

# Mid-Cap Growth Fund (RPMGX)

## MARKET COMMENTARY

Stocks posted their largest quarterly loss since 1987 in the third quarter as data on the economy and corporate profits came in weaker than expected. The threat of war with Iraq also weighed on the markets as equity indices reached five-year lows and U.S. Treasury yields reached 1958 levels. Reminiscent of the financial crises of 1998, large financial institutions struggled with losses in emerging market and telecom debt. Low mortgage rates spurred record refinancing activity, supporting strong consumer spending on autos and homes. However, with consumers carrying the sub-par economic recovery on their backs, news of weaker-than-expected retail sales exacerbated fears that consumers would stumble, dragging the economy back into recession. Manufacturing data and business confidence also weakened. The Federal Reserve took note of these uncertainties at its September meeting, but left the federal funds rate unchanged. Growth and value shares fell equally sharply. Small- and mid-cap stocks held up better than large-caps in September, but trailed for the quarter.



## Portfolio Performance

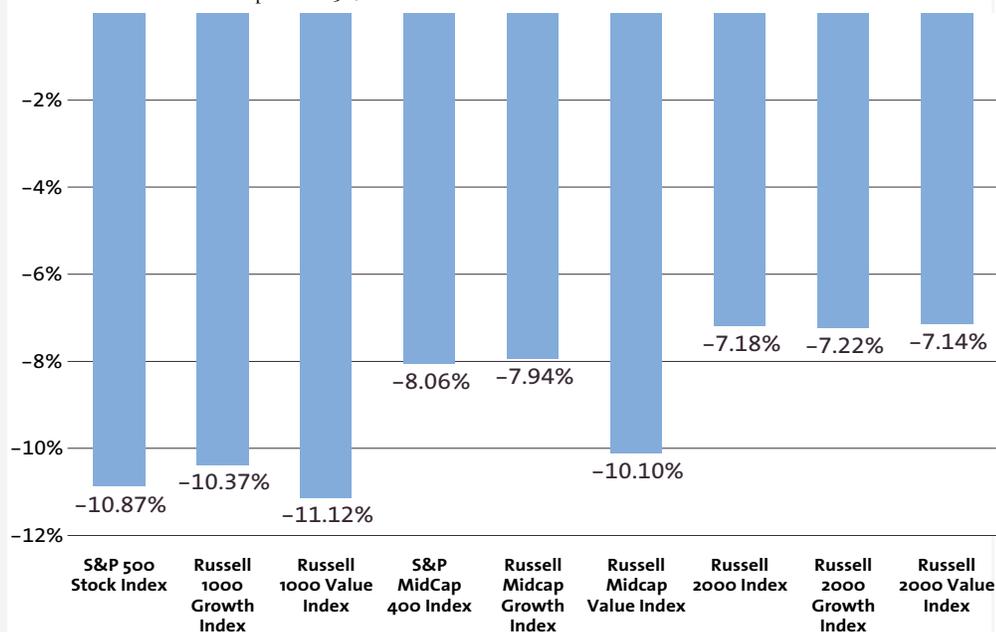
NAV \$28.61

September 30, 2002	Mid-Cap Growth Fund	S&P MidCap 400 Index	Russell Midcap Growth Index
Year-to-date	-27.39%	-19.22%	-33.50%
One Month	-8.57	-8.06	-7.94
Three Months	-18.88	-16.54	-17.18
One Year	-11.94	-4.70	-15.50
<b>Annualized</b>			
Three Years	-2.50%	3.40%	-13.22%
Five Years	3.12	5.39	-4.06
Ten Years	13.63	12.57	6.95

The Fund's total return figures include changes in principal value, reinvested dividends and capital gains distributions. Investment return and principal value will vary and shares may be worth more or less at redemption than at original purchase. Past performance cannot guarantee future results.

## Market Performance

For the month ended September 30, 2002



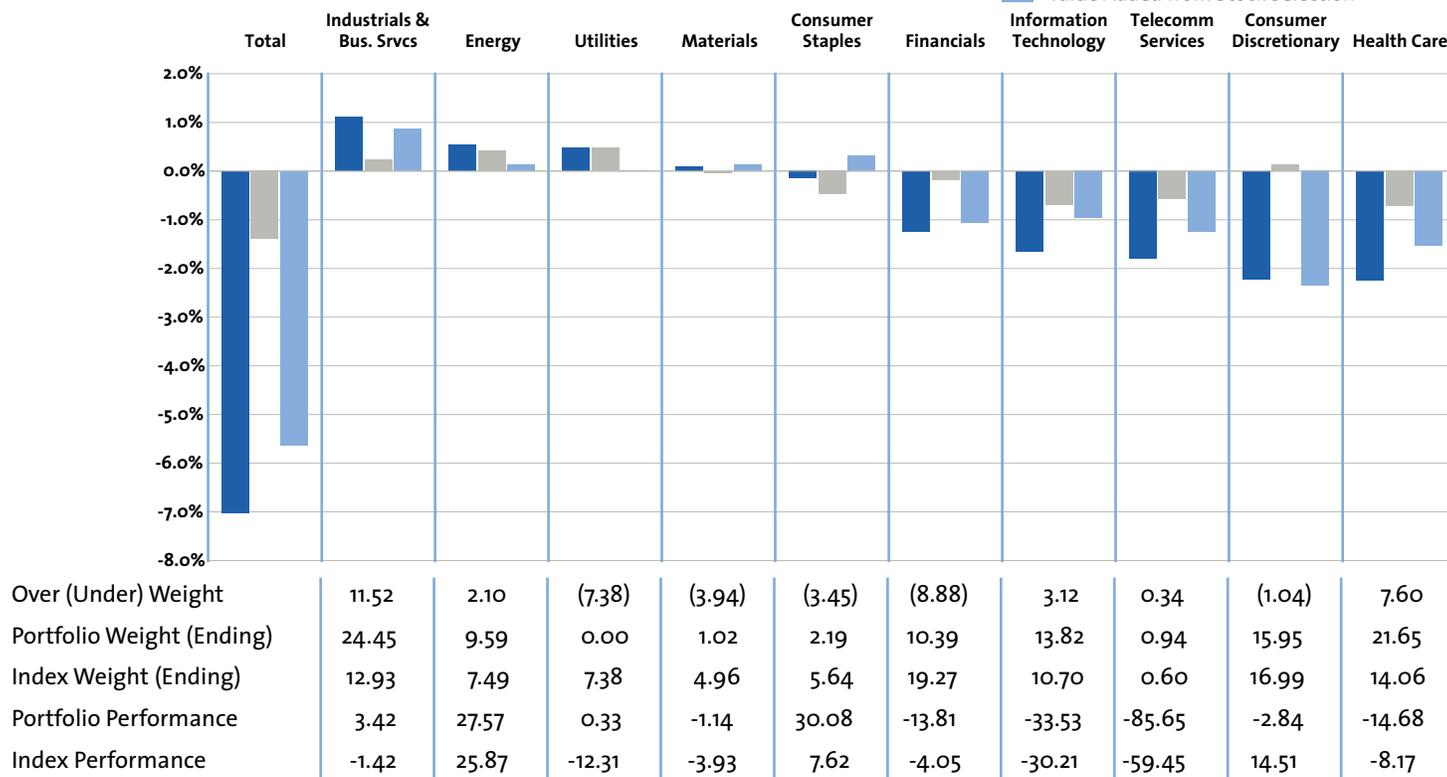
## Top Ten Holdings

Comprising 16.4% of total holdings, as of September 30, 2002

Affiliated Computer Services	Ocean Energy
Anthem	Omnicare
BJ Services	Rockwell Collins
ITT Industries	Waddell & Reed Financial
Manpower	Whole Foods Market

## Attribution Data

Relative to the S&P MidCap 400 Index  
For the 12 months ended September 30, 2002



Numbers may not add to 100% due to rounding; all numbers are percentages. Analysis represents the equity-only performance of the portfolio as calculated by the Wilshire Atlas attribution model, and is exclusive of cash and other non-equity holdings. Source: Wilshire Atlas, GICS Sectors; Analysis by T. Rowe Price Associates, Inc.

## ATTRIBUTION ANALYSIS

The Mid-Cap Growth Fund returned -11.94% during the past 12 months, trailing the S&P MidCap 400 Index (-4.70%), but outperforming the more aggressive Russell Midcap Growth Index (-15.50%). Value stocks continued to aid results for the broad-based S&P index. Both stock selection and sector weights were negative versus the S&P, but positive versus the Russell. However, stock selection was the primary driver of underperformance versus the S&P while sector weights drove outperformance of the Russell. We added value versus both indices with strong stock selection in industrials and business services, but lost value compared to both with weak stock selection in consumer discretionary (especially retailers and cable providers), telecom services (primarily wireless stocks), and financials (due to weakness in asset managers). Stock selection in health care was weak versus the S&P (because of our greater exposure to biotechnology) but strong versus the Russell (due to our greater emphasis on health care services). Overweighting technology relative to the S&P was negative, but underweighting the sector relative to the Russell was positive. The current bear market has already been longer and deeper than most, and stocks are attractively valued, in our view.

## Key Statistics

September 30, 2002	Mid-Cap Growth Fund	S&P MidCap 400 Index	Russell Midcap Growth Index	
Number of Holdings	130	400	454	
Investment Weighted Median Market Cap (\$mm)	3,056	2,116	3,875	
P/E Ratio (12 months forward)	16.4x	14.4x	18.0x	
Projected Earnings Growth Rate (IBES)	18.2%	14.1%	17.3%	
Top 20 Holdings as Pct. of Total	28.7%	14.7%	19.1%	
Percent of Portfolio in Cash	6.0%	N/A	N/A	
Return on Equity (Last 12 months excl. charges)	15.2%	14.0%	17.9%	
Five Years Ended September 30, 2002	Mid-Cap Growth Fund	S&P MidCap 400 Index	Mid-Cap Growth Fund	Russell Midcap Growth Index
Standard Deviation	22.65%	21.16%	22.65%	31.01%
Beta	1.02	1.00	0.66	1.00
Alpha	-1.89	0.00	3.76	0.00
Sharpe Ratio	-0.06	0.04	-0.06	-0.27
Information Ratio	-0.33	0.00	0.34	0.00

Figures are calculated using monthly data and are net of fees.