



**ANNUAL REPORT**

May 31, 2023

TRBFX

T. ROWE PRICE

**Limited Duration Inflation  
Focused Bond Fund**

TRLDX

**Limited Duration Inflation  
Focused Bond Fund–  
I Class**

TRPZX

**Limited Duration Inflation  
Focused Bond Fund–  
Z Class**

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## HIGHLIGHTS

- The Limited Duration Inflation Focused Bond Fund recorded a negative return over the 12-month period ended May 31, 2023, and underperformed the Bloomberg U.S. 1–5 Year Treasury TIPS Index.
- U.S. Treasury inflation protected securities (TIPS) underperformed nominal Treasuries slightly during the period as inflation expectations moderated and nominal Treasury yields increased to a lesser extent than real (inflation-adjusted) Treasury yields.
- Interest rate management detracted from the fund's relative results, while most non-TIPS allocations added value.
- We expect that the economy will slow and inflation will continue to moderate in the coming months due to the lagged effects of tighter monetary policy and credit conditions.

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## 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,

A handwritten signature in black ink, appearing to read "Robert M. Sharps". The signature is fluid and cursive, with a large, stylized "S" at the end.

Robert Sharps  
*CEO and President*

## INVESTMENT OBJECTIVE

The fund seeks a level of income that is consistent with the current rate of inflation.

## FUND COMMENTARY

### How did the fund perform in the past 12 months?

The Limited Duration Inflation Focused Bond Fund returned -3.69% for the 12 months ended May 31, 2023, underperforming its benchmark, the Bloomberg U.S. 1–5 Year Treasury TIPS Index. (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	12 Months
Limited Duration Inflation Focused Bond Fund	0.40%	-3.69%
Limited Duration Inflation Focused Bond Fund–I Class	0.61	-3.17
Limited Duration Inflation Focused Bond Fund–Z Class	0.62	-3.03
Bloomberg U.S. 1–5 Year Treasury TIPS Index	1.29	-2.05

### What factors influenced the fund's performance?

Short-term U.S. Treasury inflation protected securities (TIPS) produced negative absolute results for the period due to an increase in real (inflation-adjusted) Treasury yields. The sector underperformed nominal Treasuries as inflation expectations moderated and nominal Treasury yields increased to a lesser extent than real Treasury yields.

Shorter-maturity TIPS outperformed TIPS with longer maturities as their lower duration left them less exposed to rising real yields. (Duration measures a bond's or a bond fund's sensitivity to changes in interest rates.)

Inflation measures remained elevated during the period, although there were signs that inflation was moderating. For the 12 months ended in April, the headline consumer price index (CPI) rose 4.9%, down from a rate of 8.6% at the start of the period and its smallest increase in two years. However, core inflation readings, which exclude food and energy prices, proved more persistent. The core personal consumption expenditures (PCE) price index, the Federal Reserve's preferred inflation gauge, was little changed over the last six months of the period and came in at 4.7% in April.

Five-year break-even spreads, which are a measure of the market's inflation expectations, declined from 2.96% at the start of the period to 2.07% by the end of May. Falling oil prices and signs of slowing economic growth contributed to the moderation in the inflation outlook.

The fund's underperformance versus its benchmark was largely due to tactical decisions we made to manage interest rate risk during a very volatile period. In June and July of 2022, our positioning for a flatter yield curve hurt when some key economic data missed expectations, leading the curve to steepen as the market priced in recessionary concerns. Later in the period, a short overall duration posture as well as underweight exposure to the two-year portion of the curve presented a headwind to relative performance after turmoil in the banking sector disrupted the previously rising reflation narrative in the market.

Security selection also detracted, primarily due to our overweight exposure to very short-term TIPS. This position, which had been beneficial for the portfolio earlier in 2022, underperformed in the third quarter after oil prices and break-even spreads quickly fell on recessionary fears.

On the positive side, out-of-benchmark allocations to some non-TIPS sectors were beneficial. An allocation to nominal Treasuries in January contributed as the position outperformed the all-TIPS benchmark due to falling inflation expectations. Our decision to add to our position in investment-grade (IG) corporate securities after credit spreads widened in the third quarter of 2022 also added value as did our choice to continue holding certain short-dated and high-quality asset-backed securities (ABS).

The fund uses derivatives to manage exposure to changes in break-even rates and interest rates as well as to manage positioning on the yield curve. During the 12-month period, our interest rate derivatives position detracted from absolute results.

### **How is the fund positioned?**

TIPS made up about 91% of the fund's net assets at the end of the reporting period compared with 89% at the start of the 12-month period and 85% six months ago. We believe this allocation is appropriate as core inflation remains elevated, and we see the risk/reward trade-off of sectors with credit risk as unappealing at this point in the economic cycle.

During the period, we made tactical adjustments to our non-TIPS allocations in response to changing valuations in the market and our risk outlook.

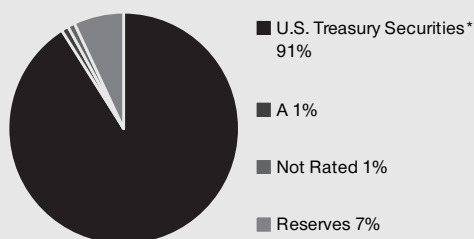
We reestablished a position in IG corporates as the sector traded at more attractive valuations during the market dislocations that occurred in August and September. The IG corporate addition was well timed, and we exited the position by the end of 2022 after credit spreads tightened.

Entering 2023, our non-benchmark credit allocations were concentrated in high-quality non-agency residential mortgage-backed securities and ABS. However, we significantly reduced these positions by period-end amid concerns over less attractive valuations and declining consumer fundamentals.

At the end of the period, the portfolio had a larger-than-usual cash allocation, which we believe could provide liquidity to take advantage of any opportunities that arise during market volatility.

#### CREDIT QUALITY DIVERSIFICATION

##### Limited Duration Inflation Focused Bond Fund



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. Treasury securities are issued by the U.S. Treasury and are backed by the full faith and credit of the U.S. government. The ratings of U.S. Treasury securities are derived from the ratings on the U.S. government.

In terms of interest rate management, we believe that positioning for a steepening in the 5-year/30-year portion of the nominal Treasury curve will be beneficial as the Fed's rate hiking cycle comes to an end and recession risks grow through the end of this year and into 2024. In our view, the magnitude of the steepening trend will depend on how long the Fed keeps rates at levels above the long-term neutral rate. The longer that tight policy is in place, the more pronounced the steepening is likely to be.

#### What is portfolio management's outlook?

The May consumer price index data, which was released after our reporting period ended, showed further deceleration in headline inflation as food

and energy prices have eased, but progress in reducing core CPI remains slow. This has been driven by an unexpected uptick in used car prices, while the shelter category is taking longer than expected to reflect lower private sector rents. Excluding shelter and used cars, other sectors have been trending lower over the past three, six, and 12 months, a factor that could point to a more meaningful moderation in core CPI in the coming months.

Although the economy has been surprisingly resilient so far in 2023, our positioning in the portfolio is based on our view that the lagged effects of tight monetary policy and credit conditions have yet to be fully realized. Once this impact is more broadly felt, we expect that the economy will slow and inflation will continue to moderate. Potential risks to this view include the chance that inflation accelerates and the Fed keeps hiking or that productivity gains take hold and reduce inflation while keeping a recession at bay. We will continue to closely monitor incoming economic data and adjust the portfolio's positioning as needed.

Longer term, we continue to believe that inflation is likely to be higher in the coming years than it was in the prior decade. Structural forces like an aging population, deglobalization, and a higher willingness from politicians on both sides of the aisle to use fiscal policy to spur growth means inflation could reappear more quickly and be harder to tamp down than it was in the years following the 2008 global financial crisis.

Besides these factors, investors should also remember that an investment in TIPS can potentially help preserve real value in their portfolios over longer time periods; even low inflation can erode purchasing power. We will remain disciplined in our investment approach and use the firm's broad credit and interest rate research capabilities to add securities with attractive valuations to 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 INVESTING IN THE FUND**

Bonds are subject to interest rate risk, the decline in bond prices that usually accompanies a rise in interest rates, and credit risk, the chance that any fund holding could have its credit rating downgraded or that a bond issuer will default (fail to make timely payments of interest or principal), potentially reducing the fund's income level and share price.

During periods of extremely low or negative interest rates, the fund may not be able to maintain a positive yield or yields on par with historical levels. However, because most of the fund's holdings typically have an inflation adjustment feature, the fund should have less overall interest rate risk (but also a lower yield) than a traditional bond fund with a similar weighted average maturity.

When inflation is negative or concerns over inflation are low, the value and income of the fund's investments in inflation-linked securities could fall and result in losses for the fund. During some extreme environments, the quoted yield to maturity on an inflation-linked security may be negative. This may reflect that the rate of inflation is anticipated to be higher than the quoted yield to maturity of the bond or that market participants are willing to pay a premium to receive inflation protection.

The fund's investments in foreign securities may be adversely affected by political, social, and economic conditions overseas; reduced liquidity; or decreases in foreign currency values relative to the U.S. dollar.

## **BENCHMARK INFORMATION**

Note: Bloomberg® and the Bloomberg U.S. 1–5 Year Treasury TIPS Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“BISL”), the administrator of the index (collectively, “Bloomberg”) and have been licensed for use for certain purposes by T. Rowe Price. Bloomberg is not affiliated with T. Rowe Price, and Bloomberg does not approve, endorse, review, or recommend its products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to its products.

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## **BENCHMARK INFORMATION (CONTINUED)**

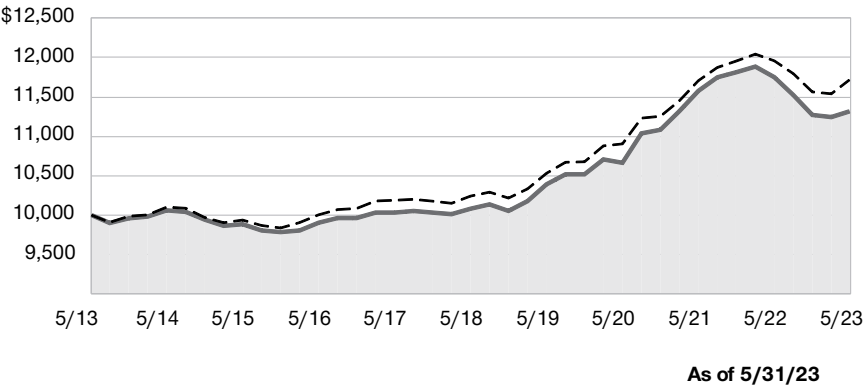
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GROWTH OF \$10,000

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.

LIMITED DURATION INFLATION FOCUSED BOND FUND



— Limited Duration Inflation Focused Bond Fund	\$11,316
- - - Bloomberg U.S. 1-5 Year Treasury TIPS Index	11,714

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
Limited Duration Inflation Focused Bond Fund	-3.69%	2.33%	1.24%	-	-
Limited Duration Inflation Focused Bond Fund-I Class	-3.17	2.57	-	2.06%	9/29/15
Limited Duration Inflation Focused Bond Fund-Z Class	-3.03	-	-	3.15	3/16/20

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

Limited Duration Inflation Focused Bond Fund	0.49%
Limited Duration Inflation Focused Bond Fund-I Class	0.34
Limited Duration Inflation Focused Bond Fund-Z Class	0.34

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.

**LIMITED DURATION INFLATION FOCUSED BOND FUND**

	Beginning Account Value 12/1/22	Ending Account Value 5/31/23	Expenses Paid During Period* 12/1/22 to 5/31/23
<b>Investor Class</b>			
Actual	\$1,000.00	\$1,004.00	\$2.45
Hypothetical (assumes 5% return before expenses)	1,000.00	1,022.49	2.47
<b>I Class</b>			
Actual	1,000.00	1,006.10	1.50
Hypothetical (assumes 5% return before expenses)	1,000.00	1,023.44	1.51
<b>Z Class</b>			
Actual	1,000.00	1,006.20	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 0.49%, the I Class was 0.30%, 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
Limited Duration Inflation Focused Bond Fund	-2.86%	2.61%	1.23%	-	-
Limited Duration Inflation Focused Bond Fund- I Class	-2.53	2.76	-	2.23%	9/29/15
Limited Duration Inflation Focused Bond Fund- Z Class	-2.39	-	-	3.61	3/16/20

*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](http://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 its 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
<b>NET ASSET VALUE</b>					
Beginning of period	\$ 5.21	\$ 5.39	\$ 5.02	\$ 4.99	\$ 4.97
Investment activities					
Net investment income <sup>(1)(2)</sup>	0.29	0.30	0.10	0.10	0.10
Net realized and unrealized gain/loss	(0.48)	(0.22)	0.33	0.03	0.05
Total from investment activities	(0.19)	0.08	0.43	0.13	0.15
Distributions					
Net investment income	(0.27)	(0.21)	(0.01)	(0.04)	(0.04)
Net realized gain	(0.02)	(0.05)	(0.05)	(0.06)	(0.09)
Total distributions	(0.29)	(0.26)	(0.06)	(0.10)	(0.13)
<b>NET ASSET VALUE</b>					
End of period	\$ 4.73	\$ 5.21	\$ 5.39	\$ 5.02	\$ 4.99



## 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

<b>Total return<sup>(2)(3)</sup></b>	<b>(3.69)%</b>	<b>1.49%</b>	<b>8.55%</b>	<b>2.63%</b>	<b>3.06%</b>
Ratios to average net assets: <sup>(2)</sup>					
Gross expenses before waivers/ payments by Price Associates <sup>(4)</sup>	0.54%	0.49%	0.48%	0.47%	0.39%
Net expenses after waivers/ payments by Price Associates	0.46%	0.41%	0.39%	0.39%	0.39%
Net investment income	5.85%	5.67%	1.99%	1.94%	2.07%
Portfolio turnover rate	155.9%	141.0%	136.7%	101.8%	124.6%
Net assets, end of period (in millions)	\$132	\$903	\$982	\$2,053	\$7,078

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 6 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> 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.

<sup>(4)</sup> See Note 6. Prior to 5/31/20, the gross expense ratios presented are net of a management fee waiver in effect during the period, as applicable.

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
<b>NET ASSET VALUE</b>					
Beginning of period	\$ 5.24	\$ 5.42	\$ 5.03	\$ 5.01	\$ 4.98
Investment activities					
Net investment income <sup>(1)(2)</sup>	0.18	0.35	0.06	0.11	0.11
Net realized and unrealized gain/loss	(0.35)	(0.27)	0.39	0.02	0.06
Total from investment activities	(0.17)	0.08	0.45	0.13	0.17
Distributions					
Net investment income	(0.35)	(0.21)	(0.01)	(0.05)	(0.05)
Net realized gain	(0.02)	(0.05)	(0.05)	(0.06)	(0.09)
Total distributions	(0.37)	(0.26)	(0.06)	(0.11)	(0.14)
<b>NET ASSET VALUE</b>					
End of period	\$ 4.70	\$ 5.24	\$ 5.42	\$ 5.03	\$ 5.01

## 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
<b>Ratios/Supplemental Data</b>					
<b>Total return<sup>(2)(3)</sup></b>	<b>(3.17)%</b>	<b>1.41%</b>	<b>9.00%</b>	<b>2.56%</b>	<b>3.40%</b>
Ratios to average net assets: <sup>(2)</sup>					
Gross expenses before waivers/ payments by Price Associates <sup>(4)</sup>	0.44%	0.34%	0.41%	0.35%	0.26%
Net expenses after waivers/ payments by Price Associates	0.30%	0.30%	0.30%	0.26%	0.26%
Net investment income	3.70%	6.47%	1.15%	2.11%	2.21%
Portfolio turnover rate	155.9%	141.0%	136.7%	101.8%	124.6%
Net assets, end of period (in thousands)	\$944,203	\$423,953	\$233,124	\$22,524	\$1,412,546

<sup>(1)</sup> Per share amounts calculated using average shares outstanding method.

<sup>(2)</sup> See Note 6 for details of expense-related arrangements with Price Associates.

<sup>(3)</sup> 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.

<sup>(4)</sup> See Note 6. Prior to 5/31/20, the gross expense ratios presented are net of a management fee waiver in effect during the period, as applicable.

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	5/31/21	3/16/20 <sup>(1)</sup> Through 5/31/20
<b>NET ASSET VALUE</b>				
Beginning of period	\$ 5.22	\$ 5.40	\$ 5.01	\$ 4.90
Investment activities				
Net investment income <sup>(2)(3)</sup>	0.24	0.31	0.13	0.01
Net realized and unrealized gain/loss	(0.40)	(0.21)	0.33	0.11
Total from investment activities	(0.16)	0.10	0.46	0.12
Distributions				
Net investment income	(0.36)	(0.23)	(0.02)	(0.01)
Net realized gain	(0.02)	(0.05)	(0.05)	—
Total distributions	(0.38)	(0.28)	(0.07)	(0.01)
<b>NET ASSET VALUE</b>				
End of period	\$ 4.68	\$ 5.22	\$ 5.40	\$ 5.01

## Ratios/Supplemental Data

<b>Total return<sup>(3)(4)</sup></b>	<b>(3.03)%</b>	<b>1.79%</b>	<b>9.17%</b>	<b>2.50%</b>
Ratios to average net assets: <sup>(3)</sup>				
Gross expenses before waivers/payments by				
Price Associates	0.34%	0.34%	0.34%	0.35% <sup>(5)</sup>
Net expenses after waivers/payments by Price				
Associates	0.00%	0.00%	0.00%	0.00% <sup>(5)</sup>
Net investment income	4.89%	5.85%	2.44%	0.97% <sup>(5)</sup>
Portfolio turnover rate	155.9%	141.0%	136.7%	101.8%
Net assets, end of period (in millions)	\$6,195	\$8,537	\$8,707	\$5,430

<sup>(1)</sup> Inception date<sup>(2)</sup> Per share amounts calculated using average shares outstanding method.<sup>(3)</sup> See Note 6 for details of expense-related arrangements with Price Associates.<sup>(4)</sup> 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.<sup>(5)</sup> Annualized

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

May 31, 2023

**PORTFOLIO OF INVESTMENTS†****Par/Shares****\$ Value**

(Amounts in 000s)

**ASSET-BACKED SECURITIES 0.1%****Other Asset-Backed Securities 0.1%**

BRE Grand Islander Timeshare Issuer

Series 2019-A, Class A

3.28%, 9/26/33 (1) 1,664 1,573

Elara HGV Timeshare Issuer

Series 2017-A, Class A

2.69%, 3/25/30 (1) 833 808

Sierra Timeshare Receivables Funding

Series 2019-3A, Class A

2.34%, 8/20/36 (1) 1,302 1,231

**Total Asset-Backed Securities (Cost \$3,799) 3,612****MUNICIPAL SECURITIES 0.5%****California 0.0%**

California State Univ., Series B, 0.563%, 11/1/24 4,220 3,956

3,956

**Colorado 0.0%**

Denver City &amp; County Airport System, Series C, 0.877%, 11/15/23 785 769

Denver City &amp; County Airport System, Series C, 1.115%, 11/15/24 1,225 1,157

1,926

**Georgia 0.0%**

Atlanta Water &amp; Wastewater, 0.407%, 11/1/23 670 656

Atlanta Water &amp; Wastewater, 0.616%, 11/1/24 670 629

1,285

**Illinois 0.3%**

Illinois, Series A, GO, 2.84%, 10/1/23 20,095 19,896

19,896

**Michigan 0.1%**

Michigan Fin. Auth., Series A-1, 1.086%, 6/1/23 1,450 1,450

Michigan Fin. Auth., Series A-1, 1.376%, 6/1/24 3,425 3,269

4,719

**Texas 0.0%**

Dallas Area Rapid Transit, 0.541%, 12/1/23 485 473

Dallas Area Rapid Transit, 0.761%, 12/1/24 380 357

830

**West Virginia 0.1%**

Tobacco Settlement Fin. Auth., Class 1 Senior Bonds, Series A,

1.193%, 6/1/23 2,000 2,000

	Par/Shares	\$ Value
(Amounts in 000s)		
Tobacco Settlement Fin. Auth., Class 1 Senior Bonds, Series A, 1.497%, 6/1/24	2,680	2,563
		4,563
<b>Total Municipal Securities (Cost \$38,085)</b>		<b>37,175</b>

### NON-U.S. GOVERNMENT MORTGAGE-BACKED SECURITIES 0.2%

#### Whole Loans Backed 0.2%

Connecticut Avenue Securities Series 2017-C05, Class 1ED3, CMO, ARM 1M USD LIBOR + 1.20%, 6.338%, 1/25/30	319	319
Connecticut Avenue Securities Series 2017-C06, Class 1M2B, CMO, ARM 1M USD LIBOR + 2.65%, 7.788%, 2/25/30	4,547	4,545
Connecticut Avenue Securities Series 2018-C03, Class 1EB2, CMO, ARM 1M USD LIBOR + 0.85%, 5.988%, 10/25/30	7,375	7,348
Connecticut Avenue Securities Series 2018-C03, Class 1ED2, CMO, ARM 1M USD LIBOR + 0.85%, 5.988%, 10/25/30	462	460
GS Mortgage-Backed Securities Trust Series 2014-EB1A, Class 2A1, CMO, ARM 3.869%, 7/25/44 (1)	99	98
OBX Trust Series 2020-EXP1, Class 2A1, CMO, ARM 1M USD LIBOR + 0.75%, 5.888%, 2/25/60 (1)	713	657
Sequoia Mortgage Trust Series 2018-CH1, Class A2, CMO, ARM 3.50%, 3/25/48 (1)	743	672
Sequoia Mortgage Trust Series 2018-CH2, Class A3, CMO, ARM 4.00%, 6/25/48 (1)	718	671
Sequoia Mortgage Trust Series 2018-CH3, Class A2, CMO, ARM 4.00%, 8/25/48 (1)	215	208
<b>Total Non-U.S. Government Mortgage-Backed Securities (Cost \$15,262)</b>		<b>14,978</b>

### U.S. GOVERNMENT & AGENCY MORTGAGE-BACKED SECURITIES 0.0%

#### U.S. Government Agency Obligations 0.0%

Federal Home Loan Mortgage, ARM 12M USD LIBOR + 1.961%, 4.461%, 2/1/33	—	—
12M USD LIBOR + 1.975%, 4.225%, 2/1/34	—	1

	Par/Shares	\$ Value
(Amounts in 000s)		
12M USD LIBOR + 2.03%, 4.276%, 11/1/36	16	15
1Y CMT + 2.219%, 4.344%, 10/1/33	—	—
Federal National Mortgage Assn., ARM		
12M USD LIBOR + 1.34%, 3.59%, 12/1/35	4	4
12M USD LIBOR + 1.584%, 3.834%, 12/1/35	11	11
12M USD LIBOR + 1.671%, 4.046%, 2/1/33	—	—
12M USD LIBOR + 1.688%, 4.092%, 7/1/34	1	1
12M USD LIBOR + 1.715%, 3.965%, 10/1/32 - 12/1/32	14	14
12M USD LIBOR + 1.77%, 4.145%, 12/1/35	1	1
12M USD LIBOR + 1.78%, 4.03%, 1/1/34	5	4
12M USD LIBOR + 1.83%, 4.08%, 8/1/38	3	3
12M USD LIBOR + 1.853%, 4.103%, 8/1/38	5	5
12M USD LIBOR + 1.892%, 4.142%, 12/1/35	4	4
1Y CMT + 2.125%, 3.875%, 7/1/33	—	—
ECOFB + 1.254%, 3.781%, 7/1/27	—	—
Federal National Mortgage Assn., CMO, STEP, 5.11%, 1/25/32	—	—
Federal National Mortgage Assn., UMBS, 7.00%, 10/1/23	—	—
		63
<b>U.S. Government Obligations 0.0%</b>		
Government National Mortgage Assn.		
8.50%, 7/15/24 - 6/20/27	13	13
Government National Mortgage Assn., CMO, 3.50%, 5/20/49	2,619	2,469
		2,482
<b>Total U.S. Government &amp; Agency Mortgage-Backed Securities (Cost \$2,716)</b>		<b>2,545</b>
<b>U.S. GOVERNMENT AGENCY OBLIGATIONS (EXCLUDING MORTGAGE-BACKED) 91.3%</b>		
<b>U.S. Treasury Obligations 91.3%</b>		
U.S. Treasury Inflation-Indexed Notes, 0.125%, 10/15/24	284,851	275,327
U.S. Treasury Inflation-Indexed Notes, 0.125%, 4/15/25	552,098	528,461
U.S. Treasury Inflation-Indexed Notes, 0.125%, 10/15/25	626,359	598,564
U.S. Treasury Inflation-Indexed Notes, 0.125%, 4/15/26	416,219	393,782
U.S. Treasury Inflation-Indexed Notes, 0.125%, 7/15/26	390,356	369,984
U.S. Treasury Inflation-Indexed Notes, 0.125%, 10/15/26	686,455	648,592
U.S. Treasury Inflation-Indexed Notes, 0.125%, 4/15/27	927,949	868,503
U.S. Treasury Inflation-Indexed Notes, 0.25%, 1/15/25	723,381	696,481
U.S. Treasury Inflation-Indexed Notes, 0.375%, 7/15/27	204,352	193,751
U.S. Treasury Inflation-Indexed Notes, 0.625%, 1/15/26	403,679	388,730
U.S. Treasury Inflation-Indexed Notes, 1.25%, 4/15/28	884,696	866,864
U.S. Treasury Inflation-Indexed Notes, 1.625%, 10/15/27 (2)	808,975	807,079
<b>Total U.S. Government Agency Obligations (Excluding Mortgage-Backed) (Cost \$6,860,207)</b>		<b>6,636,118</b>

	Par/Shares	\$ Value
--	------------	----------

(Amounts in 000s)

**SHORT-TERM INVESTMENTS 7.6%****Money Market Funds 7.6%**

T. Rowe Price Government Reserve Fund, 5.11% (3)(4)	555,211	555,211
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<b>Total Short-Term Investments (Cost \$555,211)</b>		<b>555,211</b>
--	--	----------------

**Total Investments in Securities****99.7% of Net Assets**

<b>(Cost \$7,475,280)</b>	<b>\$ 7,249,639</b>
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‡ 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 \$5,918 and represents 0.1% of net assets.

(2) At May 31, 2023, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.

(3) Seven-day yield

(4) Affiliated Companies

1M USD LIBOR One month USD LIBOR (London interbank offered rate)

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

1Y CMT One year U.S. Treasury note constant maturity

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

CPI Consumer Price Index

ECOFIC Enterprise 11th District COFI Replacement Index

GO General Obligation

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

UMBS Uniform Mortgage-Backed Securities



(Amounts in 000s)

**SWAPS 0.4%**

Description	Notional Amount	\$ Value	Upfront Payments/ \$ (Receipts)	Unrealized \$ Gain/(Loss)
<b>BILATERAL SWAPS 0.2%</b>				
<b>Zero-Coupon Inflation Swaps 0.2%</b>				
UBS Investment Bank, 5 Year Zero-Coupon Inflation Swap Pay Fixed 2.290% at maturity, Receive Variable (Change in CPI) at maturity, 6/5/23	201,300	18,066	12,316	5,750
<b>Total Bilateral Zero-Coupon Inflation Swaps</b>			<b>12,316</b>	<b>5,750</b>
<b>Total Bilateral Swaps</b>			<b>12,316</b>	<b>5,750</b>

Description	Notional Amount	\$ Value	Initial \$ Value	Unrealized \$ Gain/(Loss)
<b>CENTRALLY CLEARED SWAPS 0.2%</b>				
<b>Zero-Coupon Inflation Swaps 0.2%</b>				
2 Year Zero-Coupon Inflation Swap Pay Fixed 3.113% at Maturity, Receive Variable (Change in CPI) at Maturity, 8/22/24	77,055	(679)	—	(679)
2 Year Zero-Coupon Inflation Swap Pay Fixed 3.129% at Maturity, Receive Variable (Change in CPI) at Maturity, 8/22/24	77,055	(704)	1	(703)
2 Year Zero-Coupon Inflation Swap Pay Fixed 3.135% at maturity, Receive Variable (Change in CPI) at maturity, 8/3/23	153,500	9,982	—	9,982
3 Year Zero-Coupon Inflation Swap Pay Fixed 2.953% at maturity, Receive Variable (Change in CPI) at maturity, 8/3/24	61,134	3,557	—	3,557
3 Year Zero-Coupon Inflation Swap Pay Fixed 2.960% at maturity, Receive Variable (Change in CPI) at maturity, 8/2/24	39,667	2,311	—	2,311
<b>Total Centrally Cleared Zero-Coupon Inflation Swaps</b>				<b>14,468</b>
<b>Total Centrally Cleared Swaps</b>				<b>14,468</b>
<b>Net payments (receipts) of variation margin to date</b>				<b>(14,867)</b>
<b>Variation margin receivable (payable) on centrally cleared swaps</b>			<b>\$</b>	<b>(399)</b>

**FUTURES CONTRACTS**

(\$000s)

	Expiration Date	Notional Amount		Value and Unrealized Gain (Loss)
Long, 8,309 U.S. Treasury Notes five year contracts	9/23	906,330	\$	(289)
Short, 1,629 Ultra U.S. Treasury Bonds contracts	9/23	(222,969)		(3,700)
<b>Net payments (receipts) of variation margin to date</b>				<b>5,003</b>
<b>Variation margin receivable (payable) on open futures contracts</b>				<b>\$ 1,014</b>

**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	Change in Net		
	Net Realized Gain (Loss)	Unrealized Gain/Loss	Investment Income
T. Rowe Price Government Reserve Fund, 5.11%	\$ —	\$ —	\$ 9,639 <sup>++</sup>
Totals	\$ — <sup>#</sup>	\$ —	\$ 9,639 <sup>+</sup>

**Supplementary Investment Schedule**

Affiliate	Value 05/31/22	Purchase Cost	Sales Cost	Value 05/31/23
T. Rowe Price Government Reserve Fund, 5.11%	\$ 296,534	□	□	\$ 555,211
Total			\$	555,211 <sup>^</sup>

# 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 \$9,639 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 \$555,211.

May 31, 2023

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Assets**

Investments in securities, at value (cost \$7,475,280)	\$	7,249,639
Bilateral swap premiums paid		12,316
Interest receivable		5,833
Unrealized gain on bilateral swaps		5,750
Due from affiliates		1,227
Variation margin receivable on futures contracts		1,014
Receivable for shares sold		821
Receivable for investment securities sold		7
Foreign currency (cost \$1)		1
Other assets		34
Total assets		<u>7,276,642</u>

**Liabilities**

Payable for shares redeemed		3,421
Investment management fees payable		1,544
Variation margin payable on centrally cleared swaps		399
Payable to directors		4
Other liabilities		359
Total liabilities		<u>5,727</u>

**NET ASSETS****\$ 7,270,915**

May 31, 2023

**STATEMENT OF ASSETS AND LIABILITIES**

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

**Net Assets Consist of:**

Total distributable earnings (loss)	\$ (624,356)
Paid-in capital applicable to 1,551,965,797 shares of \$0.00001 par value capital stock outstanding; 6,000,000,000 shares of the Corporation authorized	7,895,271

**NET ASSETS****\$ 7,270,915****NET ASSET VALUE PER SHARE****Investor Class****(Net assets: \$131,531; Shares outstanding: 27,782,125) \$ 4.73****I Class****(Net assets: \$944,203; Shares outstanding: 200,922,790) \$ 4.70****Z Class****(Net assets: \$6,195,181; Shares outstanding:  
1,323,260,882) \$ 4.68**

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

**STATEMENT OF OPERATIONS**

(\$000s)

		Year Ended 5/31/23
<b>Investment Income (Loss)</b>		
Income		
Interest	\$	347,320
Dividend		9,639
Securities lending		440
Total income		357,399
Expenses		
Investment management		24,637
Shareholder servicing		
Investor Class	\$ 784	
I Class	679	1,463
Prospectus and shareholder reports		
Investor Class	19	
I Class	4	
Z Class	5	28
Custody and accounting		328
Legal and audit		35
Registration		27
Directors		21
Proxy and annual meeting		3
Miscellaneous		57
Waived / paid by Price Associates		(22,578)
Total expenses		4,021
Net investment income		353,378

**STATEMENT OF OPERATIONS**

(\$000s)

	Year Ended 5/31/23
<b>Realized and Unrealized Gain / Loss</b>	
Net realized gain (loss)	
Securities	(421,464)
Futures	(61,305)
Swaps	109,315
Options written	(2,326)
Forward currency exchange contracts	(4,354)
Foreign currency transactions	(226)
Net realized loss	(380,360)
 Change in net unrealized gain / loss	
Securities	(113,815)
Futures	(3,120)
Swaps	(114,586)
Options written	(34)
Forward currency exchange contracts	7,023
Change in net unrealized gain / loss	(224,532)
Net realized and unrealized gain / loss	(604,892)
 <b>DECREASE IN NET ASSETS FROM OPERATIONS</b>	 <b>\$ (251,514)</b>

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
<b>Increase (Decrease) in Net Assets</b>			
Operations			
Net investment income	\$ 353,378	\$	561,856
Net realized loss	(380,360)		(4,927)
Change in net unrealized gain / loss	(224,532)		(395,188)
Increase (decrease) in net assets from operations	(251,514)		161,741
Distributions to shareholders			
Net earnings			
Investor Class	(10,091)		(50,607)
I Class	(67,587)		(11,190)
Z Class	(448,896)		(409,659)
Decrease in net assets from distributions	(526,574)		(471,456)
Capital share transactions*			
Shares sold			
Investor Class	166,843		321,117
I Class	862,657		334,832
Z Class	918,356		2,117,861
Distributions reinvested			
Investor Class	10,040		50,329
I Class	67,497		11,188
Z Class	448,896		409,653
Shares redeemed			
Investor Class	(900,377)		(413,524)
I Class	(339,434)		(145,314)
Z Class	(3,049,280)		(2,434,541)
Increase (decrease) in net assets from capital share transactions	(1,814,802)		251,601



**STATEMENT OF CHANGES IN NET ASSETS**

(\$000s)

	Year Ended 5/31/23	5/31/22
<b>Net Assets</b>		
Decrease during period	(2,592,890)	(58,114)
Beginning of period	9,863,805	9,921,919
<b>End of period</b>	<b>\$ 7,270,915</b>	<b>\$ 9,863,805</b>
*Share information (000s)		
Shares sold		
Investor Class	33,158	60,135
I Class	173,459	63,068
Z Class	192,205	395,899
Distributions reinvested		
Investor Class	2,124	9,590
I Class	14,397	2,120
Z Class	96,156	78,029
Shares redeemed		
Investor Class	(180,940)	(78,242)
I Class	(67,816)	(27,329)
Z Class	(600,362)	(450,707)
Increase (decrease) in shares outstanding	(337,619)	52,563

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

**NOTES TO FINANCIAL STATEMENTS**

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T. Rowe Price Limited Duration Inflation Focused Bond 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 a level of income that is consistent with the current rate of inflation. The fund has three classes of shares: the Limited Duration Inflation Focused Bond Fund (Investor Class), the Limited Duration Inflation Focused Bond Fund–I Class (I Class), and the Limited Duration Inflation Focused Bond 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. Proceeds from litigation payments, if any, are included in either net realized gain (loss) or change in net unrealized gain/loss from securities. Distributions to shareholders are recorded on the ex-dividend date. Income distributions, if any, are declared by each class daily and paid monthly, except for distributions of inflation adjustments, if any, which are declared and paid annually. A capital gain distribution, if any, may also be declared and paid by the fund annually.

**Currency Translation** Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as provided by an outside pricing service. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the respective date of such transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is not bifurcated from the portion attributable to changes in market prices.

**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. Swaps are valued at prices furnished by an independent pricing service or independent swap dealers. 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
<b>Assets</b>				
Fixed Income Securities <sup>1</sup>	\$ —	\$ 6,694,428	\$ —	\$ 6,694,428
Short-Term Investments	555,211	—	—	555,211
Total Securities	555,211	6,694,428	—	7,249,639
Swaps*	—	33,916	—	33,916
Total	\$ 555,211	\$ 6,728,344	\$ —	\$ 7,283,555
<b>Liabilities</b>				
Swaps*	\$ —	\$ 1,382	\$ —	\$ 1,382
Futures Contracts*	3,989	—	—	3,989
Total	\$ 3,989	\$ 1,382	\$ —	\$ 5,371

<sup>1</sup> Includes Asset-Backed Securities, Municipal Securities, Non-U.S. Government Mortgage-Backed Securities, U.S. Government & Agency Mortgage-Backed Securities and U.S. Government Agency Obligations (Excluding Mortgage-Backed).

\* The fair value presented includes cumulative gain (loss) on open futures contracts and centrally cleared swaps; 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*
<b>Assets</b>		
Inflation derivatives	Bilateral Swaps and Premiums, Centrally Cleared Swaps	\$ 33,916
Total		\$ 33,916
<b>Liabilities</b>		
Inflation derivatives	Centrally Cleared Swaps	\$ 1,382
Interest rate derivatives	Futures	3,989
Total		\$ 5,371

\* The fair value presented includes cumulative gain (loss) on open futures contracts and centrally cleared swaps; 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						
	Securities^	Options Written	Futures	Forward Currency Exchange Contracts	Swaps	Total	
<b>Realized Gain (Loss)</b>							
Inflation derivatives	\$ —	\$ —	\$ —	\$ —	\$ 109,711	\$ 109,711	
Interest rate derivatives	1,032	(2,792)	(61,305)	—	—	(63,065)	
Foreign exchange derivatives	(1,495)	466	—	(4,354)	—	(5,383)	
Credit derivatives	—	—	—	—	(396)	(396)	
Total	\$ (463)	\$ (2,326)	\$ (61,305)	\$ (4,354)	\$ 109,315	\$ 40,867	
<b>Change in Unrealized Gain (Loss)</b>							
Inflation derivatives	\$ —	\$ —	\$ —	\$ —	\$ (114,586)	\$ (114,586)	
Interest rate derivatives	120	(34)	(3,120)	—	—	(3,034)	
Foreign exchange derivatives	—	—	—	7,023	—	7,023	
Total	\$ 120	\$ (34)	\$ (3,120)	\$ 7,023	\$ (114,586)	\$ (110,597)	

^ Options purchased are reported as securities.

**Counterparty Risk and Collateral** The fund invests in derivatives in various markets, which expose it to differing levels of counterparty risk. Counterparty risk on exchange-traded and centrally cleared derivative contracts, such as futures, exchange-traded options, and centrally cleared swaps, 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.

Derivatives, such as non-cleared bilateral swaps, forward currency exchange contracts, and OTC options, that are transacted and settle directly with a counterparty (bilateral derivatives) may expose the fund to greater counterparty risk. To mitigate this risk, the fund has entered into master netting arrangements (MNAs) with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also require the exchange of collateral to cover mark-to-market exposure. MNAs may be in the form of International Swaps and Derivatives Association master agreements (ISDAs) or foreign exchange letter agreements (FX letters).

MNAs provide the ability to offset amounts the fund owes a counterparty against amounts the counterparty owes the fund (net settlement). Both ISDAs and FX letters generally allow termination of transactions and net settlement upon the occurrence of contractually specified events, such as failure to pay or bankruptcy. In addition, ISDAs specify other events, the occurrence of which would allow one of the parties to terminate. For example, a downgrade in credit rating of a counterparty below a specified rating would allow the fund to terminate, while a decline in the fund's net assets of more than a specified percentage would allow the counterparty to terminate. Upon termination, all transactions with that counterparty would be liquidated and a net termination amount settled. ISDAs typically include collateral agreements whereas FX letters do not. Collateral requirements are determined daily based on the net aggregate unrealized gain or loss on all bilateral derivatives with a counterparty, subject to minimum transfer amounts that typically range from \$100,000 to \$250,000. Any additional collateral required due to changes in security values is typically transferred the next business day.

Collateral may be in the form of cash or debt securities issued by the U.S. government or related agencies, although other securities may be used depending on the terms outlined in the applicable MNA. 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. Collateral pledged by counterparties

is not included in the fund's assets because the fund does not obtain effective control over those assets. For bilateral derivatives, collateral posted or received by the fund is held in a segregated account at the fund's custodian. 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, and OTC and bilateral derivatives may be unwound with counterparties or transactions assigned to other counterparties to allow the fund to exit the transaction. This ability is subject to the liquidity of underlying positions. As of May 31, 2023, no collateral had been pledged or posted by the fund to counterparties for bilateral derivatives. As of May 31, 2023, collateral pledged by counterparties to the fund for bilateral derivatives consisted of securities valued at \$18,600,000. As of May 31, 2023, securities valued at \$11,648,000 had been posted by the fund for exchange-traded and/or centrally cleared derivatives.

**Forward Currency Exchange Contracts** The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. It may use forward currency exchange contracts (forwards) primarily to protect its non-U.S. dollar-denominated securities from adverse currency movements or to increase exposure to a particular foreign currency, to shift the fund's foreign currency exposure from one country to another, or to enhance the fund's return. A forward involves an obligation to purchase or sell a fixed amount of a specific currency on a future date at a price set at the time of the contract. Although certain forwards may be settled by exchanging only the net gain or loss on the contract, most forwards are settled with the exchange of the underlying currencies in accordance with the specified terms. Forwards are valued at the unrealized gain or loss on the contract, which reflects the net amount the fund either is entitled to receive or obligated to deliver, as measured by the difference between the forward exchange rates at the date of entry into the contract and the forward rates at the reporting date. Appreciated forwards are reflected as assets and depreciated forwards are reflected as liabilities on the accompanying Statement of Assets and Liabilities. Risks related to the use of forwards include the possible failure of counterparties to meet the terms of the agreements; that anticipated currency movements will not occur, thereby reducing the fund's total return; and the potential for losses in excess of the fund's initial investment. During the year ended May 31, 2023, the volume of the fund's activity in forwards, based on underlying notional amounts, was generally less than 1% of net assets.

**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 2% and 29% of net assets.

**Options** The fund is subject to interest rate risk and foreign currency exchange rate risk in the normal course of pursuing its investment objectives and uses options to help manage such risks. The fund may use options to manage exposure to security prices, interest rates, foreign currencies, and credit quality; as an efficient means of adjusting exposure to all or a part of a target market; to enhance income; as a cash management tool; or to adjust credit exposure. Options are included in net assets at fair value, options purchased are included in Investments in Securities, and options written are separately reflected as a liability on the accompanying Statement of Assets and Liabilities. Premiums on unexercised, expired options are recorded as realized gains or losses; premiums on exercised options are recorded as an adjustment to the proceeds from the sale or cost of the purchase. The difference between the premium and the amount received or paid in a closing transaction is also treated as realized gain or loss. In return for a premium paid, currency options give the holder the right, but not the obligation, to buy and sell currency at a specified exchange rate; although certain currency options may be settled by exchanging only the net gain or loss on the contract. In return for a premium paid, call and put options on futures give the holder the right, but not the obligation, to purchase or sell, respectively, a position in a particular futures contract at a specified exercise price. Risks related to the use of options include possible illiquidity of the options markets; trading restrictions imposed by an exchange or counterparty; possible failure of counterparties to meet the terms of the agreements; movements in the

underlying asset values, interest rates and currency values; and, for options written, the potential for losses to exceed any premium received by the fund. During the year ended May 31, 2023, the volume of the fund's activity in options, based on underlying notional amounts, was generally between 0% and 6% of net assets.

**Swaps** The fund is subject to credit risk and inflation risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risks. 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.

Credit default swaps are agreements where one party (the protection buyer) agrees to make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as certain defaults and bankruptcies related to an underlying credit instrument, or issuer or index of such instruments. Upon occurrence of a specified credit event, the protection seller is required to pay the buyer the difference between the notional amount of the swap and the value of the underlying credit, either in the form of a net cash settlement or by paying the gross notional amount and accepting delivery of the relevant underlying credit. For credit default swaps where the underlying credit is an index, a specified credit event may affect all or individual underlying securities included in the index and will be settled based upon the relative

weighting of the affected underlying security(ies) within the index. Risks related to the use of credit default swaps include the possible inability of the fund to accurately assess the current and future creditworthiness of underlying issuers, 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.

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 8% and 25% 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.

**Collateralized Loan Obligations** The fund invests in collateralized loan obligations (CLOs) which are entities backed by a diversified pool of syndicated bank loans. The cash flows of the CLO can be split into multiple segments, called "tranches" or "classes", which will vary in risk profile and yield. The riskiest segments, which are the subordinate or "equity" tranches, bear the greatest risk of loss from defaults in the underlying assets of the CLO and serve to protect the other, more senior, tranches. Senior tranches will typically have higher credit ratings and lower yields than the securities underlying the CLO. Despite the protection from the more junior tranches, senior tranches can experience substantial losses.

**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. MBS 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.

**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, no collateral was pledged by the fund or counterparties for MSFTA Transactions.

**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). 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 \$524,695,000 and \$1,021,520,000, respectively, for the year ended May 31, 2023. Purchases and sales of U.S. government securities aggregated \$10,519,926,000 and \$12,531,240,000, 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 permanent book/tax adjustments relate primarily to the character of net currency gains or losses.

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)	\$ 498,895	\$ 420,182
Long-term capital gain	27,679	51,274
Total distributions	\$ 526,574	\$ 471,456

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	\$ 7,534,661
Unrealized appreciation	\$ 21,601
Unrealized depreciation	(274,088)
Net unrealized appreciation (depreciation)	\$ (252,487)

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

(\$000s)	
Undistributed ordinary income	\$ 68,182
Net unrealized appreciation (depreciation)	(252,487)
Loss carryforwards and deferrals	(440,051)
Total distributable earnings (loss)	\$ (624,356)

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 and straddle deferrals. 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). Price Associates has entered into a sub-advisory agreement(s) with one or more of its wholly owned subsidiaries, to provide investment advisory services to the fund. 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 0.05% 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%. Effective August 1, 2017, Price Associates has contractually agreed, at least through September 30, 2023, to waive a portion of its management fee in order to limit the fund's management fees to 0.25% of the fund's average daily net assets. Thereafter, this agreement will automatically renew for one-year terms unless terminated or modified by the fund's Board. Any fees waived under this agreement are not subject to reimbursement to Price Associates by the fund. The

total management fees waived were \$6,041,000 and allocated ratably in the amounts of \$339,000 for the Investor Class, \$575,000 for the I Class, and \$5,127,000 for the Z Class, for the year ended May 31, 2023.

The I Class is 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 \$376,000 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.

	I Class	Z Class
Expense limitation/I Class Limit	0.05%	0.00%
Expense limitation date	09/30/23	N/A
(Waived)/repaid during the period (\$000s)	\$(376)	\$(16,161)

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; \$302,000 for T. Rowe Price Services, Inc.; and less than \$1,000 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.

Additionally, the fund is one of several mutual funds in which certain college savings plans managed by Price Associates have invested. As approved by the fund's Board of Directors, shareholder servicing costs associated with each college savings plan are borne by the fund in proportion to the average daily value of its shares owned by the college savings plan. Price has agreed to waive/reimburse shareholder servicing costs in excess of 0.05% of the fund's average daily value of its shares owned by the college savings plan. Any amounts waived/paid by Price under this voluntary agreement are not subject to repayment by the fund. Price may amend or terminate this voluntary arrangement at any time without prior notice. For the year ended May 31, 2023, the fund was charged \$978,000 for shareholder servicing costs related to the college savings plans, of which \$810,000 was for services provided by Price. 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. At May 31, 2023, no shares of the Investor Class were held by college savings plans and approximately 77% of the outstanding shares of the I Class were held by college savings plans.

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 Limited Duration Inflation Focused Bond 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 Limited Duration Inflation Focused Bond 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 custodians, 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.

The fund's distributions to shareholders included \$27,679,000 from long-term capital gains, subject to a long-term capital gains tax rate of not greater than 20%.

For shareholders subject to interest expense deduction limitation under Section 163(j), \$344,021,000 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](https://www.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](https://www.sec.gov)). In addition, most T. Rowe Price funds disclose their first and third fiscal quarter-end holdings on **[troweprice.com](https://www.troweprice.com)**.



## **APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUBADVISORY AGREEMENTS**

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), as well as the investment subadvisory agreements (Subadvisory Contracts) that the Adviser has entered into with T. Rowe Price International Ltd and T. Rowe Price Hong Kong Limited (Subadvisers) on behalf of the fund. 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 and Subadvisory Contracts. At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of the Adviser and Subadvisers and the approval of the Advisory Contract and Subadvisory Contracts. The independent directors were assisted in their evaluation of the Advisory Contract and Subadvisory Contracts 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 and Subadvisory Contracts, 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 and Subadvisers 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 and Subadvisers**

The Board considered the nature, quality, and extent of the services provided to the fund by the Adviser and Subadvisers. 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 and Subadvisers' senior management teams 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 and Subadvisers, as well as the other factors considered at the Meeting, supported the Board's approval of the continuation of the Advisory Contract and Subadvisory Contracts.

## **APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUBADVISORY AGREEMENTS (CONTINUED)**

### **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 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 and Subadvisory Contracts.

### **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

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND SUBADVISORY AGREEMENTS (CONTINUED)**

average daily net assets—and the fund pays its own expenses of operations. However, the fund is also subject to a contractual management fee waiver arrangement that requires the Adviser to waive a portion of its management fees in order to limit the fund's overall management fee rate to 0.25% of the fund's average daily net assets. Under each Subadvisory Contract, the Adviser may pay the Subadviser up to 60% of the advisory fees that the Adviser receives from the fund. 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 economies of scale.

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 fund 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

**APPROVAL OF INVESTMENT MANAGEMENT AGREEMENT AND  
SUBADVISORY AGREEMENTS (CONTINUED)**

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 the highest relative expenses. The information provided to the Board indicated that the fund's contractual management fee ranked in the third quintile (Expense Group); the fund's actual management fee rate ranked in the first quintile (Expense Group) and second quintile (Expense Universe); and the fund's total expenses ranked in the second 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 INVESTMENT MANAGEMENT AGREEMENT AND SUBADVISORY AGREEMENTS (CONTINUED)**

### **Approval of the Advisory Contract and Subadvisory Contracts**

As noted, the Board approved the continuation of the Advisory Contract and Subadvisory Contracts. 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 and Subadvisory Contracts (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<sup>(a)</sup>

<b>Name (Year of Birth) Year Elected [Number of T. Rowe Price Portfolios Overseen]</b>	<b>Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years</b>
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<sup>(a)</sup> (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)

<sup>(a)</sup> 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<sup>(a)</sup>****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<sup>(a)</sup> (CONTINUED)**

<b>Name (Year of Birth) Year Elected [Number of T. Rowe Price Portfolios Overseen]</b>	<b>Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years</b>
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

<sup>(a)</sup> 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**

<b>Name (Year of Birth) Position Held With Limited Duration Inflation Focused Bond Fund</b>	<b>Principal Occupation(s)</b>
Stephen L. Bartolini, CFA (1977) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
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) Vice 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
Quentin S. Fitzsimmons (1968) Vice President	Vice President, T. Rowe Price Group, Inc., and Price International
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 Limited Duration Inflation Focused Bond Fund****Principal Occupation(s)**

Geoffrey M. Hardin (1971) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
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
Wyatt A. Lee, CFA (1971) 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
Michael K. Sewell (1982) President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Christopher J. Temple, CFA (1978) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Siby Thomas (1979) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Blerina Uruci (1984) Vice President	Vice President, T. Rowe Price; formerly, Senior U.S. Economist, Barclays Capital (to 2022)
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

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

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# T.RowePrice®

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.*