

JUNE 30, 2009

DIVERSIFIED  
MID-CAP  
GROWTH  
FUND

*Semiannual Report*



T. ROWE PRICE<sup>®</sup>

## T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

### HIGHLIGHTS

- Mid-cap growth stocks rose strongly and outperformed other investment styles in the first half of 2009, despite a sharp decline at the beginning of the year.
- Your fund outpaced its Russell benchmark and fared materially better than its Lipper peer group index during our reporting period.
- Although speculative and volatile stocks generally did better than other equity investments, we are surprised, but pleased, that our high-quality portfolio has performed as well as it has versus our benchmarks.
- Given the heightened uncertainty regarding the economy and the financial markets, we believe this is an especially good time to have a high-quality portfolio of companies with sustainable competitive advantages in their respective industries.

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

Mid-cap growth stocks rose strongly and outperformed other investment styles in the first half of 2009, despite a sharp decline at the beginning of the year. Investor sentiment improved dramatically starting in early March amid signs and hopes that the economy is in the process of stabilizing and that government measures to recapitalize the banks and the financial markets are starting to work. We remain concerned that an extended period of low interest rates, expansionary monetary policy, and significant federal fiscal stimulus may have very severe implications for

future inflation once the economy recovers.

Your fund returned 16.83% in the six-month period ended June 30, 2009, recouping some of the deep losses suffered last year. As shown in the Performance Comparison

PERFORMANCE COMPARISON	
Six-Month Period Ended 6/30/09	Total Return
Diversified Mid-Cap Growth Fund	16.83%
Russell Midcap Growth Index	16.61
Lipper Mid-Cap Growth Funds Index	13.91

table, the fund outpaced its Russell benchmark and fared materially better than its Lipper peer group index. Both sector allocations and good stock selection in various sectors contributed to our performance advantage. Speculative stocks had strong relative performance after a disastrous 2008. Although stocks of companies with the highest valuations and the highest growth expectations generally did better than other equity investments, we are surprised, but pleased, that our high-quality portfolio has performed as well as it has versus our benchmarks. Nevertheless, we know that the pain of last year's losses remains with many of our investors.

### MARKET ENVIRONMENT

The U.S. economy is currently in one of the longest and deepest recessions since the Great Depression. The economy shrank at an annualized rate of more than 5% in the fourth quarter of 2008 and in the first quarter of 2009. Consumer spending, stock prices, and home values have declined, and national unemployment increased to 9.5% by the end of our reporting period.

Equities plunged in the first two months of the year but rebounded sharply starting in early March. For the full six-month period, mid-cap

## 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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shares surpassed their smaller and larger peers. The Russell Midcap Index returned 9.96% versus 3.16% for the large-cap S&P 500 Index and 2.64% for the small-cap Russell 2000 Index. Growth stocks did significantly better than value stocks across all market capitalizations in the last six months, but as shown in the table below, mid-cap growth and value stocks did about the same in the one- and five-year periods ended June 30, 2009.

### MID-CAP STOCK RETURNS

Periods Ended 6/30/09	6 Months	12 Months	5 Years*
Russell Midcap Index	9.96%	-30.36%	-0.11%
Russell Midcap Growth Index	16.61	-30.33	-0.44
Russell Midcap Value Index	3.19	-30.52	-0.43

\*Five-year returns are annualized. Past performance cannot guarantee future results.

Within the Russell Midcap Growth Index, all major sectors produced gains. Energy and materials stocks—which led the market up in the first half of 2008 and down in the second half—fared best as many commodity prices rebounded sharply from recent lows.

## INVESTMENT STRATEGY

Before discussing the portfolio's performance in detail, we would like to welcome new investors and thank all of our longer-term investors for their continuing confidence in our portfolio management abilities, especially during this protracted period of economic weakness. We, like you, are pleased to see the market's improved performance in the last few months, though our time horizon for investing is much longer, and near-term uncertainty remains high. We remain committed to the same strategy and the principles that have guided our management of the portfolio since its inception. We believe these will help us navigate through what could be an extended period of anemic market performance and provide patient investors with long-term capital growth:

- The Diversified Mid-Cap Growth Fund invests in mid-cap stocks of companies whose earnings are expected to grow at an above-average rate. We define mid-cap companies as those whose market capitalization at the time of purchase falls within the range of either the S&P MidCap 400 Index or the Russell Midcap Growth Index.
- We keep the fund fully invested because we believe that successful market timing is virtually impossible—you would need to be right twice—and that the costs associated with frequent trading reduce the likelihood of outperforming the market. We do not spend undue time worrying about short-term performance or trying to forecast the direction of the economy or the market. Our focus is to find mid-cap companies with the best long-term growth potential.
- Unlike other mid-cap growth portfolios that are highly concentrated, the Diversified Mid-Cap Growth Fund will typically invest in about 275 stocks. This high degree of diversification helps to mitigate the downside risk attributable to any single poorly performing security. We invest in companies that are early in their life cycles, and it is inevitable that some will not be as successful as we hope. Accordingly, we balance risk with potential returns.
- Stock selection is based on a combination of fundamental, bottom-up analysis and quantitative strategies in an attempt to identify companies with superior long-term appreciation prospects. We use a growth approach, looking for companies with a demonstrated ability to increase revenues, earnings, and cash flow consistently; capable management; attractive business

niches; and a sustainable competitive advantage. We favor companies with above-average earnings growth and lower earnings variability.

- Our time horizons are longer than those of other mid-cap growth investors. Our portfolio turnover rate in the last 12 months was 37.3%, which is substantially less than last year's average of 124.5% for mid-cap growth funds, according to data from Morningstar Direct. (Morningstar only calculates portfolio turnover for their averages at year-end.) This means our holding period for a typical stock is almost three years, whereas our average competitor holds a given stock for less than one year. Consequently, we view ourselves as long-term investors; we are not short-term speculators or day-traders.
- Valuations are also very important: We look for the best relative values among companies with the strongest businesses and managements.
- We use a number of proprietary quantitative models to identify and evaluate the characteristics of individual mid-cap growth companies and the portfolio as a whole.

## **PORTFOLIO REVIEW**

The Diversified Mid-Cap Growth Fund's fundamental characteristics are similar to those of mid-cap growth benchmarks, such as the Russell Midcap Growth Index, as indicated by the Portfolio Characteristics table on the next page. The portfolio's median market capitalization (\$5.0 billion) and projected earnings growth rate (12.9%) are slightly larger than those of the index, while its 17.2 price/earnings (P/E) ratio is higher than that of the index. This reflects our commitment to companies with excellent long-term growth prospects. The fund's return on equity (ROE), which measures how effectively and efficiently a company and its management are using stockholder investments, is an attractive 19.1% versus 19.9% for the benchmark. These 12-month trailing numbers have been declining due to the economic downturn as many cyclical companies have passed their peak levels of profitability. Nevertheless, we remain committed to finding and investing in companies that we believe can maintain high and sustainable profitability. Our sector allocations have some resemblance to those of the Russell index: Our largest sector commitments at the end of June were information technology, consumer discretionary, industrials and business services, and health care.

Information technology shares rallied in the last six months as technology spending has not been as weak as previously expected and investors were drawn to companies with strong balance sheets, low debt levels, and attractive valuations. Our holdings in the sector contributed the most to the fund's absolute performance, led by semiconductor and

software companies. We continue to find many attractively valued companies with strong business models, excellent longer-term prospects, and high barriers to entry in these and other tech industries.

In terms of performance relative to the Russell benchmark, our stock selection among Internet software and services companies—particularly **Vistaprint** and Chinese search provider **Baidu**—was very beneficial.

Vistaprint, which provides customized printed materials to small business clients, has built an impressive technology and analytical infrastructure

over several years and should benefit from the fragmented nature of the small business printing industry. Although we underweight makers of computers and peripherals because we believe such companies have a higher risk of commoditization, one of the best-performing holdings in the entire portfolio was hard drive manufacturer **Seagate Technology**. Seagate has significant market share and projected that its sales for the rest of the year would be better than many had anticipated. (Please refer to the fund's portfolio of investments for a complete listing of holdings and the amount each represents in the portfolio.)

Stocks in the consumer discretionary sector—our second-largest sector allocation—produced strong returns since the end of 2008 amid hopes that an economic recovery will begin soon and encourage consumers to increase their spending on nonessentials. We favor this sector versus the

## PORTFOLIO CHARACTERISTICS

As of 6/30/09	Diversified Mid-Cap Growth Fund	Russell Midcap Growth Index
Earnings Growth Rate Historical Growth Five Years (least squares)	15.5%	13.8%
Projected Long-Term Growth*	12.9	12.7
Profitability—Return on Equity Latest 12 Months Excluding Charges	19.1	19.9
P/E Ratio 12 Months Forward Estimated Earnings*	17.2X	15.7X
Investment-Weighted Median Market Capitalization (bil.)	\$5.0	\$4.6
*Source for data: IBES. Forecasts are in no way indicative of future investment returns.		

## SECTOR DIVERSIFICATION

Percent of Net Assets as of 6/30/09	Diversified Mid-Cap Growth Fund	Russell Midcap Growth Index
Information Technology	22.5%	22.1%
Consumer Discretionary	18.8	18.0
Industrials and Business Services	15.7	14.9
Health Care	14.9	14.1
Energy	8.8	5.1
Financials	6.4	9.0
Consumer Staples	4.3	7.4
Materials	4.3	4.8
Telecommunication Services	3.2	1.2
Other and Reserves	1.1	0.0
Utilities	0.0	3.4
Total	100.0%	100.0%

Russell benchmark because many companies have good business models, excellent cash flow, and other favorable attributes, in our opinion. Our investments in specialty retailers did best in absolute terms, led by discounters **TJX** and **Ross Stores**, which are holding up well in a tough economic environment. Hotel, restaurant, and gaming stocks were less robust, but **Ctrip.com International**, a Chinese-oriented Internet travel agency similar to our **Priceline.com** and **Expedia** holdings, also did well. Unfortunately, our stock selection among diversified consumer ser-

vices companies hurt our performance versus the Russell benchmark. For-profit education companies, which tend to do well during economic downturns as people seek to enhance their career prospects, generally lagged when stocks rallied sharply in the last few months.

**DeVry** was one of our weakest holdings, but we are maintaining our position because the company has good long-term business prospects, good fundamentals, and an attractive valuation.

Industrials and business services stocks lagged in the last six months, hobbled by continuing economic weakness. However, strong performance of our investments in the sector helped results relative to the Russell benchmark and other mid-cap growth funds. We try to look for companies that are not especially cyclical and are market leaders in their niches—such as those that can

benefit from steady, recurring revenues even during periods of economic weakness—rather than companies whose earnings and returns

WE TRY TO LOOK FOR COMPANIES THAT ARE NOT ESPECIALLY CYCLICAL AND ARE MARKET LEADERS IN THEIR NICHES...

on capital are closely tied to the economy and will be very poor in a downturn. Our machinery stocks did best during our reporting period, led by mining equipment maker **Joy Global**.

Health care stocks tend to hold up well in an economic downturn, as health care needs are less cyclical. But the sector trailed others somewhat as the market rallied in the last few months, hindered by concerns about government reform proposals. Nevertheless, stock selection helped our results relative to competing mid-cap growth portfolios. We tend to focus on services companies and medical device makers, and these industries performed fairly well. Life sciences tools and services companies did best in the last six months, however, primarily due to strength in shares of **Illumina** and **Life Technologies**. Illumina provides systems that help researchers analyze people's genes; some of the company's largest customers are government agencies and pharmaceutical researchers. Life Technologies is a global biotechnology tools company whose services help researchers with their medical research. Pharmaceutical and biotechnology stocks were lackluster during our reporting period. We underweight pharmaceuticals and try to stay well diversified in the biotechnology industry to reduce the risks of investing in this segment.

Our stocks in the energy sector, which has notably less representation in the mid-cap growth universe than it did one year ago, produced excellent absolute returns as oil prices rose sharply from their lowest levels. Most of our holdings appreciated, but not as much as energy stocks generally. As our longer-term investors know, we do not invest in this sector based on an attempt to accurately predict commodity price trends. Rather, we prefer to invest in differentiated service companies or exploration companies with good organic production growth.

Financials produced moderate gains during our reporting period, as the group's stellar second-quarter gains more than offset their significant first-quarter losses. Our diversified financial services companies did best, led by **IntercontinentalExchange** and **CME Group**. We like the business models of and long-term prospects for futures exchanges. As the financial markets rallied, asset managers **Eaton Vance** and **BlackRock** also fared well, but our insurance companies were disappointing. Nevertheless, we have been increasing our exposure to the industry because we foresee a more favorable pricing environment as economies and financial markets recover.

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The materials sector was one of the strongest in our Russell benchmark, helped by a sharp bounce in the prices of various commodities. Our focus on differentiated companies that improve upon a commodity, rather than companies that are highly leveraged to commodity prices, was not rewarded as commodity prices spiked higher. During the first half of the year, we added several companies to the portfolio, including Chilean fertilizer and potash producer **Sociedad Quimica y Minera de Chile** and mining company **Eldorado Gold**.

The telecommunication services sector, one of the smallest in the mid-cap growth universe, produced strong returns, and good stock selection on our part helped us outperform the Russell benchmark. We focus on wireless service providers with special situations and growth opportunities, and we are particularly attracted to tower operators with attractive business models. In the last six months, two of our best performers in the sector were tower operators **SBA Communications** and **Crown Castle**.

Utilities, one of the sectors that held up best as the market crumbled late last year, was one of the weakest sectors in the mid-cap growth universe during our reporting period. The fund has no exposure to utilities stocks—a stance that helped our performance relative to our benchmarks in the first half of the year. We did not find any companies that met our growth or return on invested capital criteria.

## OUTLOOK

Although financial conditions appear to have stabilized, market and economic performance is likely to be anemic for some time. Given the heightened uncertainty regarding the economy and the financial markets, we believe this is an especially good time to have a high-quality portfolio of companies with sustainable competitive advantages in their respective industries. We remain committed to our strategy of seeking

quality mid-cap companies with good business models, strong managements, and superior long-term appreciation prospects.

Thank you for your confidence in T. Rowe Price.

Respectfully submitted,



Donald J. Peters  
*Cochairman of the fund's Investment Advisory Committee*



Donald J. Easley  
*Cochairman of the fund's Investment Advisory Committee*

July 22, 2009

*The committee cochairmen have day-to-day responsibility for managing the portfolio and work with committee members in developing and executing the fund's investment program.*

*Effective May 1, 2009, Donald J. Easley joined Donald J. Peters as cochairman of the fund's Investment Advisory Committee. Mr. Easley, who has served on the committee since the fund's inception at the end of 2003, joined T. Rowe Price in 2000, and his investment experience dates from 1999. Prior to joining the firm, he was a credit analyst with the Bank of New York. Mr. Easley earned a B.A. in economics from Swarthmore College and an M.B.A. in finance and accounting from the University of Chicago. Also, he has earned the Chartered Financial Analyst accreditation.*

## RISKS OF INVESTING

As with all equity funds, this fund's share price can fall because of weakness in the broad market, a particular industry, or specific holdings. The market as a whole can decline for many reasons, including adverse political or economic developments here or abroad, 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, our assessment of companies held in the fund may prove incorrect, resulting in losses or poor performance even in a rising market. Finally, the fund's investment approach could fall out of favor with the investing public, resulting in lagging performance versus other types of stock funds.

The stocks of mid-cap companies entail greater risk and are usually more volatile than the shares of large companies. In addition, growth stocks can be volatile for several reasons. Since they usually reinvest a high proportion of earnings in their own businesses, they may lack the dividends usually associated with value stocks that can cushion their decline in a falling market. Also, since investors buy these stocks because of their expected superior earnings growth, earnings disappointments often result in sharp price declines.

Diversification cannot assure a profit or protect against loss in a declining market.

## GLOSSARY

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

**Price/earnings (P/E) ratio:** A ratio that shows the "multiple" of earnings at which a stock is selling. It is calculated by dividing a stock's current price by its current earnings per share. For example, if a stock's price is \$60 per share and the issuing company earns \$2 per share, the P/E ratio is \$60/\$2, or 30.

**Russell Midcap Index:** Measures the performance of the 800 smallest companies in the Russell 1000 Index.

**Russell Midcap Growth Index:** Measures the performance of those Russell midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.

**Russell Midcap Value Index:** Measures the performance of those Russell midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value Index.

**Russell 2000 Index:** Tracks the stock performance of 2000 small U.S. companies.

**S&P MidCap 400 Index:** Tracks the stock performance of 400 U.S. mid-cap companies.

**S&P 500 Index:** Tracks the stock performance of 500 primarily large U.S. companies.

PORTFOLIO HIGHLIGHTS

**TWENTY-FIVE LARGEST HOLDINGS**

	Percent of Net Assets 6/30/09
Express Scripts	1.2%
Yum! Brands	1.2
TJX	1.1
Allergan	1.0
St. Jude Medical	1.0
American Tower	1.0
Northern Trust	1.0
Juniper Networks	0.9
Broadcom	0.9
Avon Products	0.8
Murphy Oil	0.8
Starbucks	0.8
Stericycle	0.8
DeVry	0.8
Fluor	0.7
Apollo Group	0.7
Ross Stores	0.7
Paychex	0.7
IntercontinentalExchange	0.7
Lorillard	0.7
ITT Educational Services	0.7
Expeditors International of Washington	0.7
Intuit	0.7
Agnico-Eagle Mines	0.7
Precision Castparts	0.7
<b>Total</b>	<b>21.0%</b>

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

PORTFOLIO HIGHLIGHTS

**INDUSTRY DIVERSIFICATION**

**Twenty-Five Largest Industries**

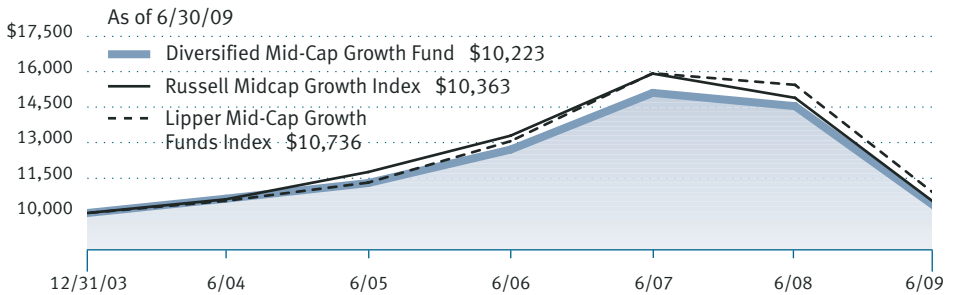
Percent of Net Assets as of 6/30/09	Diversified Mid-Cap Growth Fund	Russell Midcap Growth Index
Semiconductor and Semiconductor Equipment	6.6%	5.8%
Specialty Retail	6.5	6.2
Software	5.8	5.7
Oil, Gas, and Consumable Fuels	5.3	2.5
Hotels, Restaurants, and Leisure	4.7	2.6
Health Care Equipment and Supplies	4.6	4.0
Health Care Providers and Services	4.2	3.7
Energy Equipment and Services	3.5	2.6
IT Services	3.4	4.4
Wireless Telecommunication Services	3.2	0.9
Machinery	3.0	2.6
Life Sciences Tools and Services	3.0	2.8
Capital Markets	2.7	2.9
Diversified Consumer Services	2.7	2.4
Aerospace and Defense	2.5	2.9
Chemicals	2.4	3.1
Electronic Equipment and Instruments	2.4	2.4
Media	2.2	1.8
Commercial Services and Supplies	2.2	1.4
Diversified Financial Services	1.7	1.8
Construction and Engineering	1.7	1.6
Biotechnology	1.6	2.3
Metals and Mining	1.5	0.4
Internet Software and Services	1.5	1.2
Insurance	1.5	1.6
<b>Total</b>	<b>80.4%</b>	<b>69.6%</b>

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.

DIVERSIFIED MID-CAP GROWTH FUND



AVERAGE ANNUAL COMPOUND TOTAL RETURN

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

Periods Ended 6/30/09	One Year	Five Years	Since Inception 12/31/03
Diversified Mid-Cap Growth Fund	-29.61%	-0.76%	0.40%

*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 visit our Web site (troweprice.com) or contact a T. Rowe Price representative at 1-800-225-5132.*

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**

Diversified Mid-Cap Growth Fund

1.23%

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.

**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 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.

FUND EXPENSE EXAMPLE (CONTINUED)

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 DIVERSIFIED MID-CAP GROWTH FUND

	Beginning Account Value 1/1/09	Ending Account Value 6/30/09	Expenses Paid During Period* 1/1/09 to 6/30/09
Actual	\$1,000.00	\$1,168.30	\$7.37
Hypothetical (assumes 5% return before expenses)	1,000.00	1,018.00	6.85

\*Expenses are equal to the fund's annualized expense ratio for the six-month period (1.37%), 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.

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

Unaudited

## FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 6/30/09 <sup>†</sup>	Year Ended 12/31/08 <sup>†</sup>	12/31/07 <sup>†</sup>	12/31/06 <sup>†</sup>	12/31/05 <sup>†</sup>	12/31/03 Through 12/31/04
<b>NET ASSET VALUE</b>						
Beginning of period	\$ 8.08	\$ 14.37	\$ 13.36	\$ 12.45	\$ 11.37	\$ 10.00
Investment activities						
Net investment loss	(0.01)	(0.04)	(0.06)	(0.06)	(0.07) <sup>(1)</sup>	(0.06) <sup>(1)</sup>
Net realized and unrealized gain (loss)	1.37	(6.17)	1.86	1.15	1.17	1.43
Total from investment activities	1.36	(6.21)	1.80	1.09	1.10	1.37
Distributions						
Net realized gain	–	(0.08)	(0.79)	(0.18)	(0.02)	–
<b>NET ASSET VALUE</b>						
<b>End of period</b>	<b>\$ 9.44</b>	<b>\$ 8.08</b>	<b>\$ 14.37</b>	<b>\$ 13.36</b>	<b>\$ 12.45</b>	<b>\$ 11.37</b>

## Ratios/Supplemental Data

<b>Total return</b> <sup>(2)</sup>	<b>16.83%</b>	<b>(43.19)%</b>	<b>13.59%</b>	<b>8.74%</b>	<b>9.67%</b> <sup>(1)</sup>	<b>13.70%</b> <sup>(1)</sup>
Ratio of total expenses to average net assets	1.37% <sup>(3)</sup>	1.25%	1.25%	1.25%	1.25% <sup>(1)</sup>	1.25% <sup>(1)</sup>
Ratio of net investment loss to average net assets	(0.29)% <sup>(3)</sup>	(0.31)%	(0.43)%	(0.43)%	(0.60)% <sup>(1)</sup>	(0.71)% <sup>(1)</sup>
Portfolio turnover rate	12.2%	37.8%	27.9%	29.8%	20.0%	13.3%
Net assets, end of period (in thousands)	\$ 81,320	\$ 67,301	\$ 118,671	\$ 89,316	\$ 66,012	\$ 40,848

<sup>†</sup> Per share amounts calculated using average shares outstanding method.

<sup>(1)</sup> Excludes expenses in excess of a 1.25% contractual expense limitation in effect through 04/30/08.

<sup>(2)</sup> Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions.

<sup>(3)</sup> Annualized

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

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

Unaudited

June 30, 2009

PORTFOLIO OF INVESTMENTS ‡	Shares	Value
(Cost and value in \$000s)		
<b>COMMON STOCKS 98.9%</b>		
<b>CONSUMER DISCRETIONARY 18.8%</b>		
<b>Auto Components 0.4%</b>		
Gentex	13,400	155
WABCO Holdings	10,200	181
		336
<b>Diversified Consumer Services 2.7%</b>		
Apollo Group, Class A (1)	8,357	594
DeVry	12,300	616
ITT Educational Services (1)	5,600	564
New Oriental Education & Technology, ADR (1)	3,300	222
Strayer Education	800	174
		2,170
<b>Hotels, Restaurants &amp; Leisure 4.7%</b>		
Chipotle Mexican Grill, Class B (1)	3,200	223
Choice Hotels International	6,600	176
Ctrip.com International, ADR (1)	4,700	218
International Game Technology	12,100	192
Marriott, Class A	15,757	348
Panera Bread, Class A (1)	4,800	239
Starbucks (1)	45,700	635
Starwood Hotels & Resorts Worldwide	8,100	180
Tim Hortons	13,000	319
WMS Industries (1)	5,850	184
Wynn Resorts (1)	5,100	180
Yum! Brands	28,100	937
		3,831
<b>Household Durables 0.4%</b>		
Centex	4,100	35
KB Home	3,400	47
Lennar, Class A	5,300	51
Pulte	6,600	58

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
Toll Brothers (1)	5,800	98
		289
<b>Internet &amp; Catalog Retail 0.8%</b>		
Expedia (1)	17,600	266
priceline.com (1)	3,300	368
		634
<b>Leisure Equipment &amp; Products 0.2%</b>		
Mattel	10,500	169
		169
<b>Media 2.2%</b>		
Cablevision, Class A	9,300	180
Central European Media Enterprises (1)	6,700	132
CTC Media (1)	10,300	122
Discovery Communications, Class C (1)	13,000	267
DreamWorks Animation, Class A (1)	4,700	130
McGraw-Hill	17,000	512
Omnicom	5,100	161
Shaw Communications, Class B	9,200	155
WPP, ADR	4,500	150
		1,809
<b>Multiline Retail 0.4%</b>		
Family Dollar Stores	12,100	342
		342
<b>Specialty Retail 6.5%</b>		
Advance Auto Parts	6,700	278
AnnTaylor Stores (1)	5,500	44
AutoZone (1)	1,200	181
Bed Bath & Beyond (1)	15,700	483
CarMax (1)	14,800	218
Dick's Sporting Goods (1)	7,000	120

T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
GAP	18,800	308
Men's Wearhouse	6,200	119
O'Reilly Automotive (1)	11,600	442
PetSmart	10,100	217
Ross Stores	15,100	583
Sherwin-Williams	6,400	344
Staples	11,500	232
Tiffany	13,500	342
TJX	27,400	862
TSC (1)	4,000	165
Urban Outfitters (1)	9,100	190
Williams-Sonoma	11,200	133
		5,261
<b>Textiles, Apparel &amp; Luxury Goods 0.5%</b>		
Coach	16,700	449
		449
Total Consumer Discretionary		15,290
<b>CONSUMER STAPLES 4.3%</b>		
<b>Beverages 0.5%</b>		
Brown-Forman, Class B	9,125	392
		392
<b>Food &amp; Staples Retailing 0.1%</b>		
Whole Foods Market	7,800	148
		148
<b>Food Products 1.2%</b>		
Hershey Foods	6,800	245
J.M. Smucker	5,400	263
McCormick	14,200	462
		970

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
<b>Household Products 0.6%</b>		
Clorox	8,500	475
		475
<b>Personal Products 1.2%</b>		
Avon	25,700	662
Mead Johnson Nutrition, Class A (1)	9,500	302
		964
<b>Tobacco 0.7%</b>		
Lorillard	8,400	569
		569
Total Consumer Staples		3,518
<b>ENERGY 8.8%</b>		
<b>Energy Equipment &amp; Services 3.5%</b>		
Baker Hughes	4,300	157
BJ Services	9,900	135
Cameron International (1)	13,800	391
Complete Production Services (1)	6,900	44
Core Laboratories	4,400	384
Diamond Offshore Drilling	4,400	365
FMC Technologies (1)	10,200	383
Nabors Industries (1)	10,700	167
Oceaneering International (1)	5,000	226
Smith International	18,500	476
TETRA Technologies (1)	15,000	119
		2,847
<b>Oil, Gas &amp; Consumable Fuels 5.3%</b>		
Arch Coal	7,900	121
Bill Barrett (1)	5,900	162
Cabot Oil & Gas	12,100	371

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
Concho Resources (1)	18,800	539
CONSOL Energy	8,400	285
Forest Oil (1)	20,600	307
Foundation Coal Holdings	8,900	250
Mariner Energy (1)	9,100	107
Massey Energy	6,200	121
Murphy Oil	12,000	652
Newfield Exploration (1)	9,600	314
Peabody Energy	7,600	229
SandRidge Energy (1)	9,000	77
Southwestern Energy (1)	4,700	183
Sunoco	3,700	86
Ultra Petroleum (1)	9,500	371
Williams Companies	10,400	162
		4,337
Total Energy		7,184

## FINANCIALS 6.4%

### Capital Markets 2.7%

BlackRock, Class A	900	158
Eaton Vance	10,200	273
Federated Investors, Class B	6,400	154
Franklin Resources	2,600	187
Janus Capital Group	14,100	161
Lazard	7,800	210
Northern Trust	14,800	795
optionsXpress Holdings	6,400	99
SEI Investments	9,600	173
		2,210

### Commercial Banks 0.2%

SVB Financial Group (1)	6,000	164
		164

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
<b>Consumer Finance 0.3%</b>		
SLM Corporation (1)	23,200	238
		238
<b>Diversified Financial Services 1.7%</b>		
CME Group	500	155
Interactive Brokers, Class A (1)	7,000	109
IntercontinentalExchange (1)	5,000	571
Moody's	15,400	406
NYSE Euronext	5,600	153
		1,394
<b>Insurance 1.5%</b>		
Aon	7,600	288
Arch Capital Group (1)	3,000	176
Assurant	3,300	79
Axis Capital	5,600	147
HCC Insurance Holdings	7,900	190
RenaissanceRe	3,100	144
W. R. Berkley	7,200	154
		1,178
Total Financials		5,184
<b>HEALTH CARE 14.9%</b>		
<b>Biotechnology 1.6%</b>		
Alexion Pharmaceutical (1)	4,000	164
Biogen Idec (1)	3,400	154
BioMarin Pharmaceutical (1)	7,800	122
Cephalon (1)	4,400	249
Martek Biosciences (1)	4,800	102
Myriad Genetics (1)	4,200	150
Vertex Pharmaceuticals (1)	9,800	349
		1,290

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
<b>Health Care Equipment &amp; Supplies 4.6%</b>		
American Medical Systems (1)	12,200	193
ArthroCare (1)	5,600	61
C.R. Bard	7,000	521
Dentsply International	8,600	262
Edwards Lifesciences (1)	3,200	218
Gen-Probe (1)	3,600	155
Hologic (1)	9,800	139
IDEXX Laboratories (1)	7,000	323
Intuitive Surgical (1)	2,600	426
Masimo (1)	5,200	125
ResMed (1)	3,700	151
St. Jude Medical (1)	19,800	814
Varian Medical Systems (1)	6,100	214
Zimmer Holdings (1)	3,200	136
		3,738
<b>Health Care Providers &amp; Services 4.2%</b>		
CIGNA	5,600	135
Coventry Health Care (1)	6,400	120
DaVita (1)	4,649	230
Express Scripts (1)	14,400	990
Health Net (1)	7,400	115
Henry Schein (1)	6,700	321
Humana (1)	4,900	158
Laboratory Corporation of America (1)	6,000	407
Lincare Holdings (1)	5,200	122
McKesson	3,800	167
Patterson (1)	6,900	150
Quest Diagnostics	8,200	463
		3,378

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
<b>Health Care Technology 0.2%</b>		
Cerner (1)	3,100	193
		193
<b>Life Sciences Tools &amp; Services 3.0%</b>		
Charles River Laboratories International (1)	5,600	189
Covance (1)	2,900	143
Illumina (1)	13,500	526
Life Technologies (1)	8,300	346
Mettler-Toledo International (1)	2,000	154
Millipore (1)	2,300	161
Qiagen NV (1)	9,400	175
Techne	6,400	408
Waters Corporation (1)	6,000	309
		2,411
<b>Pharmaceuticals 1.3%</b>		
Allergan	17,304	823
Elan, ADR (1)	12,900	82
Myriad Pharmaceuticals (1)	1,050	5
Warner Chilcott, Class A (1)	12,000	158
		1,068
Total Health Care		12,078

## INDUSTRIALS & BUSINESS SERVICES 15.7%

### Aerospace & Defense 2.5%

Alliant Techsystems (1)	2,700	222
Empresa Brasileira, ADR	8,600	143
Goodrich	10,100	505
ITT	5,400	240
Precision Castparts	7,500	548
Rockwell Collins	8,900	371
		2,029

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
<b>Air Freight &amp; Logistics 1.3%</b>		
C.H. Robinson Worldwide	10,000	522
Expeditors International of Washington	16,900	563
		1,085
<b>Airlines 0.2%</b>		
SkyWest	7,700	79
Southwest Airlines	14,300	96
		175
<b>Commercial Services &amp; Supplies 2.2%</b>		
American Reprographics (1)	10,200	85
Copart (1)	5,600	194
Republic Services	11,950	292
Ritchie Bros. Auctioneers	18,100	424
Stericycle (1)	12,300	634
Waste Connections (1)	5,300	137
		1,766
<b>Construction &amp; Engineering 1.7%</b>		
Fluor	11,800	605
Foster Wheeler (1)	13,700	325
Quanta Services (1)	19,500	451
		1,381
<b>Electrical Equipment 1.3%</b>		
AMETEK	8,950	309
General Cable (1)	7,000	263
GT Solar International (1)	18,300	97
II-VI (1)	6,300	140
Rockwell Automation	9,200	296
		1,105
<b>Industrial Conglomerates 0.7%</b>		
McDermott International (1)	15,700	319

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
Roper Industries	5,100	231
		550
<b>Machinery 3.0%</b>		
Cummins Engine	9,100	320
Donaldson	9,000	312
Flowserve	2,900	202
Graco	6,400	141
Harsco	5,000	141
IDEX	6,375	157
Joy Global	9,800	350
PACCAR	5,100	166
Pall	6,700	178
Terex (1)	10,900	132
Valmont Industries	3,400	245
Wabtec	3,700	119
		2,463
<b>Professional Services 1.3%</b>		
Corporate Executive Board	7,400	154
Dun & Bradstreet	5,100	414
Equifax	5,100	133
Manpower	3,300	140
Robert Half International	10,000	236
		1,077
<b>Road &amp; Rail 0.6%</b>		
Landstar Systems	12,700	456
		456
<b>Trading Companies &amp; Distributors 0.9%</b>		
Fastenal	7,800	259

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
W. W. Grainger	5,400	442
		701
Total Industrials & Business Services		12,788
<b>INFORMATION TECHNOLOGY 22.5%</b>		
<b>Communications Equipment 1.3%</b>		
F5 Networks (1)	6,300	218
JDS Uniphase (1)	16,100	92
Juniper Networks (1)	31,300	739
		1,049
<b>Computers &amp; Peripherals 1.3%</b>		
Logitech International (1)	9,400	132
NetApp (1)	19,600	386
QLogic (1)	13,800	175
Seagate Technology	37,200	389
		1,082
<b>Electronic Equipment, Instruments &amp; Components 2.4%</b>		
Amphenol, Class A	5,300	168
Cogent (1)	12,200	131
Dolby Laboratories, Class A (1)	11,000	410
First Solar (1)	1,200	194
FLIR Systems (1)	7,000	158
Itron (1)	3,500	193
Jabil Circuit	20,700	154
National Instruments	7,550	170
Trimble Navigation (1)	20,300	398
		1,976
<b>Internet Software &amp; Services 1.5%</b>		
Baidu, ADR (1)	500	151
Digital River (1)	4,700	171
Monster Worldwide (1)	11,100	131

## T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
Sina (1)	6,700	197
VeriSign (1)	15,000	277
Vistaprint (1)	5,900	252
		1,179
<b>IT Services 3.4%</b>		
Cognizant Technology Solutions, Class A (1)	15,800	422
Fidelity National Information	6,700	134
Fiserv (1)	4,500	206
Global Payments	5,300	199
Iron Mountain (1)	10,899	313
Neustar, Class A (1)	7,100	157
Paychex	22,900	577
Perot Systems, Class A (1)	13,700	196
Western Union	32,200	528
		2,732
<b>Office Electronics 0.2%</b>		
Zebra Technologies, Class A (1)	5,850	138
		138
<b>Semiconductor &amp; Semiconductor Equipment 6.6%</b>		
Altera	29,100	474
Analog Devices	15,800	391
Broadcom, Class A (1)	29,300	726
Cymer (1)	5,600	166
Fairchild Semiconductor, Class A (1)	9,000	63
Integrated Device Technology (1)	13,300	80
Intersil, Class A	10,100	127
KLA-Tencor	3,800	96
Lam Research (1)	5,400	140
Linear Technology	19,700	460
Marvell Technology (1)	36,000	419
Maxim Integrated Products	10,400	163
MEMC Electronic Materials (1)	8,400	150

## T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
Microchip Technology	14,100	318
National Semiconductor	12,100	152
NVIDIA (1)	29,300	331
ON Semiconductor (1)	18,500	127
Silicon Laboratories (1)	6,600	250
Teradyne (1)	19,200	132
Varian Semiconductor Equipment (1)	6,400	154
Xilinx	23,500	481
		5,400

### Software 5.8%

Activision Blizzard (1)	17,908	226
Adobe Systems (1)	14,500	410
Ansys (1)	7,900	246
Autodesk (1)	15,800	300
BMC Software (1)	9,100	308
Check Point Software Technologies (1)	6,900	162
Citrix Systems (1)	9,100	290
Electronic Arts (1)	10,300	224
FactSet Research Systems	6,250	312
Intuit (1)	19,900	561
Jack Henry & Associates	7,100	147
McAfee (1)	10,100	426
Red Hat (1)	23,000	463
Salesforce.com (1)	10,200	389
Symantec (1)	8,400	131
Synopsys (1)	7,500	146
		4,741
Total Information Technology		18,297

### MATERIALS 4.3%

#### Chemicals 2.4%

Air Products & Chemicals	3,900	252
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## T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
Albermarle	5,900	151
CF Industries	2,700	200
Ecolab	13,300	518
Intrepid Potash (1)	8,500	239
Sigma Aldrich	5,400	268
Sociedad Quimica y Minera de Chile, ADR	6,400	232
Terra Industries	6,000	145
		2,005

### Construction Materials 0.4%

Vulcan Materials	7,400	319
		319

### Metals & Mining 1.5%

Agnico-Eagle Mines	10,500	551
Carpenter Technology	7,400	154
Cliffs Natural Resources	7,100	174
Compass Minerals	2,900	159
Eldorado Gold (1)	18,700	167
		1,205
Total Materials		3,529

### TELECOMMUNICATION SERVICES 3.2%

#### Wireless Telecommunication Services 3.2%

American Tower, Class A (1)	25,300	798
Crown Castle International (1)	12,700	305
Leap Wireless International (1)	13,100	431
MetroPCS Communications (1)	25,400	338

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

	Shares	Value
(Cost and value in \$000s)		
NII Holdings, Class B (1)	11,600	221
SBA Communications (1)	19,700	484
Total Telecommunication Services		2,577
Total Common Stocks (Cost \$88,903)		80,445
<b>SHORT-TERM INVESTMENTS 1.1%</b>		
<b>Money Market Funds 1.1%</b>		
T. Rowe Price Reserve Investment Fund, 0.41% (2)(3)	875,746	876
Total Short-Term Investments (Cost \$876)		876
<b>Total Investments in Securities</b>		
<b>100.0% of Net Assets (Cost \$89,779)</b>		<b>\$ 81,321</b>

‡ Denominated in U.S. dollars unless otherwise noted.

(1) Non-income producing

(2) Seven-day yield

(3) Affiliated Companies

ADR American Depository Receipts

**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 Cost	Sales Cost	Investment Income	Value	
				6/30/09	12/31/08
T. Rowe Price Reserve Investment Fund, 0.41%	▫	▫	\$ 2	\$ 876	\$ 462
Totals			\$ 2	\$ 876	\$ 462

▫ 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	\$ 876
Dividend income	2
Interest income	-
Investment income	\$ 2
Realized gain (loss) on securities	\$ -
Capital gain distributions from mutual funds	\$ -

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 \$89,779)	\$ 81,321
Dividends and interest receivable	43
Receivable for shares sold	41
Other assets	18
Total assets	<u>81,423</u>

**Liabilities**

Investment management fees payable	44
Due to affiliates	27
Payable for shares redeemed	5
Other liabilities	27
Total liabilities	<u>103</u>

**NET ASSETS** **\$ 81,320****Net Assets Consist of:**

Accumulated net investment loss	\$ (102)
Accumulated undistributed net realized loss	(13,761)
Net unrealized loss	(8,458)
Paid-in capital applicable to 8,612,550 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares authorized	<u>103,641</u>

**NET ASSETS** **\$ 81,320****NET ASSET VALUE PER SHARE** **\$ 9.44**

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

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

Unaudited

## STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 6/30/09
<b>Investment Income (Loss)</b>	
Dividend income	\$ 377
Expenses	
Investment management	230
Shareholder servicing	122
Prospectus and shareholder reports	16
Custody and accounting	71
Registration	22
Legal and audit	9
Directors	3
Miscellaneous	6
Total expenses	479
Net investment loss	(102)
<b>Realized and Unrealized Gain (Loss)</b>	
Net realized loss on securities	(4,402)
Change in net unrealized gain on securities	15,678
Net realized and unrealized gain	11,276
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 11,174</b>

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

# T. ROWE PRICE DIVERSIFIED MID-CAP GROWTH FUND

Unaudited

## STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/09	Year Ended 12/31/08
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment loss	\$ (102)	\$ (317)
Net realized loss	(4,402)	(9,359)
Change in net unrealized gain (loss)	15,678	(43,819)
Increase (decrease) in net assets from operations	11,174	(53,495)
Distributions to shareholders		
Net realized gain	-	(677)
Capital share transactions*		
Shares sold	11,763	38,088
Distributions reinvested	-	649
Shares redeemed	(8,918)	(35,935)
Increase in net assets from capital share transactions	2,845	2,802
<b>Net Assets</b>		
Increase (decrease) during period	14,019	(51,370)
Beginning of period	67,301	118,671
<b>End of period</b>	<b>\$ 81,320</b>	<b>\$ 67,301</b>
Undistributed (accumulated) net investment income (loss)	(102)	-
*Share information		
Shares sold	1,374	3,239
Distributions reinvested	-	84
Shares redeemed	(1,087)	(3,253)
Increase in shares outstanding	287	70

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

**NOTES TO FINANCIAL STATEMENTS**

T. Rowe Price Diversified Mid-Cap 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 commenced operations on December 31, 2003. The fund seeks to provide long-term capital growth by investing primarily in the common stocks of mid-cap growth companies.

**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 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 on an annual basis. Capital gain distributions, if any, are declared and paid by the fund, typically on an annual basis.

**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.

**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. The fund's investments are summarized by level, based on the inputs used to determine their values. On June 30, 2009, all of the fund's investments were classified as Level 1.

### **NOTE 3 - OTHER INVESTMENT TRANSACTIONS**

Purchases and sales of portfolio securities other than short-term securities aggregated \$11,031,000 and \$8,548,000, 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 \$4,340,000 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 \$4,926,000 of unused capital loss carryforwards, all of which expire in fiscal 2016.

At June 30, 2009, the cost of investments for federal income tax purposes was \$89,779,000. Net unrealized loss aggregated \$8,458,000 at period-end, of which \$9,228,000 related to appreciated investments and \$17,686,000 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, equal to 0.35% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first \$1 billion of assets to 0.285% for assets in excess of \$220 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At June 30, 2009, the effective annual group fee rate was 0.31%.

Effective May 1, 2009 through April 30, 2011, the fund is subject to a contractual expense limitation. During the limitation period, the manager is required to waive its management fee and reimburse the fund for any expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, that would otherwise cause the fund's ratio of annualized total expenses to average net assets (expense ratio) to exceed its expense limitation of 1.50%. For a period of three years after the date of any reimbursement or waiver, the fund is required to repay the manager for expenses previously reimbursed and management fees waived to the extent its net assets have grown or expenses have declined sufficiently to allow repayment without causing the fund's expense ratio to exceed its expense limitation. For the six months ended June 30, 2009, the fund operated below its expense limitation.

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 price 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 fund. For the six months ended June 30, 2009, expenses incurred pursuant to these service agreements were \$47,000 for Price Associates, \$89,000 for T. Rowe Price Services, Inc., and \$1,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

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

#### 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 returns for the one-year, three-year, five-year, and since-inception 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 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 (after including reimbursements by the fund to the Manager for previous fee waivers or expenses paid by the Manager) and expense ratio were both above the median for certain groups of comparable funds but at or below the median for other groups of 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.

## troweprice.com

### **LOG IN AND MANAGE YOUR INVESTMENTS ONLINE**

[troweprice.com/access](https://troweprice.com/access)

We offer a consolidated view of your T. Rowe Price mutual fund and brokerage accounts. You can sort accounts, customize their groupings, and/or grant View Access to others as you see fit. Analyze your portfolio with **Portfolio Growth Tracker**. Track the historical growth of your mutual fund investments over time. The analysis consists of three components: Activity Summary, Asset Allocation, and Net Investment versus Market Value.

### **ONLINE SERVICING**

[troweprice.com/paperless](https://troweprice.com/paperless)

**Enroll to receive your transaction confirmations, investor statements, prospectuses, and shareholder reports online** instead of by U.S. mail. You will receive an e-mail with a link to our Web site informing you that your document is available to view online, print, or download. For your convenience and recordkeeping purposes, you will continue to receive your end-of-year summary statement by mail.

**Join our E-mail Program to receive market and fund information by e-mail.**

Receive timely market reports, performance on T. Rowe Price mutual funds, investment and market insights from T. Rowe Price managers, and more.

### **INVESTMENT GUIDANCE AND TOOLS**

[troweprice.com/planningtools](https://troweprice.com/planningtools)

**Personal Guides** provide you with information that can help you, in a few easy steps, match investments with your financial objectives.

**Morningstar® Portfolio Manager** (formerly Portfolio Tracker) enables you to track, rebalance, and analyze your portfolio.

**Morningstar Portfolio X-Ray®** is a comprehensive tool that provides an in-depth examination of your exposure to different sectors, stock types, sub-asset classes, and global diversification.

### **FINANCIAL INTERMEDIARIES AND ADVISORS**

[troweprice.com/financialintermediaries](https://troweprice.com/financialintermediaries)

This secure site is designed for professional financial intermediaries and advisors. Financial professionals may access daily prices and historical performance on mutual funds; view market research, manager commentary, and sales ideas; and access literature and forms. For U.S. technical assistance, call 1-888-358-8490 or e-mail us at [onlinehelp@troweprice.com](mailto:onlinehelp@troweprice.com). For non-U.S. technical assistance, call +1 (410) 345 4400 or contact us via e-mail.

## T. ROWE PRICE RETIREMENT SERVICES

T. Rowe Price offers unique retirement services that can help you meet a broad variety of planning challenges. Our retirement tools are suitable for individuals, the self-employed, small businesses, corporations, and nonprofit organizations. For more information, call **1-800-IRA-5000** or visit our Web site at **troweprice.com/retirement**.

### INVESTMENT ACCOUNTS

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**Rollover IRAs.** When you are changing jobs, retiring, or deciding what to do with the money left in a former employer's retirement plan, a Rollover IRA can be the smart move. Call toll-free 1-800-IRA-5000. Our rollover specialists can open your account over the phone and handle most of the paperwork for you. They'll even contact your former employer to help move your money.

**Roth IRAs.** Your contributions can grow tax-deferred for retirement and distributions are potentially tax-free. Open your account over the phone by calling 1-800-IRA-5000 or online at [troweprice.com/ira](http://troweprice.com/ira).

**Traditional IRAs.** Call 1-800-IRA-5000 or visit [troweprice.com/ira](http://troweprice.com/ira) to open one of these tax-deferred retirement accounts. In some cases, contributions may be tax-deductible.

**Small Business Retirement Plans.** If you're self-employed or run a small business or professional practice, T. Rowe Price can help you establish a cost-effective retirement plan that's easy to set up and maintain.

**403(b) Custodial Accounts.** For those employed by a school, university, church, or other nonprofit organization.

**No-Load Variable Annuities.**

### INVESTMENT GUIDANCE

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**T. Rowe Price Advisory Planning Services** offers a wide range of services that provide expert advice based on your individual needs and financial goals, including consultations with an advisory counselor. Please contact one of our specialists at **1-800-844-9424** to determine the most appropriate service to fit your needs.\*

\* Services offered by T. Rowe Price Advisory Services, Inc., a federally registered investment adviser. There may be costs associated with these services.

# 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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