

JUNE 30, 2009

MID-CAP
VALUE
FUND

Semiannual Report



T. ROWE PRICE[®]

HIGHLIGHTS

- Markets stepped back from the verge of complete collapse over the past six months as tentative signs of economic stability began to appear.
- The fund recorded a gain in this environment and outpaced its benchmarks.
- One of our longstanding investment themes has been a focus on industry consolidation, and several of our best performers benefited from shakeouts among their competitors.
- While the investment outlook remains hazy, our focus will remain on finding good values wherever we can, rather than attempting to prognosticate on the economy or markets.

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.

REPORTS ON THE WEB

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Fellow Shareholders

As 2009 began to unfold, the words of William Butler Yeats’ apocalyptic poem “The Second Coming” seemed appropriate: “things fall apart; the centre cannot hold...the best lack all conviction, while the worst are full of passionate intensity.” Indeed, for a while it appeared the center might not hold, the markets were on the verge of complete collapse, and the global economy would enter a tailspin from which it would be difficult to recover. Thankfully, this scenario did not come to pass. Instead, multi-decade low mortgage rates lent some stability to the housing market. At the margin, lower oil and other commodity prices allowed

consumer spending to tick up. Capital markets opened a little, lenders extended credit, and highly leveraged companies raised some equity.

In this environment, the fund was able to reverse some of last year’s losses and record a gain. The Mid-Cap Value Fund returned 14.09% for the six months ended June 30, 2009. As

PERFORMANCE COMPARISON	
Six-Month Period Ended 6/30/09	Total Return
Mid-Cap Value Fund	14.09%
Mid-Cap Value Fund—Advisor Class	13.99
Mid-Cap Value Fund—R Class	13.82
S&P MidCap 400 Index	8.47
Russell Midcap Value Index	3.19
Lipper Mid-Cap Core Funds Index	10.19

shown in the table above, the portfolio outperformed its benchmarks, particularly those with a sole focus on value. (Please note that Lipper has recently reclassified the fund as “core” rather than “value.” Lipper’s fund classification has alternated between core and value in the past.) Returns for the fund’s Advisor and R Class shares were slightly lower due to their different cost structures.

The fund’s long-term performance remains favorable, in relative terms, as recognized by Morningstar’s overall four-star rating, as well as its rank among competitive funds as tracked by Lipper over longer time periods. The Mid-Cap Value Fund received an Overall Morningstar Rating™ of four stars for its risk-adjusted performance. This rating is derived from a weighted average of the performance figures associated with a fund’s 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics. The fund was rated among 332, 332, 245, and 87 mid-cap value funds for the overall rating and the 3-, 5-, and 10-year periods

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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ended June 30, 2009, respectively. Based on cumulative total return, Lipper ranked the Mid-Cap Value Fund 35 out of 382, 43 out of 305, 24 out of 241, and 6 out of 123 mid-cap core funds for the 1-, 3-, 5-, and 10-year periods ended June 30, 2009, respectively. Results will vary for other periods. *Past performance cannot guarantee future results.*

IMPORTANT INFORMATION ABOUT MORNINGSTAR RATINGS

For funds with at least a 3-year history, a Morningstar Rating™ is based on a risk-adjusted return measure (including the effects of sales charges, loads, and redemption fees) with emphasis on downward variations and consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. Each share class is counted as a fraction of one fund within this scale and rated separately. Morningstar Rating™ is for the retail share class only; other classes may have different performance characteristics. The fund received 4 stars for the 3-, 5-, and 10-year periods as of June 30, 2009.

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While we are not ready to declare that the worst is behind us in the global economy, these signs that hint of recovery are encouraging. At the same time, we are mindful of the risks: Consumers are still deeply in debt, the financial system is wounded, and inflation and tax rates are near record-low levels, leaving them poised to head higher at some point and become a headwind to economic growth.

MARKET ENVIRONMENT

The U.S. economy continued to contract at one of its fastest paces on record over the past six months, although current evidence suggests the decline moderated significantly as the period ended. As businesses closed or scaled back, the unemployment rate shot upward, from 7.2% in December to 9.5% in June, and most experts anticipated that it would continue to rise. The depth of the contraction and the challenges posed to recovery caused many to argue that the economy was in the midst of the worst recession since World War II.

The historic scope of the recession brought forth an equally massive policy response. The Federal Reserve greatly expanded its traditional role, fashioning itself occasionally as the banker of last resort in order to get credit flowing again. The Treasury Department reconfigured the Troubled Asset Relief Program put in place last fall, and the government provided massive amounts of new funds to many of the largest financial institutions to ensure they remained in business. Congress enacted a \$787 billion stimulus program composed of tax cuts, extended unem-

ployment benefits, and a range of domestic spending projects, including massive infrastructure investment.

As government rescue programs began to gain traction, and as “green shoots” of recovery began

to appear, stocks rebounded sharply before pulling back from their peaks for the year in late June. The investment environment assumed a more positive tone, with riskier asset classes performing best in recent months. Mid-cap value shares significantly trailed their growth counterparts over the past six months—a pattern that held true across all market capitalizations. Over the past year, growth and value performance was much more in line.

VALUE VS. GROWTH

Periods Ended 6/30/09	6 Months	12 Months
Russell Midcap Value Index	3.19%	-30.52%
Russell Midcap Growth Index	16.61	-30.33

PORTFOLIO AND STRATEGY REVIEW

The brighter spots in the portfolio came from a diverse group of companies. Many of these were direct or indirect beneficiaries of industry consolidation, the process by which mergers, acquisitions, and bankruptcies create over time a smaller, better-positioned group of larger industry participants. We have previously written at length about this subject, and it is relevant to revisit it now for two main reasons.

First, we often invest in companies within industries where capital—whether physical, intellectual, or financial—has exited as returns have declined. This process sets the stage for an eventual recovery in the sector. Such a phenomenon was present on a grand scale recently in the energy industry, for example, which boomed in the early to mid-2000s after a long period of low oil prices and subsequent underinvestment in new producing wells, the departure from the industry of engineering talent, bankruptcies, mergers, and acquisitions. The present time is one of low returns, limited reinvestment, and capital withdrawals from many industries—a particularly common phenomenon in the financials, consumer, health care, and technology sectors but not limited to them. These areas may prove to be a good hunting ground for investors with a long-term horizon.

The second reason for our current interest in consolidation is our conviction that undervalued assets eventually attract the attention of outside interests, including buyout firms and larger industry players. With so many stocks having fallen significantly over the past two or more years, we are especially attuned to companies that might emerge over time as candidates for acquisition by their peers. Consolidation has often occurred in periods after the stock market and economy have recovered from a steep drop, when managements and board members have become resigned to a more muted outlook for growth and seek ways to reward their owners. We think such a point may be near for many companies.

One direct beneficiary of consolidation was **Petro-Canada**, a large Canadian oil and gas company with a strong position in the country's oil sands district. It received a bid from competitor Suncor and benefited further from a recovery in oil prices during the quarter. In the technology industry, **Seagate Technology's** shares rose as an upturn in its core disk drive market took hold and efforts by its new management to focus its product line began to bear fruit. Seagate's industry

has consolidated through a series of mergers over the past several years, and it has emerged as one of the industry's largest players. Publishing company **Meredith's** stock rose from the depths as advertising revenue at its magazine franchise, which includes such well-established titles as *Better Homes and Gardens* and *Family Circle*, outperformed expectations, and cost-reduction efforts were successful. The magazine publishing industry is undergoing attrition and rationalization, but Meredith has leveraged its rich database of consumer insights and strong positions with large advertisers to offset some of the weakness in ad spending. (Please refer to the fund's portfolio of investments for a complete listing of our holdings and the amount each represents in the portfolio.)

HealthSouth, a portfolio holding for many years, has finally emerged from a long downturn in the inpatient rehabilitation sector, which was punished by adverse government reimbursement for a number of

years. It is the dominant player in the industry, has repaired its balance sheet, and is acquiring smaller competitors to improve its market position. Its earnings exceeded expectations, and its stock rose as market players recognized the company's progress.

We have written at length in previous reports about consolidation in the paper industry. Our record here has been less than stellar, as we underestimated the impact of increasing use of the Internet on paper consumption. However, one of the fund's best performers in the second quarter was corrugated paper and

forest products manufacturer **Temple Inland**. We have followed the company for many years and have been impressed by its cost-reduction efforts and pragmatism. An opportunity presented itself during the first quarter as anxiety about the economy pushed the stock well below what

SECTOR DIVERSIFICATION

	Percent of Net Assets	
	12/31/08	6/30/09
Financials	20.5%	19.3%
Consumer Discretionary	14.9	15.6
Information Technology	10.5	11.5
Utilities	7.9	10.1
Energy	7.4	8.6
Consumer Staples	9.1	8.0
Industrials and Business Services	5.2	7.1
Health Care	7.0	6.7
Materials	9.2	6.6
Telecommunication Services	1.3	1.1
Other and Reserves	7.0	5.4
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

we considered its fair value. Temple's stock rebounded as fears about the environment eased and its financial results exceeded expectations.

Semiconductor capital equipment manufacturer **Novellus Systems'** shares reflected a similar scenario. Its industry has undergone nearly a decade of disappointment following the boom of the late 1990s. Excess capacity has been closed, smaller players have been acquired by larger peers, and stock valuations are compressed. Thus the small improvement that investors detected in the demand outlook for Novellus, as well as its own discipline in reducing costs to enhance its earnings potential, led its shares to rebound sharply during the first quarter.

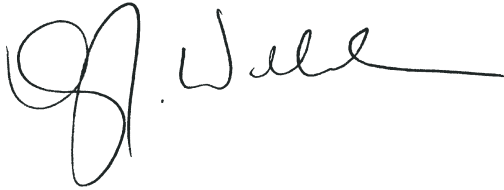
While the best performers in the portfolio came from a diverse set of companies, the worst were more homogenous. Financial companies were disproportionately represented here as the effects of the real estate downturn continued to reverberate. St. Louis-based **Commerce Bancshares** reported results that reflected unexpected pressure on the quality of its loan portfolio. The shares of **Wilmington Trust** and **Valley National** declined as fears grew about their commercial and residential loans. Insurers **Allstate** and **Cincinnati Financial** underperformed on concerns about their investment portfolios. Of course, we had some poor performers in other sectors as well. **Southwest Airlines** suffered as consumers and business travelers cut back on spending, and airfares continued to be pressured despite a reduction in airline capacity. The power generation industry struggled as electricity demand posted one of its steepest declines in history, hurting the shares of independent power producer **Mirant**.

OUTLOOK

Certainly, there are still plenty of "brown shoots" to go along with the green as we survey the investment landscape. Consumer net worth has been walloped, and many in the financial system will be reducing their debt levels for some time, retarding spending. Tax, interest, and inflation rates are at historically low levels—a positive set of conditions for now but perhaps unsustainable over the long run given the country's indebtedness and large obligations associated with Medicare, Medicaid, Social Security, and other entitlements. As we've said before, though, we are not in the business of reading tea leaves. We have found it difficult to handicap the economy, or even the stock market, with any consistent success. Our eyes are focused on value, wherever we can

find it. These days, we are finding a disproportionate share of value in industries that are consolidating, such as the financials, consumer, technology, and health care sectors. We will keep hunting for good values there and anywhere else the market exposes opportunities.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. Wallack". The signature is fluid and cursive, with a large initial "D" and a long horizontal stroke at the end.

David J. Wallack
President of the fund and chairman of its Investment Advisory Committee

A handwritten signature in black ink, appearing to read "Heather McPherson". The signature is cursive and flows across the line.

Heather M. McPherson
Executive vice president of the fund

July 14, 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.

You will notice the addition of the signature of my partner Heather McPherson at the end of this letter. She joined T. Rowe Price in 2002 as an investment analyst specializing in natural resources and electric utilities after having worked at Salomon Smith Barney and Putnam Lovell Securities, Inc. Heather holds a B.S. in managerial economics from the University of California, Davis, and an M.B.A. from the Fuqua School of Business, Duke University. Heather has been an integral member of the Mid-Cap Value Fund team since she joined our firm, and the two of us work closely together on all aspects of the portfolio. She was elected executive vice president of the fund in 2008. Her inclusion in this letter is an acknowledgment of her invaluable contributions over the years and her continued dedication and stewardship.

–David J. Wallack

RISKS OF INVESTING

The fund's share price can fall because of weakness in the stock or bond 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.

Mid-caps typically offer greater return potential than larger established firms and involve less risk than small-caps. Value investors seek to invest in companies whose stock prices are low in relation to their real worth or future prospects. By identifying companies whose stocks are currently out of favor or misunderstood, value investors hope to realize significant appreciation as other investors recognize the stock's intrinsic value and the price rises accordingly. The value approach carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced.

GLOSSARY

Lipper indexes: Fund benchmarks that consist of a small number of the largest mutual funds in a particular category as tracked by Lipper Inc.

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index.

Russell 2000 Index: An unmanaged index that tracks the stocks of 2,000 small U.S. companies.

Russell Midcap Growth Index: Unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value Index: Unmanaged index that measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

S&P MidCap 400 Index: Unmanaged index that tracks the stocks of 400 mid-size U.S. companies.

PORTFOLIO HIGHLIGHTS

TWENTY-FIVE LARGEST HOLDINGS

	Percent of Net Assets 6/30/09
HealthSouth	1.9%
Weyerhaeuser	1.9
Nexen	1.8
Discover Financial	1.8
Southwest Airlines	1.7
Murphy Oil	1.7
The Gap	1.7
Mirant	1.6
Meredith	1.5
Campbell Soup	1.5
Cimarex Energy	1.4
Petro-Canada	1.4
Molex	1.4
Manpower	1.3
Hertz Global Holdings	1.3
BJ Services	1.3
St. Joe	1.2
Mattel	1.2
Alberto-Culver	1.2
NiSource	1.2
Motorola	1.2
Sysco	1.2
Alcatel-Lucent	1.1
Janus Capital Group	1.1
Tyco Electronics	1.1
Total	35.7 %

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

PORTFOLIO HIGHLIGHTS

MAJOR PORTFOLIO CHANGES

Listed in descending order of size.

Six Months Ended 6/30/09

Largest Purchases

Campbell Soup*
Allstate
Stryker*
KeyCorp*
Weyerhaeuser
Hertz Global Holdings*
International Game Technology*
Williams Companies*
Estee Lauder*
First Horizon National

Largest Sales

Coca-Cola Enterprises
Newmont Mining Convertible Bond**
Career Education
Boston Scientific
Prudential Financial
Northern Trust
Fortune Brands
ConAgra**
Alcoa
Hershey Foods

*Position added.

**Position eliminated.

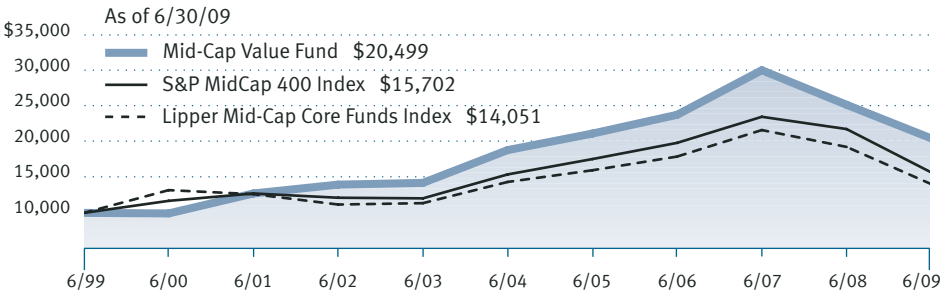
T. ROWE PRICE MID-CAP VALUE FUND

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.

MID-CAP VALUE FUND



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

AVERAGE ANNUAL COMPOUND TOTAL RETURN

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

Periods Ended 6/30/09	1 Year	5 Years	10 Years	Since Inception	Inception Date
Mid-Cap Value Fund	-18.77%	1.69%	7.44%	-	-
Mid-Cap Value Fund—Advisor Class	-18.93	1.46	-	8.62%	9/30/02
Mid-Cap Value Fund—R Class	-19.15	1.22	-	8.34	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

Mid-Cap Value Fund	0.83%
Mid-Cap Value Fund—Advisor Class	1.06
Mid-Cap Value Fund—R Class	1.29

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 MID-CAP VALUE FUND

	Beginning Account Value 1/1/09	Ending Account Value 6/30/09	Expenses Paid During Period* 1/1/09 to 6/30/09
Investor Class			
Actual	\$1,000.00	\$1,140.90	\$4.57
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.53	4.31
Advisor Class			
Actual	1,000.00	1,139.90	5.46
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.69	5.16
R Class			
Actual	1,000.00	1,138.20	6.57
Hypothetical (assumes 5% return before expenses)	1,000.00	1,018.65	6.21

*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 0.86%, the Advisor Class was 1.03%, and the R Class was 1.24%.

T. ROWE PRICE MID-CAP VALUE FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Investor Class

	6 Months Ended 6/30/09 [†]	Year Ended 12/31/08 [†]	12/31/07 [†]	12/31/06 [†]	12/31/05 [†]	12/31/04
NET ASSET VALUE						
Beginning of period	\$ 14.27	\$ 22.46	\$ 25.42	\$ 23.38	\$ 22.99	\$ 20.34
Investment activities						
Net investment income	0.10	0.20	0.55	0.25	0.17	0.10
Net realized and unrealized gain (loss)	1.91	(7.98)	(0.43)	4.48	1.62	4.05
Total from investment activities	2.01	(7.78)	0.12	4.73	1.79	4.15
Distributions						
Net investment income	–	(0.18)	(0.57)	(0.25)	(0.16)	(0.10)
Net realized gain	–	(0.23)	(2.51)	(2.44)	(1.24)	(1.40)
Total distributions	–	(0.41)	(3.08)	(2.69)	(1.40)	(1.50)
NET ASSET VALUE						
End of period	\$ 16.28	\$ 14.27	\$ 22.46	\$ 25.42	\$ 23.38	\$ 22.99

Ratios/Supplemental Data

Total return⁽¹⁾	14.09%	(34.57)%	0.60%	20.24%	7.73%	20.56%
Ratio of total expenses to average net assets	0.86% ⁽²⁾	0.83%	0.79%	0.80%	0.82%	0.84%
Ratio of net investment income to average net assets	1.39% ⁽²⁾	1.02%	2.06%	1.01%	0.72%	0.63%
Portfolio turnover rate	41.7%	74.3%	73.4%	62.4%	45.8%	50.0%
Net assets, end of period (in millions)	\$ 4,896	\$ 4,042	\$ 6,548	\$ 6,532	\$ 5,399	\$ 4,571

[†] 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

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

T. ROWE PRICE MID-CAP VALUE FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Advisor Class

	6 Months Ended 6/30/09 [†]	Year Ended 12/31/08 [†]	12/31/07 [†]	12/31/06 [†]	12/31/05 [†]	12/31/04
NET ASSET VALUE						
Beginning of period	\$ 14.22	\$ 22.36	\$ 25.29	\$ 23.28	\$ 22.91	\$ 20.31
Investment activities						
Net investment income	0.09	0.15	0.48	0.19	0.11	0.12
Net realized and unrealized gain (loss)	1.90	(7.93)	(0.41)	4.46	1.61	3.96
Total from investment activities	1.99	(7.78)	0.07	4.65	1.72	4.08
Distributions						
Net investment income	–	(0.13)	(0.49)	(0.20)	(0.11)	(0.08)
Net realized gain	–	(0.23)	(2.51)	(2.44)	(1.24)	(1.40)
Total distributions	–	(0.36)	(3.00)	(2.64)	(1.35)	(1.48)

NET ASSET VALUE

End of period **\$ 16.21 \$ 14.22 \$ 22.36 \$ 25.29 \$ 23.28 \$ 22.91**

Ratios/Supplemental Data

Total return⁽¹⁾	13.99%	(34.73)%	0.40%	19.98%	7.45%	20.24%
Ratio of total expenses to average net assets	1.03% ⁽²⁾	1.05%	1.03%	1.03%	1.06%	1.06%
Ratio of net investment income to average net assets	1.21% ⁽²⁾	0.77%	1.81%	0.78%	0.48%	0.42%
Portfolio turnover rate	41.7%	74.3%	73.4%	62.4%	45.8%	50.0%
Net assets, end of period (in thousands)	\$ 350,719	\$ 292,242	\$ 541,613	\$ 538,804	\$ 408,873	\$ 310,755

[†] 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

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

T. ROWE PRICE MID-CAP VALUE FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

R Class

	6 Months Ended 6/30/09 [†]	Year Ended 12/31/08 [†]	12/31/07 [†]	12/31/06 [†]	12/31/05 [†]	12/31/04
NET ASSET VALUE						
Beginning of period	\$ 14.11	\$ 22.17	\$ 25.10	\$ 23.14	\$ 22.78	\$ 20.23
Investment activities						
Net investment income	0.07	0.11	0.42	0.13	0.06	0.10
Net realized and unrealized gain (loss)	1.88	(7.85)	(0.42)	4.42	1.60	3.91
Total from investment activities	1.95	(7.74)	–	4.55	1.66	4.01
Distributions						
Net investment income	–	(0.09)	(0.42)	(0.15)	(0.06)	(0.06)
Net realized gain	–	(0.23)	(2.51)	(2.44)	(1.24)	(1.40)
Total distributions	–	(0.32)	(2.93)	(2.59)	(1.30)	(1.46)
NET ASSET VALUE						
End of period	\$ 16.06	\$ 14.11	\$ 22.17	\$ 25.10	\$ 23.14	\$ 22.78

Ratios/Supplemental Data

Total return⁽¹⁾	13.82%	(34.86)%	0.12%	19.67%	7.24%	19.97%
Ratio of total expenses to average net assets	1.24% ⁽²⁾	1.28%	1.27%	1.27%	1.29%	1.32%
Ratio of net investment income to average net assets	1.01% ⁽²⁾	0.57%	1.60%	0.54%	0.25%	0.18%
Portfolio turnover rate	41.7%	74.3%	73.4%	62.4%	45.8%	50.0%
Net assets, end of period (in thousands)	\$ 227,614	\$ 210,751	\$ 374,714	\$ 406,678	\$ 299,320	\$ 189,350

[†] 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

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

T. ROWE PRICE MID-CAP VALUE FUND

Unaudited

June 30, 2009

PORTFOLIO OF INVESTMENTS ‡	Shares/\$ Par	Value
(Cost and value in \$000s)		
COMMON STOCKS 92.3%		
CONSUMER DISCRETIONARY 15.1%		
Auto Components 1.8%		
Borg-Warner	1,500,000	51,225
TRW Automotive (1)	1,303,601	14,731
WABCO Holdings	1,746,700	30,916
		96,872
Diversified Consumer Services 2.0%		
Career Education (1)	1,963,522	48,872
Weight Watchers	2,309,893	59,526
		108,398
Hotels, Restaurants & Leisure 1.0%		
International Game Technology	3,550,000	56,445
		56,445
Household Durables 0.7%		
Fortune Brands	896,600	31,148
Harman International	350,000	6,580
		37,728
Internet & Catalog Retail 0.9%		
Expedia (1)	1,550,000	23,421
Liberty Media Interactive, Class A (1)	5,500,000	27,555
		50,976
Leisure Equipment & Products 1.2%		
Mattel	4,254,000	68,277
		68,277
Media 4.8%		
Cablevision, Class A	83,000	1,611
Discovery Communications, Class A (1)	706,768	15,938
Discovery Communications, Class C (1)	742,268	15,239
DISH Network (1)	2,305,500	37,372

T. ROWE PRICE MID-CAP VALUE FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
Meredith	3,115,775	79,608
Scholastic	2,517,800	49,827
Scripps Networks Interactive	1,200,000	33,396
Washington Post, Class B	83,000	29,231
		262,222
Specialty Retail 2.7%		
Bed Bath & Beyond (1)	1,020,000	31,365
GAP	5,517,100	90,480
Tiffany	1,050,000	26,628
		148,473
Total Consumer Discretionary		829,391
CONSUMER STAPLES 7.9%		
Beverages 0.7%		
Brown-Forman, Class B	412,500	17,729
Coca-Cola Enterprises	1,024,892	17,065
		34,794
Food & Staples Retailing 1.6%		
Sysco	2,875,000	64,630
Whole Foods Market	1,250,000	23,725
		88,355
Food Products 3.5%		
Campbell Soup	2,700,000	79,434
Hershey Foods	1,495,500	53,838
McCormick	1,267,000	41,215
Tootsie Roll Industries	832,386	18,887
		193,374
Personal Products 2.1%		
Alberto Culver	2,635,500	67,021

T. ROWE PRICE MID-CAP VALUE FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
Estee Lauder, Class A	1,475,000	48,188
		115,209
Total Consumer Staples		431,732
ENERGY 8.6%		
Energy Equipment & Services 1.4%		
Baker Hughes	283,500	10,331
BJ Services	5,130,000	69,922
		80,253
Oil, Gas & Consumable Fuels 7.2%		
Cimarex Energy	2,775,000	78,644
Murphy Oil	1,673,000	90,877
Nexen	4,650,000	100,672
Petro-Canada	1,975,000	75,880
Williams Companies	3,025,000	47,220
		393,293
Total Energy		473,546
FINANCIALS 17.9%		
Capital Markets 2.2%		
Greenhill	435,500	31,447
Janus Capital Group	5,422,071	61,812
Northern Trust	536,640	28,807
		122,066
Commercial Banks 4.4%		
Commerce Bancshares	1,084,886	34,532
First Horizon National	3,828,742	45,945
KeyCorp	6,538,800	34,263
Marshall & Ilsley	4,828,900	23,179
Valley National Bancorp	1,202,419	14,068

T. ROWE PRICE MID-CAP VALUE FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
WestAmerica	906,807	44,987
Wilmington Trust	2,975,000	40,638
		237,612
Consumer Finance 1.8%		
Discover Financial	9,464,083	97,196
		97,196
Insurance 5.4%		
Allstate	1,760,332	42,952
Axis Capital	684,300	17,915
Cincinnati Financial	1,825,000	40,789
First American Financial	700,000	18,137
Marsh & McLennan	2,477,000	49,862
Montpelier RE	1,500,000	19,935
OneBeacon Insurance Group, Class A (2)	1,365,500	15,962
Progressive Corporation (1)	3,600,000	54,396
Prudential Financial	251,500	9,361
The Travelers Companies	672,975	27,619
		296,928
Real Estate Investment Trusts (REITs) 2.4%		
Alexandria Real Estate, REIT	200,000	7,158
Duke Realty, REIT	2,120,500	18,597
Kimco Realty, REIT	3,561,300	35,791
SL Green Realty, REIT	1,026,800	23,555
Vornado Realty Trust, REIT	510,870	23,004
Weingarten Realty Investors, REIT	1,693,900	24,579
		132,684
Real Estate Management & Development 1.3%		
St. Joe (1)	2,579,000	68,318
		68,318

T. ROWE PRICE MID-CAP VALUE FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
Thriffs & Mortgage Finance 0.4%		
First Niagara Financial	2,049,476	23,405
		23,405
Total Financials		978,209
HEALTH CARE 6.7%		
Biotechnology 0.6%		
Biogen Idec (1)	220,000	9,933
ONYX Pharmaceuticals (1)	600,000	16,956
OSI Pharmaceuticals (1)	162,845	4,597
		31,486
Health Care Equipment & Supplies 1.8%		
Boston Scientific (1)	1,701,500	17,253
St. Jude Medical (1)	610,000	25,071
Stryker	1,200,000	47,688
Zimmer Holdings (1)	225,000	9,585
		99,597
Health Care Providers & Services 3.7%		
CIGNA	1,675,455	40,362
HealthSouth (1)(2)	7,324,870	105,771
Lincare Holdings (1)	2,305,000	54,214
		200,347
Life Sciences Tools & Services 0.3%		
Waters Corporation (1)	375,000	19,301
		19,301
Pharmaceuticals 0.3%		
Sepracor (1)	825,000	14,289
		14,289
Total Health Care		365,020

T. ROWE PRICE MID-CAP VALUE FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
INDUSTRIALS & BUSINESS SERVICES 6.2%		
Aerospace & Defense 0.5%		
Harris	1,100,000	31,196
		31,196
Airlines 1.7%		
Southwest Airlines	13,698,000	92,187
		92,187
Commercial Services & Supplies 0.5%		
Cintas	1,139,400	26,024
		26,024
Industrial Conglomerates 0.3%		
Textron	1,555,200	15,023
		15,023
Machinery 0.5%		
Dover	800,000	26,472
		26,472
Professional Services 1.7%		
Equifax	788,000	20,567
Manpower	1,720,300	72,837
		93,404
Road & Rail 1.0%		
Hertz Global (1)	6,745,500	53,897
		53,897
Total Industrials & Business Services		338,203

	Shares/\$ Par	Value
(Cost and value in \$000s)		
INFORMATION TECHNOLOGY 9.6%		
Communications Equipment 1.2%		
Motorola	9,750,000	64,642
		64,642
Computers & Peripherals 0.9%		
Seagate Technology	5,029,512	52,609
		52,609
Electronic Equipment, Instruments & Components 3.8%		
AVX	4,355,100	43,246
Molex, Class A	5,250,200	75,498
National Instruments	1,225,000	27,636
Tyco Electronics	3,250,000	60,418
		206,798
IT Services 1.2%		
Automatic Data Processing	325,000	11,518
Total System Services	4,056,243	54,313
		65,831
Semiconductor & Semiconductor Equipment 1.8%		
ASML Holding, ADR	767,800	16,623
Novellus Systems (1)	3,313,590	55,337
Teradyne (1)	2,416,200	16,575
Xilinx	544,000	11,130
		99,665
Software 0.7%		
Electronic Arts (1)	1,725,000	37,467
		37,467
Total Information Technology		527,012

T. ROWE PRICE MID-CAP VALUE FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
MATERIALS 5.9%		
Chemicals 1.4%		
International Flavors & Fragrances	850,000	27,812
Nalco Holding	2,771,300	46,669
		74,481
Containers & Packaging 0.7%		
Temple-Inland	2,829,916	37,128
		37,128
Metals & Mining 1.8%		
Alcoa	2,652,800	27,404
AngloGold, ADR	247,400	9,062
Franco-Nevada (CAD)	1,363,500	32,776
Freeport-McMoRan Copper & Gold	400,000	20,044
Gold Fields, ADR	694,800	8,372
		97,658
Paper & Forest Products 2.0%		
International Paper	528,600	7,998
Weyerhaeuser	3,400,000	103,462
		111,460
Total Materials		320,727
TELECOMMUNICATION SERVICES 1.1%		
Wireless Telecommunication Services 1.1%		
Telephone & Data Systems	500,000	14,150
Telephone & Data Systems, Special Shares	1,755,000	45,560
Total Telecommunication Services		59,710

T. ROWE PRICE MID-CAP VALUE FUND

	Shares/\$ Par	Value
(Cost and value in \$000s)		
UTILITIES 9.7%		
Electric Utilities 3.6%		
American Electric Power	1,304,300	37,681
Duke Energy	3,194,000	46,600
FirstEnergy	900,000	34,875
Pinnacle West Capital	1,696,500	51,150
Potomac Electric Power	1,850,000	24,864
		195,170
Independent Power Producers & Energy Traders 3.0%		
Constellation Energy	852,600	22,662
Mirant (1)	5,616,700	88,407
NRG Energy (1)	2,165,000	56,203
		167,272
Multi-Utilities 3.1%		
Ameren	1,518,700	37,800
Integrus Energy Group	700,000	20,993
NiSource	5,587,100	65,146
PNM Resources	2,300,000	24,633
Teco Energy	1,741,212	20,773
		169,345
Total Utilities		531,787
Total Miscellaneous Common Stocks 3.6% (3)		196,490
Total Common Stocks (Cost \$5,507,879)		5,051,827

	Shares/\$ Par	Value
(Cost and value in \$000s)		
CONVERTIBLE PREFERRED STOCKS 0.2%		
FINANCIALS 0.2%		
Insurance 0.2%		
Assured Guaranty (1)	211,400	11,056
Total Convertible Preferred Stocks (Cost \$10,570)		11,056
CONVERTIBLE BONDS 2.1%		
Alcoa, 5.25%, 3/15/14	7,036,000	12,330
Hertz Global, 5.25%, 6/1/14	15,649,000	17,736
Lucent Technologies, VR, 2.875%, 6/15/25	86,993,000	62,065
Teradyne, 4.50%, 3/15/14	3,186,000	4,561
Textron, 4.50%, 5/1/13	17,175,000	17,406
Total Convertible Bonds (Cost \$128,711)		114,098
SHORT-TERM INVESTMENTS 5.6%		
Money Market Funds 5.6%		
T. Rowe Price Reserve Investment Fund, 0.41% (2)(4)	308,302,711	308,303
Total Short-Term Investments (Cost \$308,303)		308,303
Total Investments in Securities		
100.2% of Net Assets (Cost \$5,955,463)		\$ 5,485,284

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

(1) Non-income producing

(2) Affiliated Companies

(3) The identity of certain securities has been concealed to protect the fund while it completes a purchase or selling program for the securities.

(4) Seven-day yield

ADR American Depository Receipts

CAD Canadian Dollar

REIT Real Estate Investment Trust

VR Variable Rate; rate shown is effective rate at period-end.

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		Sales		Investment Income	Value	
	Cost	Cost	Cost	Cost		6/30/09	12/31/08
HealthSouth	\$ 23,977	\$ -	\$ -	\$ -	\$ -	105,771	\$ 53,428
OneBeacon Insurance Group, Class A	-	7,379			574	15,962	17,307
T. Rowe Price Reserve Investment Fund, 0.41%	▫	▫			942	308,303	319,803
Totals					<u>\$ 1,516</u>	<u>\$ 430,036</u>	<u>\$ 390,538</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>\$ 459,545</u>
Dividend income	1,516
Interest income	<u>-</u>
Investment income	<u>\$ 1,516</u>
Realized gain (loss) on securities	<u>\$ (4,238)</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 \$5,955,463)	\$ 5,485,284
Receivable for shares sold	22,290
Receivable for investment securities sold	11,753
Dividends and interest receivable	7,098
Other assets	86
Total assets	<u>5,526,511</u>

Liabilities

Payable for investment securities purchased	41,914
Payable for shares redeemed	5,833
Investment management fees payable	2,955
Due to affiliates	534
Other liabilities	619
Total liabilities	<u>51,855</u>

NET ASSETS**\$ 5,474,656****Net Assets Consist of:**

Undistributed net investment income	\$ 40,206
Accumulated undistributed net realized loss	(1,269,066)
Net unrealized loss	(470,208)
Paid-in capital applicable to 336,566,265 shares of \$0.0001 par value capital stock outstanding; 1,000,000,000 shares authorized	<u>7,173,724</u>

NET ASSETS**\$ 5,474,656****NET ASSET VALUE PER SHARE****Investor Class****(\$4,896,323,846 / 300,758,358 shares outstanding) \$ 16.28****Advisor Class****(\$350,718,546 / 21,638,741 shares outstanding) \$ 16.21****R Class****(\$227,613,704 / 14,169,166 shares outstanding) \$ 16.06**

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

T. ROWE PRICE MID-CAP VALUE FUND

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

		6 Months Ended 6/30/09
Investment Income (Loss)		
Income		
Dividend	\$	50,231
Interest		2,291
Total income		52,522
Expenses		
Investment management		15,378
Shareholder servicing		
Investor Class	\$	3,848
Advisor Class		191
R Class		85
Rule 12b-1 fees		4,124
Advisor Class		325
R Class		488
Prospectus and shareholder reports		813
Investor Class		160
Advisor Class		23
R Class		3
Custody and accounting		144
Registration		54
Legal and audit		20
Directors		14
Miscellaneous		19
Total expenses		20,752
Expenses paid indirectly		(25)
Net expenses		20,727
Net investment income		31,795

T. ROWE PRICE MID-CAP VALUE FUND

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

6 Months
Ended
6/30/09

Realized and Unrealized Gain (Loss)

Net realized gain (loss)	
Securities	(515,932)
Foreign currency transactions	51
Net realized loss	<u>(515,881)</u>
Change in net unrealized gain (loss)	
Securities	1,146,323
Other assets and liabilities denominated in foreign currencies	(34)
Change in net unrealized gain	<u>1,146,289</u>
Net realized and unrealized gain	<u>630,408</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 662,203</u>

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

T. ROWE PRICE MID-CAP VALUE FUND

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/09	Year Ended 12/31/08
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 31,795	\$ 62,142
Net realized loss	(515,881)	(753,753)
Change in net unrealized gain (loss)	1,146,289	(1,814,314)
Increase (decrease) in net assets from operations	662,203	(2,505,925)
Distributions to shareholders		
Net investment income		
Investor Class	-	(49,777)
Advisor Class	-	(2,627)
R Class	-	(1,327)
Net realized gain		
Investor Class	-	(63,588)
Advisor Class	-	(4,649)
R Class	-	(3,389)
Decrease in net assets from distributions	-	(125,357)
Capital share transactions*		
Shares sold		
Investor Class	589,309	1,029,215
Advisor Class	67,903	179,176
R Class	29,285	63,929
Distributions reinvested		
Investor Class	-	108,402
Advisor Class	-	6,455
R Class	-	4,710
Shares redeemed		
Investor Class	(327,524)	(1,326,316)
Advisor Class	(52,272)	(244,593)
R Class	(38,992)	(109,248)
Increase (decrease) in net assets from capital share transactions	267,709	(288,270)

T. ROWE PRICE MID-CAP VALUE FUND

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 6/30/09	Year Ended 12/31/08
Net Assets		
Increase (decrease) during period	929,912	(2,919,552)
Beginning of period	4,544,744	7,464,296
End of period	\$ 5,474,656	\$ 4,544,744
Undistributed net investment income	40,206	8,411
*Share information		
Shares sold		
Investor Class	41,365	53,975
Advisor Class	4,935	9,367
R Class	2,075	3,380
Distributions reinvested		
Investor Class	-	7,877
Advisor Class	-	471
R Class	-	346
Shares redeemed		
Investor Class	(23,818)	(70,126)
Advisor Class	(3,848)	(13,511)
R Class	(2,844)	(5,688)
Increase (decrease) in shares outstanding	17,865	(13,909)

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

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price Mid-Cap Value 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 appreciation by investing primarily in mid-sized companies that appear to be undervalued. The fund has three classes of shares: the Mid-Cap Value Fund original share class, referred to in this report as the Investor Class, offered since June 28, 1996; the Mid-Cap Value Fund—Advisor Class (Advisor Class), offered since September 30, 2002; and the Mid-Cap Value 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. Premiums and discounts on debt securities are amortized for financial reporting purposes. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment

transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared and paid by each class 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.

Debt securities are generally traded in the OTC market. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

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

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	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities				
Common Stocks	\$ 4,993,416	\$ 58,411	\$ —	\$ 5,051,827
Convertible Preferred Stocks	—	11,056	—	11,056
Convertible Bonds	—	114,098	—	114,098
Short-Term Investments	308,303	—	—	308,303
Total	\$ 5,301,719	\$ 183,565	\$ —	\$ 5,485,284

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Purchases and sales of portfolio securities other than short-term securities aggregated \$2,161,528,000 and \$1,833,240,000, 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 \$347,996,000 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 \$340,260,000 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 \$5,955,463,000. Net unrealized loss aggregated \$470,208,000 at period-end, of which \$397,197,000 related to appreciated investments and \$867,405,000 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%.

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, \$905,000 for T. Rowe Price Services, Inc., and \$580,000 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 \$197,000 for shareholder servicing costs related to the college savings plans, of which \$146,000 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 3% 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) and T. Rowe Price Retirement Funds (Retirement Funds) may invest. Neither the Spectrum Funds nor the Retirement Funds invest in the underlying Price funds for the purpose of exercising management or control. Pursuant to separate special servicing agreements, expenses associated with the operation of the Spectrum and Retirement 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 and Retirement Funds, respectively. Expenses allocated under these agreements are reflected as shareholder servicing expenses in the accompanying financial statements. For the six months ended June 30, 2009, the fund was allocated \$92,000 of Spectrum Funds' expenses and \$1,225,000 of Retirement Funds' expenses. Of these amounts, \$951,000 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 2% of the outstanding shares of the Investor Class were held by the Spectrum Funds and 24% were held by the Retirement 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.

As of June 30, 2009, T. Rowe Price Group, Inc., and/or its wholly owned subsidiaries owned 169,796 shares of the Investor Class, representing less than 1% of the fund's net assets.

INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information, which you may request by calling 1-800-225-5132 or by accessing the SEC's Web site, www.sec.gov. The description of our proxy voting policies and procedures is also available on our Web site, www.troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

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

HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS

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

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 for the Investor Class was above the median for certain groups of comparable funds but at or below the median for other groups of comparable funds, and the management fee rate for the Advisor and R Class was at or below the median for comparable funds. The information also indicated that the fund's expense ratio for the Investor and Advisor Class was below the median for comparable funds, and 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

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 or call 1-800-225-5132 to locate a center near you.

ACCOUNT SERVICES

Automated 24-Hour Services Including Tele* AccessSM and account access through the T. Rowe Price Web site at 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[‡]

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

INVESTMENT INFORMATION

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

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

Please contact your intermediary or financial professional for assistance.

[‡] 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

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

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

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

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. 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

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.

Traditional IRAs. Call 1-800-IRA-5000 or visit 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

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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