

California Tax-Free Bond Fund (PRXCX)

As of December 31, 2025



T. Rowe Price

| Portfolio Management | Managed Since | Joined Firm |
|----------------------|---------------|-------------|
| Austin Applegate | 2020 | 2011 |
| Tim Taylor | 2025 | 1996 |

Investment Objective

The fund seeks to provide, consistent with prudent portfolio management, the highest level of income exempt from federal and California state income taxes by investing primarily in investment-grade California municipal bonds.

General Information

| | |
|--|----------------------|
| CUSIP | 77954J102 |
| Inception Date | September 15, 1986 |
| Benchmark | Bloomberg Muni Index |
| Expense Information (as of the most recent Prospectus) | 0.58% |

Market Commentary

U.S. municipal bonds delivered modestly positive returns in December 2025, extending their winning streak to five consecutive months as measured by the Bloomberg Municipal Bond Index. Munis finished both the quarter and the calendar year in positive territory. In December, the asset class demonstrated resilience by outperforming U.S. Treasuries, which faced headwinds from rising intermediate- and long-term yields and a steepening yield curve.

The Federal Reserve's monetary policy decisions continued to influence market dynamics, with policymakers delivering their third consecutive 25-basis-point rate cut, lowering the federal funds rate to the 3.50%-3.75% range. However, the decision revealed growing division within the Fed, as three officials dissented—two favoring no change and one preferring a larger 50-basis-point reduction. Looking ahead, the central bank's revised economic projections suggest a more cautious approach, with only one additional cut anticipated for 2026, based on the median forecast.

Municipal bond performance varied across different segments. Shorter-maturity bonds delivered the strongest results, benefiting from the Fed's rate cuts, while longer-duration securities generally struggled amid rising long-term yields. In terms of credit quality, investment-grade municipals outperformed their high-yield counterparts, which posted negative returns. Within investment-grade bonds, higher-rated securities outpaced lower-rated alternatives.

Sector performance was mixed, with prerefunded securities leading gains and general obligation bonds narrowly edging out revenue-backed debt. Among revenue bonds, electric utilities, special tax, and housing showed strength, while tobacco bonds—particularly high-yield tobacco—underperformed alongside industrial revenue bonds.

Technical factors provided some support, as new issuance volume moderated in December despite year-to-date levels reaching a new record. Issuance totaled \$580.4 billion in 2025, up from the previous record of \$513.6 billion recorded in 2024. Municipal bond funds experienced positive overall flows, with ETF inflows offsetting outflows from open-end funds, according to preliminary LSEG Lipper data.

Performance (%) (NAV, total return Performance > 1yr is Annualized)

| | 1m | 3m | 1yr | 3yrs | 5yrs | 10yrs | 15yrs | 30-Day SEC Yield |
|--|-------|------|------|------|------|-------|-------|------------------|
| California Tax-Free Bond Fund (PRXCX) | -0.15 | 1.55 | 2.74 | 4.18 | 1.04 | 2.29 | 3.61 | 3.63 |
| Bloomberg Municipal Bond Index (LBMBI) | 0.09 | 1.56 | 4.25 | 3.88 | 0.80 | 2.34 | 3.34 | N/A |

Past performance is not a guarantee or a reliable indicator of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance, visit [troweprice.com](https://www.troweprice.com).

The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.

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

Risks: Interest rates: A rise in interest rates typically causes the price of a fixed rate debt instrument to fall and its yield to rise. Conversely, a decline in interest rates typically causes the price of a fixed rate debt instrument to rise and the yield to fall. **State-specific focus:** Because the fund focuses its investments on securities issued by California and its municipalities, it is more susceptible to unfavorable developments in California than funds that invest in municipal securities of many states. **Taxes:** Some income may be subject to the federal alternative minimum tax. Income earned by non-California residents will be subject to applicable state and local taxes. Capital gains, if any, are generally taxable. See the prospectus for more detail on the fund's principal risks.

THIS MATERIAL MUST BE PRECEDED OR ACCOMPANIED BY A PROSPECTUS, OR SUMMARY PROSPECTUS IF AVAILABLE.
<https://prospectus-express.broadridge.com/summary.asp?doctype=pros&clientid=trowepll&fundid=77954J102>

Risk Return Characteristics (Five Years ended December 31, 2025)

| | Annualized Std. Deviation (%) | Alpha (%) | Beta | R-Squared | Information Ratio | Sharpe Ratio | Tracking Error (%) |
|-------------------------------|--|----------------------|-------------|------------------|------------------------------|---------------------|-------------------------------|
| California Tax-Free Bond Fund | 6.59 | 0.38 | 1.05 | 0.97 | 0.19 | -0.34 | 1.25 |
| Bloomberg Muni Index | 6.16 | 0.00 | 1.00 | 1.00 | 0.00 | -0.40 | 0.00 |

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

Top 10 Guarantors (%)

| | Fund |
|--|------|
| San Francisco City & County Airport Comm-San Francisco International Airport | 4.1 |
| San Diego County Regional Airport Authority | 3.4 |
| City of Los Angeles Department of Airports | 3.2 |
| University of California | 2.7 |
| Morgan Stanley | 2.2 |
| Kaiser Foundation Hospitals | 1.9 |
| Puerto Rico Sales Tax Financing Corp Sales Tax Revenue | 1.8 |
| Commonwealth of Puerto Rico | 1.7 |
| Los Angeles Unified School District/Ca | 1.7 |
| Cedars-Sinai Medical Center Obligated Group | 1.7 |

Comprising 24.4% of total net assets.

Portfolio Characteristics

| | Fund | LBMBI |
|-------------------------------------|---------------|-------------|
| Number of Holdings | 380 | 63,991 |
| Weighted Average Maturity | 19.46 years | 13.43 years |
| Weighted Average Effective Duration | 7.66 years | 6.07 years |
| Weighted Average Coupon | 4.62% | 4.65% |
| Yield to Maturity | 4.60% | 3.93% |
| Total Assets (all share classes) | \$771,786,075 | N/A |
| Percent of Portfolio in Cash | 0.9% | N/A |

Industry Diversification (%)

| | Fund | LBMBI |
|-------------------------------|------|-------|
| Transportation | 18.9 | 14.7 |
| Health Care | 13.3 | 9.2 |
| GO-Local | 13.1 | 16.0 |
| Education | 11.2 | 7.0 |
| Ind Dev Rev / Pollut Ctrl Rev | 10.4 | 6.4 |
| Special Tax | 9.8 | 9.9 |
| Housing | 8.3 | 4.1 |
| Leasing | 3.8 | 6.4 |
| GO-State | 2.0 | 10.8 |
| Water & Sewer | 0.9 | 8.4 |
| Other | 8.4 | 6.4 |

Source: Financial data and analytics provider FactSet. Copyright 2026 FactSet. All rights reserved.

| Credit Quality Diversification (%) | Fund | LBMBI |
|------------------------------------|------|-------|
| AAA | 7.0 | 22.8 |
| AA | 48.9 | 56.9 |
| A | 16.3 | 16.3 |
| BBB | 11.3 | 3.8 |
| BB | 2.0 | 0.0 |
| D | 0.1 | 0.0 |
| Not Rated | 14.7 | 0.2 |
| Reserves | -0.3 | 0.0 |

| Maturity Diversification (%) | Fund |
|------------------------------|------|
| 0-1 Year | 1.6 |
| 1-3 Years | 1.3 |
| 3-5 Years | 2.7 |
| 5-7 Years | 4.4 |
| 7-10 Years | 6.6 |
| 10-20 Years | 33.1 |
| 20-30 Years | 43.4 |
| 30+ Years | 6.9 |

Additional Disclosures & Definitions

Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call 1-800-638-7780 or visit troweprice.com. Read it carefully.

Visit Troweprice.com/glossary for a glossary of financial terminology.

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Fund Assets, holdings-based analytics (excluding portfolio turnover), and portfolio attribution are calculated using T. Rowe Price's internal Investment Book of Records (IBOR). Due to timing and accounting methodology differences, IBOR data may differ from the Accounting Book of Records (ABOR) data provided by the Fund's accountant.

The Top Guarantors excludes any Prerefunded or Escrowed holdings.

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

Source for Industry Diversification: Bloomberg Index Services Ltd.

Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.

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 (NR). T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps and sovereign securities. The Fund is not rated by any agency. U.S. Government Agency securities, if any, may include conventional pass-through securities and collateralized mortgage obligations. This category may include rated and unrated securities.

"Other" includes any categories not explicitly mentioned.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.

Unless indicated otherwise the source of all data is T. Rowe Price.

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

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