International Stock Fund

(PRITX)

Outlook

Japan's economic rebound appears to be on track after two successive quarters of real growth rates above 6%. Standard & Poor's lifted its rating on several large Japanese banks for the first time in 21 years as bad loans have been reduced. The recent Tankan survey showed confidence spreading across smaller companies and non-manufacturers that had missed previous recoveries. Companies have cut debt and overheads and focused on their core businesses. A key factor in sustainability is whether the Bank of Japan can manage an eventual tightening in monetary policy without stifling the economy. We are selectively adding a mix of domestic and export-oriented companies, and we are comfortable approaching a neutral position in Japan for the first time in many years.

The long-term growth outlook for emerging markets investing remains compelling. However, we continue to recognize that there are risks to the short-term capital flows into these markets. A rise in U.S. rates and a slowdown in China could lead to another correction as seen in April and May. At this stage of the cycle we would expect quality stocks with stable earnings and lower debt to do well. We remain selective, although earnings and valuations are still reasonable given the growth expected.

Current valuations in Europe are reasonable if positive earnings momentum continues, and they appear attractive compared with other regions. As the cycle matures and interest rates increase, the prospects for growth companies should improve. We see significant renewed euro strength as unlikely, but with measured growth, interest rates should remain supportive. Corporate news flow should remain positive on the back of continued earnings upgrades. A combination of modest sales growth and additional improvements in profitability promises to drive further gains.

International Stock Fund

Total Fund Net Assets as of June 30, 2004 = $5,174,105,870

Fund Performance as of June 30, 2004

				Annualized		
	Three Months	Year-to-Date	One Year	Three Years	Five Years	Ten Years
International Stock Fund	-2.01%	1.65%	23.83%	0.58%	-1.83%	3.97%
MSCI EAFE Index	0.44	4.86	32.85	4.25	0.40	4.38
MSCI AC World ex-U.S. Index	-0.69	4.10	32.50	5.25	0.96	4.40

Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions.

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, or to request a prospectus, which contains complete information, including investment objectives, risks, fees, and expenses, that you should read and consider carefully before investing, please contact your client service representative or visit our Web site at troweprice.com.

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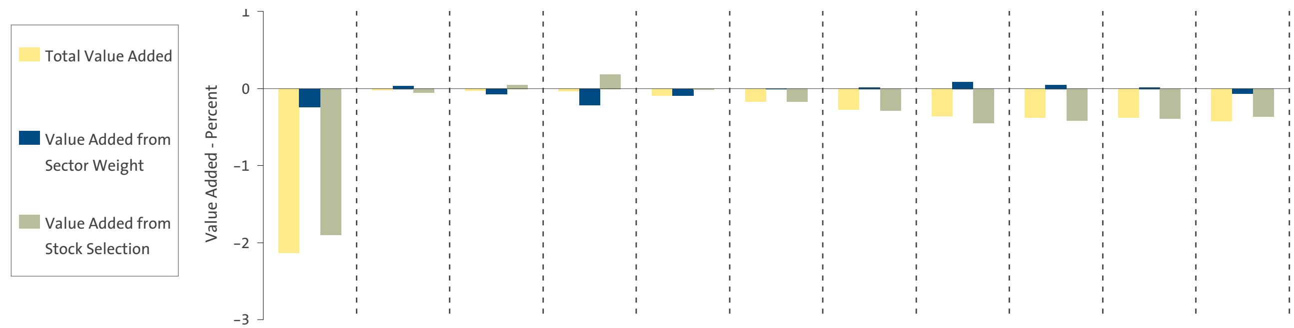
- Stock selection in consumer discretionary holdings was the single largest detractor, although being overweight in the sector added value.
- The energy sector detracted the most on a relative basis, mainly because of stock selection. We tend to favor emerging oil companies because of their potential growth, but these suffered the most in the fallout from China.
- Stock selection in industrials detracted, due to rising oil prices, a major input cost. We are underweight in the sector. Within industrials, commercial services and supplies detracted most.
- Financials were costly on a relative basis, mainly due to a few Japanese stocks.
- Good stock selection in information technology added the most to performance. This was mainly due to our positions in communications equipment.

Sector Attribution Analysis – International Stock Fund vs. MSCI EAFE Index

Second Quarter 2004



	Total	Health Care	Telecomm Services	Information Technology	Utilities	Consumer Staples	Materials	Consumer Discretionary	Financials	Industrials	Energy
Over (Under) Weight	––	0.4	2.0	2.7	–3.4	0.3	–2.4	4.3	–2.7	–0.5	–0.7
Portfolio Weight (Ending)	100.0	8.9	9.2	9.8	1.4	8.8	4.2	18.0	23.4	9.0	7.3
Index Weight (Ending)	100.0	8.5	7.1	7.1	4.8	8.6	6.6	13.6	26.1	9.5	8.1
Portfolio Performance	–1.7	2.4	–2.5	–5.7	2.1	1.6	–6.9	–0.2	–3.0	–5.3	1.8
Index Performance	0.4	3.0	–2.9	–7.4	2.9	3.6	0.0	2.3	–1.3	–0.9	7.0

Numbers may not add 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 International, Inc.

- Country allocation and stock selection detracted for the quarter.

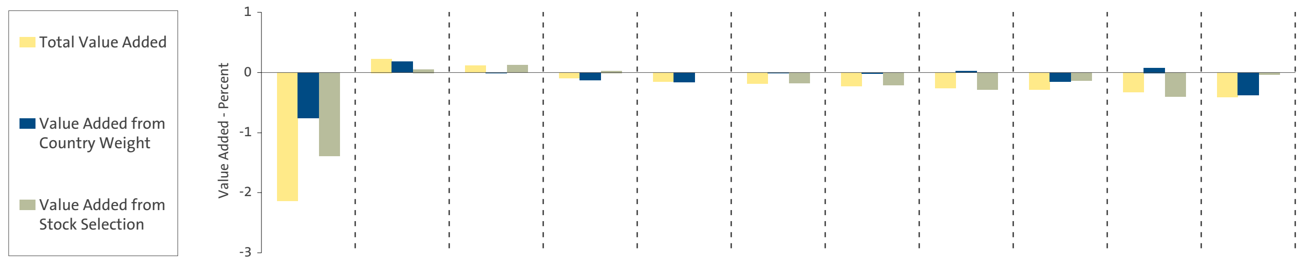
- The portfolio's emphasis on emerging markets proved costly in April and May when oil prices rose, the Chinese government announced plans to cool the economy, and interest rate increases in the U.S. reduced flows into these markets.

- Allocation to South Korea accounted for around half of the allocation underperformance, while both allocation and stock selection were negative in Russia, due mainly to oil holdings. Japanese stock selection was the single largest detractor, as industrials and financials in Japan were hit hardest by China's slowdown.

- An underweight position in Australia and good stock selection in Canada added value.

Country Attribution Analysis – International Stock Fund vs. MSCI EAFE Index

Second Quarter 2004



	Total	Australia	Canada	Taiwan	Germany	Switzerland	United Kingdom	Sweden	Russia	Japan	South Korea
Over (Under) Weight	--	-3.5	0.4	0.8	-4.1	-0.6	-1.1	0.5	0.9	-0.8	1.6
Portfolio Weight (Ending)	100.0	1.3	0.4	0.8	2.7	6.5	23.9	2.9	0.9	23.2	1.6
Index Weight (Ending)	100.0	4.8	0.0	0.0	6.8	7.1	24.9	2.4	0.0	24.0	0.0
Portfolio Performance	-1.7	-3.1	46.7	-8.8	4.0	0.0	0.6	-4.7	-36.2	-5.7	-16.0
Index Performance	0.4	-5.2	-1.8	-11.6	4.1	2.6	1.5	4.7	-20.3	-3.9	-14.6

Numbers may not add due to rounding; all numbers are percentages.

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Source: Wilshire Atlas, GICS Sectors; Analysis by T. Rowe Price International, Inc.

International Stock Fund

Significant Contributors	Country/Industry	Comment
Shell T&T/Royal Dutch	UK Netherlands/Oil & Gas	Earlier in the year, Shell's chairman was forced to resign. The market has received this well, partly as an indication that the management structure may be further simplified. The stock performed well this quarter largely due to rising oil prices.
Total	France/Oil & Gas	Rising oil prices over the quarter led the stock to outperform. Output grew by over 4% in the first quarter, and Total expects similar growth until 2008. First-quarter net income increased by 9%.
Reed Elsevier	UK Netherlands/Media	Reed Elsevier is a U.K.-registered publishing and information business. Its activities include science and medical, legal, education, and business publishing. Its principal operations are in North America and Europe. The stock suffered in the fourth quarter of 2003 on the outlook for this year. The growth prospects for 2005 are better, given an expected upturn in the adoption cycle, and an upswing in advertising revenues in 2005/6. The stock outperformed this quarter as investors favored defensive stocks.
Nestle	Switzerland/Food Beverage & Tobacco	The stock rose alongside expectations for the company's margins as a result of cost savings targeted during the acquisitions of the last three years. Also, the company has exposure to Latin American growth.
GlaxoSmithKline	UK /Pharmaceuticals	The stock has suffered due to the expiration of some of its major patents and a weak near-term pipeline, but it performed well in the second quarter as defensive stocks were preferred. The stock trades on a low valuation relative to its sector. Stronger-than-expected pharmaceutical margins helped the stock.

Significant Detractors	Country/Industry	Comment
Nokia	Finland/Communications Equipment	Nokia manufactures and supplies mobile phones and wireless data products worldwide, including a complete range of mobile phones for digital and analog standards. The company is also engaged in the provision of mobile and IP network infrastructure and related services. Global market share in handsets shrank to 29% in the first quarter, a fall of nearly a fifth from last year's level. Nokia has also stepped up price discounting, affecting margins, while facing competition at the low end from Asian markets.
Nomura Holdings	Japan/Capital Markets	Nomura is engaged in investment and financing services, with securities as its core business. Domestic consultation to retail clients accounts for over half the revenue. It is positioned to take advantage of the upturn in the Japanese economy. It struggled this quarter with falling fixed-income revenues, and from the threat of potential competitor entrants into the securities sector in Japan.
UFJ Holdings	Japan/Commercial banks	UFJ provides a wide range of banking and other financial services in Japan. The overall state of the sector has improved significantly in the past year as banks responded to pressure to tackle the amount of bad loans on their books. UFJ reported that the value of its non-performing loans (NPL) had risen. The market reacted strongly to this news, as NPL reduction is a key factor for the banks and consequently the recovery in Japan.
Samsung	South Korea/Semicon & Semicon Equipment	Samsung Electronics is the third-largest handset manufacturer and one of the largest consumer electronics manufacturers globally. It is also the world's biggest and most cost-efficient DRAM and TFT-LCD manufacturer. The stock is attractive relative to technology peers because it is growing earnings and trading at single-digit multiples. We have taken the opportunity after a record quarter to trim our position, as we feel the near-term upside is now more limited. The long-term outlook is still good relative to the sector, as earnings tend to be stable, and the management strong. The stock struggled this quarter on profit taking, and was affected by the fall in emerging stocks in April and May.
Yukos	Russia/Oil & Gas	Yukos is involved in the production, exploration, and refinement of oil and gas resources. The group is the second-largest exploration company in Russia. The Kremlin is currently pursuing the former chief executive for non-payment of tax. The stock fell rapidly when the company was asked to pay a back tax bill from year 2000. Yukos expects further tax claims for previous years with estimates as high as $9-$10 billion for the total tax bill. If the Kremlin demands immediate, rather than staggered, payment and maintains an injunction on asset sales, Yukos could face bankruptcy. However, this would require the Kremlin to inflict damage on Russia's standing in international capital markets. After accounting for the tax claims, the company is still a good value, and we remain holders of the stock.

The securities mentioned above comprised 14.4% of the fund as of June 30, 2004.

International Stock Fund vs. MSCI EAFE Index

June 30, 2004

Consumer Discretionary: We are significantly overweight in the consumer discretionary sector. This is mainly due to large positions in media (Reed Elsevier, WPP, ZeeTelefilms) and specialty retailers (Kingfisher, Hennes & Mauritz). Within the hotel and restaurant industry, a large weighting in food service firm Compass also contributes.

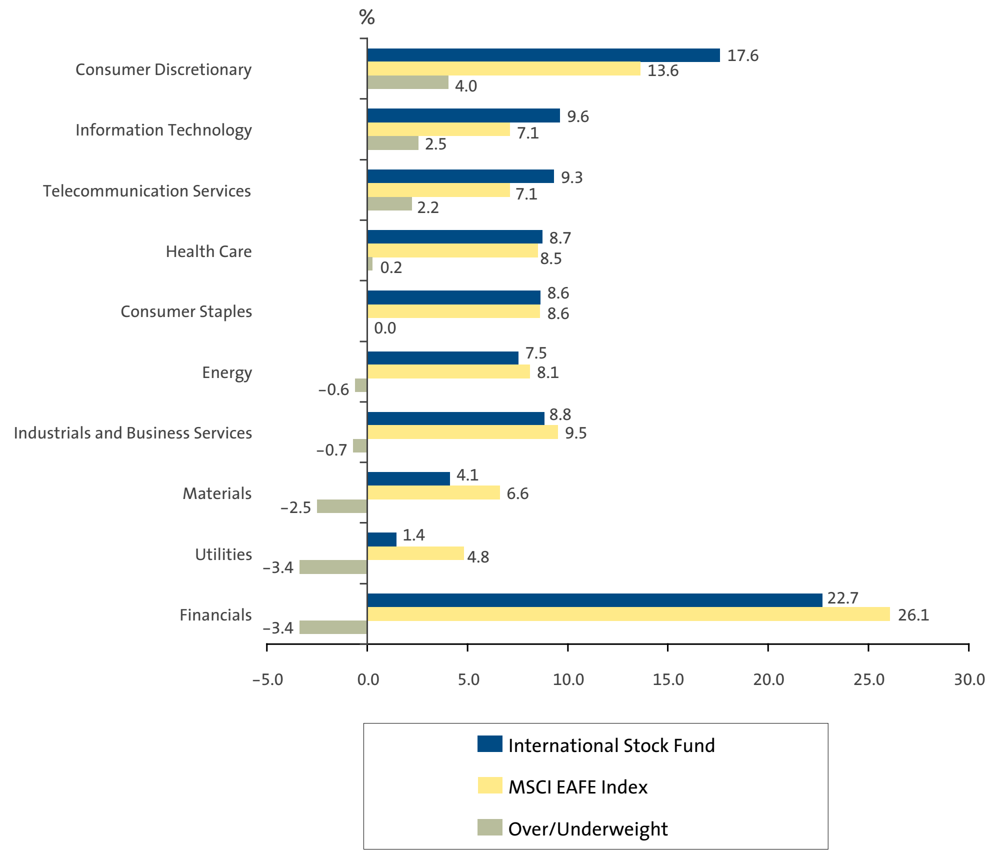
Telecom Services: Our overweight position in wireless telecoms continues to drive the overall weighting in the telecoms sector. KDDI, Vodafone, SK Telecom, America Movil, and TIM are all positive weights relative to the benchmark. We believe that cash flow generation will be enhanced by more carefully managed expenditures. Several of our holdings are in emerging markets.

Industrials and Commercial Services: Although the portfolio is underweight in industrials, within this sector we hold a strong position in the commercial services industry (Adecco, Securitas). We continue to favor these stocks in an economic recovery.

Materials/Utilities: The component industries in the materials sector (chemicals, construction materials, packaging, and metals and mining) have traditionally offered few growth opportunities. Consequently, we remain underweight in this sector. We continue to hold few stocks in the utilities sector, as there are more attractive opportunities in economically sensitive sectors.

Financials: The portfolio is underweight in financials due mainly to our avoidance of insurance and commercial banks. Currently, we prefer to own capital markets stocks (Royal Bank of Scotland, Credit Agricole, UBS) that are attractively valued and positioned to benefit from an improving economic environment.

The securities mentioned above comprised 17.7% of the fund as of June 30, 2004.



These weightings are driven primarily by stock selection.

International Stock Fund

Major Purchases	Country/Industry	Rationale
Tele Norte Leste	Brazil/Diversified Telecoms	TNE is the incumbent fixed-line and mobile operator in the Rio area of Brazil. Approximately 30% of revenue growth this year has been driven by its mobile subsidiary, which has performed well since its launch in 2002. TNE is benefiting significantly from the decrease in Brazilian interest rates and is paying down debt rapidly. TNE has been weak as Brazilian stocks have sold off recently due to the country's debt levels. Other Emerging European and African telecoms have been strong, providing an opportunity to initiate a position in the stock.
JSR	Japan/Chemicals	The group manufactures synthetic rubbers and resins, plastics, and LCD-related materials. We have been adding to Japanese stocks that are positioned to benefit from a recovery in the economy. JSR's sales and operating profit from 2003 were above consensus, and the company is well positioned to take advantage of emerging market growth.
Grupo Modelo	Mexico/Beverages	The group produces and markets beer in Mexico. It reported strong fourth-quarter numbers as both domestic sales and exports climbed substantially. Modelo has started to deliver evidence of growth in both the domestic and export markets, and it has contained costs. After underperforming the Latin America Index since the beginning of 2003, this is a defensive name that should benefit from the economic recovery in both Mexico and in the U.S., and the outlook appears stronger than it is for peers in developed markets.
Daikin Industries	Japan/Building Products	Daikin is Japan's largest air-conditioner manufacturer. Its competitors include Matsushita Electric, Mitsubishi Electric, United Technologies, and American Standard. The company has achieved a high level of growth in sales and earnings in the past decade. It will benefit from an increase in consumer spending in Japan, along with new product launches. It has a superior return on equity and tends to be less cyclically exposed than its competitors.
Trend Micro	Japan/Software	Trend Micro specializes in the development of anti-virus and Internet security software. Most revenue is generated in Japan, and the stock has performed well for some time. The brand is stronger than its competitors and should not be threatened by new entrants into the market. The company also generates less revenues from the consumer market than its rivals and therefore should be less affected by Microsoft's arrival as a competitor.

Major Sales	Country/Industry	Rationale
Honda	Japan/Automobiles	Honda manufactures and sells automobiles, motorcycles, and power products worldwide. Fourth-quarter figures were poor, with declining headline earnings. Product quality expenses (warranties, etc.) have affected the share price for some time. The stock is sensitive to dollar movements, causing us to see better value elsewhere in Japan.
NAB	Australia/Commercial Banks	The group provides a wide range of banking services in Australia. Concerns about the weak U.K. operations, pension costs, a weak capital position, and senior management changes have been discounted in the stock. But a new warning that the previously robust Australian operation is seeing margin pressure means the valuation appears less attractive.
FEMSA	Mexico/Beverages	FEMSA is the largest integrated beverage producer of beer and soft drinks in Mexico. We have sold FEMSA and switched into Modelo, which we prefer given its attractive valuations (see significant purchases).
Dexia	Belgium/Commercial Banks	We are eliminating Dexia since the prospects of recovery appear fairly priced, moving instead into higher-conviction financials. The bond insurance business in the U.S. had a record year, making it difficult for 2004 results to compare.
NTT DoComo	Japan/Wireless Telecoms	The group's principal activities are in wireless communications. They offer cellular, 3G, and handset products and services. The stock appears overvalued and displayed disappointing market share figures in February. The group trades on a premium to KDDI, but it has had inferior subscriber growth. This stock was among the worst contributors in its sector after forecasting a 25% drop in operating profits as it moves to fixed 3G rates.

The securities mentioned above comprised 2.0% of the fund as of June 30, 2004.

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.

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International Stock Fund

Company	% of Fund	P/E 12 Months Forward (IBES)	Market Capitalization (Millions)	Case for Inclusion
GlaxoSmithKline	3.1%	14.3X	$120,079	GlaxoSmithKline's principal activities are the research and development, manufacture, and marketing of pharmaceutical and consumer health-related products. The biannual R&D day outlined new projects in the early stage cycle which should sustain long-term growth. In addition, the company is high quality, with strong management and marketing and offers growth at an attractive relative valuation.
Royal Bank of Scotland Group	2.5	10.9	89,965	Royal Bank of Scotland (RBS), one of Europe's leading financial services groups, is reaping the benefits of restructuring and cost cutting after its acquisition of Nat West. The company's enduring strengths include its diverse, multi-channel, multi-brand strategy, wide range of strategic options for future development, and good cash flow.
Total	2.4	13.1	123,903	Total is an integrated oil and gas company, with operations in more than 120 countries. It has a steady record of reinvestment and access to regions that the other major producers lack. The upstream business is the focus of reinvestment, and we continue to hold a strong position in this stock because of its growth potential.
Vodafone	2.4	-9.2	148,164	Vodafone Group is the world's largest wireless service provider, with interests in mobile networks throughout Europe, the U.S., and the Far East. It is better positioned than other telecoms to expand margins through cost saving measures in a number of its subsidiaries and to fund innovative product development.
Nestle	1.9	19.4	107,657	Nestle is the world's largest food manufacturer, with products available in nearly every country. Nestle's restructuring efforts remain on track following its exit out of non-core businesses.
Shell T&T/Royal Dutch	1.9	12.2	177,942	The Shell T&T/Royal Dutch group is the world's third-largest oil company. We believe that the group will also continue to benefit from cost reductions in its refining and manufacturing activities, as well as from synergies following its recent acquisitions and new management.
UBS	1.6	12.8	83,396	UBS is a diversified global financial company, operating in over 50 countries. There has been restructuring and consolidation across the divisions, which combined with the attractive valuation, means it is well positioned for growth, especially in the current interest rate environment.
Compass	1.4	34.4	13,168	Compass Group is the world's largest foodservice company. Compass remains well positioned due to its premium revenue growth relative to its peers, its high business retention rate, and its continued profit margin expansion.
Kingfisher	1.3	14.1	12,096	Kingfisher is involved in the home improvement retail market in the U.K., Europe, and Asia and is the market leader in five countries. The stock is economically sensitive and will benefit from continued activity in the real estate market.
ENI	1.2	11.1	79,576	The group's main activities are the exploration, extraction, and production of oil and natural gas and various related industries. ENI is undervalued relative to its peers given the upstream exposure to projects under development over the next several years. It is focused on the bottom line and uses the advantages of Italy's relationships with given countries for business opportunities.
Total	19.7%			

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. The fund's share price will fluctuate with changes in market, political, economic, and foreign currency exchange conditions.

Certain numbers in this report may not add due to rounding.

T. Rowe Price Investment Services, Inc., Distributor.

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