



**ANNUAL REPORT**

December 31, 2018

T. ROWE PRICE

# Institutional Large-Cap Value Fund

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## HIGHLIGHTS

- The Institutional Large-Cap Value Fund returned -9.35% in 2018 and underperformed the Russell 1000 Value Index and its Lipper peer group index.
- Consumer staples stocks detracted the most from returns as a few large positions stumbled. Top contributors to absolute returns were dispersed among various sectors.
- Our sector allocations stayed broadly unchanged in the past six months. We took advantage of heightened volatility at the end of 2018 to add to cyclical names whose valuations appeared to price in a recession.
- The trade impasse with China and elevated U.S. political risk are among many uncertainties that will likely spur heightened financial market volatility in 2019. However, U.S. economic fundamentals appear strong, and the market's late-year downturn opened up opportunities to buy shares of select companies at more reasonable valuations.

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## Dear Investor

The year 2018 was not one that investors will remember fondly. The major stock indexes recorded their worst declines in a decade, with most falling over 20% from recent peaks and bringing a technical end to the bull market that began in 2009. In direct contrast to 2017, financial assets performed poorly across asset classes and geographies. The broadest measure of domestic bond returns, the Bloomberg Barclays U.S. Aggregate Bond Index, returned exactly nothing (0.0%) for the year, and nearly all overseas bond and equity markets also performed poorly. “Cash was king,” in Wall Street parlance, which never makes for a happy reign.

Many issues were behind the market weakness, but we can point to four primary factors that weighed on sentiment:

*Rising interest rates.* Wage pressures appeared to be accelerating early in the year, sending longer-term bond yields to multiyear highs and sparking a sell-off in equities in early February. Wage gains soon moderated, but a continued decline in the unemployment rate—which reached a five-decade low of 3.7% in September—kept investors on the lookout for higher inflation ahead. In October, yields returned to their peaks on the back of good economic data and suggestions from Federal Reserve officials that they might keep hiking interest rates more quickly than expected. This was subsequently followed by a decline in long-term rates as investors sought safety late in the year and questioned the pace of future interest rate hikes.

*Trade tensions.* On March 1, President Donald Trump took markets by surprise in announcing a new series of metal tariffs. His administration quickly adopted a decidedly protectionist stance, with pro-trade advocates leaving and the announcement of plans for a range of new trade restrictions. Many threats never materialized, and the White House announced a renegotiated trade deal with Canada and Mexico. Trade tensions with China only appeared to deepen as the year progressed, however.

*Slowing global growth.* A global slowdown became apparent in the second half of 2018. Environmental and financial reforms put the brakes on the Chinese economy, as planned, but trade frictions caused growth to slow below official targets. Other emerging markets suffered from a stronger U.S. dollar and higher U.S. interest rates. In Europe, trade worries also hampered business spending, while unresolved Brexit fears and further threats to the eurozone from Italy and elsewhere also took a toll. Plummeting oil prices late in the year seemed to confirm a general weakening in global economic conditions.

*Peaking fundamentals.* The U.S. economy stood apart by accelerating in 2018, but a moderation in 2019 appears all but inevitable as the effects of fiscal stimulus moderate. Of specific concern to investors is the almost certain slowdown in

corporate profits in the coming year. Overall profits for the S&P 500 grew by 25% versus the year before in the first three quarters of 2018—a pace sure to slow as the year-over-year impact of the tax cut fades, wage gains pressure margins, and the global economy cools.

The market’s dramatic pullback in the final weeks of 2018—stocks suffered their worst December since the Great Depression—seemed to reflect fears that a recession might even be imminent. I think such concerns are overblown. The Fed has already completed most of its planned rate hikes, promising less of a headwind for the economy and markets. China and Europe are likely to respond to slowing growth with stimulus, and both will benefit from lower oil prices. As I write, some encouraging signs have also emerged on the trade front, although whether the U.S. and China can resolve their differences remains perhaps the largest uncertainty facing markets.

In terms of stock performance, the painful end to 2018 served to improve valuations, making gains in the coming year less of a hurdle. I would also note that a further stock market “bust” in 2019 seems unlikely given that we never experienced the concentrated “boom” that has preceded past bad bear markets. In the final stages of the dot-com boom of the late 1990s, for example, investors flooded in to telecom shares, and huge amounts of capital and risk flowed in to housing in the mid-2000s. Currently, I simply do not see those sorts of distortions in the financial system.

Of course, opinions about what 2019 holds vary among our investment professionals at T. Rowe Price, and we sharpen each other’s thinking by constantly sharing opinions and insights. Please rest assured that your fund’s manager is drawing on the insights and perspectives across our global organization as he or she charts the course ahead.

Thank you for your continued confidence in T. Rowe Price.

Sincerely,



Robert Sharps  
Group Chief Investment Officer

**INVESTMENT OBJECTIVE**

The fund seeks to provide long-term capital appreciation by investing in common stocks believed to be undervalued. Income is a secondary objective.

**FUND COMMENTARY****How did the fund perform in the past 12 months?**

The Institutional Large-Cap Value Fund returned -9.35% in the 12 months ended December 31, 2018. The fund underperformed the Russell 1000 Value Index and the Lipper Large-Cap Value Funds Index. *(Past performance cannot guarantee future results.)*

**PERFORMANCE COMPARISON**

Periods Ended 12/31/18	Total Return	
	6 Months	12 Months
Institutional Large-Cap Value Fund	-8.49%	-9.35%
Russell 1000 Value Index	-6.69	-8.27
Lipper Large-Cap Value Funds Index	-7.12	-7.58

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

Consumer staples stocks detracted from performance as several of our holdings stumbled for various reasons. **Tyson Foods** was the year's largest detractor as the company grappled with rising costs, volatile agricultural commodity markets, and trade disputes that contributed to an oversupply of meat in the U.S. **Philip Morris International** weighed on returns amid uncertainty about the tobacco company's critical bet on iQOS, a "heat not burn" cigarette alternative that showed disappointing results in Japan. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Financials stocks detracted as signs of slower economic growth and a flattening U.S. Treasury yield curve weighed on profitability for banks. In December, an inversion in a portion of the yield curve—a phenomenon that has historically preceded a recession—reinforced concerns that the U.S. economy is in a late-cycle phase, further dimming the appeal of financials stocks. These macroeconomic issues weighed on **Wells Fargo**, **Morgan Stanley**, and **Citigroup**, which ranked among the largest detractors.

Top contributors to absolute performance hailed from various sectors. **Microsoft** was the top contributor as the software and services company continued to beat forecasts amid high demand for internet-based computing. In health care, our holdings in drug manufacturers **Merck** and **Pfizer** and medical device maker **Medtronic** outperformed on an improving operational outlook aided by innovative new products and a strong pipeline outlook. For the most part, our health care holdings proved helpful as rising geopolitical tensions and technology sector volatility led investors to seek more defensive and stable assets. The communication services sector added value owing to our position in **Twenty-First Century Fox**, which agreed to sell some of its entertainment assets to Walt Disney for \$71.3 billion over the summer after a prolonged bidding war between Disney and **Comcast**. In the financials sector, owning insurer **XL Group** contributed as its shares rose on takeover speculation that came to fruition in March, when it agreed to be acquired by France's AXA for a hefty premium. **Boeing** helped returns as surging aircraft demand spurred by strong global travel trends drove its shares to record levels in 2018.

Compared with the benchmark, stock selection in consumer staples detracted the most from performance. On the other hand, stock selection in the information technology and communication services sectors added the most to relative returns.

**SECTOR DIVERSIFICATION**

	Percent of Net Assets	
	6/30/18	12/31/18
Financials	23.5%	22.3%
Health Care	14.5	15.3
Industrials and Business Services	9.0	10.3
Information Technology	9.5	10.0
Energy	10.9	9.5
Consumer Staples	8.5	8.5
Utilities	6.5	6.5
Communication Services	5.6	6.5
Materials	4.3	3.8
Consumer Discretionary	3.7	2.8
Real Estate	1.6	1.5
Other and Reserves	2.4	3.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Historical weightings reflect current industry/sector classifications.

### How is the fund positioned?

The Institutional Large-Cap Value Fund invests in companies with favorable long-term fundamental characteristics that we believe are mispriced by the market. Each position is the result of careful stock picking based on the fundamental research generated by T. Rowe Price's global equity analyst team. We seek to identify quality companies that are trading below their intrinsic value owing to short-term controversy surrounding the company or its business model. Because of our long-term investment horizon, we can exploit the valuation anomalies that often occur as companies take steps to resolve uncertainties and return to past levels of profitability. If we can successfully identify companies with asymmetric return potential, we believe that we can beat the market and our peers over time.

Financials was the largest sector allocation and accounted for about 22% of the fund at year-end. Our allocation stayed broadly unchanged in the past six months as we trimmed holdings that performed well in recent years and bought names whose valuations fell to attractive levels in the fourth-quarter downturn. We reduced positions in financial services giants Citigroup and **JPMorgan Chase** and in regional lender **U.S. Bancorp** and added to Wells Fargo and Morgan Stanley. In the insurance industry, we eliminated XL Group to lock in gains after its shares surged on news of its takeout by AXA and increased our position in property and casualty insurer **Chubb**, a best-in-class operator that we think will benefit from market share gains, improved pricing across the industry, and rising interest rates.

Our exposure to health care, the best-performing sector in 2018 and our second-largest allocation, rose slightly in the past six months. We initiated a position in leading orthopedic device manufacturer **Zimmer Biomet Holdings** after its shares fell significantly at year-end following disappointing operational performance. Zimmer's pipeline of innovative new products offers the potential for improved growth, and a new management team brings an excellent track record within the health care industry to the company.

Industrials and business services was the fund's third-largest allocation and our largest sector overweight at the end of December. Our exposure increased in the year's second half as we bought shares of **GE** after its valuation fell to compelling levels in late 2018. Earlier in the year, GE reported a multibillion-dollar charge for liabilities for long-term care insurance policies, which led federal regulators to start a probe into its accounting. The liabilities charge was the latest setback for GE, which has stumbled badly in recent years from slowing fundamentals in key businesses and poor capital allocation decisions. However, we think that GE can turn itself around

over time under an experienced new chief executive who started in October. We also initiated a position in building products maker **Fortune Brands Home & Security**, whose brands include MasterBrand kitchen cabinets and Moen faucets. Uncertainty around the pace of U.S. housing construction allowed us to step in and purchase Fortune Brands' shares at an attractive valuation. We believe that Fortune Brands has levers to improve its businesses performance, and that pent-up demand for repairs and remodeling in the nation's aging housing stock will support its business even if the overall housing market cools. The company was our top purchase in the second half of 2018.

### What is portfolio management's outlook?

The complacency that ruled investor sentiment for the past several years has been eclipsed by high anxiety on multiple fronts, as evidenced by the U.S. stock market's volatility during the final months of 2018. A major source of investor unease is the unresolved U.S.-China trade impasse, which is undermining business confidence and clouding the outlook for a growing number of U.S. multinationals. Moreover, the Trump administration's response to December's financial turmoil and a divided U.S. government that just recently emerged from an unprecedented federal shutdown is deeply unsettling. Investors appear to be discounting increased political risk, which could depress multiples for U.S. stocks. We believe that investors should brace themselves for a choppy ride until the trade situation with China improves and political concerns subside.

On the bright side, the fundamentals of the U.S. economy appear reasonably strong, and consumers are benefiting from a pickup in wages. A brief inversion of the yield curve in December and mixed economic signals late in the year have raised the prospect of a looming economic contraction, though history counsels against trying to pinpoint the next recession. Valuations have fallen to more reasonable levels, and many cyclical stocks have entered bear market territory.

Rather than dwelling on macroeconomic or geopolitical developments, we have taken advantage of the market's volatility to sell stocks that appeared fully valued and buy fundamentally strong names with a more attractive risk/reward trade-off. We are confident that our focus on long-term value and disciplined investment approach, backed by the in-depth fundamental research compiled by T. Rowe Price's equity analyst team, will allow us to navigate an unpredictable environment in 2019 and generate long-term value for our investors.

The views expressed reflect the opinions of T. Rowe Price as of the date of this report and are subject to change based on changes in market, economic, or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

**RISKS OF STOCK INVESTING**

As with all stock funds, the fund's share price can fall because of weakness in the broad market, a particular industry, or specific holdings. Stock markets can decline for many reasons, including adverse local, political, social, or economic developments in the U.S. or abroad; changes in investor psychology; or heavy selling at the same time by major institutional investors in the market, such as mutual funds, pension funds, and banks. 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 advisor's assessment of companies held by the fund may prove incorrect, resulting in losses or poor performance, even in rising markets. Also, the fund's overall investment approach could fall out of favor with the investing public, resulting in lagging performance versus other types of stock funds. Legislative, regulatory, or tax developments may affect the investment strategies available to portfolio managers, which could adversely affect the ability to implement the fund's overall investment program and achieve the fund's investment objective.

**RISKS OF VALUE INVESTING**

Finding undervalued stocks requires considerable research to identify the particular company, analyze its financial condition and prospects, and assess the likelihood that the stock's underlying value will be recognized by the market and reflected in its price. A value approach to investing 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.

**BENCHMARK INFORMATION**

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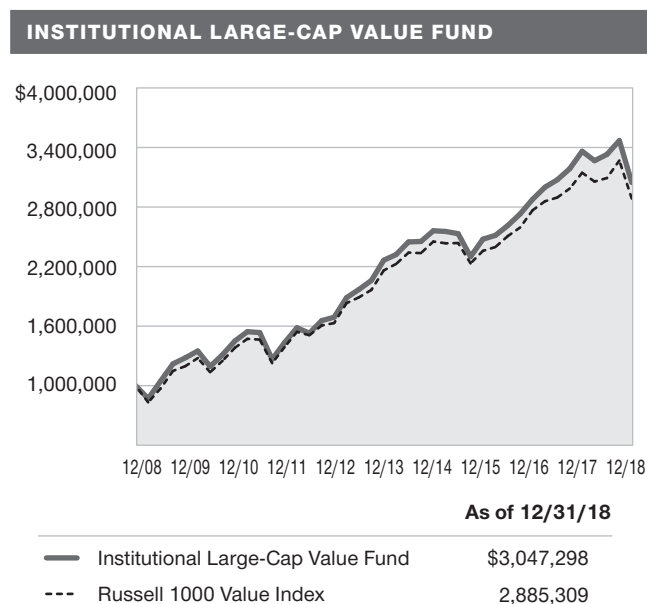
**TWENTY-FIVE LARGEST HOLDINGS**

	<b>Percent of Net Assets 12/31/18</b>
JPMorgan Chase	3.6%
Microsoft	3.4
Wells Fargo	3.3
Pfizer	2.8
Total	2.6
Merck	2.4
Cisco Systems	2.3
Twenty-First Century Fox	2.3
Medtronic	2.3
Verizon Communications	2.2
ExxonMobil	2.2
Chubb	2.0
Tyson Foods	1.9
Southern Company	1.9
Johnson and Johnson	1.9
Morgan Stanley	1.8
Kimberly-Clark	1.7
Qualcomm	1.7
CVS Health	1.7
U.S. Bancorp	1.7
Boeing	1.6
TransCanada	1.5
DowDuPont	1.5
Fifth Third Bancorp	1.5
Wal-Mart	1.5
<b>Total</b>	<b>53.3%</b>

Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

### GROWTH OF \$1 MILLION

This table shows the value of a hypothetical \$1 million 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 include a broad-based market index and may also include a peer group average or index. Market indexes do not include expenses, which are deducted from fund returns as well as mutual fund averages and indexes.



### AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 12/31/18	1 Year	5 Years	10 Years
Institutional Large-Cap Value Fund	-9.35%	6.12%	11.79%

The fund's performance information represents only past performance and is not necessarily an indication of future results. Current performance may be lower or higher than the performance data cited. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-638-8790.

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. 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 distributions or the redemption of shares. When assessing performance, investors should consider both short- and long-term returns.

### EXPENSE RATIO

Institutional Large-Cap Value Fund	0.57%
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The expense ratio shown is as of the fund's fiscal year ended 12/31/17. 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, includes acquired fund fees and expenses but 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 actual expenses. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

#### Hypothetical Example for Comparison Purposes

The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

**INSTITUTIONAL LARGE-CAP VALUE FUND**

	Beginning Account Value 7/1/18	Ending Account Value 12/31/18	Expenses Paid During Period* 7/1/18 to 12/31/18
Actual	\$1,000.00	\$915.10	\$2.75
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.33	2.91

\*Expenses are equal to the fund's annualized expense ratio for the 6-month period (0.57%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184), and divided by the days in the year (365) to reflect the half-year period.

## FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	Year Ended				
	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
<b>NET ASSET VALUE</b>					
Beginning of period	\$ 23.38	\$ 20.97	\$ 18.78	\$ 20.60	\$ 18.77
Investment activities					
Net investment income <sup>(1)(3)</sup>	0.46	0.42	0.47	0.53	0.33
Net realized and unrealized gain / loss	(2.62)	3.11	2.58 <sup>(2)</sup>	(1.22)	2.12
Total from investment activities	(2.16)	3.53	3.05	(0.69)	2.45
Distributions					
Net investment income	(0.50)	(0.41)	(0.45)	(0.48)	(0.32)
Net realized gain	(1.00)	(0.71)	(0.41)	(0.65)	(0.30)
Total distributions	(1.50)	(1.12)	(0.86)	(1.13)	(0.62)
<b>NET ASSET VALUE</b>					
End of period	\$ 19.72	\$ 23.38	\$ 20.97	\$ 18.78	\$ 20.60

## Ratios/Supplemental Data

<b>Total return<sup>(3)(4)</sup></b>	<b>(9.35)%</b>	<b>16.83%</b>	<b>16.20%<sup>(2)</sup></b>	<b>(3.32)%</b>	<b>13.13%</b>
Ratios to average net assets: <sup>(3)</sup>					
Gross expenses before waivers/payments by Price Associates	0.57%	0.57%	0.57%	0.57%	0.57%
Net expenses after waivers/payments by Price Associates	0.57%	0.57%	0.57%	0.57%	0.57%
Net investment income	1.99%	1.85%	2.39%	2.64%	1.64%
Portfolio turnover rate	27.5%	30.8%	26.2%	34.1%	26.1%
Net assets, end of period (in thousands)	\$ 2,976,610	\$ 3,877,282	\$ 3,218,497	\$ 2,470,248	\$ 2,186,127

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 5. Includes a voluntary payment from Price Associates representing \$0.04 per share based upon shares outstanding on the date of payment. The payment increased total return by 0.19%.

<sup>(3)</sup> See Note 5 for details of expense-related arrangements with Price Associates.

<sup>(4)</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.

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



T. ROWE PRICE INSTITUTIONAL LARGE-CAP VALUE FUND

December 31, 2018

PORTFOLIO OF INVESTMENTS†	Shares	\$ Value
(Cost and value in \$000s)		
<b>COMMON STOCKS 94.9%</b>		
<b>Communication Services 6.5%</b>		
<b>Diversified Telecommunication Services 2.5%</b>		
AT&T	350,200	9,995
Verizon Communications	1,168,766	65,708
		75,703
<b>Entertainment 2.3%</b>		
Twenty-First Century Fox, Class B	1,427,997	68,230
		68,230
<b>Media 1.7%</b>		
Comcast, Class A	1,007,763	34,314
News, Class A	1,287,500	14,613
		48,927
Total Communication Services		192,860
<b>Consumer Discretionary 2.8%</b>		
<b>Auto Components 0.9%</b>		
Magna International	604,961	27,496
		27,496
<b>Hotels, Restaurants &amp; Leisure 1.3%</b>		
Carnival	417,400	20,578
Las Vegas Sands	325,042	16,918
		37,496
<b>Leisure Products 0.2%</b>		
Mattel (1)(2)	591,464	5,909
		5,909
<b>Multiline Retail 0.4%</b>		
Kohl's (2)	205,900	13,659
		13,659
Total Consumer Discretionary		84,560
<b>Consumer Staples 8.5%</b>		
<b>Beverages 1.1%</b>		
PepsiCo	294,698	32,558
		32,558

	Shares	\$ Value
(Cost and value in \$000s)		
<b>Food &amp; Staples Retailing 1.5%</b>		
Walmart	468,888	43,677
		43,677
<b>Food Products 2.9%</b>		
Bunge	512,075	27,366
Tyson Foods, Class A	1,085,585	57,970
		85,336
<b>Household Products 1.7%</b>		
Kimberly-Clark	455,750	51,928
		51,928
<b>Tobacco 1.3%</b>		
Philip Morris International	570,930	38,115
		38,115
Total Consumer Staples		251,614
<b>Energy 9.5%</b>		
<b>Oil, Gas &amp; Consumable Fuels 9.5%</b>		
Canadian Natural Resources (2)	820,700	19,803
EQT (2)	556,368	10,510
Equitrans Midstream (1)	519,659	10,404
Exxon Mobil	941,894	64,228
Hess (2)	468,133	18,959
Occidental Petroleum	641,259	39,360
TOTAL, ADR	1,470,655	76,739
TransCanada	1,241,264	44,313
Total Energy		284,316
<b>Financials 22.3%</b>		
<b>Banks 11.2%</b>		
Citigroup	470,355	24,487
Fifth Third Bancorp	1,863,384	43,845
JPMorgan Chase	1,089,441	106,351
Signature Bank (2)	124,500	12,800
US Bancorp	1,095,245	50,053
Wells Fargo	2,114,967	97,458
		334,994
<b>Capital Markets 4.0%</b>		
Bank of New York Mellon	862,441	40,595

T. ROWE PRICE INSTITUTIONAL LARGE-CAP VALUE FUND

	Shares	\$ Value
(Cost and value in \$000s)		
Franklin Resources (2)	818,598	24,279
Morgan Stanley	1,333,942	52,891
		117,765
<b>Insurance 7.1%</b>		
American International Group	912,172	35,949
Brighthouse Financial (1)	397,775	12,124
Chubb	450,675	58,218
Loews	713,559	32,481
Marsh & McLennan	460,046	36,689
MetLife	869,915	35,719
		211,180
Total Financials		663,939
<b>Health Care 15.0%</b>		
<b>Biotechnology 0.9%</b>		
Gilead Sciences	427,847	26,762
		26,762
<b>Health Care Equipment &amp; Supplies 4.2%</b>		
Becton Dickinson & Company	90,188	20,321
Hologic (1)	651,031	26,757
Medtronic	748,835	68,114
Zimmer Biomet Holdings	103,600	10,746
		125,938
<b>Health Care Providers &amp; Services 1.7%</b>		
CVS Health	766,683	50,233
		50,233
<b>Life Sciences Tools &amp; Services 0.5%</b>		
Thermo Fisher Scientific	63,304	14,167
		14,167
<b>Pharmaceuticals 7.7%</b>		
Johnson & Johnson	435,873	56,249
Merck	920,559	70,340
Perrigo (2)	466,500	18,077
Pfizer	1,934,940	84,460
		229,126
Total Health Care		446,226

	Shares	\$ Value
(Cost and value in \$000s)		
<b>Industrials &amp; Business Services 10.3%</b>		
<b>Aerospace &amp; Defense 2.8%</b>		
Boeing	149,093	48,083
Raytheon	134,100	20,564
United Technologies	136,751	14,561
		83,208
<b>Air Freight &amp; Logistics 1.0%</b>		
United Parcel Service, Class B	310,340	30,267
		30,267
<b>Airlines 1.4%</b>		
Southwest Airlines (2)	888,922	41,317
		41,317
<b>Building Products 2.1%</b>		
Fortune Brands Home & Security (2)	644,086	24,469
Johnson Controls International (2)	1,325,774	39,309
		63,778
<b>Commercial Services &amp; Supplies 0.4%</b>		
Stericycle (1)(2)	312,900	11,480
		11,480
<b>Industrial Conglomerates 0.7%</b>		
General Electric	2,677,297	20,267
		20,267
<b>Machinery 0.8%</b>		
Illinois Tool Works	204,085	25,856
		25,856
<b>Professional Services 0.7%</b>		
Nielsen Holdings	857,246	20,000
		20,000
<b>Road &amp; Rail 0.4%</b>		
Canadian Pacific Railway	61,800	10,977
		10,977
Total Industrials & Business Services		307,150

	Shares	\$ Value
(Cost and value in \$000s)		
<b>Information Technology 10.0%</b>		
<b>Communications Equipment 2.3%</b>		
Cisco Systems	1,577,834	68,367
		68,367
<b>Electronic Equipment, Instruments &amp; Components 0.7%</b>		
TE Connectivity	281,981	21,326
		21,326
<b>Semiconductors &amp; Semiconductor Equipment 3.6%</b>		
Applied Materials	720,714	23,596
QUALCOMM	891,546	50,738
Texas Instruments	334,400	31,601
		105,935
<b>Software 3.4%</b>		
Microsoft	994,020	100,963
		100,963
Total Information Technology		296,591
<b>Materials 3.8%</b>		
<b>Chemicals 2.3%</b>		
CF Industries Holdings	556,079	24,195
DowDuPont	825,589	44,152
		68,347
<b>Construction Materials 0.2%</b>		
Vulcan Materials (2)	66,800	6,600
		6,600
<b>Containers &amp; Packaging 1.3%</b>		
International Paper	933,417	37,673
		37,673
Total Materials		112,620
<b>Real Estate 1.5%</b>		
<b>Equity Real Estate Investment Trusts 1.5%</b>		
SL Green Realty, REIT	242,500	19,177
Weyerhaeuser, REIT	1,171,000	25,598
Total Real Estate		44,775

	Shares	\$ Value
(Cost and value in \$000s)		
<b>Utilities 4.7%</b>		
<b>Electric Utilities 4.6%</b>		
Duke Energy	278,600	24,043
Energy	597,307	33,909
NextEra Energy	15,000	2,608
PG&E (1)	778,453	18,488
Southern	1,301,576	57,165
		136,213
<b>Multi-Utilities 0.1%</b>		
Sempra Energy	30,600	3,311
		3,311
Total Utilities		139,524
<b>Total Common Stocks</b> <b>(Cost \$2,495,350)</b>		<b>2,824,175</b>
<b>CONVERTIBLE PREFERRED STOCKS 2.1%</b>		
<b>Health Care 0.3%</b>		
<b>Health Care Equipment &amp; Supplies 0.3%</b>		
Becton Dickinson & Company, Series A, 6.125%, 5/1/20	125,778	7,235
Total Health Care		7,235
<b>Utilities 1.8%</b>		
<b>Electric Utilities 1.0%</b>		
NextEra Energy, 6.123%, 9/1/19	513,651	29,523
		29,523
<b>Multi-Utilities 0.8%</b>		
Sempra Energy, Series A, 6.00%, 1/15/21	209,386	20,133
Sempra Energy, Series B, 6.75%, 7/15/21	48,851	4,622
		24,755
Total Utilities		54,278
<b>Total Convertible Preferred Stocks</b> <b>(Cost \$57,566)</b>		<b>61,513</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>SHORT-TERM INVESTMENTS 2.5%</b>		
<b>Money Market Funds 2.5%</b>		
T. Rowe Price Government Reserve Fund, 2.45% (3)(4)	75,296,414	75,296
<b>Total Short-Term Investments (Cost \$75,296)</b>		<b>75,296</b>

	Shares	\$ Value
(Cost and value in \$000s)		
<b>SECURITIES LENDING COLLATERAL 1.6%</b>		
<b>Investments in a Pooled Account through Securities Lending Program with State Street Bank and Trust Company 1.6%</b>		
<b>Short-Term Funds 1.6%</b>		
T. Rowe Price Short-Term Fund, 2.71% (3)(4)	4,742,164	47,422
Total Investments in a Pooled Account through Securities Lending Program with State Street Bank and Trust Company		47,422
<b>Total Securities Lending Collateral (Cost \$47,422)</b>		<b>47,422</b>
<b>Total Investments in Securities</b>		
<b>101.1% of Net Assets (Cost \$2,675,634)</b>		<b>\$ 3,008,406</b>

- ‡ Shares are denominated in U.S. dollars unless otherwise noted.
- (1) Non-income producing
- (2) All or a portion of this security is on loan at December 31, 2018. See Note 3.
- (3) Seven-day yield
- (4) Affiliated Companies
- ADR American Depositary Receipts
- REIT A domestic Real Estate Investment Trust whose distributions pass-through with original tax character to the shareholder

**Affiliated Companies**

(\$000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company that is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the year ended December 31, 2018. Net realized gain (loss), investment income, change in net unrealized gain/loss, and purchase and sales cost reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net		Investment Income
		Unrealized Gain/Loss		
T. Rowe Price Government Reserve Fund	\$ —	\$ —	\$ 1,400	
T. Rowe Price Short-Term Fund	—	—	—	— <sup>++</sup>
Totals	\$ — <sup>#</sup>	\$ —	\$ 1,400 <sup>+</sup>	

**Supplementary Investment Schedule**

Affiliate	Value 12/31/17	Purchase Cost	Sales Cost	Value 12/31/18
T. Rowe Price Government Reserve Fund	\$ 67,277	□	□ \$	75,296
T. Rowe Price Short-Term Fund	76,683	□	□	47,422
			\$	122,718 <sup>^</sup>

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

++ Excludes earnings on securities lending collateral, which are subject to rebates and fees as described in Note 3.

+ Investment income comprised \$1,400 of dividend income and \$0 of interest income.

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

^ The cost basis of investments in affiliated companies was \$122,718.

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

T. ROWE PRICE INSTITUTIONAL LARGE-CAP VALUE FUND

December 31, 2018

**STATEMENT OF ASSETS AND LIABILITIES**

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

<b>Assets</b>	
Investments in securities, at value (cost \$2,675,634)	\$ 3,008,406
Receivable for investment securities sold	84,239
Dividends receivable	7,742
Receivable for shares sold	3,415
Cash	26
Other assets	222
Total assets	<u>3,104,050</u>
<b>Liabilities</b>	
Payable for shares redeemed	76,327
Obligation to return securities lending collateral	47,422
Payable for investment securities purchased	2,136
Investment management fees payable	1,477
Due to affiliates	9
Payable to directors	3
Other liabilities	66
Total liabilities	<u>127,440</u>
<b>NET ASSETS</b>	<b><u>\$ 2,976,610</u></b>
<b>Net Assets Consist of:</b>	
Undistributed net investment income	\$ 1,717
Accumulated undistributed net realized loss	(29,883)
Net unrealized gain	332,772
Paid-in capital applicable to 150,917,296 shares of \$0.0001 par value capital stock outstanding; 2,000,000,000 shares of the Corporation authorized	<u>2,672,004</u>
<b>NET ASSETS</b>	<b><u>\$ 2,976,610</u></b>
<b>NET ASSET VALUE PER SHARE</b>	<b><u>\$ 19.72</u></b>

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

**STATEMENT OF OPERATIONS**

(\$000s)

	Year Ended 12/31/18
<b>Investment Income (Loss)</b>	
Income	
Dividend	\$ 94,364
Securities lending	312
Total income	94,676
Expenses	
Investment management	20,372
Shareholder servicing	11
Prospectus and shareholder reports	101
Custody and accounting	242
Proxy and annual meeting	173
Registration	60
Legal and audit	31
Directors	13
Miscellaneous	43
Total expenses	21,046
Net investment income	73,630
<b>Realized and Unrealized Gain / Loss</b>	
Net realized gain (loss)	
Securities	222,662
Payment to Price Associates (Note 5)	(3,532)
Foreign currency transactions	16
Net realized gain	219,146
Change in net unrealized gain / loss	
Securities	(607,549)
Payable to Price Associates (Note 5)	1,783
Other assets and liabilities denominated in foreign currencies	(4)
Change in net unrealized gain / loss	(605,770)
Net realized and unrealized gain / loss	(386,624)
<b>DECREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ (312,994)</b>

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

**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	Year Ended	
	12/31/18	12/31/17
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income	\$ 73,630	\$ 65,685
Net realized gain	219,146	190,960
Change in net unrealized gain / loss	(605,770)	298,272
Increase (decrease) in net assets from operations	(312,994)	554,917
Distributions to shareholders		
Net investment income	(71,913)	(66,645)
Net realized gain	(143,826)	(115,409)
Decrease in net assets from distributions	(215,739)	(182,054)
Capital share transactions*		
Shares sold	446,547	579,676
Distributions reinvested	215,020	181,528
Shares redeemed	(1,033,506)	(475,282)
Increase (decrease) in net assets from capital share transactions	(371,939)	285,922
<b>Net Assets</b>		
Increase (decrease) during period	(900,672)	658,785
Beginning of period	3,877,282	3,218,497
<b>End of period</b>	<b>\$ 2,976,610</b>	<b>\$ 3,877,282</b>
Undistributed net investment income	1,717	-
*Share information		
Shares sold	19,232	25,660
Distributions reinvested	10,718	7,755
Shares redeemed	(44,896)	(21,003)
Increase (decrease) in shares outstanding	(14,946)	12,412

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



**NOTES TO FINANCIAL STATEMENTS**

T. Rowe Price Institutional Equity Funds, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). The Institutional Large-Cap Value Fund (the fund) is a diversified, open-end management investment company established by the corporation. The fund seeks to provide long-term capital appreciation by investing in common stocks believed to be undervalued. Income is a secondary objective.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation** The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale or maturity. Certain ratios in the accompanying Financial Highlights have been included to conform to the current year presentation.

**Investment Transactions, Investment Income, and Distributions** Investment transactions are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Realized gains and losses are reported on the identified cost basis. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Distributions from REITs are initially recorded as dividend income and, to the extent such represent a return of capital or capital gain for tax purposes, are reclassified when such information becomes available. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared and paid annually. A capital gain distribution may also be declared and paid by the fund annually.

**Currency Translation** Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as 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 respective date of such transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is not bifurcated from the portion attributable to changes in market prices.

**Rebates** 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 \$1,000 for the year ended December 31, 2018.

**In-Kind Redemptions** In accordance with guidelines described in the fund's prospectus, and when considered to be in the best interest of all shareholders, the fund may distribute portfolio securities rather than cash as payment for a redemption of fund shares (in-kind redemption). Gains and losses realized on in-kind redemptions are not recognized for tax purposes and are reclassified from undistributed realized gain (loss) to paid-in capital. During the year ended December 31, 2018, the fund realized \$41,349,000 of net gain on \$103,408,000 of in-kind redemptions.

**New Accounting Guidance** In March 2017, the FASB issued amended guidance to shorten the amortization period for certain callable debt securities held at a premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the fund's net assets or results of operations.

**Indemnification** In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers, and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

**NOTE 2 - VALUATION**

The fund's financial instruments are valued and its net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC.

**Fair Value** The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The T. Rowe Price Valuation Committee (the Valuation Committee) is an internal committee that has been delegated certain responsibilities by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values.

**Valuation Techniques** Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made. OTC Bulletin Board securities are valued at the mean of the closing bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the closing bid and asked prices. Actively traded equity securities listed on a domestic exchange generally are categorized in Level 1 of the fair value hierarchy. OTC Bulletin Board securities, certain preferred securities, and equity securities traded in inactive markets generally are categorized in Level 2 of the fair value hierarchy.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation and are categorized in Level 1 of the fair value hierarchy. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

Thinly traded financial instruments 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 Valuation Committee. The objective of any fair value pricing determination is to arrive at a price that could reasonably be expected from a current sale. Financial instruments fair valued by the Valuation Committee are primarily private placements, restricted securities, warrants, rights, and other securities that are not publicly traded.

Subject to oversight by the Board, the Valuation Committee regularly makes good faith judgments to establish and adjust the fair valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of an equity investment with limited market activity, such as a private placement or a thinly traded public company stock, the Valuation Committee considers a variety of factors, which may include, but are not limited to, the issuer's business prospects, its financial standing and performance, recent investment transactions in the issuer, new rounds of financing, negotiated transactions of significant size between other investors in the company, relevant market valuations of peer companies, strategic events affecting the company, market liquidity for the issuer, and general economic conditions and events. In consultation with the investment and pricing teams, the Valuation Committee will determine an appropriate valuation technique based on available information, which may include both observable and unobservable inputs. The Valuation Committee typically will afford greatest weight to actual prices in arm's length transactions, to the extent they represent orderly transactions between market participants; transaction information can be reliably obtained, and prices are deemed representative of fair value. However, the Valuation Committee may also consider other valuation methods such as market-based valuation multiples; a discount or premium from market value of a similar, freely traded security of the same issuer; or some combination. Fair value determinations are reviewed on a regular basis and updated as information becomes available, including actual purchase and sale transactions of the issue. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions, and fair value prices determined by the Valuation Committee could differ from those of other market participants. Depending on the relative significance of unobservable inputs, including the valuation technique(s) used, fair valued securities may be categorized in Level 2 or 3 of the fair value hierarchy.

**Valuation Inputs** The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on December 31, 2018 (for further detail by category, please refer to the accompanying Portfolio of Investments):

(\$000s)	Level 1	Level 2	Level 3	Total Value
<b>Assets</b>				
Common Stocks	\$ 2,824,175	\$ —	\$ —	\$ 2,824,175
Convertible Preferred Stocks	—	61,513	—	61,513
Short-Term Investments	75,296	—	—	75,296
Securities Lending Collateral	47,422	—	—	47,422
Total	\$ 2,946,893	\$ 61,513	\$ —	\$ 3,008,406

There were no material transfers between Levels 1 and 2 during the year ended December 31, 2018.

### NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

**Securities Lending** The fund may lend its securities to approved borrowers to earn additional income. Its securities lending activities are administered by a lending agent in accordance with a securities lending agreement. Security loans generally do not have stated maturity dates, and the fund may recall a security at any time. The fund receives collateral in the form of cash or U.S. government securities. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested in accordance with investment guidelines approved by fund management. Additionally, the lending agent indemnifies the fund against losses resulting from borrower default. Although risk is mitigated by the collateral and indemnification, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities, collateral investments decline in value, and the lending agent fails to perform. Securities lending revenue consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower, compensation to the lending agent, and other administrative costs. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At December 31, 2018, the value of loaned securities was \$45,929,000 the value of cash collateral and related investments was \$47,422,000.

**Other** Purchases and sales of portfolio securities other than short-term securities aggregated \$989,426,000 and \$1,493,259,000, respectively, for the year ended December 31, 2018.

**NOTE 4 - FEDERAL INCOME TAXES**

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

The fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Reclassifications to paid-in capital relate primarily to redemptions in kind and a tax practice that treats a portion of the proceeds from each redemption of capital shares as a distribution of taxable net investment income or realized capital gain. For the year ended December 31, 2018, the following reclassifications were recorded to reflect tax character (there was no impact on results of operations or net assets):

(\$000s)	
Undistributed net realized gain	\$ (99,681)
Paid-in capital	99,681

Distributions during the years ended December 31, 2018 and December 31, 2017, were characterized for tax purposes as follows:

(\$000s)	December 31	
	2018	2017
Ordinary income	\$ 76,228	\$ 76,398
Long-term capital gain	139,511	105,656
Total distributions	<u>\$ 215,739</u>	<u>\$ 182,054</u>

At December 31, 2018, the tax-basis cost of investments and components of net assets were as follows:

(\$000s)	
Cost of investments	\$ 2,726,677
Unrealized appreciation	\$ 558,212
Unrealized depreciation	(276,483)
Net unrealized appreciation (depreciation)	281,729
Undistributed ordinary income	2,487
Undistributed long-term capital gain	24,599
Capital loss carryforwards	(4,209)
Paid-in capital	2,672,004
Net assets	<u>\$ 2,976,610</u>

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales, for tax purposes. The fund intends to retain realized gains to the extent of available capital loss carryforwards. Net realized capital losses may be carried forward indefinitely to offset future realized capital gains. All or a portion of the capital loss carryforwards may be from losses realized between November 1 and the fund's fiscal year-end, which are deferred for tax purposes until the subsequent year but recognized for financial reporting purposes in the year realized.

#### **NOTE 5 - RELATED PARTY TRANSACTIONS**

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). The investment management agreement between the fund and Price Associates provides for an annual investment management fee equal to 0.55% of the fund's average daily net assets. The fee is computed daily and paid monthly.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates, each an affiliate of the fund (collectively, Price). Price Associates provides certain accounting and 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 year ended December 31, 2018, expenses incurred pursuant to these service agreements were \$79,000 for Price Associates; and \$9,000 for T. Rowe Price Services, Inc.. All amounts due to and due from Price, exclusive of investment management fees payable, are presented net on the accompanying Statement of Assets and Liabilities.

The fund may invest its cash reserves in certain open-end management investment companies managed by Price Associates and considered affiliates of the fund: the T. Rowe Price Government Reserve Fund or the T. Rowe Price Treasury Reserve Fund, organized as money market funds, or the T. Rowe Price Short-Term Fund, a short-term bond fund (collectively, the Price Reserve Funds). The Price Reserve Funds are offered as short-term investment options to mutual funds, trusts, and other accounts managed by Price Associates or its affiliates and are not available for direct purchase by members of the public. Cash collateral from securities lending is invested in the T. Rowe Price Short-Term Fund. The Price Reserve Funds pay no investment management fees.

As of December 31, 2018, T. Rowe Price Group, Inc., or its wholly owned subsidiaries owned 1,300,728 shares of the fund, representing less than 1% of the fund's net assets.

The fund may participate in securities purchase and sale transactions with other funds or accounts advised by Price Associates (cross trades), in accordance with procedures adopted by the fund's Board and Securities and Exchange Commission rules, which require, among other things, that such purchase and sale cross trades be effected at the independent current market price of the security. During the year ended December 31, 2018, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

On June 6, 2016, Price Associates offered, and the fund's Board of Directors accepted, a voluntary payment to compensate the fund for a loss of value on its investment in Dell as a result of the fund's ineligibility to pursue an appraisal action in Delaware Court of Chancery due to a proxy voting error in 2013. The amount paid by Price Associates remained subject to further increase or decrease in the event of a court-determined change in the fair valuation of Dell shares on appeal, or payment received by the fund from any other source to compensate for the loss of value on its Dell shares. On December 14, 2017, the Delaware Supreme Court reversed the Court of Chancery's enhanced valuation of Dell shares (appraisal value) and remanded the case to the Court of Chancery for further proceedings. Thereafter the Court of Chancery approved settlements between all remaining petitioners and Dell. Effective October 9, 2018, the case was fully and finally resolved by non-appealable order. Based on these final terms, the fund repaid Price Associates \$3,532,000, based on the difference between the most favorable court-approved settlement and the initial appraisal value, using the original methodology. No further liability related to this matter remains between the fund and Price Associates.

**Report of Independent Registered Public Accounting Firm**

**To the Board of Directors of T. Rowe Price Institutional Equity Funds, Inc. and  
Shareholders of T. Rowe Price Institutional Large-Cap Value Fund**

**Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price Institutional Large-Cap Value Fund (one of the funds constituting T. Rowe Price Institutional Equity Funds, Inc., hereafter referred to as the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Baltimore, Maryland  
February 15, 2019

We have served as the auditor of one or more investment companies in the T. Rowe Price group of investment companies since 1973.

## **TAX INFORMATION (UNAUDITED) FOR THE TAX YEAR ENDED 12/31/18**

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

The fund's distributions to shareholders included:

- \$11,055,000 from short-term capital gains,
- \$193,767,000 from long-term capital gains, subject to a long-term capital gains tax of not greater than 20%.

For taxable non-corporate shareholders, \$84,248,000 of the fund's income represents qualified dividend income subject to long-term capital gains tax rate of not greater than 20%.

For corporate shareholders, \$76,440,000 of the fund's income qualifies for the dividends-received deduction.

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

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, [sec.gov](http://sec.gov).

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

<https://www3.troweprice.com/usis/corporate/en/utility/policies.html>

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

## **HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS**

Effective for reporting periods on or after March 1, 2019, the fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. Prior to March 1, 2019, the fund filed a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-PORT and N-Q are available electronically on the SEC's website ([sec.gov](http://sec.gov)).

## ABOUT THE FUND'S DIRECTORS AND OFFICERS

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting or potentially affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and business and regulatory affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of the Boards of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

## INDEPENDENT DIRECTORS<sup>(a)</sup>

Name (Year of Birth) Year Elected [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Teresa Bryce Bazemore <sup>(b)</sup> (1959) 2018 [189]	President, Radian Guaranty (2008 to 2017); Member, Bazemore Consulting LLC (2018 to present); Member, Chimera Investment Corporation (2017 to present); Member, Federal Home Loan Bank of Pittsburgh (2017 to present)
Ronald J. Daniels <sup>(b)</sup> (1959) 2018 [189]	President, The Johns Hopkins University <sup>(c)</sup> and Professor, Political Science Department, The Johns Hopkins University (2009 to present); Director, Lyndhurst Holdings (2015 to present)
Bruce W. Duncan (1951) 2013 [189]	Chief Executive Officer and Director (January 2009 to December 2016), Chairman of the Board (January 2016 to present), and President (January 2009 to September 2016), First Industrial Realty Trust, an owner and operator of industrial properties; Chairman of the Board (2005 to September 2016) and Director (1999 to September 2016), Starwood Hotels & Resorts, a hotel and leisure company; Director, Boston Properties (May 2016 to present); Director, Marriott International, Inc. (September 2016 to present)
Robert J. Gerrard, Jr. (1952) 2012 [189]	Advisory Board Member, Pipeline Crisis/Winning Strategies, a collaborative working to improve opportunities for young African Americans (1997 to present); Chairman of the Board, all funds (since July 2018)
Paul F. McBride (1956) 2013 [189]	Advisory Board Member, Vizzia Technologies (2015 to present); Board Member, Dunbar Armored (2012 to present)
Cecilia E. Rouse, Ph.D. (1963) 2012 [189]	Dean, Woodrow Wilson School (2012 to present); Professor and Researcher, Princeton University (1992 to present); Member of National Academy of Education (2010 to present); Director, MDRC, a nonprofit education and social policy research organization (2011 to present); Research Associate of Labor Studies Program at the National Bureau of Economic Research (2011 to 2015); Board Member of the National Bureau of Economic Research (2011 to present); Chair of Committee on the Status of Minority Groups in the Economic Profession of the American Economic Association (2012 to 2017); Vice President (2015 to 2016), American Economic Association
John G. Schreiber (1946) 2001 [189]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Co-founder, Partner, and Co-Chairman of the Investment Committee, Blackstone Real Estate Advisors, L.P. (1992 to 2015); Director, General Growth Properties, Inc. (2010 to 2013); Director, Blackstone Mortgage Trust, a real estate finance company (2012 to 2016); Director and Chairman of the Board, Brixmor Property Group, Inc. (2013 to present); Director, Hilton Worldwide (2013 to present); Director, Hudson Pacific Properties (2014 to 2016); Director, Invitation Homes (2014 to present)
Mark R. Tercek (1957) 2009 [189]	President and Chief Executive Officer, The Nature Conservancy (2008 to present)

<sup>(a)</sup>All information about the independent directors was current as of December 31, 2017, except for the information provided for Ms. Bazemore and Mr. Daniels, which is current as of January 1, 2018.

<sup>(b)</sup>Effective January 1, 2018, Ms. Bazemore and Mr. Daniels were elected as independent directors of the Price Funds.

<sup>(c)</sup>William J. Stromberg, president and chief executive officer of T. Rowe Price Group, Inc., the parent company of the Price Funds' investment advisor, has served on the Board of Trustees of Johns Hopkins University since 2014 and is a member of the Johns Hopkins University Board's Compensation Committee.



**INSIDE DIRECTORS**

<b>Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]</b>	<b>Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years</b>
Edward C. Bernard** (1956) 2006 [0]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and Vice President, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc.; Chairman of the Board, Chief Executive Officer, Director, and President, T. Rowe Price International and T. Rowe Price Trust Company; Chairman of the Board, all funds (2006 to July 2018)
David Oestreicher (1967) 2018 [189]	Chief Legal Officer, Vice President, and Secretary, T. Rowe Price Group, Inc.; Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Vice President and Secretary, T. Rowe Price, T. Rowe Price Hong Kong, and T. Rowe Price International; Vice President, T. Rowe Price Japan and T. Rowe Price Singapore; Principal Executive Officer and Executive Vice President, all funds
Robert W. Sharps, CFA, CPA (1971) 2017 [135]	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; President, Institutional Equity Funds

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

\*\*Effective at the conclusion of a meeting of the Boards of the Price Funds held on July 25, 2018, Mr. Bernard resigned from his role as a director and chairman of the Boards of all the Price Funds.

**OFFICERS**

<b>Name (Year of Birth) Position Held With Institutional Equity Funds</b>	<b>Principal Occupation(s)</b>
Francisco M. Alonso (1978) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Brian W.H. Berghuis, CFA (1958) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Darrell N. Braman (1963) Vice President and Secretary	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Mark S. Finn, CFA, CPA (1963) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Gary J. Greb (1961) Vice President	Vice President, T. Rowe Price, T. Rowe Price International, and T. Rowe Price Trust Company
Ann M. Holcomb, CFA (1972) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John D. Linehan, CFA (1965) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Catherine D. Mathews (1963) Treasurer and Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

**OFFICERS (CONTINUED)**

<b>Name (Year of Birth)</b> <b>Position Held With Institutional Equity Funds</b>	<b>Principal Occupation(s)</b>
Heather K. McPherson, CPA (1967) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Curt J. Organt, CFA (1968) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Jason B. Polun, CFA (1974) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Larry J. Puglia, CFA, CPA (1960) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John W. Ratzesberger (1975) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; formerly, North American Head of Listed Derivatives Operation, Morgan Stanley (to 2013)
Shannon H. Rauser (1987) Assistant Secretary	Employee, T. Rowe Price
Taymour R. Tamaddon, CFA (1976) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
J. David Wagner, CFA (1974) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John F. Wakeman (1962) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Megan Warren (1968) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; formerly, Executive Director, JP Morgan Chase (to 2017)
Thomas H. Watson (1977) Executive Vice President	Director and Vice President, T. Rowe Price Trust Company; Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

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# T.RowePrice®

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*Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.*