T. Rowe Price®
INVEST WITH CONFIDENCE

QUARTERLY REVIEW

Equity Income Fund

As of September 30, 2019

PORTFOLIO HIGHLIGHTS

The portfolio outperformed the Russell 1000 Value Index for the three-month period ended September 30, 2019.

Relative performance drivers:

- Industrials and business services contributed due to stock selection.
- Stock choices in health care boosted relative returns.
- Consumer discretionary detracted due to stock choices and an underweight.

Additional highlights:

- During the period, we used the recent outperformance of many names as an opportunity to sell shares. We also identified select opportunities to buy shares of attractively valued businesses that we believe are well positioned for improved results.
- Looking ahead, we believe geopolitical uncertainty could continue to serve as a headwind for U.S. equities. In particular, protracted U.S.-China trade tensions and U.S. political risks could result in market choppiness. However, U.S. economic data remain generally favorable, and we are optimistic that a resilient economy, buoyed by Fed stimulus, will serve as a backbone for equity markets.

FUND INFORMATION

Symbol	PRFDX
CUSIP	779547108
Inception Date of Fund	October 31, 1985
Benchmark	Russell 1000 Value Index
Expense Information (as of the most recent Prospectus)	0.64%
Fiscal Year End	December 31
12B-1 Fee	–
Total Assets (all share classes)	$20,182,421,116
Percent of Portfolio in Cash	1.8%

PERFORMANCE

(NAV, total return)

	Three Months	Year-to-Date	One Year	Annualized Three Years	Annualized Five Years	Annualized Ten Years	Annualized Fifteen Years
Equity Income Fund	2.24%	18.35%	3.74%	10.20%	7.42%	10.58%	7.44%
Russell 1000 Value Index	1.36	17.81	4.00	9.43	7.79	11.46	7.82
S&P 500 Index	1.70	20.55	4.25	13.39	10.84	13.24	9.01

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Equity Income Fund	Oct 31 1985	25.62%	15.15%	-0.72%	17.25%	29.75%	7.49%	-6.66%	19.28%	16.18%	-9.30%
Russell 1000 Value Index		19.69	15.51	0.39	17.51	32.53	13.45	-3.83	17.34	13.66	-8.27
S&P 500 Index		26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38

Performance data quoted represents past performance and is not a reliable indicator of future performance. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance, visit troweprice.com. Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call 1-800-638-7780 or visit troweprice.com. Read it carefully. The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.
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.
The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details.

PERFORMANCE REVIEW

Trade and Fed Hopes Fade as Quarter Progresses
U.S. stocks were mixed in the third quarter. Optimism about a trade deal with China drove stocks higher early in the period, helped by news of a truce in the trade war at the G-20 summit on the last weekend of June. Hopes for a decisively "dovish" turn in Federal Reserve policy also boosted sentiment.

Disappointments on both the China and monetary policy fronts soon derailed the market's gains, however. On August 1, stocks suffered their biggest intraday plunge since May, after the U.S. announced it would impose a new 10% tariff on Chinese imports. China retaliated with new tariffs of its own, although both sides made conciliatory gestures as the quarter came to an end. The Fed cut rates by a quarter point at each of its two meetings in the quarter, less than many had hoped, while officials suggested that further cuts might be on hold.

Industrials and Business Services Contributed Due to Stock Selection
Supply chain uncertainties stemming from escalating U.S.-China trade tensions and Brexit fears weighed on names throughout the sector. Select industrial conglomerates also suffered due to idiosyncratic challenges, including accusations of accounting malpractice and heightened risks from long-term care insurance liabilities. However, aerospace and defense firms continued to benefit from an extended bull market for defense spending. Our stock choices bolstered relative results.

- Shares of UPS soared as the company's Next Day Air service drove better-than-expected quarterly profit and revenue growth. Management reported that domestic demand for Next Day Air grew at its fastest clip in a decade. We are encouraged by Next Day Air's market share gains and remain optimistic about the company's revamped pricing program, which has reduced unit costs and improved throughput. We believe UPS is in the early innings of a longer-term operational transformation.
- L3Harris Technologies, a leading provider of assured communications products, traded higher in the wake of the completed merger between L3 Technologies and Harris. In its first trading quarter as a combined entity, L3Harris Technologies benefited from post-merger cost synergies and a general upcycle in defense spending. While we like the company's recent operational and working capital improvements, we are mindful of its susceptibility to a topline growth deceleration as short-cycle defense tailwinds fade.
- Shares of Boeing rose amid speculation that the company's 737 Max aircraft, which has been grounded since March as it undergoes a software fix, could return to service as soon as the fourth quarter of 2019. Despite remaining uncertainty regarding the 737 Max production schedule, we see attractive upside potential in the stock, as Boeing remains a leading supplier in the duopoly commercial aircraft market.

Stock Choices in Health Care Boosted Relative Returns
The health care sector underperformed the broader market during the quarter, with several industries facing unique challenges. Pharmaceuticals names continued to trade lower due to the possibility of bipartisan action on drug-pricing reform. Health care providers suffered due to headline risk associated with Medicare for All, which has emerged as a significant talking point ahead of the 2020 U.S. presidential election. Meanwhile, disappointing direct-to-consumer sales among select life-science stocks dragged down valuations. However, our stock selection aided relative performance.

- Shares of CVS Health rose as strong demand for prescription drugs and health-related products lifted the company's retail business. Higher brand-name prescription drug prices also boosted pharmacy benefit management profitability during the quarter. We believe CVS Health's improving fundamentals provide greater visibility to near-term earnings growth. We also remain optimistic that the company's recent acquisition of insurer Aetna will yield longer-term benefits, including through expanded use of health clinics within CVS Health pharmacies.

Stock Selection in Financials Supported Relative Performance
Financials stocks delivered a mixed performance during the quarter. On the positive side, elevated trading volumes boosted several exchange operators and investment management firms. However, an inversion of a key segment of the yield curve late in the quarter weighed on the sector at large. In addition to threatening bank profits and lending activity, the inversion set off fears of a broader economic slowdown, which sent investors searching for more defensive assets. Our stock selection contributed to relative results.

- Shares of Wells Fargo gained along with other banks as signs of optimism regarding a potential U.S.-China trade war cease-fire lifted long-term Treasury yields late in the period; higher long-term yields, when combined with lower short-term rates, boost lending margins. The stock also rose on news of a new CEO hire. We are encouraged by the bank's increased focus on risk management and compliance and believe the hiring of a new CEO is a key step in the ongoing turnaround plan. We believe Wells Fargo is attractively valued, has sound fundamentals, and has made progress in addressing past issues in its sales culture.

Consumer Discretionary Detracted Due to Stock Choices and an Underweight
Tariff exposure had a wide-ranging negative impact on consumer discretionary stocks. U.S. automakers, apparel brands, and specialty retailers were among the hardest hit. Meanwhile, fears of a global economic slowdown suppressed returns of several hotel and leisure brands. Conversely, certain multiline retailers benefited from resilient consumer spending habits. Our stock selection and an underweight allocation weighed on relative performance.

- Specialty retailer L Brands sank on a weaker-than-expected quarter for its Victoria's Secret brand. Escalating trade tensions, which affect apparel makers dependent on global supply chains, also worried investors. We continue to like L Brands for its affordable valuation, its attractive dividend yield, and management's commitment to rectify previous missteps related to product development and marketing.

An Underweight Allocation and Stock Selection in Real Estate Hampered Relative Results
Real estate firms benefited from strong secular tailwinds throughout the quarter, as lower borrowing costs and emerging signs of a housing supply shortage lifted real estate asset prices. In addition, investors looking for stability continued to favor real estate investment trusts (REITs), which have taken on a more durable profile in recent years due to better strategic asset allocation. An underweight position and our stock choices hurt relative returns.

- Shares of Rayonier, a pure-play timber REIT, fell due to weak demand in China, which pressured timber prices. Despite these headwinds, we value the company's attractive assets and solid dividend yield.

PORTFOLIO POSITIONING AND ACTIVITY

During the period, we used the recent outperformance of many names as an opportunity to sell shares. We also identified select opportunities to buy shares of attractively valued businesses that we believe are well positioned for improved results.

Industrials and Business Services
We like several names in this sector, where we invest in companies that reach many different end markets and have solid business models and/or an ability to generate strong cash flows.

- Industrial conglomerate GE sank amid a report detailing concerns over the company's accounting practices and heightened risks from its long-term care insurance business. We believe the market reacted too negatively to the report, which we do not believe identified notable new challenges. Though we acknowledge prior management's missteps and the remaining secular challenges facing GE, we opportunistically bought shares on weakness.
- We bought shares of Snap-On, a leading manufacturer of industrial tools and equipment. Share prices declined due to soft sales across several business segments, which management attributed to currency headwinds. While investors are concerned about the sustainability of Snap-On's earnings, we like the company for its durable business model, healthy free cash flow generation, and attractive valuation.
- We sold shares of Johnson Controls International on strength. While the stock has benefited from a cyclical rise in construction spending, we are mindful of emerging signs of a construction market cooldown, which could negatively impact Johnson Controls International along with its commercial HVAC peers.

Health Care
We have a diversified view of the sector, considering the myriad challenges and opportunities health care companies face, including potential drug-pricing reform and/or a single-payer health care system, mergers and acquisitions, and an aging U.S. population. We sold shares of several names during the period.

- We sold shares of pharmaceutical company Merck. Although we like the company for its durable growth profile and innovative product portfolio, we believe the stock's valuations are elevated given the mounting competitive pressures and political headwinds for pharmaceutical companies.
- We bought shares of biopharmaceutical company AbbVie in the wake of its announced acquisition of Allergan, a deal that we believe provides the company with several new durable revenue streams. We have faith in AbbVie's experienced management team, and we used the market's negative reaction to the deal as a buying opportunity.

Information Technology
We generally view the information technology sector as cyclical, with many companies operating at different stages within their industry's specific cycle. Within the sector, we favor holdings in the semiconductors and semiconductor equipment industry, which we believe should benefit from the continued proliferation of internet-connected devices. We sold shares of certain sector names during the quarter.

- We sold shares of Microsoft on strength, as the company's impressive results over recent periods have driven notable stock price appreciation. We believe the company's valuation is elevated at current levels. However, we remain confident in Microsoft's durable growth prospects amid rising demand for cloud-based services. We also like the company's commitment to returning cash to shareholders.

Communication Services
The communication services sector contains several types of companies, including media and entertainment businesses and telecommunication services names. We sold shares of select sector names on strength. Our largest industry position is in diversified telecommunication services, where we generally prefer high-quality companies that have solid balance sheets, stable cash flow growth, and high dividend payout ratios.

- We sold shares of AT&T on strength. Shares performed well amid improved performance from the company's business wireline segment. Investors also reacted positively to news of activist activity in the stock, which they hope could prompt management to sell off AT&T's non-core assets. However, we are concerned about the increasingly competitive U.S. mobile carrier landscape. Additionally, we are not confident that activist involvement will materially improve AT&T's risk/reward profile.

MANAGER'S OUTLOOK

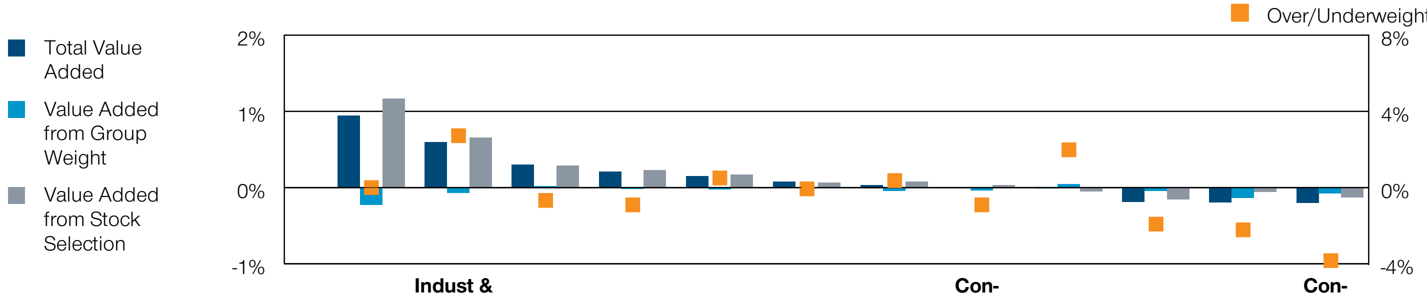
U.S. equity markets delivered mixed performance in the third quarter, as investors hoping for a potential U.S.-China trade resolution and a significant accommodative pivot by the Federal Reserve were left disappointed. Looking ahead, we believe geopolitical uncertainty could continue to serve as a headwind for U.S. equities. In particular, protracted U.S.-China trade tensions and U.S political risks could result in market choppiness. However, U.S. economic data remain generally favorable, and we are optimistic that a resilient economy, buoyed by Fed stimulus, will serve as a backbone for equity markets.

In our view, U.S. equities are trading at reasonable levels. However, share price appreciation in recent periods has made attractive investment opportunities tougher to come by. Despite this challenging environment, we have identified attractively valued investment opportunities through bottom-up, fundamental analysis, and continue to maintain a disciplined, longer-term approach while also taking advantage of volatility to selectively add shares of high-quality companies.

QUARTERLY ATTRIBUTION

SECTOR ATTRIBUTION DATA VS. RUSSELL 1000 VALUE INDEX

(3 months ended September 30, 2019)



	Total	Indust & Bus Svcs	Health Care	Finan-cials	Energy	Materi-als	Utilities	Con-sumer Staples	Info Tech	Comm Svcs	Real Es-tate	Con-sumer Disc
Over/Underweight	0.00%	2.75%	-0.66%	-0.91%	0.53%	-0.05%	0.39%	-0.89%	2.00%	-1.89%	-2.19%	-3.82%
Fund Performance	2.30	3.82	-0.71	3.15	-4.69	-0.58	9.82	6.22	2.49	1.40	5.98	-3.03
Index Performance	1.36	-1.86	-3.05	2.19	-6.72	-2.07	8.25	5.72	2.99	3.75	8.00	3.23
Value Add - Group Weight	-0.22	-0.06	0.02	-0.01	-0.02	0.01	-0.04	-0.03	0.05	-0.03	-0.13	-0.07
Value Add - Stock Selection	1.17	0.66	0.29	0.23	0.18	0.07	0.08	0.04	-0.05	-0.15	-0.05	-0.12
Total Contribution	0.95	0.60	0.31	0.22	0.16	0.08	0.04	0.00	0.00	-0.18	-0.19	-0.19

TOP 5 RELATIVE CONTRIBUTORS VS. RUSSELL 1000 VALUE INDEX

(3 months ended September 30, 2019)

Security	% of Equities	Net Contribution (Basis Points)
Southern Company	2.4%	23
United Parcel Service, Inc.	1.5	22
L3Harris Technologies, Inc.	1.8	18
Wells Fargo & Company	3.7	17
Conagra Brands, Inc.	1.2	16

TOP 5 RELATIVE DETRACTORS VS. RUSSELL 1000 VALUE INDEX

(3 months ended September 30, 2019)

Security	% of Equities	Net Contribution (Basis Points)
Procter & Gamble Company	0.0%	-27
At&T Inc.	0.2	-22
Anthem, Inc.	1.2	-15
Intel Corporation	0.0	-13
Fox Corporation	1.0	-13

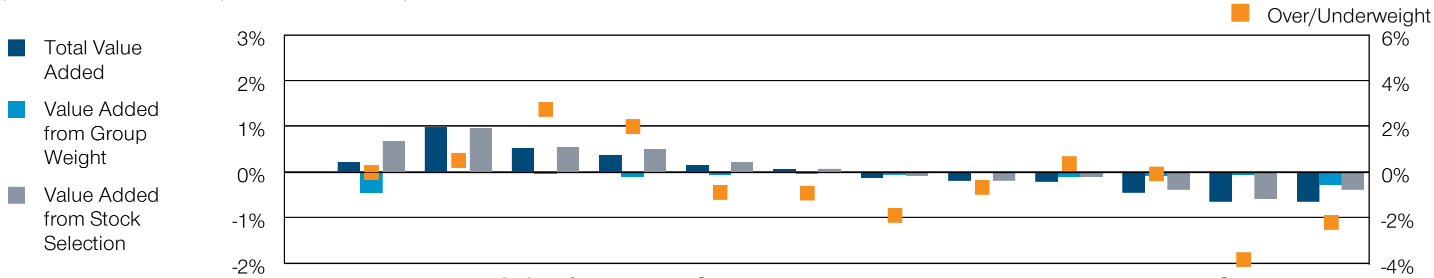
Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

Past performance is not a reliable indicator of future performance. Numbers may not total due to rounding; all other numbers are percentages. Analysis represents the total performance of the portfolio as calculated by the FactSet attribution model and is inclusive of other assets that will not receive a classification assignment in the detailed structure shown. Returns will not match official T. Rowe Price performance because FactSet uses different exchange rate sources and does not capture intra-day trading. Performance for each security is obtained in the local currency and, if necessary, is converted using an exchange rate determined by an independent third party. Figures are shown with gross dividends reinvested. Sources: Financial data and analytics provider FactSet. Copyright 2019 FactSet. All Rights Reserved. MSCI/S&P GICS Sectors; Analysis by T. Rowe Price Associates, Inc. T. Rowe Price uses the current MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. T. Rowe Price will adhere to all updates to GICS for prospective reporting. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance returns are in USD.

12-MONTH ATTRIBUTION

SECTOR ATTRIBUTION DATA VS. RUSSELL 1000 VALUE INDEX

(12 months ended September 30, 2019)



	Total	Energy	Indust & Bus Svcs	Info Tech	Con-sumer Staples	Finan-cials	Comm Svcs	Health Care	Utilities	Materi-als	Con-sumer Disc	Real Es-tate
Over/Underweight	0.00%	0.53%	2.75%	2.00%	-0.89%	-0.91%	-1.89%	-0.66%	0.39%	-0.05%	-3.82%	-2.19%
Fund Performance	4.22	-11.78	5.36	15.60	19.82	3.19	12.16	-1.64	23.44	-12.08	-18.31	3.40
Index Performance	4.00	-20.87	0.09	10.27	16.91	2.90	13.89	-0.22	26.15	-4.50	5.50	18.65
Value Add - Group Weight	-0.45	0.01	-0.02	-0.11	-0.06	-0.02	-0.04	0.00	-0.10	-0.08	-0.06	-0.27
Value Add - Stock Selection	0.68	0.98	0.56	0.50	0.22	0.09	-0.08	-0.18	-0.10	-0.36	-0.58	-0.36
Total Contribution	0.23	0.99	0.54	0.39	0.16	0.06	-0.12	-0.18	-0.20	-0.44	-0.64	-0.64

TOP 5 RELATIVE CONTRIBUTORS VS. RUSSELL 1000 VALUE INDEX

(12 months ended September 30, 2019)

Security	% of Equities	Net Contribution (Basis Points)
Southern Company	2.4%	68
Tyson Foods, Inc.	1.8	54
Tc Energy Corporation	1.8	48
L3Harris Technologies, Inc.	1.8	40
Kimberly-Clark Corporation	1.7	38

TOP 5 RELATIVE DETRACTORS VS. RUSSELL 1000 VALUE INDEX

(12 months ended September 30, 2019)

Security	% of Equities	Net Contribution (Basis Points)
Procter & Gamble Company	0.0%	-81
Occidental Petroleum Corporation	1.2	-37
State Street Corporation	1.3	-33
Total Sa	2.2	-32
At&T Inc.	0.2	-25

Net contribution is calculated versus a specific benchmark. It is the difference between the security's absolute contribution to the portfolio and the security's absolute contribution to the benchmark. This reflects the amount the security has impacted relative return.

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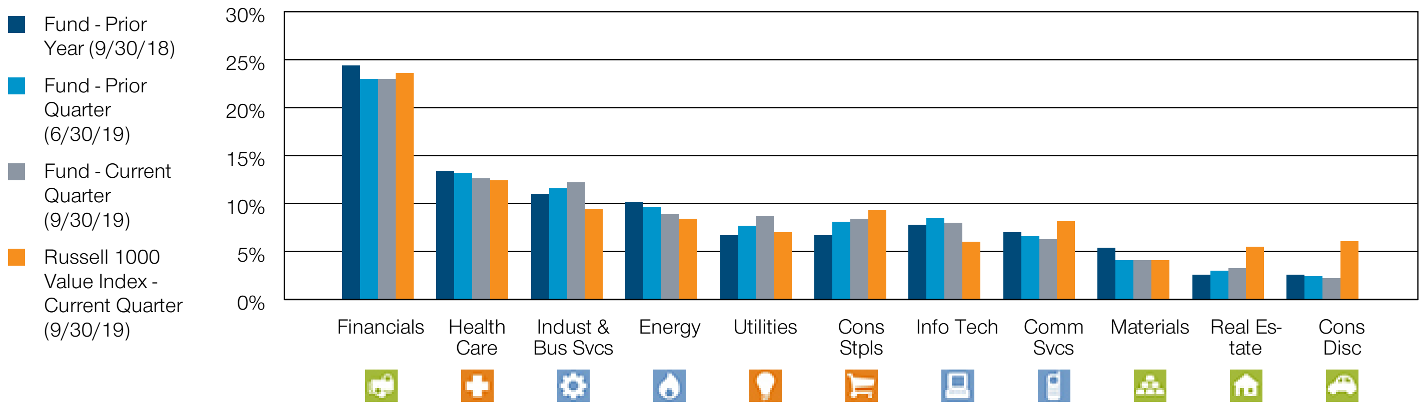
PORTFOLIO POSITIONING

SECTOR DIVERSIFICATION – CHANGES OVER TIME



LARGEST PURCHASES

Issuer	Sector	% of Fund Current Quarter 9/30/19	% of Fund Prior Quarter 6/30/19
Southern Company	Utilities	2.8%	2.3%
Total	Energy	2.2	2.1
Philip Morris International	Cons Stpls	1.6	1.2
GE	Indust & Bus Svcs	1.5	1.2
Edison International	Utilities	1.3	0.8
Occidental Petroleum	Energy	1.2	1.2
Allergan	Health Care	0.8	0.5
AbbVie (N)	Health Care	0.5	0.0
Snap-On	Indust & Bus Svcs	0.4	0.1
nVent Electric	Indust & Bus Svcs	0.2	0.1

LARGEST SALES

Issuer	Sector	% of Fund Current Quarter 9/30/19	% of Fund Prior Quarter 6/30/19
L3Harris Technologies	Indust & Bus Svcs	1.8%	1.8%
Microsoft	Info Tech	1.6	2.1
Anthem	Health Care	1.2	1.6
Johnson Controls International	Indust & Bus Svcs	1.1	1.2
Wal-Mart	Cons Stpls	0.8	1.0
Chevron	Energy	0.6	0.9
GlaxoSmithKline	Health Care	0.4	0.7
Hess	Energy	0.3	0.5
AT&T	Comm Svcs	0.2	0.5
Merck (E)	Health Care	0.0	0.4

(N) New Position
(E) Eliminated

HOLDINGS

TOP 10 ISSUERS

Issuer	Industry	% of Fund	% of Russell 1000 Value Index
Wells Fargo	Banks	3.8%	1.5%
JPMorgan Chase	Banks	3.1	2.8
Southern Company	Electric Utilities	2.8	0.5
Qualcomm	Semicons & Semicon Equip	2.3	0.0
Total	Oil, Gas & Consumable Fuels	2.2	0.0
Verizon Communications	Diversified Telecom Services	2.0	1.8
Johnson & Johnson	Pharmaceuticals	2.0	2.2
Boeing	Aerospace & Defense	2.0	0.0
Chubb	Insurance	1.9	0.5
ExxonMobil	Oil, Gas & Consumable Fuels	1.9	2.2

TOP 5 OVER/UNDERWEIGHT POSITIONS VS. RUSSELL 1000 VALUE INDEX

Issuer	Industry	% of Fund	% of Russell 1000 Value Index	Over/Underweight
Southern Company	Electric Utilities	2.8%	0.5%	2.4%
Qualcomm	Semicons & Semicon Equip	2.3	0.0	2.3
Wells Fargo	Banks	3.8	1.5	2.3
Total	Oil, Gas & Consumable Fuels	2.2	0.0	2.2
Boeing	Aerospace & Defense	2.0	0.0	2.0
Berkshire Hathaway	Diversified Financial Services	0.0	3.0	-3.0
Procter & Gamble	Household Products	0.0	2.1	-2.1
AT&T	Diversified Telecom Services	0.2	2.0	-1.8
Bank of America	Banks	0.1	1.8	-1.8
Intel	Semicons & Semicon Equip	0.0	1.7	-1.7

PORTFOLIO MANAGEMENT

Portfolio Manager:
John Linehan

Managed Fund Since:
2015

Joined Firm:
1998

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Unless otherwise noted, index returns are shown with gross dividends reinvested.
The manager's views and portfolio holdings are historical and subject to change. This material should not be deemed a recommendation to buy or sell any of the securities mentioned. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.
The information shown does not reflect any Exchange Traded Funds (ETFs) that may be held in the portfolio.
Source for Sector Diversification: T. Rowe Price uses the current MSCI/S&P Global Industry Classification Standard (GICS) for sector and industry reporting. T. Rowe Price will adhere to all future updates to GICS for prospective reporting.
Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.
Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.
Unless indicated otherwise the source of all data is T. Rowe Price.
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