

JUNE 30, 2009

BLUE CHIP  
GROWTH  
FUND

*Semiannual Report*



T. ROWE PRICE<sup>®</sup>

## T. ROWE PRICE BLUE CHIP GROWTH FUND

### HIGHLIGHTS

- Large-cap growth stocks produced solid gains in the first six months of the year, as stocks worldwide rebounded from mid-March lows.
- The fund's first-half results surpassed those for the S&P 500, the style-specific Russell 1000 Growth Index, and the Lipper peer group of large-cap growth funds.
- Our holdings in the information technology and financials sectors were the best contributors for the past six months, while our holdings in defensive sectors generally lagged.
- We believe that high-quality, consistent-growth companies are especially attractive and could perform well even if the economy experiences only a modest recovery.

The views and opinions in this report were current as of June 30, 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.

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## Fellow Shareholders

Large-cap growth stocks generated solid first-half gains. After the nearly unprecedented correction in equity markets that unfolded in 2008, stocks bottomed out in the first quarter of 2009 and staged a historic rebound, recouping a portion of the decline. Concerns regarding the banking system, rising unemployment, and increasing government actions—to stabilize or regulate the auto, banking, and health care industries—contributed to global credit and financial markets volatility and the

uncertainty that permeates financial markets today. However, it appears the economy and the financial markets are healing.

After enduring a sharp decline in the second half of 2008, your fund performed quite well in the first half of 2009, posting one of the strongest performances we have experienced since the

fund’s inception 16 years ago. Our six-month results handily exceeded the returns for the S&P 500, the style-specific Russell 1000 Growth Index, and the Lipper peer group of large-cap growth funds. (Results for the Advisor and R Class shares were slightly lower, reflecting their higher fee structures.)

While we are pleased to report good six-month results, stocks in general remain significantly below year-ago levels. We especially appreciate your continued confidence in our efforts to manage your investment in these turbulent times. In our view, it is important for shareholders to follow their investment plan and regimen, especially when stocks are out of favor. Historical data suggest that stocks should continue to recover. We believe that relatively low interest rates, attractive valuations, and continued earnings growth are supportive of favorable equity markets performance, particularly for large-cap growth stocks.

The Blue Chip Growth Fund continued to compare favorably relative to its broad market benchmark and its competitor funds over the longer term as shown in the chart on page 14. Lipper ranked the fund

### PERFORMANCE COMPARISON

| Six-Month Period Ended 6/30/09      | Total Return |
|-------------------------------------|--------------|
| Blue Chip Growth Fund               | 16.47%       |
| Blue Chip Growth Fund—Advisor Class | 16.40        |
| Blue Chip Growth Fund—R Class       | 16.26        |
| S&P 500 Index                       | 3.16         |
| Lipper Large-Cap Growth Funds Index | 12.33        |
| Russell 1000 Growth Index           | 11.53        |

## A WORD ABOUT YOUR SHAREHOLDER REPORT

At T. Rowe Price, we believe that information is essential to understanding your investments in this fast-moving and volatile market environment. In this shareholder report's "Manager's Letter," your fund's portfolio manager writes a candid assessment of recent market events and fund performance, offers important insights into how the fund is managed, and provides a perspective for the next few months. We encourage you to read this report carefully.

Did you know you could receive your shareholder report sooner? The online version is usually available at least two weeks before you receive it by mail. If you're looking for easy access to the latest shareholder reports, account statements, transaction confirmations, tax forms, mutual fund prospectuses, and more, consider paperless e-delivery options from T. Rowe Price.

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in the top 20% of its large-cap growth funds universe for the 10-year period ended June 30, 2009. (Based on cumulative total return, Lipper ranked the Blue Chip Growth Fund 299 out of 841, 207 out of 602, and 61 out of 313 funds in the large-cap growth funds universe for the 1-, 5-, and 10-year periods ended June 30, 2009, respectively. *Past performance cannot guarantee future results.*)

## MARKET ENVIRONMENT

In our December 2008 letter to shareholders, we outlined many of the challenges and uncertainties that faced financial markets and investors. We acknowledged that "we simply do not know how effective the monetary and fiscal stimulus will be and how severe the unintended consequences (such as increased inflation) could be." However, we remained optimistic about stocks largely based upon compelling valuation, moderate interest rates, and corporate earnings, which we believed could be better for certain companies than many pessimistic estimates. Fortunately, the constructive view was correct more often than not in the last few months. Unfortunately, the challenges and uncertainty that face investors are perhaps more vexing than anticipated and remain quite daunting.

Over the past six months, there have been substantive improvements, which can only be viewed as positive for stocks. For example, we have started to see selected banks repay money from the federal government's Troubled Asset Relief Program (TARP). The banking system has been recapitalized, and liquidity in the financial and credit markets has certainly improved. This has benefited investor and consumer confidence and fostered an improvement in housing turnover, retail sales, and some areas of manufacturing. Although the environment is still quite fragile, remedial fiscal and monetary actions have begun to yield results and, in our view, the economy and financial markets are healing.

However, the rising unemployment rate, to 9.5% in June, is worrisome. The significant reform plans that Congress and President Obama are pursuing—in health care and certain other areas, on top of the huge stimulus spending already undertaken—are contributing to large current and projected budget deficits. The resultant weakness in the U.S. dollar has begun to stoke inflation fears and has probably contributed to the

rise in oil and other commodity prices. Additionally, interest rates have climbed moderately, which will make servicing public and private sector debt more expensive and could impair an economic recovery. Government authorities are in a difficult situation: They will need to continue to spend (as wisely and carefully as possible) in certain areas while avoiding large tax increases that could cripple growth.

Each unsettled investing environment is different, presenting hurdles and also tremendous opportunities.

Nevertheless, we believe that corporate earnings, inflation and interest rates, and valuation will continue to be the primary determinants of stock performance. In our assessment, corporate earnings should continue to be solid at selected companies. Inflation and interest rates

could remain relatively low if government authorities show appropriate restraint in overall spending measures. Finally, valuation is often underestimated as a precursor of future stock performance. Given the sharp recovery in many stocks, valuations are not nearly as compelling as they were in early March. However, there are many companies that are attractively valued given their growth prospects.

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## PORTFOLIO REVIEW

The portfolio's performance over the past six months benefited from a sharp recovery in our holdings in information technology, financials, consumer discretionary, and energy—sectors that struggled in 2008 and early 2009. As investors became more comfortable that the global economy would not implode, they sought out companies that would benefit from stabilization and ultimately improving economic activity.

Technology stocks were the portfolio's best first-half performers. **Apple**, our largest holding at the end of the reporting period, was also the largest contributor. The company's iPhones and iMac personal computers continued to generate good sales despite the challenging economic environment. Apple also released several new products, including lower-priced iPods and iPhones with enhanced features such as a video recorder. Steve Jobs, the chairman and CEO, appears to be healthy, and in our view, the company's deep management team has performed quite well. (Please refer to the portfolio of investments for a detailed list of holdings and the amount each represents in the portfolio.)

GOOGLE...STAGED A  
STRONG RECOVERY  
FROM THE  
STOCK MARKET  
LOWS EARLIER  
IN THE YEAR.

**Google**, our third-largest holding and third-best performer in the first half, staged a strong recovery from the stock market lows earlier in the year. Despite several challenges, including regulatory scrutiny, a difficult advertising environment, and increased competitive pressure, Google continued to execute its business plan well. In our view, the stock had a compelling valuation at the market lows, and if our earnings projections come to fruition, we think it is still reasonably valued, even after its 37% first-half gain. **Tencent**, a leading instant messaging services and online gaming provider to hundreds of millions of Chinese consumers, was another top first-half contributor. The company continues to generate robust sales, earnings growth, and stock performance.

Three of our 10 largest performance contributors in the first half came from the communications equipment industry. The growth in Internet traffic and video, voice, and data transmissions on other telecommunication devices is contributing to demand for sophisticated equipment. **Research In Motion** (the maker of the BlackBerry) continued to benefit from surging sales of smartphones and handheld interactive communication devices. San Diego-based **Qualcomm**, the dominant provider of chipsets and technology used in a variety of smartphones and other communication devices, reported a strong improvement in cash flow,

although operating income was hurt by a settlement and patent agreement with Broadcom. **Juniper Networks** is a leading high-performance networking equipment manufacturer. The company's earnings, free cash flow, and stock performance have been very favorable.

Patience with our large position in **Microsoft** also began to pay off in a major way. The company has improved its expense management and is benefiting from the launch of several major products, including Windows 7, Bing for Internet search (which is being well received), and a novel new technology dubbed Natal for the Xbox game platform. Other software holdings such as **McAfee** also performed quite

well. The company continues to add to its share in the rapidly growing market for security software.

Financial stocks continued to be quite volatile. Assessing the fundamentals in the group is challenging, but it was the second-best-performing sector in the first half. **Goldman Sachs** staged a steady but powerful recovery, nearly tripling off its lows. The company's management, culture, capital position, and earnings power continue to compare favorably with many of its peers.

**Morgan Stanley** also produced solid gains. Our investments in other financials that have less

credit exposure also contributed to performance. **State Street** recently raised capital but also came through the government stress tests with perhaps the best profile in terms of capital adequacy relative to risk. The stock staged a major recovery but still looks quite attractive in our view. **IntercontinentalExchange** and **CME Group** (Chicago Mercantile Exchange) dominate the exchange trading of derivative contracts used in interest rate risk management, agriculture, and energy. These companies generate strong return on invested capital and have maintained their earnings and free cash flow growth throughout the turbulent market

## SECTOR DIVERSIFICATION

|                                   | Percent of Net Assets |               |
|-----------------------------------|-----------------------|---------------|
|                                   | 12/31/08              | 6/30/09       |
| Information Technology            | 29.0%                 | 30.7%         |
| Financials                        | 10.9                  | 16.5          |
| Health Care                       | 24.5                  | 15.3          |
| Consumer Discretionary            | 11.8                  | 14.8          |
| Energy                            | 6.6                   | 7.5           |
| Industrials and Business Services | 4.6                   | 5.9           |
| Consumer Staples                  | 5.3                   | 3.7           |
| Materials                         | 3.5                   | 2.6           |
| Telecommunication Services        | 2.5                   | 1.8           |
| Utilities                         | 0.6                   | 0.8           |
| Other and Reserves                | 0.7                   | 0.4           |
| <b>Total</b>                      | <b>100.0%</b>         | <b>100.0%</b> |

Historical weightings reflect current industry/sector classifications.

environment. **JPMorgan Chase** also performed well, and its financial strength was instrumental in helping stabilize financial markets—a role the company also played in the 1929 stock market crash.

Selected consumer discretionary stocks were major winners. **Amazon.com** was the second-largest contributor to first-half performance. The Internet retailing giant continues to take market share thanks in part to its free shipping program for frequent customers, large third-party sales effort, and excellent customer service. Amazon's electronic book reader, dubbed Kindle, and online book offerings are selling briskly and creating an entirely new growth platform. **Priceline.com** and **Expedia**, the leading online travel companies, continue to prosper despite a decline in overall consumer travel. Their low-cost models (particularly Priceline.com's low-

bid model) resonate with consumers seeking to stretch their travel dollars. More traditional retailers such as **Kohl's** and **Bed Bath & Beyond** as well as drug store giant **CVS Caremark** also prospered. Each company demonstrated tight inventory control, effective expense management, and robust free cash flow generation in the downturn. We also think investors will become more positive on its pharmaceutical benefit management acquisition (Caremark), which has been assimilated into CVS.

Health care stocks have been controversial. Investors have been more enamored of companies that benefit from an improving economy, and the uncertainty relating to health care reform has also weighed on the sector. However, biotech giant **Genentech** generated strong results through the downturn, culminating in a lucrative buyout by **Roche**, the Swiss pharmaceutical company.

**Express Scripts** and **Medco Health Solutions** are dominant pharmaceutical benefits managers that continue to thrive. Generic drug substitution and the increased use of mail order for drug purchasing support strong growth. Express Scripts recently purchased the drug benefit manager from **WellPoint** (a leading HMO), and we think the transaction should be quite accretive to earnings over time. **St. Jude Medical** has demonstrated one of the strongest growth records in the medical device area. Recent results evidence the company's market share gains in implantable cardiac defibrillators, solutions for atrial fibrillation, and devices addressing neurological problems. **Allergan**, a leading provider of ophthalmology and appearance-enhancing cosmetic products such as Botox, has less reimbursement risk than many health care companies and also performed well.

HEALTH CARE  
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ECONOMY...

Other noteworthy winners came from various industries. We had several standouts in the media segment, which has been a very challenging area, and energy, which yielded several major disappointments last year. **McGraw-Hill**, which operates in education solutions, S&P ratings, and other media businesses, has navigated this downturn well. The company appears to be positioned for improving growth as debt issuance and education and media spending recover. Another strong performer was **Discovery Communications**, the operator of several leading cable properties including The Discovery Channel, The Learning Channel, and Animal Planet. It is less dependent on advertising than many media companies. Oil services giant **Schlumberger** has responded to the sharp correction in oil prices by effectively managing expenses and focusing investments in foreign deepwater projects. The stock staged a strong first-half recovery. **Petroleo Brasileiro** (Petrobras) also posted solid gains. The Brazilian oil giant continued to benefit from rapid reserve growth resulting from major offshore oil discoveries such as its mammoth Tupi field.

Despite the portfolio's strong first-half results, we held several stocks that performed poorly. **Nintendo** was our largest detractor. Despite its extraordinary financial strength and solid growth generated by the Wii platform, investors questioned whether the company could continue to grow, especially given a slowdown in its important Japanese domestic market. We share some of those concerns. Several competing products such as the Xbox platform from Microsoft appear to be taking share. Consequently, we sold a significant amount of our holding with some sales occurring at noticeably higher prices.

Although the health care sector produced good overall results, several of our holdings in the biotech segment, which tumbled in the first quarter, were among our largest detractors. **Gilead Sciences** was a poor performer. Results were hurt by several product disappointments and by the general rotation out of health care stocks. We have trimmed small amounts of this large holding from time to time, but it has been a strong performer for us over time, and we continue to be quite constructive on its growth prospects. **Celgene**, a multinational drug manufacturer, was hurt in the biotech selloff and due to slower sales of some of its expensive cancer products, particularly in Europe where government reimbursement became somewhat more challenging. Although we reduced the position, we have become more constructive recently, given the potential for new product indications and an improving economic backdrop. Our modest position in **Amgen** was also disappointing. We await an FDA decision, which should be forthcoming in August, on its potential blockbuster drug, Denosumab, a treatment for osteoporosis and also certain cancers.

## STRATEGY

Additions to existing holdings, including **Lockheed Martin**, **Wells Fargo**, State Street, JPMorgan Chase, and **American Express**, were significant enough to be included in the 10 largest purchases for the past six months. We also initiated several new positions. We have been underweight in the energy sector and had significantly reduced our financials exposure in 2007. We used the weakness in late 2008 and early 2009 to increase our exposure in both sectors. We added a position in Petrobras, mentioned earlier. Its reserve growth is among the strongest of the major global oil producers, and it has a solid record of successful exploration and operation in Brazil as well as global markets. We also made a significant purchase in **Suncor Energy**, a major Canadian producer of crude oil from oil sands. The company recently announced a merger with Petro-Canada. The combined entity should have outstanding production growth as well as long-lived oil and gas reserves.

We established a position in blue chip engineering and construction company **Fluor**, and it has performed well since the purchase. Its strong balance sheet, well-diversified backlog of business, and new contract awards have been appreciated by investors. The company just won several major contracts and could benefit from the infrastructure spending being undertaken as part of the stimulus packages being implemented by various governments. We also established a moderately sized position in **Bank of America** after we became more confident that its fundamental performance was improving and that it would not require additional government assistance or capital that could dilute our stake. While it was added much later than purchases made in some other financial stocks noted previously (which have been long-term holdings and are viewed as higher quality), Bank of America has a very attractive valuation, and we agree with our analyst's assessment that it could once again be viewed as a blue chip company over time.

Our largest first-half sale was Genentech, which we eliminated after the final purchase price increase was announced by Roche. We also trimmed our positions in **ExxonMobil**, **Hewlett-Packard**, and **Medtronic**. Hewlett-Packard and Medtronic both reported somewhat disappointing quarterly results. Additionally, we found other companies with better growth prospects or more appreciation potential. Our analysts believe that ExxonMobil and Medtronic still have solid prospects and may merit accumulation over time.

We also trimmed our position in **Monsanto**. It was a difficult decision as the company has been one of our best-performing holdings over several years. However, a major shortfall in its Roundup herbicide business resulted in a significant earnings revision. Our analyst anticipated

that this could happen to a degree, and we sold a significant amount of stock before the earnings surprise. The genomic seeds portion of the business continues to show strong growth, and we concur with our analyst's view that a moderate position is still warranted.

## OUTLOOK

STOCKS  
HISTORICALLY HAVE  
PERFORMED QUITE  
WELL FOLLOWING  
A ONE-YEAR  
DEBACLE SUCH AS  
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JUST EXPERIENCED...

The unprecedented crisis in credit and financial markets has necessitated substantial ongoing intervention by central banks and governments. The monetary and fiscal stimulus will certainly play a key role in improving financial markets and underlying economies. However, the pace and effectiveness of the improvement and the extent of unintended consequences, such as inflation, are hard to discern. As we noted in our last letter (and as investors are coming to appreciate), economic healing will take time to play out. Stimulus programs can be helpful, but private enterprise and time will ultimately be required to bring about lasting prosperity.

Despite the frailty of the economic recovery and the many uncertainties facing investors, we continue to be optimistic on stocks. Our primary reservations are that stocks have already experienced a strong recovery, and government spending and regulation may not be pursued in a way that is balanced and ultimately helpful. However, even after the strong rally, large-cap growth stocks appear to be reasonably valued. We accept that some government actions will not achieve their objectives—public and private sector solutions are not perfect. We also believe that there will be more spending restraint, and there is an appreciation that overregulation can be quite harmful. Certain holdings will undoubtedly benefit from the stimulus plan and other government initiatives.

Despite the uncertainty surrounding how effective fiscal and monetary actions will be in healing the economy, there are several things working in our favor:

1. Stocks historically have performed quite well following a one-year debacle such as the one we have just experienced, and also especially well following a lackluster 10-year period of stock performance. Essentially, we have experienced two very major bear markets in the past 10 years.
2. Stock valuations are quite attractive, especially in relation to the extremely low level of interest rates. Although interest rates

have risen moderately, they remain historically low. The spread between the earnings yield on stocks and the 10-year Treasury rate is attractive in any historical context.

3. We believe that the high-quality, consistent-growth companies that we seek to purchase are especially attractive and could conceivably perform well even if the economy experiences only a modest recovery.
4. Many large-cap growth companies have solid balance sheets with record amounts of cash and strong capitalization. This should allow them to manage through challenges and also be opportunistic in investing in products or acquiring other businesses as change creates dislocation.
5. Many of our holdings generate significant free cash flow. Shareholder-oriented managements can use this cash to pay dividends (which receive more favorable tax treatment than they did a few years ago), repurchase shares, or make value-added acquisitions.

We continue to strive to enhance returns in a difficult environment by investing in quality companies with durable, sustainable earnings and cash flow growth. We appreciate your continued confidence in this endeavor.

Respectfully submitted,

A handwritten signature in black ink that reads "Larry J. Puglia". The signature is written in a cursive, flowing style.

Larry J. Puglia  
*President and chairman of the Investment Advisory Committee*

July 12, 2009

*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 STOCK INVESTING

The fund's share price can fall because of weakness in the stock markets, 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. In addition, the investment manager's assessment of companies held in a fund may prove incorrect, resulting in losses or poor performance even in rising markets. Growth stocks can be volatile because these companies usually invest a high portion of earnings in their businesses, and earnings disappointments often lead to sharply falling prices. The value approach carries the risk that a security's intrinsic value may not be recognized for a long time or that the stock may actually be appropriately priced.

## GLOSSARY

**Dividend yield:** The annual dividend of a stock divided by the stock's price.

**Free cash flow:** The excess cash a company is generating from its operations that can be taken out of the business for the benefit of shareholders, such as dividends, share repurchases, investments, and acquisitions.

**Lipper indexes:** Fund benchmarks that consist of a small number (10 to 30) of the largest mutual funds in a particular category as tracked by Lipper Inc.

**Price/book ratio:** A valuation measure that compares a stock's market price with its book value, i.e., the company's net worth divided by the number of outstanding shares.

**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.

**Russell 1000 Growth Index:** A market capitalization-weighted index of those firms in the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

**S&P 500 Index:** An unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies.

## PORTFOLIO HIGHLIGHTS

## TWENTY-FIVE LARGEST HOLDINGS

|                        | Percent of<br>Net Assets<br>6/30/09 |
|------------------------|-------------------------------------|
| Apple                  | 5.1%                                |
| Amazon.com             | 4.1                                 |
| Google                 | 3.8                                 |
| Microsoft              | 2.9                                 |
| Danaher                | 2.7                                 |
| Goldman Sachs          | 2.5                                 |
| Qualcomm               | 2.4                                 |
| State Street           | 2.2                                 |
| Gilead Sciences        | 2.1                                 |
| Schlumberger           | 2.1                                 |
| Medco Health Solutions | 2.1                                 |
| Express Scripts        | 1.6                                 |
| Juniper Networks       | 1.6                                 |
| Franklin Resources     | 1.6                                 |
| Wal-Mart               | 1.6                                 |
| American Tower         | 1.6                                 |
| St. Jude Medical       | 1.4                                 |
| Northern Trust         | 1.4                                 |
| JPMorgan Chase         | 1.4                                 |
| Celgene                | 1.3                                 |
| Praxair                | 1.3                                 |
| Smith International    | 1.3                                 |
| Research In Motion     | 1.3                                 |
| Lockheed Martin        | 1.2                                 |
| McAfee                 | 1.2                                 |
| <b>Total</b>           | <b>51.8%</b>                        |

**PORTFOLIO HIGHLIGHTS**

**MAJOR PORTFOLIO CHANGES**

Listed in descending order of size.

Six Months Ended 6/30/09

**Largest Purchases**

Lockheed Martin

Wells Fargo

Petroleo Brasileiro\*

State Street

Suncor Energy\*

JPMorgan Chase

Fluor\*

Bank of America\*

American Express

Schlumberger

**Largest Sales**

Genentech\*\*

ExxonMobil

Wyeth

Hewlett-Packard

Medtronic

Nintendo

Monsanto

Amgen

Chevron

Accenture

\*Position added.

\*\*Position eliminated.

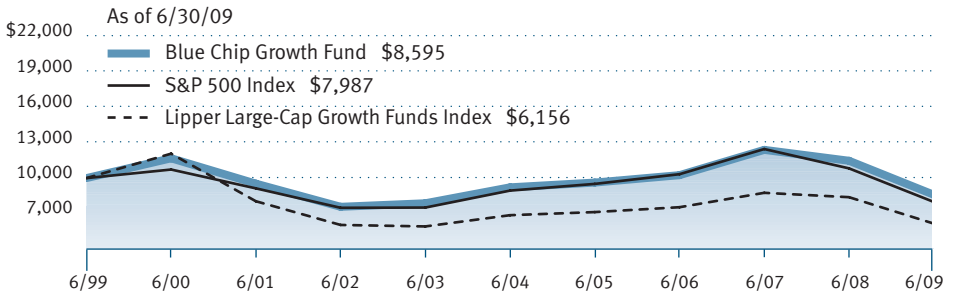
# T. ROWE PRICE BLUE CHIP GROWTH FUND

## 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.

### BLUE CHIP GROWTH FUND



### 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 6/30/09               | 1 Year  | 5 Years | 10 Years | Since Inception | Inception Date |
|-------------------------------------|---------|---------|----------|-----------------|----------------|
| Blue Chip Growth Fund               | -25.05% | -1.40%  | -1.50%   | -               | -              |
| Blue Chip Growth Fund—Advisor Class | -25.17  | -1.54   | -        | -3.27%          | 3/31/00        |
| Blue Chip Growth Fund—R Class       | -25.32  | -1.80   | -        | 4.03            | 9/30/02        |

*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 (fund) or 1-800-638-8970 (Advisor Class and R Class).*

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 short- and long-term returns.

**EXPENSE RATIO**

|                                     |       |
|-------------------------------------|-------|
| Blue Chip Growth Fund               | 0.80% |
| Blue Chip Growth Fund—Advisor Class | 0.98  |
| Blue Chip Growth Fund—R Class       | 1.26  |

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 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

**FUND EXPENSE EXAMPLE (CONTINUED)**

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 BLUE CHIP GROWTH FUND**

|   | Beginning<br>Account Value<br>1/1/09 | Ending<br>Account Value<br>6/30/09 | Expenses Paid<br>During Period*<br>1/1/09 to 6/30/09 |
|---|--------------------------------------|------------------------------------|--|
| <b>Investor Class</b>                               |                                      |                                    |  |
| Actual  | \$1,000.00                           | \$1,164.70                         | \$4.40   |
| Hypothetical (assumes 5%<br>return before expenses) | 1,000.00                             | 1,020.73                           | 4.11   |
| <b>Advisor Class</b>                                |                                      |                                    |  |
| Actual  | 1,000.00                             | 1,164.00                           | 5.20   |
| Hypothetical (assumes 5%<br>return before expenses) | 1,000.00                             | 1,019.98                           | 4.86   |
| <b>R Class</b>                                      |                                      |                                    |  |
| Actual  | 1,000.00                             | 1,162.60                           | 6.43   |
| Hypothetical (assumes 5%<br>return before expenses) | 1,000.00                             | 1,018.84                           | 6.01   |

\*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 (181) divided by the days in the year (365) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.82%, the Advisor Class was 0.97%, and the R Class was 1.20%.

# T. ROWE PRICE BLUE CHIP GROWTH FUND

Unaudited

## FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

### Investor Class

|  | 6 Months<br>Ended<br>6/30/09 <sup>‡</sup> | Year<br>Ended<br>12/31/08 <sup>‡</sup> | 12/31/07 <sup>‡</sup> | 12/31/06 <sup>‡</sup> | 12/31/05 <sup>‡</sup> | 12/31/04 |
|--|---|--|-----------------------|-----------------------|-----------------------|----------|
| <b>NET ASSET VALUE</b>                     |   |  |                       |                       |                       |          |
| Beginning of period                        | \$ 23.01                                  | \$ 40.23                               | \$ 35.73              | \$ 32.68              | \$ 30.92              | \$ 28.45 |
| Investment activities                      |   |  |                       |                       |                       |          |
| Net investment income                      | 0.02                                      | 0.07                                   | 0.16                  | 0.12                  | 0.09                  | 0.16     |
| Net realized and<br>unrealized gain (loss) | 3.77                                      | (17.22)                                | 4.49                  | 3.06                  | 1.75                  | 2.47     |
| Total from investment<br>activities        | 3.79                                      | (17.15)                                | 4.65                  | 3.18                  | 1.84                  | 2.63     |
| Distributions                              |   |  |                       |                       |                       |          |
| Net investment income                      | –   | (0.07)                                 | (0.15)                | (0.13)                | (0.08)                | (0.16)   |

### NET ASSET VALUE

|                      |                 |                 |                 |                 |                 |                 |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>End of period</b> | <b>\$ 26.80</b> | <b>\$ 23.01</b> | <b>\$ 40.23</b> | <b>\$ 35.73</b> | <b>\$ 32.68</b> | <b>\$ 30.92</b> |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|

### Ratios/Supplemental Data

|  |                      |                 |               |              |              |                      |
|--|----------------------|-----------------|---------------|--------------|--------------|----------------------|
| <b>Total return<sup>(1)</sup></b>                          | <b>16.47%</b>        | <b>(42.62)%</b> | <b>13.02%</b> | <b>9.73%</b> | <b>5.95%</b> | <b>9.25%</b>         |
| Ratio of total expenses to<br>average net assets           | 0.82% <sup>(2)</sup> | 0.80%           | 0.77%         | 0.81%        | 0.85%        | 0.88%                |
| Ratio of net investment<br>income to average net<br>assets | 0.19% <sup>(2)</sup> | 0.22%           | 0.42%         | 0.36%        | 0.28%        | 0.56% <sup>(3)</sup> |
| Portfolio turnover rate                                    | 31.5%                | 53.8%           | 31.5%         | 39.2%        | 43.9%        | 31.9%                |
| Net assets, end of period<br>(in millions)                 | \$ 7,894             | \$ 6,727        | \$ 11,296     | \$ 8,811     | \$ 7,943     | \$ 7,236             |

<sup>‡</sup> 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) Annualized

(3) Includes the effect of a one-time special dividend (0.38% of average net assets) that is not expected to recur.

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

# T. ROWE PRICE BLUE CHIP GROWTH FUND

Unaudited

## FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

### Advisor Class

|  | 6 Months<br>Ended<br>6/30/09 <sup>‡</sup> | Year<br>Ended<br>12/31/08 <sup>‡</sup> | 12/31/07 <sup>‡</sup> | 12/31/06 <sup>‡</sup> | 12/31/05 <sup>‡</sup> | 12/31/04 |
|--|---|--|-----------------------|-----------------------|-----------------------|----------|
| <b>NET ASSET VALUE</b>                     |   |  |                       |                       |                       |          |
| Beginning of period                        | \$ 23.05                                  | \$ 40.26                               | \$ 35.78              | \$ 32.72              | \$ 30.93              | \$ 28.48 |
| Investment activities                      |   |  |                       |                       |                       |          |
| Net investment income                      | 0.01                                      | 0.01                                   | 0.09                  | 0.07                  | 0.03                  | 0.13     |
| Net realized and<br>unrealized gain (loss) | 3.77                                      | (17.21)                                | 4.49                  | 3.07                  | 1.76                  | 2.46     |
| Total from investment<br>activities        | 3.78                                      | (17.20)                                | 4.58                  | 3.14                  | 1.79                  | 2.59     |
| Distributions                              |   |  |                       |                       |                       |          |
| Net investment income                      | –   | (0.01)                                 | (0.10)                | (0.08)                | –                     | (0.14)   |

### NET ASSET VALUE

|                      |                 |                 |                 |                 |                 |                 |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>End of period</b> | <b>\$ 26.83</b> | <b>\$ 23.05</b> | <b>\$ 40.26</b> | <b>\$ 35.78</b> | <b>\$ 32.72</b> | <b>\$ 30.93</b> |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|

### Ratios/Supplemental Data

|  |                      |                 |               |              |              |                      |
|--|----------------------|-----------------|---------------|--------------|--------------|----------------------|
| <b>Total return<sup>(1)</sup></b>                          | <b>16.40%</b>        | <b>(42.72)%</b> | <b>12.81%</b> | <b>9.60%</b> | <b>5.79%</b> | <b>9.10%</b>         |
| Ratio of total expenses to<br>average net assets           | 0.97% <sup>(2)</sup> | 0.98%           | 0.96%         | 0.95%        | 0.98%        | 0.98%                |
| Ratio of net investment<br>income to average net<br>assets | 0.04% <sup>(2)</sup> | 0.04%           | 0.24%         | 0.22%        | 0.11%        | 0.49% <sup>(3)</sup> |
| Portfolio turnover rate                                    | 31.5%                | 53.8%           | 31.5%         | 39.2%        | 43.9%        | 31.9%                |
| Net assets, end of period<br>(in millions)                 | \$ 821               | \$ 739          | \$ 1,374      | \$ 835       | \$ 715       | \$ 996               |

<sup>‡</sup> 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) Annualized

(3) Includes the effect of a one-time special dividend (0.41% of average net assets) that is not expected to recur.

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

# T. ROWE PRICE BLUE CHIP GROWTH FUND

Unaudited

## FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

### R Class

|   | 6 Months<br>Ended<br>6/30/09 <sup>†</sup> | Year<br>Ended<br>12/31/08 <sup>†</sup> | 12/31/07 <sup>†</sup> | 12/31/06 <sup>†</sup> | 12/31/05 <sup>†</sup> | 12/31/04 |
|---|---|--|-----------------------|-----------------------|-----------------------|----------|
| <b>NET ASSET VALUE</b>                  |   |  |                       |                       |                       |          |
| Beginning of period                     | \$ 22.75                                  | \$ 39.81                               | \$ 35.37              | \$ 32.41              | \$ 30.73              | \$ 28.31 |
| Investment activities                   |   |  |                       |                       |                       |          |
| Net investment income (loss)            | (0.02)                                    | (0.06)                                 | —                     | (0.03)                | (0.05)                | 0.02     |
| Net realized and unrealized gain (loss) | 3.72                                      | (17.00)                                | 4.44                  | 3.04                  | 1.73                  | 2.48     |
| Total from investment activities        | 3.70                                      | (17.06)                                | 4.44                  | 3.01                  | 1.68                  | 2.50     |
| Distributions                           |   |  |                       |                       |                       |          |
| Net investment income                   | —   | —                                      | —                     | (0.05)                | —                     | (0.08)   |

### NET ASSET VALUE

**End of period**      **\$ 26.45**   **\$ 22.75**   **\$ 39.81**   **\$ 35.37**   **\$ 32.41**   **\$ 30.73**

### Ratios/Supplemental Data

|   |                        |                 |               |              |              |                      |
|---|------------------------|-----------------|---------------|--------------|--------------|----------------------|
| <b>Total return<sup>(1)</sup></b>                           | <b>16.26%</b>          | <b>(42.85)%</b> | <b>12.55%</b> | <b>9.29%</b> | <b>5.47%</b> | <b>8.83%</b>         |
| Ratio of total expenses to average net assets               | 1.20% <sup>(2)</sup>   | 1.20%           | 1.20%         | 1.22%        | 1.29%        | 1.26%                |
| Ratio of net investment income (loss) to average net assets | (0.19)% <sup>(2)</sup> | (0.19)%         | 0.00%         | (0.10)%      | (0.16)%      | 0.25% <sup>(3)</sup> |
| Portfolio turnover rate                                     | 31.5%                  | 53.8%           | 31.5%         | 39.2%        | 43.9%        | 31.9%                |
| Net assets, end of period (in thousands)                    | \$ 66,537              | \$ 58,659       | \$ 108,487    | \$ 75,818    | \$ 44,967    | \$ 31,211            |

<sup>†</sup> 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) Annualized

(3) Includes the effect of a one-time special dividend (0.44% of average net assets) that is not expected to recur.

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

# T. ROWE PRICE BLUE CHIP GROWTH FUND

Unaudited

June 30, 2009

| PORTFOLIO OF INVESTMENTS ‡                    | Shares    | Value   |
|---|-----------|---------|
| (Cost and value in \$000s)                    |           |         |
| <b>COMMON STOCKS 99.6%</b>                    |           |         |
| <b>CONSUMER DISCRETIONARY 14.8%</b>           |           |         |
| <b>Diversified Consumer Services 0.7%</b>     |           |         |
| Apollo Group, Class A (1)                     | 830,000   | 59,030  |
|   |           | 59,030  |
| <b>Hotels, Restaurants &amp; Leisure 3.0%</b> |           |         |
| Carnival                                      | 340,000   | 8,762   |
| Marriott, Class A                             | 2,579,483 | 56,929  |
| McDonald's                                    | 1,780,000 | 102,332 |
| Wynn Resorts (1)                              | 40,000    | 1,412   |
| Yum! Brands                                   | 2,710,000 | 90,351  |
|   |           | 259,786 |
| <b>Internet &amp; Catalog Retail 5.1%</b>     |           |         |
| Amazon.com (1)                                | 4,300,000 | 359,738 |
| Expedia (1)                                   | 2,300,000 | 34,753  |
| priceline.com (1)                             | 451,000   | 50,309  |
|   |           | 444,800 |
| <b>Media 2.9%</b>                             |           |         |
| Discovery Communications, Class A (1)         | 2,452,527 | 55,304  |
| Discovery Communications, Class C (1)         | 2,217,200 | 45,519  |
| McGraw-Hill                                   | 3,520,000 | 105,987 |
| Time Warner                                   | 2,050,000 | 51,640  |
|   |           | 258,450 |
| <b>Multiline Retail 1.2%</b>                  |           |         |
| Kohl's (1)                                    | 2,480,000 | 106,020 |
|   |           | 106,020 |
| <b>Specialty Retail 1.5%</b>                  |           |         |
| Bed Bath & Beyond (1)                         | 2,230,000 | 68,572  |
| Lowe's  | 1,600,000 | 31,056  |
| O'Reilly Automotive (1)                       | 970,000   | 36,938  |
|   |           | 136,566 |

# T. ROWE PRICE BLUE CHIP GROWTH FUND

|  | Shares    | Value     |
|--|-----------|-----------|
| (Cost and value in \$000s)                       |           |           |
| <b>Textiles, Apparel &amp; Luxury Goods 0.4%</b> |           |           |
| Nike, Class B                                    | 610,000   | 31,586    |
|  |           | 31,586    |
| Total Consumer Discretionary                     |           | 1,296,238 |
| <b>CONSUMER STAPLES 3.7%</b>                     |           |           |
| <b>Beverages 0.9%</b>                            |           |           |
| Coca-Cola  | 1,000,000 | 47,990    |
| PepsiCo  | 640,000   | 35,174    |
|  |           | 83,164    |
| <b>Food &amp; Staples Retailing 2.8%</b>         |           |           |
| Costco Wholesale                                 | 25,000    | 1,143     |
| CVS Caremark                                     | 3,275,000 | 104,374   |
| Wal-Mart   | 2,825,000 | 136,843   |
|  |           | 242,360   |
| <b>Household Products 0.0%</b>                   |           |           |
| Procter & Gamble                                 | 10,000    | 511       |
|  |           | 511       |
| Total Consumer Staples                           |           | 326,035   |
| <b>ENERGY 7.5%</b>                               |           |           |
| <b>Energy Equipment &amp; Services 4.3%</b>      |           |           |
| Cameron International (1)                        | 1,180,000 | 33,394    |
| FMC Technologies (1)                             | 1,330,000 | 49,982    |
| Schlumberger                                     | 3,400,000 | 183,974   |
| Smith International                              | 4,300,000 | 110,725   |
|  |           | 378,075   |
| <b>Oil, Gas &amp; Consumable Fuels 3.2%</b>      |           |           |
| Chevron  | 40,000    | 2,650     |
| EOG Resources                                    | 970,000   | 65,882    |

# T. ROWE PRICE BLUE CHIP GROWTH FUND

|                            | Shares    | Value   |
|----------------------------|-----------|---------|
| (Cost and value in \$000s) |           |         |
| ExxonMobil                 | 275,000   | 19,225  |
| Petroleo Brasileiro, ADR   | 2,800,000 | 93,408  |
| Southwestern Energy (1)    | 1,210,000 | 47,009  |
| Suncor Energy              | 1,600,000 | 48,544  |
|                            |           | 276,718 |
| Total Energy               |           | 654,793 |

## FINANCIALS 16.5%

### Capital Markets 10.8%

|                         |           |         |
|-------------------------|-----------|---------|
| Ameriprise Financial    | 775,000   | 18,809  |
| Bank of New York Mellon | 2,800,000 | 82,068  |
| Blackrock               | 100,000   | 17,542  |
| Charles Schwab          | 3,950,000 | 69,283  |
| Credit Suisse (CHF)     | 100,000   | 4,565   |
| Franklin Resources      | 1,975,000 | 142,220 |
| Goldman Sachs           | 1,500,000 | 221,160 |
| Morgan Stanley          | 2,570,000 | 73,271  |
| Northern Trust          | 2,320,000 | 124,537 |
| State Street            | 4,100,000 | 193,520 |
|                         |           | 946,975 |

### Commercial Banks 1.3%

|                              |           |         |
|------------------------------|-----------|---------|
| PNC Financial Services Group | 10,000    | 388     |
| U.S. Bancorp                 | 1,360,000 | 24,371  |
| Wells Fargo                  | 3,850,000 | 93,401  |
|                              |           | 118,160 |

### Consumer Finance 0.7%

|                  |           |        |
|------------------|-----------|--------|
| American Express | 2,750,000 | 63,910 |
|                  |           | 63,910 |

### Diversified Financial Services 3.7%

|                 |           |        |
|-----------------|-----------|--------|
| Bank of America | 4,000,000 | 52,800 |
| CME Group       | 88,000    | 27,378 |

T. ROWE PRICE BLUE CHIP GROWTH FUND

|  | Shares    | Value     |
|--|-----------|-----------|
| (Cost and value in \$000s)                       |           |           |
| IntercontinentalExchange (1)                     | 860,000   | 98,246    |
| JPMorgan Chase                                   | 3,580,000 | 122,114   |
| Moody's  | 820,000   | 21,607    |
|  |           | 322,145   |
| <b>Insurance 0.0%</b>                            |           |           |
| Aon  | 70,000    | 2,651     |
|  |           | 2,651     |
| Total Financials                                 |           | 1,453,841 |
| <b>HEALTH CARE 15.3%</b>                         |           |           |
| <b>Biotechnology 3.7%</b>                        |           |           |
| Amgen (1)  | 370,000   | 19,588    |
| Celgene (1)                                      | 2,440,000 | 116,729   |
| Genzyme (1)                                      | 40,000    | 2,227     |
| Gilead Sciences (1)                              | 4,000,000 | 187,360   |
|  |           | 325,904   |
| <b>Health Care Equipment &amp; Supplies 3.9%</b> |           |           |
| Alcon  | 100,000   | 11,612    |
| Baxter International                             | 1,460,000 | 77,322    |
| Becton, Dickinson & Company                      | 220,000   | 15,688    |
| C.R. Bard  | 370,000   | 27,546    |
| Intuitive Surgical (1)                           | 210,000   | 34,369    |
| Medtronic  | 550,000   | 19,189    |
| St. Jude Medical (1)                             | 3,070,000 | 126,177   |
| Stryker  | 700,000   | 27,818    |
|  |           | 339,721   |
| <b>Health Care Providers &amp; Services 5.4%</b> |           |           |
| Express Scripts (1)                              | 2,100,000 | 144,375   |
| McKesson   | 1,900,000 | 83,600    |
| Medco (1)  | 4,030,000 | 183,808   |

T. ROWE PRICE BLUE CHIP GROWTH FUND

|   | Shares    | Value     |
|---|-----------|-----------|
| (Cost and value in \$000s)                      |           |           |
| WellPoint (1)                                   | 1,240,000 | 63,104    |
|   |           | 474,887   |
| <b>Health Care Technology 0.1%</b>              |           |           |
| Cerner (1)                                      | 140,000   | 8,721     |
|   |           | 8,721     |
| <b>Pharmaceuticals 2.2%</b>                     |           |           |
| Allergan  | 2,275,000 | 108,245   |
| Novo Nordisk, Series B (DKK)                    | 160,000   | 8,696     |
| Roche Holding - Genusscheine (CHF)              | 10,000    | 1,361     |
| Schering-Plough                                 | 10,000    | 251       |
| Teva Pharmaceutical, ADR                        | 1,500,000 | 74,010    |
| Wyeth   | 100,000   | 4,539     |
|   |           | 197,102   |
| Total Health Care                               |           | 1,346,335 |
| <b>INDUSTRIALS &amp; BUSINESS SERVICES 5.9%</b> |           |           |
| <b>Aerospace &amp; Defense 1.6%</b>             |           |           |
| Goodrich  | 610,000   | 30,482    |
| Lockheed Martin                                 | 1,360,000 | 109,684   |
|   |           | 140,166   |
| <b>Air Freight &amp; Logistics 0.4%</b>         |           |           |
| Expeditors International of Washington          | 950,000   | 31,673    |
|   |           | 31,673    |
| <b>Commercial Services &amp; Supplies 0.2%</b>  |           |           |
| Republic Services                               | 700,000   | 17,087    |
|   |           | 17,087    |
| <b>Construction &amp; Engineering 0.7%</b>      |           |           |
| Fluor   | 1,225,000 | 62,830    |
|   |           | 62,830    |

# T. ROWE PRICE BLUE CHIP GROWTH FUND

|  | Shares    | Value   |
|--|-----------|---------|
| (Cost and value in \$000s)                                     |           |         |
| <b>Machinery 2.7%</b>  |           |         |
| Danaher  | 3,800,000 | 234,612 |
|  |           | 234,612 |
| <b>Road &amp; Rail 0.1%</b>                                    |           |         |
| Union Pacific  | 220,000   | 11,453  |
|  |           | 11,453  |
| <b>Trading Companies &amp; Distributors 0.2%</b>               |           |         |
| Fastenal   | 250,000   | 8,293   |
| W. W. Grainger   | 115,000   | 9,416   |
|  |           | 17,709  |
| Total Industrials & Business Services                          |           | 515,530 |
| <b>INFORMATION TECHNOLOGY 30.7%</b>                            |           |         |
| <b>Communications Equipment 6.0%</b>                           |           |         |
| Cisco Systems (1)  | 3,000,000 | 55,920  |
| Juniper Networks (1)   | 6,100,000 | 143,960 |
| Qualcomm   | 4,700,000 | 212,440 |
| Research In Motion (1)   | 1,550,000 | 110,128 |
|  |           | 522,448 |
| <b>Computers &amp; Peripherals 5.2%</b>                        |           |         |
| Apple (1)  | 3,170,000 | 451,503 |
| Dell (1)   | 10,000    | 137     |
| Hewlett-Packard  | 200,000   | 7,730   |
|  |           | 459,370 |
| <b>Electronic Equipment, Instruments &amp; Components 1.1%</b> |           |         |
| Corning  | 2,260,000 | 36,296  |
| First Solar (1)  | 352,000   | 57,066  |
|  |           | 93,362  |

# T. ROWE PRICE BLUE CHIP GROWTH FUND

|   | Shares     | Value   |
|---|------------|---------|
| (Cost and value in \$000s)                              |            |         |
| <b>Internet Software &amp; Services 5.0%</b>            |            |         |
| eBay (1)  | 10,000     | 172     |
| Google, Class A (1)                                     | 790,000    | 333,056 |
| Tencent Holdings (HKD)                                  | 6,400,000  | 74,228  |
| VeriSign (1)  | 1,850,000  | 34,188  |
|   |            | 441,644 |
| <b>IT Services 4.1%</b>                                 |            |         |
| Accenture, Class A                                      | 1,450,000  | 48,517  |
| Automatic Data Processing                               | 70,000     | 2,481   |
| Fiserv (1)  | 2,080,000  | 95,056  |
| MasterCard, Class A                                     | 495,000    | 82,818  |
| Visa, Class A   | 1,300,000  | 80,938  |
| Western Union   | 3,100,000  | 50,840  |
|   |            | 360,650 |
| <b>Semiconductor &amp; Semiconductor Equipment 3.7%</b> |            |         |
| Altera  | 2,100,000  | 34,188  |
| Broadcom, Class A (1)                                   | 3,070,000  | 76,105  |
| Intel   | 1,150,000  | 19,033  |
| Marvell Technology Group (1)                            | 8,800,000  | 102,432 |
| Xilinx  | 4,400,000  | 90,024  |
|   |            | 321,782 |
| <b>Software 5.6%</b>                                    |            |         |
| Adobe Systems (1)                                       | 700,000    | 19,810  |
| Autodesk (1)  | 860,000    | 16,323  |
| Electronic Arts (1)                                     | 2,900,000  | 62,988  |
| McAfee (1)  | 2,570,000  | 108,428 |
| Microsoft   | 10,600,000 | 251,962 |
| Nintendo (JPY)  | 25,000     | 6,880   |

# T. ROWE PRICE BLUE CHIP GROWTH FUND

|   | Shares    | Value     |
|---|-----------|-----------|
| (Cost and value in \$000s)                      |           |           |
| Oracle  | 1,240,000 | 26,561    |
|   |           | 492,952   |
| Total Information Technology                    |           | 2,692,208 |
| <b>MATERIALS 2.6%</b>                           |           |           |
| <b>Chemicals 2.5%</b>                           |           |           |
| Monsanto  | 610,000   | 45,347    |
| Potash Corporation of Saskatchewan              | 640,000   | 59,552    |
| Praxair   | 1,600,000 | 113,712   |
|   |           | 218,611   |
| <b>Metals &amp; Mining 0.1%</b>                 |           |           |
| Freeport-McMoRan Copper & Gold                  | 200,000   | 10,022    |
|   |           | 10,022    |
| Total Materials                                 |           | 228,633   |
| <b>TELECOMMUNICATION SERVICES 1.8%</b>          |           |           |
| <b>Wireless Telecommunication Services 1.8%</b> |           |           |
| American Tower, Class A (1)                     | 4,330,000 | 136,525   |
| MetroPCS Communications (1)                     | 1,400,000 | 18,634    |
| Total Telecommunication Services                |           | 155,159   |
| <b>UTILITIES 0.8%</b>                           |           |           |
| <b>Electric Utilities 0.2%</b>                  |           |           |
| Entergy   | 220,000   | 17,054    |
|   |           | 17,054    |

# T. ROWE PRICE BLUE CHIP GROWTH FUND

|  | Shares     | Value                      |
|--|------------|----------------------------|
| (Cost and value in \$000s)                                   |            |                            |
| <b>Independent Power Producers &amp; Energy Traders 0.6%</b> |            |                            |
| NRG Energy (1)   | 2,100,000  | 54,516                     |
|  |            | ..... 54,516               |
| Total Utilities  |            | ..... 71,570               |
| Total Common Stocks (Cost \$7,683,047)                       |            | ..... 8,740,342            |
| <b>SHORT-TERM INVESTMENTS 0.5%</b>                           |            |                            |
| <b>Money Market Funds 0.5%</b>                               |            |                            |
| T. Rowe Price Reserve Investment Fund, 0.41% (2)(3)          | 46,135,963 | 46,136                     |
| Total Short-Term Investments (Cost \$46,136)                 |            | ..... 46,136               |
| <b>Total Investments in Securities</b>                       |            |                            |
| <b>100.1% of Net Assets (Cost \$7,729,183)</b>               |            | <b><u>\$ 8,786,478</u></b> |

- ‡ Denominated in U.S. dollars unless otherwise noted.
- (1) Non-income producing
- (2) Seven-day yield
- (3) Affiliated Companies
- ADR American Depository Receipts
- CHF Swiss Franc
- DKK Danish Krone
- HKD Hong Kong Dollar
- JPY Japanese Yen

### Affiliated Companies

(\$000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common ownership or control.

| Affiliate              | Purchase<br>Cost | Sales<br>Cost | Investment<br>Income | Value            |                  |
|------------------------|------------------|---------------|----------------------|------------------|------------------|
|                        |                  |               |                      | 6/30/09          | 12/31/08         |
| T. Rowe Price Reserve  |                  |               |                      |                  |                  |
| Investment Fund, 0.41% | ▫                | ▫             | \$ 158               | \$ 46,136        | \$ 62,336        |
| Totals                 |                  |               | <u>\$ 158</u>        | <u>\$ 46,136</u> | <u>\$ 62,336</u> |

▫ 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            | <u>\$ 46,136</u> |
| Dividend income                              | 158              |
| Interest income                              | -                |
| Investment income                            | <u>\$ 158</u>    |
| Realized gain (loss) on securities           | <u>\$ -</u>      |
| Capital gain distributions from mutual funds | <u>\$ -</u>      |

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

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Assets**

|  |                  |
|--|------------------|
| Investments in securities, at value (cost \$7,729,183) | \$ 8,786,478     |
| Receivable for investment securities sold              | 13,789           |
| Receivable for shares sold                             | 12,983           |
| Dividends and interest receivable                      | 5,242            |
| Other assets   | 755              |
| Total assets   | <u>8,819,247</u> |

**Liabilities**

|   |               |
|---|---------------|
| Payable for investment securities purchased | 24,525        |
| Payable for shares redeemed                 | 7,064         |
| Investment management fees payable          | 4,398         |
| Due to affiliates                           | 1,079         |
| Other liabilities                           | 624           |
| Total liabilities                           | <u>37,690</u> |

**NET ASSETS****\$ 8,781,557****Net Assets Consist of:**

|   |                  |
|---|------------------|
| Undistributed net investment income   | \$ 6,634         |
| Accumulated undistributed net realized loss   | (2,116,640)      |
| Net unrealized gain   | 1,057,277        |
| Paid-in capital applicable to 327,675,067 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares authorized | <u>9,834,286</u> |

**NET ASSETS****\$ 8,781,557****NET ASSET VALUE PER SHARE****Investor Class****(\$7,894,362,043 / 294,566,765 shares outstanding) \$ 26.80****Advisor Class****(\$820,657,919 / 30,592,335 shares outstanding) \$ 26.83****R Class****(\$66,537,232 / 2,515,967 shares outstanding) \$ 26.45**

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

# T. ROWE PRICE BLUE CHIP GROWTH FUND

Unaudited

## STATEMENT OF OPERATIONS

(\$000s)

|                                    |    | 6 Months<br>Ended<br>6/30/09 |
|------------------------------------|----|------------------------------|
| <b>Investment Income (Loss)</b>    |    |                              |
| Income                             |    |                              |
| Dividend                           | \$ | 39,001                       |
| Interest                           |    | 1                            |
| Total income                       |    | 39,002                       |
| Expenses                           |    |                              |
| Investment management              |    | 23,504                       |
| Shareholder servicing              |    |                              |
| Investor Class                     | \$ | 6,928                        |
| Advisor Class                      |    | 359                          |
| R Class                            |    | 41                           |
|                                    |    | 7,328                        |
| Rule 12b-1 fees                    |    |                              |
| Advisor Class                      |    | 915                          |
| R Class                            |    | 130                          |
|                                    |    | 1,045                        |
| Prospectus and shareholder reports |    |                              |
| Investor Class                     |    | 226                          |
| Advisor Class                      |    | 8                            |
| R Class                            |    | 4                            |
|                                    |    | 238                          |
| Custody and accounting             |    | 185                          |
| Registration                       |    | 75                           |
| Legal and audit                    |    | 22                           |
| Directors                          |    | 21                           |
| Miscellaneous                      |    | 29                           |
| Total expenses                     |    | 32,447                       |
| Expenses paid indirectly           |    | (1)                          |
| Net expenses                       |    | 32,446                       |
| Net investment income              |    | 6,556                        |

# T. ROWE PRICE BLUE CHIP GROWTH FUND

Unaudited

## STATEMENT OF OPERATIONS

(\$000s)

|  | 6 Months<br>Ended<br>6/30/09 |
|--|------------------------------|
| <b>Realized and Unrealized Gain (Loss)</b>                     |                              |
| Net realized gain (loss)                                       |                              |
| Securities   | (678,658)                    |
| Foreign currency transactions                                  | 193                          |
| Net realized loss  | <u>(678,465)</u>             |
| Change in net unrealized gain (loss)                           |                              |
| Securities   | 1,875,871                    |
| Other assets and liabilities denominated in foreign currencies | (2)                          |
| Change in net unrealized gain                                  | <u>1,875,869</u>             |
| Net realized and unrealized gain                               | <u>1,197,404</u>             |
| <b>INCREASE IN NET ASSETS FROM OPERATIONS</b>                  | <b><u>\$ 1,203,960</u></b>   |

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

# T. ROWE PRICE BLUE CHIP GROWTH FUND

Unaudited

## STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

|  | 6 Months<br>Ended<br>6/30/09 | Year<br>Ended<br>12/31/08 |
|--|------------------------------|---------------------------|
| <b>Increase (Decrease) in Net Assets</b>               |                              |                           |
| Operations   |                              |                           |
| Net investment income                                  | \$ 6,556                     | \$ 20,559                 |
| Net realized loss                                      | (678,465)                    | (1,363,069)               |
| Change in net unrealized gain (loss)                   | 1,875,869                    | (4,263,144)               |
| Increase (decrease) in net assets from operations      | 1,203,960                    | (5,605,654)               |
| Distributions to shareholders                          |                              |                           |
| Net investment income                                  |                              |                           |
| Investor Class   | -                            | (20,301)                  |
| Advisor Class  | -                            | (338)                     |
| Decrease in net assets from distributions              | -                            | (20,639)                  |
| Capital share transactions*                            |                              |                           |
| Shares sold  |                              |                           |
| Investor Class   | 885,281                      | 2,466,581                 |
| Advisor Class  | 94,623                       | 445,347                   |
| R Class  | 8,902                        | 31,348                    |
| Distributions reinvested                               |                              |                           |
| Investor Class   | -                            | 18,869                    |
| Advisor Class  | -                            | 329                       |
| Shares redeemed  |                              |                           |
| Investor Class   | (804,153)                    | (2,083,606)               |
| Advisor Class  | (121,534)                    | (468,167)                 |
| R Class  | (10,421)                     | (37,324)                  |
| Increase in net assets from capital share transactions | 52,698                       | 373,377                   |
| <b>Net Assets</b>                                      |                              |                           |
| Increase (decrease) during period                      | 1,256,658                    | (5,252,916)               |
| Beginning of period                                    | 7,524,899                    | 12,777,815                |
| <b>End of period</b>                                   | <b>\$ 8,781,557</b>          | <b>\$ 7,524,899</b>       |
| Undistributed net investment income                    | 6,634                        | 78                        |

# T. ROWE PRICE BLUE CHIP GROWTH FUND

Unaudited

## STATEMENT OF CHANGES IN NET ASSETS

(000s)

|                                | 6 Months<br>Ended<br>6/30/09 | Year<br>Ended<br>12/31/08 |
|--------------------------------|------------------------------|---------------------------|
| *Share information             |                              |                           |
| Shares sold                    |                              |                           |
| Investor Class                 | 36,915                       | 76,741                    |
| Advisor Class                  | 3,999                        | 13,488                    |
| R Class                        | 380                          | 961                       |
| Distributions reinvested       |                              |                           |
| Investor Class                 | —                            | 850                       |
| Advisor Class                  | —                            | 15                        |
| Shares redeemed                |                              |                           |
| Investor Class                 | (34,648)                     | (66,055)                  |
| Advisor Class                  | (5,482)                      | (15,550)                  |
| R Class                        | (442)                        | (1,108)                   |
| Increase in shares outstanding | 722                          | 9,342                     |

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

**NOTES TO FINANCIAL STATEMENTS**

T. Rowe Price Blue Chip Growth 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. Income is a secondary objective. The fund has three classes of shares: the Blue Chip Growth Fund original share class, referred to in this report as the Investor Class, offered since June 30, 1993; the Blue Chip Growth Fund—Advisor Class (Advisor Class), offered since March 31, 2000; and the Blue Chip Growth Fund—R Class (R Class), offered since September 30, 2002. 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, 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 financial statements may differ from the value the fund ultimately realizes upon sale of the securities. Further, fund management believes no events have occurred between June 30, 2009 and August 20, 2009, 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. 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 on an annual basis. Capital gain distributions, if any, are declared and paid by the fund, typically on an annual basis.

**Currency Translation** Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

**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 \$152,000 for the six months ended June 30, 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, which are reflected as expenses paid indirectly.

**New Accounting Pronouncement** On January 1, 2009, the fund adopted Statement of Financial Accounting Standards No. 161 (FAS 161), *Disclosures about Derivative Instruments and Hedging Activities*. FAS 161 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 FAS 161 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 Statement of Financial Accounting Standards No. 157 (FAS 157), *Fair Value Measurements*. The fund values its investments 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.

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

Other investments, including restricted securities, and those for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by the T. Rowe Price Valuation Committee, established by the fund's Board of Directors.

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

compares closing prices, the next day's opening prices in the same markets, and adjusted prices.

**Valuation Inputs** Various inputs are used to determine the value of the fund's investments. 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, 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 investments at that level. For example, non-U.S. equity securities actively traded in foreign markets generally are reflected in Level 2 despite the availability of closing prices because the fund evaluates and determines whether those closing prices reflect fair value at the close of the NYSE or require adjustment, as described above. The following table summarizes the fund's investments, based on the inputs used to determine their values on June 30, 2009:

| (\$000s)                  | Level 1<br>Quoted<br>Prices | Level 2<br>Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Total Value  |
|---------------------------|-----------------------------|--|--|--------------|
| <b>Assets</b>             |                             |  |  |              |
| Investments in securities |                             |  |  |              |
| Common Stocks             | \$ 8,644,612                | \$ 95,730                                      | \$ —   | \$ 8,740,342 |
| Short-Term Investments    | 46,136                      | —  | —  | 46,136       |
| Total                     | \$ 8,690,748                | \$ 95,730                                      | \$ —   | \$ 8,786,478 |

### NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Purchases and sales of portfolio securities other than short-term securities aggregated \$2,510,364,000 and \$2,433,372,000, respectively, for the six months ended June 30, 2009.

#### **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 are determined in accordance with Federal income tax regulations, which differ from generally accepted accounting principles, and, therefore, 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 June 30, 2009.

In accordance with federal tax regulations, the fund deferred recognition of certain capital loss amounts previously recognized in the prior fiscal year for financial reporting purposes until the current fiscal period for tax purposes. Such deferrals amounted to \$499,403,000 and related to net capital losses realized between November 1 and the fund's fiscal year-end date. Further, the fund intends to retain realized gains to the extent of available capital loss carryforwards. As of December 31, 2008, the fund had \$770,702,000 of unused capital loss carryforwards, of which \$74,856,000 expire in fiscal 2011 and \$695,846,000 expire in fiscal 2016.

At June 30, 2009, the cost of investments for federal income tax purposes was \$7,729,183,000. Net unrealized gain aggregated \$1,057,277,000 at period-end, of which \$1,451,520,000 related to appreciated investments and \$394,243,000 related to depreciated investments.

#### **NOTE 5 - 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 and a group fee. The individual fund fee is equal to 30% of the fund's average daily net assets up to \$15 billion and 0.255% of the fund's average daily net assets in excess of \$1.5 billion. 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 June 30, 2009, the effective annual group fee rate was 31%.

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 six months ended June 30, 2009, expenses incurred pursuant to these service agreements were \$62,000 for Price Associates, \$1,728,000 for T. Rowe Price Services, Inc., and \$2,554,000 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.

Additionally, the fund is one of several mutual funds in which certain college savings plans managed by Price Associates may invest. As approved by the fund's Board of Directors, shareholder servicing costs associated with each college savings plan are borne by the fund in proportion to the average daily value of its shares owned by the college savings plan. For the six months ended June 30, 2009, the fund was charged \$429,000 for shareholder servicing costs related to the college savings plans, of which \$323,000 was for services provided by Price. The amount payable at period-end pursuant to this agreement is reflected as Due to Affiliates in the accompanying financial statements. At June 30, 2009, approximately 4% of the outstanding shares of the Investor Class were held by college savings plans.

The fund is also one of several mutual funds sponsored by Price Associates (underlying Price funds) in which the T. Rowe Price Spectrum Funds (Spectrum Funds) may invest. The Spectrum Funds do not invest in the underlying Price funds for the purpose of exercising management or control. Pursuant to a special servicing agreement, expenses associated with the operation of the Spectrum Funds are borne by each underlying Price fund to the extent of estimated savings to it and in proportion to the average daily value of its shares owned by the Spectrum Funds. Expenses allocated under this agreement are reflected as shareholder servicing expense in the accompanying financial statements. For the

six months ended June 30, 2009, the fund was allocated \$378,000 of Spectrum Funds' expenses, of which \$268,000 related to services provided by Price. The amount payable at period-end pursuant to this agreement is reflected as Due to Affiliates in the accompanying financial statements. At June 30, 2009, approximately 5% of the outstanding shares of the Investor Class were held by the Spectrum Funds.

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.

#### 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](http://www.sec.gov). The description of our proxy voting policies and procedures is also available on our Web site, [www.troweprice.com](http://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](http://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.

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT**

On March 10, 2009, the fund's Board of Directors (Board) unanimously approved the investment advisory contract (Contract) between the fund and its investment manager, T. Rowe Price Associates, Inc. (Manager). The Board considered a variety of factors in connection with its review of the Contract, also taking into account information provided by the Manager during the course of the year, as discussed below:

**Services Provided by the Manager**

The Board considered the nature, quality, and extent of the services provided to the fund by the Manager. These services included, but were not limited to, management of the fund's portfolio and a variety of related activities, as well as financial and administrative services, reporting, and communications. The Board also reviewed the background and experience of the Manager's senior management team and investment personnel involved in the management of the fund. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Manager.

**Investment Performance of the Fund**

The Board reviewed the fund's average annual total returns over the 1-, 3-, 5-, and 10-year periods as well as the fund's year-by-year returns and compared these returns with previously agreed upon comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data. On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the severity of the market turmoil in 2008, 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 Manager under the Contract and other benefits that the Manager (and its affiliates) may have realized from its relationship with the fund, including research received under "soft dollar" agreements. The Board noted that soft dollars were not used to pay for third-party, non-broker research during 2008. The Board also received information on the estimated costs incurred and profits realized by the Manager and its affiliates from advising T. Rowe Price mutual funds, as well as estimates of the gross profits realized from managing the fund in particular. The Board concluded that the Manager's profits were reasonable in light of the services provided to the fund. The Board also considered whether the fund or other funds benefit under the fee levels set forth in the Contract from any economies of scale realized by the Manager. Under the Contract, the fund pays a fee to the Manager composed of two components—a group fee rate based on the aggregate assets of certain T. Rowe Price mutual funds (including the fund) that declines at certain asset levels and an individual fund fee rate that is assessed on the assets of the fund. The Board concluded that the advisory fee structure for the fund continued to provide for a reasonable sharing of benefits from any economies of scale with the fund's investors.

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

**Fees**

The Board reviewed the fund's management fee rate, operating expenses, and total expense ratio (for the Investor Class, Advisor Class, and R Class) and compared them with fees and expenses of other comparable funds based on information and data supplied by Lipper. The information provided to the Board indicated that the fund's management fee rate was at or below the median for comparable funds. The information also indicated that the expense ratio for the Investor Class and Advisor Class were generally at or below the median for comparable funds and that the expense ratio for the R Class was above the median for comparable funds. The Board also reviewed the fee schedules for comparable privately managed accounts of the Manager and its affiliates. Management informed the Board that the Manager's responsibilities for privately managed accounts are more limited than its responsibilities for the fund and other T. Rowe Price mutual funds that it or its affiliates advise. On the basis of the information provided, the Board concluded that the fees paid by the fund under the Contract were reasonable.

**Approval of the Contract**

As noted, the Board approved the continuation of the 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 to approve the continuation of the Contract, including the fees to be charged for services thereunder.

## INVESTMENT SERVICES AND INFORMATION

### KNOWLEDGEABLE SERVICE REPRESENTATIVES

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**By Phone: 1-800-225-5132.** Available Monday through Friday from 8 a.m. until 10 p.m. ET and Saturday from 8:30 a.m. until 5 p.m. ET.

**In Person at a T. Rowe Price Investor Center.** Please visit the Web at [troweprice.com/investorcenter](http://troweprice.com/investorcenter) or call 1-800-225-5132 to locate a center near you.

### ACCOUNT SERVICES

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**Automated 24-Hour Services Including Tele\* Access<sup>SM</sup>** and account access through the T. Rowe Price Web site at [troweprice.com](http://troweprice.com).

**Automatic Investing.** From your bank account or paycheck.

**Automatic Withdrawal.** Scheduled, periodic redemptions.

**IRA Rebalancing.** Automatically rebalance to ensure that your accounts reflect your desired asset allocations.

### BROKERAGE SERVICES<sup>‡</sup>

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Trade stocks, mutual funds, ETFs, bonds, options, CDs, precious metals, and more at competitive commissions.

### INVESTMENT INFORMATION

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**Consolidated Statement.** Overview of all of your accounts.

**Shareholder Reports.** Manager reviews of their strategies and results.

**T. Rowe Price Report.** Quarterly investment newsletter.

**T. Rowe Price Investor.** Quarterly publication of insightful financial articles.

**Insights.** Educational reports on investment strategies and markets.

**Investment Guides.** Investors Portfolio Review; International Investing Guide; Guide to Bond Funds; On Track Retirement Savings Guide; and Retirement Readiness Guide.

### FINANCIAL INTERMEDIARIES AND ADVISORS

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**By Phone: 1-877-804-2315.** Contact us Monday through Friday from 8:30 a.m. until 6 p.m. ET.

**By Mail:** T. Rowe Price, Financial Institution Services, P.O. Box 89000, Baltimore, MD 21289-4232.

### CUSTOMERS WHO TRADE THROUGH A FINANCIAL INTERMEDIARY

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Please contact your intermediary or financial professional for assistance.

<sup>‡</sup> Option trading involves additional risk and is not suitable for all investors. Brokerage services offered by T. Rowe Price Investment Services, Inc., member FINRA/SIPC.

# 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 Multi-Cap Growth  
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 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, which 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.



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