T.RowePrice®

ANNUAL REPORT

May 31, 2023

	T. ROWE PRICE
PRGMX	GNMA Fund
PRXAX	GNMA Fund–I Class
TRZGX	GNMA Fund–Z Class

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HIGHLIGHTS

- The GNMA Fund performed in line with its benchmark and outperformed its Lipper peer group average during the 12-month period ended May 31, 2023.
- Mortgage-backed securities, including GNMAs, faced headwinds during the period as the Federal Reserve raised rates and began reducing its holdings in the mortgage sector.
- Positioning within the GNMA sector and interest rate management aided the fund's relative results, while security selection detracted.
- We have a positive outlook on the GNMA sector, as valuations appear attractive and the segment's high credit quality could spur increased demand.

Dear Shareholder

Major global stock and bond indexes produced mixed returns during your fund's fiscal year, the 12-month period ended May 31, 2023. Rising interest rates weighed on returns in the first half of the period, but many sectors rebounded over the past six months as growth remained positive in the major economies and corporate earnings results came in stronger than expected.

For the 12-month period, growth stocks outperformed value shares, and developed market shares generally outpaced their emerging market counterparts. In the U.S., the Russell 1000 Growth Index and Nasdaq Composite Index performed the best. Most currencies weakened versus the U.S. dollar over the period, which weighed on returns for U.S. investors in international securities.

Within the S&P 500 Index, the information technology sector had, by far, the strongest returns. Big tech companies rebounded strongly at the start of 2023, helped in part by growing investor enthusiasm for artificial intelligence applications. Meanwhile, falling prices for various commodities weighed on returns for the materials and energy sectors, and turmoil in the banking sector, which included the failure of three large regional banks, hurt the financials segment. Real estate stocks also came under pressure amid concerns about the ability of some commercial property owners to refinance their debt.

Cheaper oil contributed to slowing inflation during the period, although core inflation readings—which exclude volatile food and energy prices—remained stubbornly high. April's consumer price index data (the latest available in our reporting period) showed a headline inflation rate of 4.9% on a 12-month basis, down from more than 8% at the start of the period but still well above the Fed's long-term 2% inflation target.

In response to persistent inflation, the Fed raised its short-term lending benchmark rate from around 1.00% at the start of the period to a range of 5.00% to 5.25% by the end of May, the highest level since 2007. However, Fed officials have recently suggested that they might soon be ready to pause additional rate hikes as they wait to see how the economy is progressing.

Bond yields increased considerably across the U.S. Treasury yield curve as the Fed tightened monetary policy, with the yield on the benchmark 10-year note climbing from 2.85% at the start of the period to 3.64% at the end of May.

Significant inversions in the yield curve, which are often considered a warning sign of a coming recession, occurred during the period as shorter-maturity Treasuries experienced the largest yield increases. At the end of May, the yield on the three-month Treasury bill was 188 basis points (1.88 percentage point) higher than the yield on the 10-year Treasury note. Increasing yields led to weak results across most of the fixed income market, although high yield bonds, which are less sensitive to rising rates, held up relatively well.

Global economies and markets showed surprising resilience in recent months, but, moving into the second half of 2023, we believe investors could face potential challenges. The economic impact of the Fed's rate hikes has yet to be fully felt in the economy, and while the regional banking turmoil appears to have been contained by the swift actions of regulators, it could continue to have an impact on credit conditions. Moreover, the market consensus still seems to forecast a global recession starting later this year or in early 2024, although it could be a mild downturn.

We believe this environment makes skilled active management a critical tool for identifying risks and opportunities, and our investment teams will continue to use fundamental research to identify securities that can add value to your portfolio over the long term.

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

Sincerely,

Robert Sharps
CEO and President

INVESTMENT OBJECTIVE

The fund seeks high current income consistent with high overall credit quality and moderate price fluctuation by investing at least 80% of its total assets in Government National Mortgage Association securities backed by the full faith and credit of the U.S. government.

FUND COMMENTARY

How did the fund perform in the past 12 months?

The GNMA Fund returned -2.54% for the 12 months through May 31, 2023, performing in line with its benchmark, the Bloomberg U.S. GNMA Index, while outperforming its Lipper peer group average. (Returns for I and Z Class shares may vary, reflecting their different fee structures. *Past performance cannot guarantee future results.*)

PERFORMANCE COMPARISON

Periods Ended 5/31/23	Total Return 6 Months	Total Return 12 Months
GNMA Fund	1.48%	-2.54%
GNMA Fund– I Class	1.71	-2.33
GNMA Fund– Z Class	1.80	-1.93
Bloomberg U.S. GNMA Index	1.60	-2.61
Lipper GNMA Funds Average	1.30	-2.95

What factors influenced the fund's performance?

Mortgage-backed securities (MBS), including GNMAs, faced a challenging environment over the 12-month period as the Federal Reserve continued to raise interest rates and began reducing its holdings in the mortgage sector as part of its campaign to battle elevated inflation.

Within the portfolio, coupon positioning in the GNMA MBS sector was a significant contributor to relative performance versus the benchmark. Overweights to shorter-duration securities with higher coupons (4% and above) paired with underweights to longer-duration lower coupons (3.5% and below) added value. Lower coupons fared worse in a rising rate environment that dramatically slowed prepayment speeds, causing MBS durations to extend. (Duration measures a bond's or a bond fund's sensitivity to changes in interest rates.)

The banking turmoil that flared up in March further weighed on lower coupons. Failing banks held bulk quantities of those securities, raising concerns that a supply wave could overwhelm the market if banks and the Federal Deposit Insurance Corporation (FDIC) were forced to liquidate positions.

Out-of-benchmark allocations to Treasuries and Treasury inflation protected securities that the fund held in late 2022 and early 2023 helped performance. Risk aversion and interest rate volatility remained elevated, keeping MBS spreads versus Treasuries at relatively wide levels.

Interest rate management was also an overall contributor. The fund oscillated between relatively long and short duration positions over the first nine months of the period before shifting to a more neutral posture in February. A long duration posture in the fourth quarter of 2022 was helpful as Treasury rates retreated from their October highs amid signs that the Fed's hiking cycle was closer to completion. A longer-duration bias also boosted the portfolio's yield relative to the index.

However, yield curve positioning was an offsetting factor. That was mainly due to an overweight to two-year Treasury rates stemming from our preference for higher-coupon MBS. While those positions added value overall, as noted earlier, they were a headwind viewed from a rate-management perspective.

GNMA security selection detracted from relative results due to the fund's use of to-be-announced (TBA) instruments, which are selected by the seller and delivered at a later date. TBAs, which we like for their liquidity, generally underperformed cash bonds as investors favored specified pools of securities offering more stable cash flow characteristics in a volatile rate environment.

Positions in interest-only collateralized mortgage obligations (CMOs) also weighed on performance. These securities typically benefit from a rise in mortgage rates, as lower prepayments increase the interest payments that investors stand to receive. The sharp rise in rates in early 2022 lifted interest-only CMO prices, but they gave back part of those gains in recent months as investors anticipated that high rates would not be sustained.

How is the fund positioned?

At the end of the period, our positioning was focused on the wings of the coupon stack—specifically, we prefer securities with 5.5% coupons and higher paired with 1.5% to 2.5% coupons trading at deeper discounts. We like the higher coupons because their spreads reflect recent high interest rate volatility, which we expect will trend lower. In that segment, we like specified pools that offer better prepayment protection.

Meanwhile, lower coupons have faced challenges due to technical concerns related to sales by the FDIC as well as by ailing banks. We think those concerns are overblown, though, as banks will still need to buy MBS, and supply is down significantly. In our view, lower coupons have negligible prepayment risk, and much of the extension risk has already been realized.

CREDIT QUALITY DIVERSIFICATION

U.S. Government Agency Securities*	104%
Reserves	-4
Total	**100%**

Based on net assets as of 5/31/23.

Sources: Credit ratings for the securities held in the fund are provided by Moody's, Standard & Poor's, and Fitch and are converted to the Standard & Poor's nomenclature. A rating of AAA represents the highest-rated securities, and a rating of D represents the lowest-rated securities. If the rating agencies differ, the highest rating is applied to the security. If a rating is not available, the security is classified as Not Rated. T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps. The fund is not rated by any agency.

* U.S. government agency securities are issued or guaranteed by a U.S. government agency and may include conventional pass-through securities and collateralized mortgage obligations; unlike Treasuries, government agency securities are not issued directly by the U.S. government and are generally unrated but may have credit support from the U.S. Treasury (e.g., FHLMC and FNMA issues) or a direct government guarantee (e.g., GNMA issues). Therefore, this category may include rated and unrated securities.

We are underweight intermediate coupons, which is an area where many money managers are concentrated. These bonds are trading closer to par and appear to offer less upside potential than longer-duration, more deeply discounted lower coupons in a scenario where yields decline. We believe this area is likely to face performance challenges over the next few quarters.

In terms of interest rate management, we finished the period with a relatively neutral overall duration position, and we are positioned for a steepening of the yield curve, which we believe will be beneficial as the Fed nears the end of its hiking cycle and the economy slows.

What is portfolio management's outlook?

As we look ahead to the second half of 2023, we have a positive view on the MBS sector. Although there could be headwinds in the near term due to FDIC sales and general concerns about the health of the banking system, valuations appear to be attractive based on spread levels at the end of May, and we believe this could spur demand for MBS.

Another potentially supportive factor is that, as the Federal Reserve nears the end of its hiking cycle, we appear to be moving from an environment dominated by interest rate risk to one more focused on credit risk. Given their government backing, agency MBS could look more attractive for investors compared with credit sectors if recession risk increases. Moreover, valuations look attractive on a historical basis versus investment-grade corporate bonds, particularly in the industrial and utilities sectors, a factor that could attract diversified bond managers and help to offset reduced bank demand.

Security selection remains critical in our investment approach, and we will continue to rely heavily on our extensive fundamental and quantitative research on the mortgage market and individual bonds when positioning the portfolio.

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 GNMA FUND INVESTING

Even though principal and interest payments on GNMAs are guaranteed, an increase in interest rates can cause the share price to decline, resulting in a loss of principal. Investors in bond funds are also subject to several other types of risk—interest rate risk, credit risk, prepayment risk, extension risk, and derivatives risk. Since the fund invests primarily in GNMAs, which are backed by the full faith and credit of the U.S. government, its exposure to credit risk is low. A mortgage-backed bond, unlike most other bonds, can be hurt when interest rates fall because homeowners tend to refinance and prepay principal. Prepayments can cause the average maturity of the portfolio to shorten, require the fund to reinvest proceeds at lower interest rates, or even cause certain bonds' prices to fall below what the fund paid for them, resulting in a capital loss. Increased interest rates can cause the fund's average maturity to lengthen unexpectedly due to a drop in mortgage prepayments. Shareholders are also exposed to derivatives risk, the potential that our investments in these complex and volatile instruments could affect the fund's share price.

BENCHMARK INFORMATION

BENCHMARK INFORMATION (CONTINUED)

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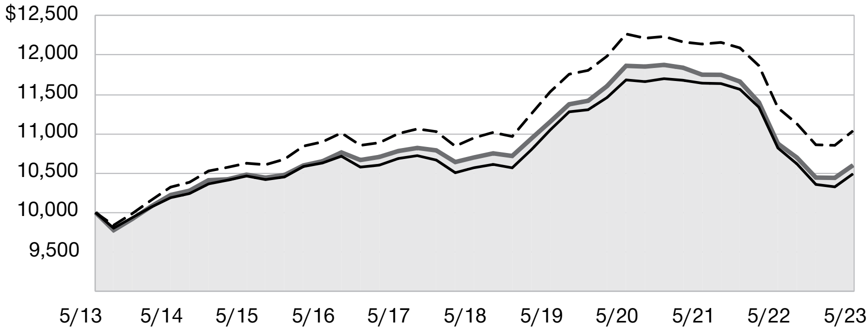
GROWTH OF $10,000

This chart shows the value of a hypothetical $10,000 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.

GNMA FUND



	As of 5/31/23
GNMA Fund	$10,600
Bloomberg U.S. GNMA Index	11,036
Lipper GNMA Funds Average	10,491

Note: Performance for the I and Z Class shares will vary due to their differing fee structures. See the Average Annual Compound Total Return table.

AVERAGE ANNUAL COMPOUND TOTAL RETURN

Periods Ended 5/31/23	1 Year	5 Years	10 Years	Since Inception	Inception Date
GNMA Fund	-2.54%	-0.19%	0.58%	–	–
GNMA Fund– I Class	-2.33	-0.05	–	-0.08%	5/3/17
GNMA Fund– Z Class	-1.93	–	–	-4.23	2/22/21

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. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. Past performance cannot guarantee future results.

EXPENSE RATIO

GNMA Fund	*0.56%*
GNMA Fund–I Class	*0.41*
GNMA Fund–Z Class	*0.39*

The expense ratio shown is as of the fund's most recent prospectus. 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.

Please note that the fund has three share classes: The original share class (Investor Class) charges no distribution and service (12b-1) fee, I Class shares are also available to institutionally oriented clients and impose no 12b-1 or administrative fee payment, and Z Class shares are offered only to funds advised by T. Rowe Price and other advisory clients of T. Rowe Price or its affiliates that are subject to a contractual fee for investment management services and impose no 12b-1 fee or administrative fee payment. Each share class is presented separately in the table.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and expenses based on the fund's actual returns. 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.

FUND EXPENSE EXAMPLE (CONTINUED)

Note: T. Rowe Price charges an annual account service fee of $20, generally for accounts with less than $10,000. The fee is waived for any investor whose T. Rowe Price mutual fund accounts total $50,000 or more; accounts electing to receive electronic delivery of account statements, transaction confirmations, prospectuses, and shareholder reports; or accounts of an investor who is a T. Rowe Price Personal Services or Enhanced Personal Services client (enrollment in these programs generally requires T. Rowe Price assets of at least $250,000). This fee is not included in the accompanying table. If you are subject to the fee, keep it in mind when you are estimating the ongoing expenses of investing in the fund and when comparing the expenses of this fund with other funds.

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.

GNMA FUND

	Beginning Account Value 12/1/22	Ending Account Value 5/31/23	Expenses Paid During Period* 12/1/22 to 5/31/23
Investor Class			
Actual	$1,000.00	$1,014.80	$3.11
Hypothetical (assumes 5% return before expenses)	1,000.00	1,021.84	3.13
I Class			
Actual	1,000.00	1,017.10	2.06
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.89	2.07
Z Class			
Actual	1,000.00	1,018.00	0.00
Hypothetical (assumes 5% return before expenses)	1,000.00	1,024.93	0.00

* Expenses are equal to the fund's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (365) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.62%, the I Class was 0.41%, and the Z Class was 0.00%.

QUARTER-END RETURNS

Periods Ended 3/31/23	1 Year	5 Years	10 Years	Since Inception	Inception Date
GNMA Fund	-3.99%	-0.10%	0.52%	–	–
GNMA Fund– I Class	-3.79	0.01	–	-0.04%	5/3/17
GNMA Fund– Z Class	-3.38	–	–	-4.44	2/22/21

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 visit our website (troweprice.com) or contact a T. Rowe Price representative at 1-800-225-5132 or, for I and Z Class shares, 1-800-638-8790.

This table provides returns through the most recent calendar quarter-end rather than through the end of the fund's fiscal period. It shows how the fund would have performed each year if their 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 fund distributions or the redemption of fund shares. When assessing performance, investors should consider both short- and long-term returns.

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Investor Class

	Year Ended 5/31/23	5/31/22	5/31/21	5/31/20	5/31/19
NET ASSET VALUE					
Beginning of period	$ 8.55	$ 9.32	$ 9.48	$ 9.10	$ 8.98
Investment activities					
Net investment income[(1)(2)]	0.22	0.08	0.07	0.19	0.20
Net realized and unrealized gain/loss	(0.44)	(0.77)	(0.16)	0.38	0.17
Total from investment activities	(0.22)	(0.69)	(0.09)	0.57	0.37
Distributions					
Net investment income	(0.21)	(0.08)	(0.07)	(0.19)	(0.25)
NET ASSET VALUE					
End of period	**$ 8.12**	**$ 8.55**	**$ 9.32**	**$ 9.48**	**$ 9.10**

FINANCIAL HIGHLIGHTS For a share outstanding throughout each period

Investor Class

	Year Ended 5/31/23	5/31/22	5/31/21	5/31/20	5/31/19
Ratios/Supplemental Data					
Total return[2][3]	**(2.54)%**	**(7.44)%**	**(0.95)%**	**6.36%**	**4.22%**
Ratios to average net assets:[2]					
Gross expenses before waivers/ payments by Price Associates	0.64%	0.58%	0.58%	0.58%	0.59%
Net expenses after waivers/ payments by Price Associates	0.62%	0.58%	0.58%	0.58%	0.59%
Net investment income	2.64%	0.92%	0.70%	2.05%	2.29%
Portfolio turnover rate[4]	648.3%	954.9%	996.6%	853.3%	508.5%
Portfolio turnover rate, excluding mortgage dollar roll transactions	200.3%	291.6%	303.5%	248.6%	69.6%
Net assets, end of period (in millions)	$274	$330	$655	$1,218	$1,288

[1] Per share amounts calculated using average shares outstanding method.
[2] See Note 6 for details of expense-related arrangements with Price Associates.
[3] 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, and payment of no redemption or account fees, if applicable.
[4] See Note 4. The portfolio turnover rate calculation includes purchases and sales from the mortgage dollar roll transactions.

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

FINANCIAL HIGHLIGHTS For a share outstanding throughout each period

I Class

	Year Ended 5/31/23	5/31/22	5/31/21	5/31/20	5/31/19
NET ASSET VALUE					
Beginning of period	$ 8.55	$ 9.32	$ 9.48	$ 9.10	$ 8.98
Investment activities					
Net investment income[(1)(2)]	0.23	0.13	0.07	0.20	0.21
Net realized and unrealized gain/ loss	(0.43)	(0.81)	(0.15)	0.38	0.17
Total from investment activities	(0.20)	(0.68)	(0.08)	0.58	0.38
Distributions					
Net investment income	(0.23)	(0.09)	(0.08)	(0.20)	(0.26)
NET ASSET VALUE					
End of period	**$ 8.12**	**$ 8.55**	**$ 9.32**	**$ 9.48**	**$ 9.10**

FINANCIAL HIGHLIGHTS For a share outstanding throughout each period

I Class

	Year Ended 5/31/23	5/31/22	5/31/21	5/31/20	5/31/19
Ratios/Supplemental Data					
Total return[2][3]	**(2.33)%**	**(7.29)%**	**(0.85)%**	**6.47%**	**4.32%**
Ratios to average net assets:[2]					
Gross expenses before waivers/ payments by Price Associates	0.44%	0.42%	0.47%	0.48%	0.49%
Net expenses after waivers/ payments by Price Associates	0.41%	0.42%	0.47%	0.48%	0.49%
Net investment income	2.86%	1.48%	0.79%	2.16%	2.39%
Portfolio turnover rate[4]	648.3%	954.9%	996.6%	853.3%	508.5%
Portfolio turnover rate, excluding mortgage dollar roll transactions	200.3%	291.6%	303.5%	248.6%	69.6%
Net assets, end of period (in thousands)	$168,079	$191,392	$33,171	$26,675	$25,344

(1) Per share amounts calculated using average shares outstanding method.
(2) See Note 6 for details of expense-related arrangements with Price Associates.
(3) 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, and payment of no redemption or account fees, if applicable.
(4) See Note 4. The portfolio turnover rate calculation includes purchases and sales from the mortgage dollar roll transactions.

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

FINANCIAL HIGHLIGHTS For a share outstanding throughout each period

Z Class

	Year Ended 5/31/23	5/31/22	2/22/21[1] Through 5/31/21
NET ASSET VALUE			
Beginning of period	$ 8.55	$ 9.32	$ 9.41
Investment activities			
Net investment income[2][3]	0.27	0.14	0.02
Net realized and unrealized gain/loss	(0.44)	(0.78)	(0.09)
Total from investment activities	(0.17)	(0.64)	(0.07)
Distributions			
Net investment income	(0.26)	(0.13)	(0.02)
NET ASSET VALUE			
End of period	**$ 8.12**	**$ 8.55**	**$ 9.32**

FINANCIAL HIGHLIGHTS For a share outstanding throughout each period

Z Class

	Year Ended 5/31/23	5/31/22	2/22/21[1] Through 5/31/21
Ratios/Supplemental Data			
Total return[3][4]	**(1.93)%**	**(6.89)%**	**(0.72)%**
Ratios to average net assets:[3]			
Gross expenses before waivers/payments by Price Associates	0.40%	0.41%	0.47%[5]
Net expenses after waivers/payments by Price Associates	0.00%	0.00%	0.00%[5]
Net investment income	3.30%	1.58%	0.96%[5]
Portfolio turnover rate[6]	648.3%	954.9%	996.6%
Portfolio turnover rate, excluding mortgage dollar roll transactions	200.3%	291.6%	303.5%
Net assets, end of period (in thousands)	$560,127	$483,259	$471,146

(1) Inception date
(2) Per share amounts calculated using average shares outstanding method.
(3) See Note 6 for details of expense-related arrangements with Price Associates.
(4) 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, and payment of no redemption or account fees, if applicable. Total return is not annualized for periods less than one year.
(5) Annualized
(6) See Note 4. The portfolio turnover rate calculation includes purchases and sales from the mortgage dollar roll transactions.

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

May 31, 2023

PORTFOLIO OF INVESTMENTS‡

(Amounts in 000s)

	Par/Shares	$ Value
NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 0.2%		
Whole Loans Backed 0.2%		
Verus Securitization Trust Series 2023-2, Class A1, CMO, STEP 6.193%, 3/25/68 (1)	982	987
Vista Point Securitization Trust Series 2020-1, Class A2, CMO, ARM 2.77%, 3/25/65 (1)	1,469	1,444
Total Non-U.S. Government Mortgage-Backed Securities (Cost $2,451)		**2,431**
U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 105.6%		
U.S. Government Agency Obligations 3.2%		
Federal Home Loan Mortgage		
6.50%, 8/1/36	16	16
7.00%, 11/1/30 - 4/1/32	272	283
Federal Home Loan Mortgage, UMBS, 5.00%, 10/1/51	2,060	2,034
Federal National Mortgage Assn.		
3.50%, 7/1/48 - 11/1/48	997	918
Federal National Mortgage Assn., ARM, 12M USD LIBOR + 1.579%, 3.853%, 11/1/35	3	3
Federal National Mortgage Assn., CMO, 5.50%, 12/25/36	579	592
Federal National Mortgage Assn., CMO, IO, 3.00%, 2/25/28	3,164	131
Federal National Mortgage Assn., UMBS		
2.50%, 3/1/42	5,962	5,219
3.50%, 5/1/50	1,318	1,222
5.00%, 10/1/51	1,702	1,682
UMBS, TBA (2)		
1.50%, 6/1/38	1,356	1,185
2.00%, 6/1/38 - 6/1/53	8,661	7,399
2.50%, 6/1/38 - 6/1/53	7,542	6,649
3.00%, 6/1/53	1,188	1,054
3.50%, 6/1/38 - 6/1/53	1,592	1,489
4.00%, 6/1/53	235	222
4.50%, 6/1/53	165	160
5.00%, 6/1/53	420	414
5.50%, 6/1/53	1,369	1,368
6.00%, 6/1/53	130	132
		32,172

	Par/Shares	$ Value
(Amounts in 000s)		
U.S. Government Obligations 102.4%		
Government National Mortgage Assn.		
1.50%, 3/20/36 - 4/20/52	50,927	42,763
2.00%, 11/20/50 - 12/20/52	202,824	172,263
2.50%, 8/20/50 - 9/20/52	183,892	160,696
3.00%, 11/20/26 - 10/20/51	177,040	160,613
3.50%, 1/20/27 - 5/20/51	113,421	106,583
4.00%, 3/20/39 - 10/20/50	75,746	73,087
4.50%, 5/20/30 - 6/20/50	40,538	40,366
5.00%, 5/15/33 - 6/20/49	28,097	28,447
5.50%, 5/20/31 - 3/20/49	23,801	24,419
6.00%, 6/20/31 - 12/20/52	14,560	14,895
6.50%, 12/15/23 - 11/20/52	8,274	8,472
7.00%, 1/20/28 - 12/20/52	11,988	12,304
7.50%, 7/15/23 - 6/15/32	448	453
8.00%, 10/20/24 - 3/15/30	245	246
8.50%, 9/15/24	—	—
9.00%, 5/15/24 - 3/20/25	3	3
9.50%, 9/15/24 - 12/15/24	2	3
Government National Mortgage Assn., CMO		
3.00%, 2/20/46 - 11/20/47	3,034	2,515
3.50%, 6/20/47 - 10/20/50	6,796	6,027
Government National Mortgage Assn., CMO, ARM		
SOFR30A + 0.45%, 5.381%, 9/20/52	4,861	4,764
SOFR30A + 0.75%, 5.681%, 1/20/53	7,940	7,909
Government National Mortgage Assn., CMO, ARM, IO, 2.667%, 2/16/51	6,229	602
Government National Mortgage Assn., CMO, IO		
3.00%, 2/20/46 - 1/20/50	4,620	468
3.50%, 8/20/29 - 11/20/51	26,950	3,191
4.00%, 10/20/42 - 6/20/49	19,077	3,102
4.50%, 4/20/39 - 6/20/49	8,241	915
5.00%, 2/16/40	18,454	3,294
Government National Mortgage Assn., TBA (2)		
2.00%, 6/20/53	28,916	24,511
2.50%, 6/20/53	58,240	50,952
3.00%, 6/20/53	14,073	12,665
3.50%, 6/20/53	20,682	19,185
4.00%, 6/20/53	17,493	16,624
4.50%, 6/20/53	10,200	9,911
5.00%, 6/20/53	12,730	12,572
6.50%, 7/20/53	1,140	1,159
		1,025,979
Total U.S. Government & Agency Mortgage-Backed Securities (Cost $1,147,565)		**1,058,151**

	Par/Shares	$ Value
(Amounts in 000s)		
SHORT-TERM INVESTMENTS 9.9%		
Money Market Funds 9.9%		
T. Rowe Price Government Reserve Fund, 5.11% (3)(4)	99,070	99,070
Total Short-Term Investments (Cost $99,070)		**99,070**
Total Investments in Securities 115.7% of Net Assets (Cost $1,249,086)		**$ 1,159,652**

‡ Par/Shares and Notional Amount are denominated in U.S. dollars unless otherwise noted.

(1) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers. Total value of such securities at period-end amounts to $2,431 and represents 0.2% of net assets.

(2) See Note 4. To-Be-Announced purchase commitment. Total value of such securities at period-end amounts to $167,651 and represents 16.7% of net assets.

(3) Seven-day yield

(4) Affiliated Companies

12M USD LIBOR Twelve month USD LIBOR (London interbank offered rate)

ARM Adjustable Rate Mortgage (ARM); rate shown is effective rate at period-end. The rates for certain ARMs are not based on a published reference rate and spread but may be determined using a formula based on the rates of the underlying loans.

CMO Collateralized Mortgage Obligation

IO Interest-only security for which the fund receives interest on notional principal

SOFR30A 30-day Average SOFR (Secured overnight financing rate)

STEP Stepped coupon bond for which the coupon rate of interest adjusts on specified date(s); rate shown is effective rate at period-end.

TBA To-Be-Announced

UMBS Uniform Mortgage-Backed Securities

	Par	$ Value
(Amounts in 000s)		
TBA SALES COMMITMENTS (1.4)%		
U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES (1.4)%		
U.S. Government Agency Obligations (0.9)%		
UMBS, TBA		
3.00%, 6/1/38	3,002	(2,830)
4.00%, 6/1/53	1,066	(1,007)
4.50%, 6/1/53	5,862	(5,678)
		(9,515)
U.S. Government Obligations (0.5)%		
Government National Mortgage Assn., TBA		
2.00%, 6/20/53	2,397	(2,032)
3.50%, 6/20/53	3,067	(2,845)
		(4,877)
Total TBA Sales Commitments (Proceeds $(14,498))		**(14,392)**

FUTURES CONTRACTS

($000s)

	Expiration Date	Notional Amount		Value and Unrealized Gain (Loss)
Long, 912 U.S. Treasury Notes five year contracts	9/23	99,479	$	(52)
Short, 249 Ultra U.S. Treasury Bonds contracts	9/23	(34,082)		(557)
Short, 136 Ultra U.S. Treasury Notes ten year contracts	9/23	(16,381)		(80)
Net payments (receipts) of variation margin to date				**640**
Variation margin receivable (payable) on open futures contracts			**$**	**(49)**

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 May 31, 2023. 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 Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund, 5.11%	$ —	$ —	$ 1,461++
Totals	$ —#	$ —	$ 1,461+

Supplementary Investment Schedule

Affiliate	Value 05/31/22	Purchase Cost	Sales Cost	Value 05/31/23
T. Rowe Price Government Reserve Fund, 5.11%	$ 35,727	¤	¤	$ 99,070
Total				$ 99,070^

\# Capital gain distributions from underlying Price 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 4.

\+ Investment income comprised $1,461 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 $99,070.

May 31, 2023

STATEMENT OF ASSETS AND LIABILITIES

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

Assets	
Investments in securities, at value (cost $1,249,086)	$ 1,159,652
Receivable for investment securities sold	58,307
Interest receivable	3,052
Restricted cash pledged for TBAs	2,672
Cash deposits on futures contracts	1,032
Receivable for shares sold	133
Due from affiliates	115
Other assets	38
Total assets	1,225,001
Liabilities	
Payable for investment securities purchased	207,600
TBA Sales Commitments (proceeds $14,498)	14,392
Payable for shares redeemed	456
Investment management fees payable	303
Variation margin payable on futures contracts	49
Payable to directors	1
Other liabilities	247
Total liabilities	223,048
NET ASSETS	**$ 1,001,953**

May 31, 2023

STATEMENT OF ASSETS AND LIABILITIES

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

Net Assets Consist of:	
Total distributable earnings (loss)	$ (207,413)
Paid-in capital applicable to 123,335,207 no par value shares of beneficial interest outstanding; 1,000,000,000 shares authorized	1,209,366
NET ASSETS	**$ 1,001,953**
NET ASSET VALUE PER SHARE	
Investor Class	
(Net assets: $273,747; Shares outstanding: 33,694,441)	**$ 8.12**
I Class	
(Net assets: $168,079; Shares outstanding: 20,699,438)	**$ 8.12**
Z Class	
(Net assets: $560,127; Shares outstanding: 68,941,328)	**$ 8.12**

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

STATEMENT OF OPERATIONS

($000s)

				Year Ended 5/31/23
Investment Income (Loss)				
Income				
Interest			$	30,634
Dividend				1,461
Securities lending				14
Total income				32,109
Expenses				
Investment management				3,487
Shareholder servicing				
Investor Class	$	704		
I Class		81		785
Prospectus and shareholder reports				
Investor Class		25		
I Class		1		
Z Class		3		29
Custody and accounting				239
Registration				63
Legal and audit				34
Proxy and annual meeting				5
Directors				3
Miscellaneous				33
Waived / paid by Price Associates				(2,115)
Total expenses				2,563
Net investment income				29,546

STATEMENT OF OPERATIONS

($000s)

	Year Ended 5/31/23
Realized and Unrealized Gain / Loss	
Net realized gain (loss)	
Securities	(12,963)
Futures	896
Swaps	(1,455)
Net realized loss	(13,522)
Change in net unrealized gain / loss	
Securities	(34,908)
Futures	(689)
Swaps	1,755
TBA Sales Commitments	(12)
Change in net unrealized gain / loss	(33,854)
Net realized and unrealized gain / loss	(47,376)
DECREASE IN NET ASSETS FROM OPERATIONS	**$ (17,830)**

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

STATEMENT OF CHANGES IN NET ASSETS

($000s)

	Year Ended 5/31/23	5/31/22
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 29,546	$ 14,027
Net realized loss	(13,522)	(31,770)
Change in net unrealized gain / loss	(33,854)	(62,824)
Decrease in net assets from operations	(17,830)	(80,567)
Distributions to shareholders		
Net earnings		
Investor Class	(7,539)	(4,437)
I Class	(4,962)	(981)
Z Class	(16,400)	(7,482)
Decrease in net assets from distributions	(28,901)	(12,900)
Capital share transactions*		
Shares sold		
Investor Class	26,290	28,105
I Class	12,528	184,574
Z Class	116,421	73,572
Distributions reinvested		
Investor Class	6,960	3,958
I Class	4,381	869
Z Class	16,400	7,482
Shares redeemed		
Investor Class	(72,701)	(318,108)
I Class	(30,560)	(17,172)
Z Class	(35,362)	(25,214)
Increase (decrease) in net assets from capital share transactions	44,357	(61,934)

STATEMENT OF CHANGES IN NET ASSETS

($000s)

	Year Ended 5/31/23	5/31/22
Net Assets		
Decrease during period	(2,374)	(155,401)
Beginning of period	1,004,327	1,159,728
End of period	**$ 1,001,953**	**$ 1,004,327**
*Share information (000s)		
Shares sold		
Investor Class	3,202	3,088
I Class	1,526	20,679
Z Class	14,749	7,955
Distributions reinvested		
Investor Class	853	438
I Class	537	100
Z Class	2,010	832
Shares redeemed		
Investor Class	(8,900)	(35,318)
I Class	(3,748)	(1,955)
Z Class	(4,312)	(2,847)
Increase (decrease) in shares outstanding	5,917	(7,028)

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

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price GNMA Fund, Inc. (the fund) is registered under the Investment Company Act of 1940 (the 1940 Act) as a diversified, open-end management investment company. The fund seeks high current income consistent with high overall credit quality and moderate price fluctuation by investing at least 80% of its total assets in Government National Mortgage Association securities backed by the full faith and credit of the U.S. government. The fund has three classes of shares: the GNMA Fund (Investor Class), the GNMA Fund–I Class (I Class) and the GNMA Fund–Z Class (Z Class). I Class shares require a $500,000 initial investment minimum, although the minimum generally is waived or reduced for financial intermediaries, eligible retirement plans, and certain other accounts. Prior to November 15, 2021, the initial investment minimum was $1 million and was generally waived for financial intermediaries, eligible retirement plans, and other certain accounts. As a result of the reduction in the I Class minimum, certain assets transferred from the Investor Class to the I Class. This transfer of shares from Investor Class to I Class is reflected in the Statement of Changes in Net Assets within the Capital shares transactions as Shares redeemed and Shares sold, respectively. The Z Class is only available to funds advised by T. Rowe Price Associates, Inc. and its affiliates and other clients that are subject to a contractual fee for investment management services. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to all classes; and, in all other respects, the same rights and obligations as the other classes.

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.

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. Premiums and discounts on debt securities are amortized for financial reporting purposes. Paydown gains and losses are recorded as an adjustment to interest income. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as interest income. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Dividends received from other investment companies 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. Non-cash dividends, if any, are recorded at the fair market value of the asset received. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared by each class daily and paid monthly. A capital gain distribution, if any, may also be declared and paid by the fund annually.

Class Accounting Shareholder servicing, prospectus, and shareholder report expenses incurred by each class are charged directly to the class to which they relate. Expenses common to all classes and investment income are allocated to the classes based upon the relative daily net assets of each class's settled shares; realized and unrealized gains and losses are allocated based upon the relative daily net assets of each class's outstanding shares.

Capital Transactions Each investor's interest in the net assets of the fund is represented by fund shares. The fund's 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. Purchases and redemptions of fund shares are transacted at the next-computed NAV per share, after receipt of the transaction order by T. Rowe Price Associates, Inc., or its agents.

New Accounting Guidance The FASB issued Accounting Standards Update (ASU), ASU 2020–04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting in March 2020 and ASU 2021-01 in January 2021 which provided further amendments and clarifications to Topic 848. These ASUs provide optional, temporary relief with respect to the financial reporting of contracts subject to certain types of modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR), and other interbank-offered based reference rates, through December 31, 2022. In December 2022, FASB issued ASU 2022-06 which defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. Management intends to rely upon the relief provided under Topic 848, which is not expected to have a material impact on the fund's financial statements.

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

Fair Value The fund's financial instruments are valued at the close of the NYSE and 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 fund's Board of Directors (the Board) has designated T. Rowe Price Associates, Inc. as the fund's valuation designee (Valuation Designee). Subject to oversight by the Board, the Valuation Designee performs the following functions in performing fair value determinations: assesses and manages valuation risks; establishes and applies fair value methodologies; tests fair value methodologies; and evaluates pricing vendors and pricing agents. The duties and responsibilities of the Valuation Designee are performed by its Valuation Committee. The Valuation Designee provides periodic reporting to the Board on valuation matters.

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 (including the Valuation Designee's assumptions in determining fair value)

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 Debt securities generally are traded in the over-the-counter (OTC) market and are valued at prices furnished by independent pricing services or by broker dealers who make markets in such securities. When valuing securities, the independent pricing services consider factors such as, but not limited to, the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities.

Investments in mutual funds are valued at the mutual fund's closing NAV per share on the day of valuation. Futures contracts are valued at closing settlement prices. 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.

Investments for which market quotations are not readily available or deemed unreliable are valued at fair value as determined in good faith by the Valuation Designee. The Valuation Designee has adopted methodologies for determining the fair value of investments for which market quotations are not readily available or deemed unreliable, including the use of other pricing sources. Factors used in determining fair value vary by type of investment and may include market or investment specific considerations. The Valuation Designee 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 Designee 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; discounted cash flows; yield to maturity; or some combination. Fair value determinations are reviewed on a regular basis. Because any fair value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions. Fair value prices determined by the Valuation Designee could differ from those of other market participants, and it is possible that the fair value determined for a security may be materially different from the value that could be realized upon the sale of that security.

Valuation Inputs The following table summarizes the fund's financial instruments, based on the inputs used to determine their fair values on May 31, 2023 (for further detail by category, please refer to the accompanying Portfolio of Investments):

($000s)	Level 1	Level 2	Level 3	Total Value
Assets				
Fixed Income Securities[1]	$ —	$ 1,060,582	$ —	$ 1,060,582
Short-Term Investments	99,070	—	—	99,070
Total	$ 99,070	$ 1,060,582	$ —	$ 1,159,652
Liabilities				
TBA Sales Commitments	$ —	$ 14,392	$ —	$ 14,392
Futures Contracts*	689	—	—	689
Total	$ 689	$ 14,392	$ —	$ 15,081

[1] Includes Non-U.S. Government Mortgage-Backed Securities and U.S. Government & Agency Mortgage-Backed Securities.
* The fair value presented includes cumulative gain (loss) on open futures contracts; however, the net value reflected on the accompanying Portfolio of Investments is only the unsettled variation margin receivable (payable) at that date.

NOTE 3 - DERIVATIVE INSTRUMENTS

During the year ended May 31, 2023, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes and may use them to establish both long and short positions within the fund's portfolio. Potential uses include to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, to enhance return, or to adjust portfolio duration and credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based.

The fund values its derivatives at fair value and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. Generally, the fund accounts for its derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets on its financial statements, nor does it offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral. The following table summarizes the fair value of the fund's derivative instruments held as of May 31, 2023, and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

($000s)	Location on Statement of Assets and Liabilities	Fair Value*
Liabilities		
Interest rate derivatives	Futures	$ 689
Total		$ 689

* The fair value presented includes cumulative gain (loss) on open futures contracts; however, the value reflected on the accompanying Statement of Assets and Liabilities is only the unsettled variation margin receivable (payable) at that date.

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the year ended May 31, 2023, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

($000s)	Location of Gain (Loss) on Statement of Operations		
	Futures	Swaps	Total
Realized Gain (Loss)			
Inflation derivatives	$ —	$ (1,455)	$ (1,455)
Interest rate derivatives	896	—	896
Total	$ 896	$ (1,455)	$ (559)

($000s)	Location of Gain (Loss) on Statement of Operations		
	Futures	**Swaps**	**Total**
Change in Unrealized Gain (Loss)			
Inflation derivatives	$ —	$ 1,755	$ 1,755
Interest rate derivatives	(689)	—	(689)
Total	$ (689)	$ 1,755	$ 1,066

Counterparty Risk and Collateral The fund invests in exchange-traded and/or centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps. Counterparty risk on such derivatives is minimal because the clearinghouse provides protection against counterparty defaults. For futures and centrally cleared swaps, the fund is required to deposit collateral in an amount specified by the clearinghouse and the clearing firm (margin requirement), and the margin requirement must be maintained over the life of the contract. Each clearinghouse and clearing firm, in its sole discretion, may adjust the margin requirements applicable to the fund.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies. Cash posted by the fund is reflected as cash deposits in the accompanying financial statements and generally is restricted from withdrawal by the fund; securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. While typically not sold in the same manner as equity or fixed income securities, exchange-traded or centrally cleared derivatives may be closed out only on the exchange or clearinghouse where the contracts were cleared. This ability is subject to the liquidity of underlying positions. As of May 31, 2023, cash of $1,032,000 had been posted by the fund for exchange-traded and/or centrally cleared derivatives.

Futures Contracts The fund is subject to interest rate risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rate and yield curve movements, security prices, foreign currencies, credit quality, and mortgage prepayments; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; or to adjust portfolio duration and credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a specific underlying financial instrument at an agreed-upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. Payments are made or received by the fund each day to settle daily fluctuations in the value of the contract (variation margin), which reflect changes in the value of the underlying financial instrument. Variation margin is recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the amount of unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates, and potential losses in excess of the fund's initial investment. During the year ended May 31, 2023, the volume of the fund's activity in futures, based on underlying notional amounts, was generally between 0% and 24% of net assets.

Swaps The fund is subject to inflation risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risk. The fund may use swaps in an effort to manage both long and short exposure to changes in interest rates, inflation rates, and credit quality; to adjust overall exposure to certain markets; to enhance total return or protect the value of portfolio securities; to serve as a cash management tool; or to adjust portfolio duration and credit exposure. Swap agreements can be settled either directly with the counterparty (bilateral swap) or through a central clearinghouse (centrally cleared swap). Fluctuations in the fair value of a contract are reflected in unrealized gain or loss and are reclassified to realized gain or loss upon contract termination or cash settlement. Net periodic receipts or payments required by a contract increase or decrease, respectively, the value of the contract until the contractual payment date, at which time such amounts are reclassified from unrealized to realized gain or loss. For bilateral swaps, cash payments are made or received by the fund on a periodic basis in accordance with contract terms; unrealized gain on contracts and premiums paid are reflected as assets and unrealized loss on contracts and premiums received are reflected as liabilities on the accompanying Statement of Assets and Liabilities. For bilateral swaps, premiums paid or received are amortized over the life of the swap and are recognized as realized gain or loss in the Statement of Operations. For centrally cleared swaps, payments are made or received by the fund each day to settle the daily fluctuation in the value of the contract (variation margin). Accordingly, the value of a centrally cleared swap included in net assets is the unsettled variation margin; net variation margin receivable is reflected as an asset and net variation margin payable is reflected as a liability on the accompanying Statement of Assets and Liabilities.

Zero-coupon inflation swaps are agreements to exchange cash flows, on the contract's maturity date, based on the difference between a predetermined fixed rate and the cumulative change in the consumer price index, both applied to a notional principal amount for a specified period of time. Risks related to the use of zero-coupon inflation swaps include the potential for unanticipated movements in inflation rates, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

During the year ended May 31, 2023, the volume of the fund's activity in swaps, based on underlying notional amounts, was generally between 0% and 15% of net assets.

NOTE 4 - 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.

Restricted Securities The fund invests in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Mortgage-Backed Securities The fund invests in mortgage-backed securities (MBS or pass-through certificates) that represent an interest in a pool of specific underlying mortgage loans and entitle the fund to the periodic payments of principal and interest from those mortgages. MBS may be issued by government agencies or corporations, or private issuers. Most MBS issued by government agencies are guaranteed; however, the degree of protection differs based on the issuer. The fund also invests in stripped MBS, created when a traditional MBS is split into an interest-only (IO) and a principal-only (PO) strip. MBS, including IOs and POs, are sensitive to changes in economic conditions that affect the rate of prepayments and defaults on the underlying mortgages; accordingly, the value, income, and related cash flows from MBS may be more volatile than other debt instruments. IOs also risk loss of invested principal from faster-than-anticipated prepayments.

TBA Purchase, Sale Commitments and Forward Settling Mortgage Obligations The fund enters into to-be-announced (TBA) purchase or sale commitments (collectively, TBA transactions), pursuant to which it agrees to purchase or sell, respectively, mortgage-backed securities for a fixed unit price, with payment and delivery at a scheduled future date beyond the customary settlement period for such securities. With

TBA transactions, the particular securities to be received or delivered by the fund are not identified at the trade date; however, the securities must meet specified terms, including rate and mortgage term, and be within industry-accepted “good delivery” standards. The fund may enter into TBA transactions with the intention of taking possession of or relinquishing the underlying securities, may elect to extend the settlement by “rolling” the transaction, and/or may use TBA transactions to gain or reduce interim exposure to underlying securities. Until settlement, the fund maintains liquid assets sufficient to settle its commitment to purchase a TBA or, in the case of a sale commitment, the fund maintains an entitlement to the security to be sold.

To mitigate counterparty risk, the fund has entered into Master Securities Forward Transaction Agreements (MSFTA) with counterparties that provide for collateral and the right to offset amounts due to or from those counterparties under specified conditions. Subject to minimum transfer amounts, collateral requirements are determined and transfers made based on the net aggregate unrealized gain or loss on all TBA commitments and other forward settling mortgage obligations with a particular counterparty (collectively, MSFTA Transactions). At any time, the fund’s risk of loss from a particular counterparty related to its MSFTA Transactions is the aggregate unrealized gain on appreciated MSFTA Transactions in excess of unrealized loss on depreciated MSFTA Transactions and collateral received, if any, from such counterparty. As of May 31, 2023, cash of $2,672,000 had been posted by the fund to counterparties for MSFTA Transactions. Collateral pledged by counterparties to the fund for MSFTA Transactions consisted of $30,000 cash as of May 31, 2023.

Dollar Rolls The fund enters into dollar roll transactions, pursuant to which it sells a mortgage-backed TBA or security and simultaneously agrees to purchase a similar, but not identical, TBA with the same issuer, rate, and terms on a later date at a set price from the same counterparty. The fund may execute a “roll” to obtain better underlying mortgage securities or to enhance returns. While the fund may enter into dollar roll transactions with the intention of taking possession of the underlying mortgage securities, it may also close a contract prior to settlement or “roll” settlement to a later date if deemed to be in the best interest of shareholders. Actual mortgages received by the fund may be less favorable than those anticipated. The fund accounts for dollar roll transactions as purchases and sales, which has the effect of increasing its portfolio turnover rate.

LIBOR Transition The fund may invest in instruments that are tied to reference rates, including LIBOR. Over the course of the last several years, global regulators have indicated an intent to phase out the use of LIBOR and similar interbank offered rates (IBOR). While publication for most LIBOR currencies and lesser-used USD LIBOR settings ceased immediately after December 31, 2021, remaining USD LIBOR settings will continue to be published until June 30, 2023. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. Any potential effects of the transition away from LIBOR on the fund, or on certain instruments in which the fund invests, cannot yet be determined. The transition process may result in, among other things, an increase in volatility or illiquidity of markets for instruments that currently rely on LIBOR, a reduction in the value of certain instruments held by the fund, or a reduction in the effectiveness of related fund transactions such as hedges. Any such effects could have an adverse impact on the fund's performance.

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 May 31, 2023, there were no securities on loan.

Other Purchases and sales of portfolio securities other than short-term and U.S. government securities aggregated $1,020,000 and $35,796,000, respectively, for the year ended May 31, 2023. Purchases and sales of U.S. government securities aggregated $7,459,243,000 and $7,564,872,000, respectively, for the year ended May 31, 2023.

NOTE 5 - FEDERAL INCOME TAXES

Generally, 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.

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.

Capital accounts within the financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The permanent book/tax adjustments, if any, have no impact on results of operations or net assets.

The tax character of distributions paid for the periods presented was as follows:

($000s)	May 31, 2023	May 31, 2022
Ordinary income (including short-term capital gains, if any)	$ 28,901	$ 12,900

At May 31, 2023, the tax-basis cost of investments (including derivatives, if any) and gross unrealized appreciation and depreciation were as follows:

($000s)	
Cost of investments	$ 1,249,437
Unrealized appreciation	$ 637
Unrealized depreciation	(90,316)
Net unrealized appreciation (depreciation)	$ (89,679)

At May 31, 2023, the tax-basis components of accumulated net earnings (loss) were as follows:

($000s)		
Undistributed ordinary income	$	1,778
Net unrealized appreciation (depreciation)		(89,679)
Loss carryforwards and deferrals		(119,512)
Total distributable earnings (loss)	$	(207,413)

Temporary differences between book-basis and tax-basis components of total distributable earnings (loss) arise when certain items of income, gain, or loss are recognized in different periods for financial statement purposes versus for tax purposes; these differences will reverse in a subsequent reporting period. The temporary differences relate primarily to the deferral of losses from wash sales and the realization of gains/losses on certain open derivative contracts. The loss carryforwards and deferrals primarily relate to capital loss carryforwards. Capital loss carryforwards are available indefinitely to offset future realized capital gains.

NOTE 6 - 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, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.07% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first $1 billion of assets to 0.260% for assets in excess of $845 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At May 31, 2023, the effective annual group fee rate was 0.29%.

The Investor Class is subject to a contractual expense limitation through the expense limitation date indicated in the table below. During the limitation period, Price Associates is required to waive its management fee or pay any expenses (excluding interest; expenses related to borrowings, taxes, and brokerage; non-recurring, extraordinary expenses; and acquired fund fees and expenses) that would otherwise cause the class's ratio of annualized total expenses to average net assets (net expense ratio) to exceed its expense limitation. The class is required to repay Price Associates for expenses previously waived/paid to the extent the class's net assets grow or expenses decline sufficiently to allow repayment without causing the class's net expense ratio (after the repayment is taken into account) to exceed the lesser of: (1) the expense limitation in place at the time such amounts were waived; or (2) the class's current expense limitation. However, no repayment will be made more than three years after the date of a payment or waiver.

The I Class is also subject to an operating expense limitation (I Class Limit) pursuant to which Price Associates is contractually required to pay all operating expenses of the I Class, excluding management fees; interest; expenses related to borrowings, taxes, and brokerage; non-recurring, extraordinary expenses; and acquired fund fees and expenses, to the extent such operating expenses, on an annualized basis, exceed the I Class Limit. This agreement will continue through the expense limitation date indicated in the table below, and may be renewed, revised, or revoked only with approval of the fund's Board. The I Class is required to repay Price Associates for expenses previously paid to the extent the class's net assets grow or expenses decline sufficiently to allow repayment without causing the class's operating expenses (after the repayment is taken into account) to exceed the lesser of: (1) the I Class Limit in place at the time such amounts were paid; or (2) the current I Class Limit. However, no repayment will be made more than three years after the date of a payment or waiver.

The Z Class is also subject to a contractual expense limitation agreement whereby Price Associates has agreed to waive and/or bear all of the Z Class' expenses (excluding interest; expenses related to borrowings, taxes, and brokerage; non-recurring, extraordinary expenses; and acquired fund fees and expenses) in their entirety. This fee waiver and/or expense reimbursement arrangement is expected to remain in place indefinitely, and the agreement may only be amended or terminated with approval by the fund's Board. Expenses of the fund waived/paid by the manager are not subject to later repayment by the fund.

Pursuant to these agreements, expenses were waived/paid by and/or repaid to Price Associates during the year ended May 31, 2023 as indicated in the table below. Including these amounts, expenses previously waived/paid by Price Associates in the amount of $126,000 remain subject to repayment by the fund at May 31, 2023. Any repayment of expenses previously waived/paid by Price Associates during the period would be included in the net investment income and expense ratios presented on the accompanying Financial Highlights.

	Investor Class	I Class	Z Class
Expense limitation/I Class Limit	0.62%	0.05%	0.00%
Expense limitation date	09/30/23	09/30/23	N/A
(Waived)/repaid during the period ($000s)	$(63)	$(59)	$(1,993)

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 Investor Class. For the year ended May 31, 2023, expenses incurred pursuant to these service agreements were $109,000 for Price Associates; $584,000 for T. Rowe Price Services, Inc.; and $21,000 for T. Rowe Price Retirement Plan 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.

Mutual funds, trusts, and other accounts managed by Price Associates or its affiliates (collectively, Price Funds and accounts) may invest in the fund. No Price fund or account may invest for the purpose of exercising management or control over the fund. At May 31, 2023, approximately 100% of the Z Class's outstanding shares were held by Price Funds and accounts.

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 (together, 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, if any, is invested in the T. Rowe Price Government Reserve Fund. The Price Reserve Funds pay no investment management fees.

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 May 31, 2023, the fund had no purchases or sales cross trades with other funds or accounts advised by Price Associates.

NOTE 7 - OTHER MATTERS

Unpredictable events such as environmental or natural disasters, war, terrorism, pandemics, outbreaks of infectious diseases, and similar public health threats may significantly affect the economy and the markets and issuers in which the fund invests. Certain events may cause instability across global markets, including reduced liquidity and disruptions in trading markets, while some events may affect certain geographic regions, countries, sectors, and industries more significantly than others, and exacerbate other pre-existing political, social, and economic risks.

Since 2020, a novel strain of coronavirus (COVID-19) has resulted in disruptions to global business activity and caused significant volatility and declines in global financial markets.

In February 2022, Russian forces entered Ukraine and commenced an armed conflict leading to economic sanctions being imposed on Russia and certain of its citizens, creating impacts on Russian-related stocks and debt and greater volatility in global markets.

In March 2023, the collapse of some US regional and global banks as well as overall concerns around the soundness and stability of the global banking sector has sparked concerns of a broader financial crisis impacting the overall global banking sector. In certain cases, government agencies have assumed control or otherwise intervened in the operations of certain banks due to liquidity and solvency concerns. The extent of impact of these events on the US and global markets is highly uncertain.

These are recent examples of global events which may have a negative impact on the values of certain portfolio holdings or the fund's overall performance. Management is actively monitoring the risks and financial impacts arising from these events.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of T. Rowe Price GNMA Fund, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of T. Rowe Price GNMA Fund, Inc. (the "Fund") as of May 31, 2023, the related statement of operations for the year ended May 31, 2023, the statement of changes in net assets for each of the two years in the period ended May 31, 2023, including the related notes, and the financial highlights for each of the periods indicated therein (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 May 31, 2023, 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 May 31, 2023 and the financial highlights for each of the periods indicated therein, 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (CONTINUED)

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 May 31, 2023 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.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
July 20, 2023

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 5/31/23

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.

For shareholders subject to interest expense deduction limitation under Section 163(j), $27,658,000 of the fund's income qualifies as a Section 163(j) interest dividend and can be treated as interest income for purposes of Section 163(j), subject to holding period requirements and other limitations.

INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS

A description of the policies and procedures used by T. Rowe Price funds 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.

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://www.troweprice.com/corporate/us/en/utility/policies.html

Scroll down to the section near the bottom of the page that says, "Proxy Voting Guidelines." Click on the links 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

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. The fund's reports on Form N-PORT are available electronically on the SEC's website (sec.gov). In addition, most T. Rowe Price funds disclose their first and third fiscal quarter-end holdings on **troweprice.com**.

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT

Each year, the fund's Board of Directors (Board) considers the continuation of the investment management agreement (Advisory Contract) between the fund and its investment adviser, T. Rowe Price Associates, Inc. (Adviser). In that regard, at a meeting held on March 6–7, 2023 (Meeting), the Board, including all of the fund's independent directors, approved the continuation of the fund's Advisory Contract. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Adviser and the approval of the Advisory Contract. The independent directors were assisted in their evaluation of the Advisory Contract by independent legal counsel from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, the Adviser was guided by a detailed set of requests for information submitted by independent legal counsel on behalf of the independent directors. In considering and approving the continuation of the Advisory Contract, the Board considered the information it believed was relevant, including, but not limited to, the information discussed below. The Board considered not only the specific information presented in connection with the Meeting but also the knowledge gained over time through interaction with the Adviser about various topics. The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the T. Rowe Price funds' advisory contracts, including performance and the services and support provided to the funds and their shareholders.

Services Provided by the Adviser

The Board considered the nature, quality, and extent of the services provided to the fund by the Adviser. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Adviser's senior management team and investment personnel involved in the management of the fund, as well as the Adviser's compliance record. The Board concluded that the information it considered with respect to the nature, quality, and extent of the services provided by the Adviser, as well as the other factors considered at the Meeting, supported the Board's approval of the continuation of the Advisory Contract.

Investment Performance of the Fund

The Board took into account discussions with the Adviser and detailed reports that it regularly receives throughout the year on relative and absolute performance for the T. Rowe Price funds. In connection with the Meeting, the Board reviewed information provided by the Adviser that compared the fund's total returns, as well as a wide variety of other previously agreed-upon performance measures and market data, against relevant benchmark indexes and peer groups of funds with similar investment programs for

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

various periods through December 31, 2022. Additionally, the Board reviewed the fund's relative performance information as of September 30, 2022, which ranked the returns of the fund's Investor Class for various periods against a universe of funds with similar investment programs selected by Broadridge, an independent provider of mutual fund data. In the course of its deliberations, the Board considered performance information provided throughout the year and in connection with the Advisory Contract review at the Meeting, as well as information provided during investment review meetings conducted with portfolio managers and senior investment personnel during the course of the year regarding the fund's performance. The Board also considered relevant factors, such as overall market conditions and trends that could adversely impact the fund's performance, length of the fund's performance track record, and how closely the fund's strategies align with its benchmarks and peer groups. The Board concluded that the information it considered with respect to the fund's performance, as well as the other factors considered at the Meeting, supported the Board's approval of the continuation of the Advisory Contract.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Adviser under the Advisory Contract and other direct and indirect benefits that the Adviser (and its affiliates) may have realized from its relationship with the fund. In considering soft-dollar arrangements pursuant to which research may be received from broker-dealers that execute the fund's portfolio transactions, the Board noted that the Adviser bears the cost of research services for all client accounts that it advises, including the T. Rowe Price funds. The Board received information on the estimated costs incurred and profits realized by the Adviser from managing the T. Rowe Price funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Adviser's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract or otherwise from any economies of scale realized by the Adviser. Under the Advisory Contract, the fund pays a fee to the Adviser for investment management services composed of two components—a group fee rate based on the combined average net assets of most of the T. Rowe Price funds (including the fund) that declines at certain asset levels and an individual fund fee rate based on the fund's average daily net assets—and the fund pays its own expenses of operations. The group fee rate decreases as total T. Rowe Price fund assets grow, which reduces the management fee rate for any fund that has a group fee component to its management fee, and reflects that certain resources utilized to operate the fund are shared with other T. Rowe Price funds thus allowing shareholders of those funds to share potential

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

economies of scale. The fund is also subject to contractual expense limitations that require the Adviser to waive its fees and/or bear any expenses that would cause a share class of the fund to exceed a certain percentage based on the class's net assets. The expense limitations mitigate the potential for an increase in operating expenses above a certain level that could impact shareholders.

The fund also offers a Z Class, which serves as an underlying investment within certain T. Rowe Price fund of funds arrangements. The Adviser waives its advisory fee on the Z Class and waives or bears the Z Class's other operating expenses, with certain exceptions. The Board considered whether the advisory fee and operating expense waivers on the Z Class may present a means for cross-subsidization of the Z Class by other share classes of the fund. In that regard, the Board noted that the Z Class operating expenses are largely covered by the all-inclusive fees charged by the investing T. Rowe Price fund of funds and that any Z Class operating expenses not covered by the investing T. Rowe Price funds of funds' fees are paid by the Adviser and not by shareholders of any other share class of the fund.

In addition, the Board noted that the fund potentially shares in indirect economies of scale through the Adviser's ongoing investments in its business in support of the T. Rowe Price funds, including investments in trading systems, technology, and regulatory support enhancements, and the ability to possibly negotiate lower fee arrangements with third-party service providers. The Board concluded that the advisory fee structure for the fund provides for a reasonable sharing of benefits from any economies of scale with the fund's investors.

Fees and Expenses
The Board was provided with information regarding industry trends in management fees and expenses. Among other things, the Board reviewed data for peer groups that were compiled by Broadridge, which compared: (i) contractual management fees, actual management fees, nonmanagement expenses, and total expenses of the Investor Class of the fund with a group of competitor funds selected by Broadridge (Expense Group) and (ii) actual management fees, nonmanagement expenses, and total expenses of the Investor Class of the fund with a broader set of funds within the Lipper investment classification (Expense Universe). The Board considered the fund's contractual management fee rate, actual management fee rate (which reflects the management fees actually received from the fund by the Adviser after any applicable waivers, reductions, or reimbursements), operating expenses, and total expenses (which reflect the net total expense ratio of the fund after any waivers, reductions, or reimbursements) in comparison with the information for the Broadridge peer groups. Broadridge generally constructed the peer groups by seeking the most comparable funds based on similar investment classifications and objectives, expense structure, asset size, and operating components and attributes and ranked funds into quintiles, with the first quintile representing the funds with the lowest relative expenses and the fifth quintile representing the funds with

APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the first quintile (Expense Group), the fund's actual management fee rate ranked in the third quintile (Expense Group and Expense Universe), and the fund's total expenses ranked in the fourth quintile (Expense Group and Expense Universe).

The Board also reviewed the fee schedules for other investment portfolios with similar mandates that are advised or subadvised by the Adviser and its affiliates, including separately managed accounts for institutional and individual investors; subadvised funds; and other sponsored investment portfolios, including collective investment trusts and pooled vehicles organized and offered to investors outside the United States. Management provided the Board with information about the Adviser's responsibilities and services provided to subadvisory and other institutional account clients, including information about how the requirements and economics of the institutional business are fundamentally different from those of the proprietary mutual fund business. The Board considered information showing that the Adviser's mutual fund business is generally more complex from a business and compliance perspective than its institutional account business and considered various relevant factors, such as the broader scope of operations and oversight, more extensive shareholder communication infrastructure, greater asset flows, heightened business risks, and differences in applicable laws and regulations associated with the Adviser's proprietary mutual fund business. In assessing the reasonableness of the fund's management fee rate, the Board considered the differences in the nature of the services required for the Adviser to manage its mutual fund business versus managing a discrete pool of assets as a subadviser to another institution's mutual fund or for an institutional account and that the Adviser generally performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price funds than it does for institutional account clients, including subadvised funds.

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract
As noted, the Board approved the continuation of the Advisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract (including the fees to be charged for services thereunder).

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. The directors who are also employees or officers of T. Rowe Price are considered to be "interested" directors as defined in Section 2(a)(19) of the 1940 Act because of their relationships with T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates. 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[(a)]

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 (1959) 2018 [210]	President and Chief Executive Officer, Federal Home Loan Bank of San Francisco (2021 to present); Chief Executive Officer, Bazemore Consulting LLC (2018 to 2021); Director, Chimera Investment Corporation (2017 to 2021); Director, First Industrial Realty Trust (2020 to present); Director, Federal Home Loan Bank of Pittsburgh (2017 to 2019)
Melody Bianchetto (1966) 2023 [210]	Advisory Board Member; Vice President for Finance, University of Virginia (2015 to 2023)
Bruce W. Duncan (1951) 2013 [210]	President, Chief Executive Officer, and Director, CyrusOne, Inc. (2020 to 2021); Chair of the Board (2016 to 2020) and President (2009 to 2016), First Industrial Realty Trust, owner and operator of industrial properties; Member, Investment Company Institute Board of Governors (2017 to 2019); Member, Independent Directors Council Governing Board (2017 to 2019); Senior Advisor, KKR (2018 to 2022); Director, Boston Properties (2016 to present); Director, Marriott International, Inc. (2016 to 2020)
Robert J. Gerrard, Jr. (1952) 2013 [210]	Chair of the Board, all funds (July 2018 to present)
Paul F. McBride (1956) 2013 [210]	Advisory Board Member, Vizzia Technologies (2015 to present); Board Member, Dunbar Armored (2012 to 2018)

INDEPENDENT DIRECTORS[a] (CONTINUED)

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
Mark J. Parrell (1966) 2023 [210]	Advisory Board Member; Board of Trustees Member and Chief Executive Officer (2019 to present), President (2018 to present), Executive Vice President and Chief Financial Officer (2007 to 2018), and Senior Vice President and Treasurer (2005 to 2007), EQR; Member and Chair, Nareit Dividends Through Diversity, Equity & Inclusion CEO Council, Nareit 2021 Audit and Investment Committee (2021); Advisory Board, Ross Business School at University of Michigan (2015 to 2016); Member and Chair of the Finance Committee, National Multifamily Housing Council (2015 to 2016); Member, Economic Club of Chicago; Director, Brookdale Senior Living, Inc. (2015 to 2017); Director, Aviv REIT, Inc. (2013 to 2015); Director, Real Estate Roundtable (July 2021 to present) and the 2022 Executive Board Nareit (November 2021 to present); Board of Directors and Chair of the Finance Committee, Greater Chicago Food Depository (July 2017 to present)
Kellye L. Walker (1966) 2021 [210]	Executive Vice President and Chief Legal Officer, Eastman Chemical Company (April 2020 to present); Executive Vice President and Chief Legal Officer, Huntington Ingalls Industries, Inc. (January 2015 to March 2020); Director, Lincoln Electric Company (October 2020 to present)

[a]All information about the independent directors was current as of December 31, 2022, unless otherwise indicated, except for the number of portfolios overseen, which is current as of the date of this report.

INTERESTED DIRECTORS[a]

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
David Oestreicher (1967) 2018 [210]	Director, Vice President, and Secretary, T. Rowe Price, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., and T. Rowe Price Services, Inc.; Director and Secretary, T. Rowe Price Investment Management, Inc. (Price Investment Management); Vice President and Secretary, T. Rowe Price International (Price International); Vice President, T. Rowe Price Hong Kong (Price Hong Kong), T. Rowe Price Japan (Price Japan), and T. Rowe Price Singapore (Price Singapore); General Counsel, Vice President, and Secretary, T. Rowe Price Group, Inc.; Chair of the Board, Chief Executive Officer, President, and Secretary, T. Rowe Price Trust Company; Principal Executive Officer and Executive Vice President, all funds

INTERESTED DIRECTORS[a] (CONTINUED)

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
Eric L. Veiel, CFA (1972) 2022 [210]	Director and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company; Vice President, Global Funds

[a]All information about the interested directors was current as of December 31, 2022, unless otherwise indicated, except for the number of portfolios overseen, which is current as of the date of this report.

OFFICERS

Name (Year of Birth) Position Held With GNMA Funds	Principal Occupation(s)
Scott Edwin Ackerman (1987) Vice President	Assistant Vice President, T. Rowe Price
Christopher P. Brown, CFA (1977) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Armando (Dino) Capasso (1974) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price and Price Investment Management; Vice President, T. Rowe Price Group, Inc.; formerly, Chief Compliance Officer, PGIM Investments LLC and AST Investment Services, Inc. (ASTIS) (to 2022); Chief Compliance Officer, PGIM Retail Funds complex and Prudential Insurance Funds (to 2022); Vice President and Deputy Chief Compliance Officer, PGIM Investments LLC and ASTIS (to 2019)
Ramon Roberto de Castro (1966) President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Alan S. Dupski, CPA (1982) Principal Financial Officer, Vice President, and Treasurer	Vice President, Price Investment Management, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Gary J. Greb (1961) Vice President	Vice President, Price Investment Management, T. Rowe Price, Price International, and T. Rowe Price Trust Company
Cheryl Hampton, CPA (1969) Vice President	Vice President, T. Rowe Price; formerly, Tax Director, Invesco Ltd. (to 2021); Vice President, Oppenheimer Funds, Inc. (to 2019)

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

OFFICERS (CONTINUED)

Name (Year of Birth) Position Held With GNMA Funds	Principal Occupation(s)
Benjamin Kersse, CPA (1989) Vice President	Vice President, T. Rowe Price
Paul J. Krug, CPA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Fran M. Pollack-Matz (1961) Vice President and Secretary	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Shannon H. Rauser (1987) Assistant Secretary	Assistant Vice President, T. Rowe Price
Richard Sennett, CPA (1970) Assistant Treasurer	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Megan Warren (1968) Vice President	OFAC Sanctions Compliance Officer and Vice President, Price Investment Management; 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
Lei Zhu (1980) Vice President	Vice President, T. Rowe Price; formerly, Senior Analyst/Assistant Portfolio Manager/Trading Analyst, Metacapital Management (to 2020)

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

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T. Rowe Price®

100 East Pratt Street
Baltimore, MD 21202

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.

202307-2916483 T. Rowe Price Investment Services, Inc. F70-050 7/23