Directors

| Name<br>(Year of Birth)<br>Year Elected* | Principal Occupation(s) During Past Five Years and Directorships of Other Public Companies |
|---|---|
| William R. Brody, M.D., Ph.D.<br>(1944)<br>2009 | President and Trustee, Salk Institute for Biological Studies (2009 to present); Director, Novartis, Inc. (2009 to present); Director, IBM (2007 to present); President and Trustee, Johns Hopkins University (1996 to 2009); Chairman of Executive Committee and Trustee, Johns Hopkins Health System (1996 to 2009) |
| Jeremiah E. Casey<br>(1940)<br>2005 | Director, National Life Insurance (2001 to 2005); Director, The Rouse Company, real estate developers (1990 to 2004) |
| Anthony W. Deering<br>(1945)<br>2001 | Chairman, Exeter Capital, LLC, a private investment firm (2004 to present); Director, Under Armour (2008 to present); Director, Vornado Real Estate Investment Trust (2004 to present); Director, Mercantile Bankshares (2002 to 2007); Member, Advisory Board, Deutsche Bank North America (2004 to present); Director, Chairman of the Board, and Chief Executive Officer, The Rouse Company, real estate developers (1997 to 2004) |
| Donald W. Dick, Jr.<br>(1943)<br>1994 | Principal, EuroCapital Advisors, LLC, an acquisition and management advisory firm (1995 to present) |
| Karen N. Horn<br>(1943)<br>2003 | Director, Eli Lilly and Company (1987 to present); Director, Simon Property Group (2004 to present); Director, Norfolk Southern (2008 to present); Director, Georgia Pacific (2004 to 2005) |
| Theo C. Rodgers<br>(1941)<br>2005 | President, A&R Development Corporation (1977 to present) |

*Each independent director oversees 124 T. Rowe Price portfolios and serves until retirement, resignation, or election of a successor.

## Independent Directors (continued)

| Name<br>(Year of Birth)<br>Year Elected | Principal Occupation(s) During Past Five Years and Directorships of Other Public Companies |
|---|---|
| John G. Schreiber<br>(1946)<br>2001 | Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Partner, Blackstone Real Estate Advisors, L.P. (1992 to present) |
| Mark R. Tercek<br>(1957)<br>2009 | President and Chief Executive Officer, The Nature Conservancy (2008 to present); Managing Director, The Goldman Sachs Group, Inc. (1984 to 2008) |

*Each independent director oversees 124 T. Rowe Price portfolios and serves until retirement, resignation, or election of a successor.

## Inside Directors

| Name<br>(Year of Birth)<br>Year Elected*<br>[Number of T. Rowe Price Portfolios Overseen] | Principal Occupation(s) During Past Five Years and Directorships of Other Public Companies |
|---|---|
| Edward C. Bernard<br>(1956)<br>2006<br>[124] | Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and President, T. Rowe Price Investment Services, Inc.; Chairman of the Board and Director, T. Rowe Price Global Asset Management Limited, T. Rowe Price Global Investment Services Limited, T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Savings Bank, and T. Rowe Price Services, Inc.; Director, T. Rowe Price International, Inc.; Chief Executive Officer, Chairman of the Board, Director, and President, T. Rowe Price Trust Company; Chairman of the Board, all funds |
| John H. Laporte, CFA<br>(1945)<br>1994<br>[16] | Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company |

*Each inside director serves until retirement, resignation, or election of a successor.

## Officers

| Name (Year of Birth)<br>Position Held With Capital Opportunity Fund | Principal Occupation(s) |
|---|---|
| Kennard W. Allen (1977)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |
| Francisco Alonso (1978)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |
| Peter J. Bates, CFA (1974)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |
| Anna M. Dopkin, CFA (1967)<br>President | Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company |
| David J. Eiswert, CFA (1972)<br>Vice President | Vice President, T. Rowe Price, T. Rowe Price Global Investment Services Limited, and T. Rowe Price Group, Inc. |
| Roger L. Fiery III, CPA (1959)<br>Vice President | Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, Inc., and T. Rowe Price Trust Company |
| John R. Gilner (1961)<br>Chief Compliance Officer | Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc. |
| Gregory S. Golczewski (1966)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Trust Company |
| Gregory K. Hinkle, CPA (1958)<br>Treasurer | Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly Partner, PricewaterhouseCoopers LLP (to 2007) |
| Ann M. Holcomb, CFA (1972)<br>Vice President | Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company |
| Patricia B. Lippert (1953)<br>Secretary | Assistant Vice President, T. Rowe Price and T. Rowe Price Investment Services, Inc. |
| Jennifer Martin (1972)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc.; formerly Research Analyst, Northern Trust (to 2005) |
| Philip A. Nestico (1976)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least five years.

Officers (continued)

| Name (Year of Birth)<br>Position Held With Capital Opportunity Fund | Principal Occupation(s) |
|---|---|
| Jason Nogueira, CFA (1974)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |
| David Oestreicher (1967)<br>Vice President | Director and Vice President, T. Rowe Price Investment Services, Inc., T. Rowe Price Trust Company, and T. Rowe Price Services, Inc.; Vice President, T. Rowe Price, T. Rowe Price Global Asset Management Limited, T. Rowe Price Global Investment Services Limited, T. Rowe Price Group, Inc., T. Rowe Price International, Inc., and T. Rowe Price Retirement Plan Services, Inc. |
| Timothy E. Parker, CFA (1974)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |
| Charles G. Pepin (1966)<br>Vice President | Director, T. Rowe Price Trust Company; Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |
| Robert T. Quinn, Jr. (1972)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |
| Deborah D. Seidel (1962)<br>Vice President | Vice President, T. Rowe Price, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc. |
| Gabriel Solomon (1977)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc. |
| Eric L. Veiel, CFA (1972)<br>Vice President | Vice President, T. Rowe Price and T. Rowe Price Group, Inc.; formerly Senior Equity Analyst, Wachovia Securities (to 2005) |
| Julie L. Waples (1970)<br>Vice President | Vice President, T. Rowe Price |

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least five years.

## T. Rowe Price Mutual Funds

This page contains supplementary information that is not part of the shareholder report.

### STOCK FUNDS

#### Domestic

Blue Chip Growth*
Capital Appreciation*
Capital Opportunity*
Diversified Mid-Cap Growth
Diversified Small-Cap Growth
Dividend Growth*
Equity Income*
Equity Index 500
Extended Equity Market Index
Financial Services
Growth & Income
Growth Stock*
Health Sciences
Media & Telecommunications
Mid-Cap Growth*
Mid-Cap Value*
New America Growth*
New Era
New Horizons
Real Estate*
Science & Technology*
Small-Cap Stock*
Small-Cap Value*
Spectrum Growth
Tax-Efficient Equity
Total Equity Market Index
U.S. Large-Cap Core*
Value*

### ASSET ALLOCATION FUNDS

Balanced
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Retirement 2005*
Retirement 2010*
Retirement 2015*
Retirement 2020*

### ASSET ALLOCATION FUNDS (CONT.)

Retirement 2025*
Retirement 2030*
Retirement 2035*
Retirement 2040*
Retirement 2045*
Retirement 2050*
Retirement 2055*
Retirement Income*

### BOND FUNDS

#### Domestic Taxable

Corporate Income
GNMA
High Yield*
Inflation Protected Bond
New Income*
Short-Term Bond*
Spectrum Income
Strategic Income*
Summit GNMA
U.S. Bond Index
U.S. Treasury Intermediate
U.S. Treasury Long-Term

#### Domestic Tax-Free

California Tax-Free Bond
Georgia Tax-Free Bond
Maryland Short-Term Tax-Free Bond
Maryland Tax-Free Bond
New Jersey Tax-Free Bond
New York Tax-Free Bond
Summit Municipal Income
Summit Municipal Intermediate
Tax-Free High Yield
Tax-Free Income*
Tax-Free Short-Intermediate
Virginia Tax-Free Bond

### MONEY MARKET FUNDS

#### Taxable

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

#### Tax-Free

California Tax-Free Money
Maryland Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

### INTERNATIONAL/GLOBAL FUNDS

#### Stock

Africa & Middle East
Emerging Europe & Mediterranean
Emerging Markets Stock
European Stock
Global Infrastructure*
Global Large-Cap Stock*
Global Real Estate*
Global Stock*
Global Technology
International Discovery
International Equity Index
International Growth & Income*
International Stock*
Japan
Latin America
New Asia
Overseas Stock
Spectrum International

#### Bond

Emerging Markets Bond
International Bond*

*For more information about T. Rowe Price funds or services, please contact us directly at 1-800-225-5132. 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.***

*Investments in the money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds.*

* T. Rowe Price Advisor and R Classes may be available for these funds. T. Rowe Price Advisor and R Classes are offered only through financial intermediaries. For more information about T. Rowe Price Advisor and R Classes, contact your financial professional or call T. Rowe Price at 1-877-804-2315.

** Summary prospectuses are not currently available for all funds.

T. Rowe Price
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