



PORTFOLIO UPDATE

Real Estate Fund

As of September 30, 2019



Portfolio Manager:

Nina Jones

Managed Fund Since:

2019

Joined Firm:

2008

INVESTMENT OBJECTIVE

The fund seeks to provide long-term growth through a combination of capital appreciation and current income.

FUND INFORMATION

Symbol	TRREX
CUSIP	779919109
Inception Date of Fund	October 31, 1997
Benchmark	Wilshire US RESI
Expense Information (as of the most recent Prospectus)	0.78%
Fiscal Year End	December 31
12B-1 Fee	-

MARKET COMMENTARY

The major U.S. equity benchmarks moved higher in September. The S&P 500 recorded its best daily gain on September 5, after news broke that Chinese and U.S. trade negotiators were preparing to meet in Washington in early October, and a series of conciliatory gestures further supported sentiment. Within the large-cap S&P 500 Index, financials outperformed, helped by a rise in longer-term interest rates, which boost banks' lending margins. The defensive utilities sector also did well, and energy shares were strong after crude prices jumped in the aftermath of a mid-month attack on Saudi Arabian oil production facilities. The health care sector recorded a modest decline as managed care and pharmaceutical companies fell victim to growing worries over government intervention in the health care market. Real estate stocks faced headwinds from rising bond yields and underperformed the broader benchmark. As measured by the Wilshire US Real Estate Securities Index, shares of real estate investment trusts (REITs) advanced, and results at the sector level were mostly positive. Shopping center, lodging/leisure, and regional mall REITs recorded strong results, while self-storage had the weakest performance and posted negative returns. The triple net and apartment segments also underperformed.

Overall, the fundamental backdrop remains supportive for real estate as we move further into 2019. The Federal Reserve's pivot to a more dovish tone and its shift toward data dependency suggest that we could have a scenario where we have lower interest rates for longer, which would be supportive for real estate investors. We believe many listed real estate companies are well positioned to weather volatility as they are operating with lower leverage and more retained free cash flow than in the past. In addition, the level of new supply being built across various property types is reasonable relative to demand and generally not an area of concern.

PERFORMANCE

(NAV, total return)

	One Month	Three Months	Year-to-Date	One Year	Annualized			
					Three Years	Five Years	Ten Years	Fifteen Years
Real Estate Fund	2.42%	5.56%	22.58%	11.79%	4.57%	8.13%	11.91%	8.46%
Lipper Real Estate Funds Index	1.88	6.86	26.38	16.85	7.48	9.48	12.29	8.86
Wilshire US Real Estate Securities Index	2.78	7.85	27.15	18.27	7.47	10.49	13.19	9.01

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. Changes in the tax laws, overbuilding, environmental issues, the quality of property management in the case of real estate investment trusts (REITs), and other factors could hurt a fund that invests in the real estate industry.

The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details.

RISK RETURN CHARACTERISTICS

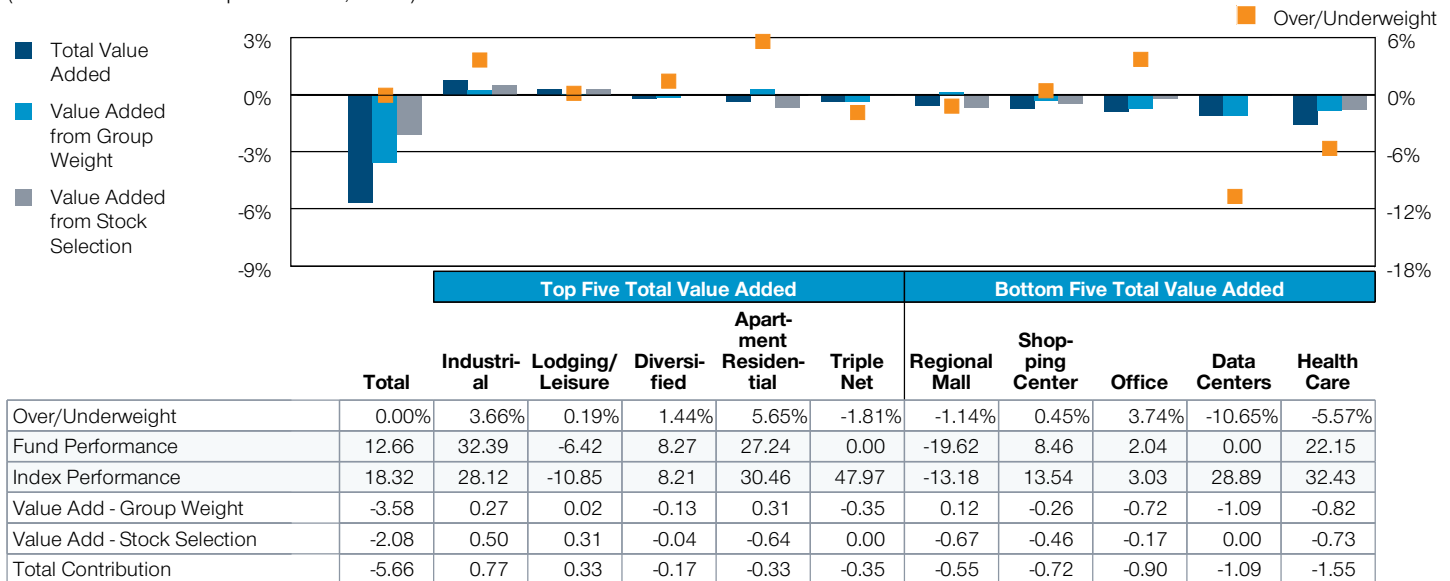
(Five Years ended September 30, 2019)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Real Estate Fund	13.64%	-1.76%	0.95	0.97	-1.03	0.52	2.30%
Wilshire US RESI	14.13	0.00	1.00	1.00	0.00	0.67	0.00

Past performance is not a reliable indicator of future performance. Figures are calculated using monthly data and are net of fees.

SECTOR ATTRIBUTION DATA VS. WILSHIRE US REAL ESTATE SECURITIES INDEX (TOP AND BOTTOM 5 BY TOTAL VALUE ADDED)

(12 months ended September 30, 2019)



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. Analysis by T. Rowe Price Associates, Inc. T. Rowe Price uses a custom structure for sector and industry reporting for this product. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance returns are in USD.

TOP 10 ISSUERS

Comprising 51.8% of total net assets.

	Industry	% of Fund
Prologis	Industrial	8.5%
AvalonBay Communities	Apartment Residential	6.9
Equity Residential	Apartment Residential	6.1
Public Storage	Self Storage	5.9
Essex Property Trust	Apartment Residential	5.3
Camden Property Trust	Apartment Residential	5.0
Alexandria Real Estate	Health Care	4.1
Douglas Emmett	Office	3.7
Healthcare Realty Trust	Health Care	3.4
Simon Property Group	Regional Mall	3.0

Issuers are as of the date indicated and are subject to change.

PORTFOLIO CHARACTERISTICS

	Real Estate Fund	Wilshire US RESI
Number of Issuers	39	109
Investment Weighted Median Market Cap (mm)	\$11,655	\$15,921
Price to Earnings (12 Months Forward)*° †	55.7X	55.7X
Price to Book°	2.4X	2.6X
Projected Earnings Growth Rate (3 - 5 Years)*° †	7.7%	21.4%
Return on Equity (Last 12 Months excl. charges)°	7.4%	6.7%
Top 20 Issuers as Percent of Total	75.8%	60.8%
Total Assets (all share classes)	3,580,723,996	-
Percent of Portfolio in Cash	1.8%	-

°Investment Weighted Median.

*I/B/E/S © 2019 Refinitiv. All rights reserved

†Based on the fund's underlying holdings and is not a projection of future portfolio performance.

INDUSTRY DIVERSIFICATION

	Apt Res	Industri- al	Office	Health Care	Self Storage	Shop- ping Center	Region- al Mall	Lodging / Lei- sure	Diversi- fied	Agg- Land	Triple Net	Data Centers
Real Estate Fund	26.9%	15.7%	14.7%	9.8%	8.7%	7.1%	5.6%	5.1%	3.1%	1.5%	0.0%	0.0%
Wilshire US RESI	21.3	12.0	11.0	15.4	7.9	6.7	6.7	4.9	1.6	0.0	1.8	10.7
Over/Underweight	5.6	3.6	3.7	-5.6	0.8	0.4	-1.1	0.2	1.4	1.5	-1.8	-10.7

Additional Disclosures

Source for Lipper data: Lipper Inc.

Lipper Data (excluding Performance and Risk Return exhibits) is estimated by T. Rowe Price based on information provided by Lipper, Inc., and LionShares. T. Rowe Price identifies the funds that compose the Lipper index and builds an aggregate portfolio for the index based on each fund's holdings as provided by LionShares. Please note that the portfolio holdings for each fund within the index are based on the most recent public information that is available, and since the funds have different reporting periods, some of this information may not be current.

Unless otherwise noted, index returns are shown with gross dividends reinvested.

The information shown does not reflect any Exchange Traded Funds (ETFs) that may be held in the portfolio.

T. Rowe Price uses a custom structure for sector and industry reporting for this product.

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.

This material should not be deemed a recommendation to buy or sell any of the securities mentioned.

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