



# T. Rowe Price

## PORTFOLIO UPDATE

### GNMA Fund- I Class

As of December 31, 2023



**Portfolio Manager:**  
Ramon de Castro

**Managed Fund Since:**  
2023

**Joined Firm:**  
2012

## INVESTMENT OBJECTIVE

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

## FUND INFORMATION

Symbol	PRXAX
CUSIP	779549203
Inception Date of Fund	May 03, 2017
Benchmark	Bloomberg US GNMA Index
Expense Information (as of the most recent Prospectus)*	0.44% (Gross) 0.41% (Net)
Fiscal Year End	May 31
12B-1 Fee	—

\*The I Class operates under a contractual operating expense limitation that expires on September 30, 2025.

## PERFORMANCE

(NAV, total return)

	One Month	Three Months	One Year	Three Years	Five Years	Ten Years	Fifteen Years	30-Day SEC Yield	30-Day SEC Yield w/o Waiver <sup>o</sup>
GNMA Fund- I Class	4.12%	7.19%	5.36%	-2.77%	0.19%	1.08%	2.00%	3.55%	3.52%
Bloomberg U.S. GNMA Index	4.19	7.30	5.40	-2.50	0.34	1.34	2.21	—	—

**Performance data quoted represents past performance and is not a reliable indicator of future performance. 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](http://troweprice.com).** The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.

The T. Rowe Price Fund shares the portfolio of an existing fund (the original share class of the fund referred to as the "investor class"). The total return figures for the I Class shares have been calculated using the performance data of the investor class up to the inception date of the I Class (5/3/17) and the actual performance results of the I Class since that date. Because the I Classes are expected to have lower expenses than the Investor Classes, the I Class performance, had it existed over the periods shown, would have been higher.

<sup>o</sup>Excludes the effect of contractual expense limitation arrangements. If the expense waiver was not in effect for the 30-Day period shown, there may not be a difference in the 30-day SEC yields shown above.

Investors should note that if interest rates rise significantly from current levels, total returns will decline and may even turn negative in the short term.

The Fund is subject to risks of fixed income investing, including interest rate risk and credit risk.

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

## MARKET COMMENTARY

The U.S. investment-grade (IG) fixed income market, as measured by the Bloomberg U.S. Aggregate Bond Index, produced a second consecutive month of strong gains, supported by falling Treasury yields and generally tighter credit spreads. Following the two-month rally, the benchmark finished the quarter and year with positive results.

Slowing economic data and Federal Reserve communications helped drive Treasury yields lower, with the Fed's mid-month meeting being a key driver. Policymakers left rates unchanged, as expected, but their updated economic forecast indicated that the median projection was for rate cuts of 75 basis points in 2024, up from the 50 basis points of easing in their previous outlook. Investors also seemed encouraged that Fed Chair Jerome Powell did not appear to push back on futures markets' pricing of aggressive cuts next year in his post-meeting press conference. In economic news, job openings fell much more than expected and reached the lowest level since March 2021, while inflation data also supported the dovish narrative as the producer price index and core personal consumption expenditures price index both increased less than expected.

Treasury yields at the front end of the curve were little changed for the month while yields of Treasuries with maturities of one year or longer shifted notably lower. The yield of the benchmark 10-year Treasury note declined from 4.37% to 3.88% by the end of December, matching the levels last seen in July.

Absolute results were positive in all the major benchmark sectors, with longer-duration segments leading, due to declining Treasury yields. Even as Treasury yields fell, excess returns were also broadly positive for the major credit sectors as spreads tightened. The interest rate-sensitive agency mortgage-backed securities and commercial mortgage-backed securities sectors produced the strongest excess returns. Following exceptionally strong performance in November, IG corporates produced good, but less robust, results in December, with financials and utilities significantly outperforming industrials on an excess-return basis.

**RISK RETURN CHARACTERISTICS**

(Five Years ended December 31, 2023)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
GNMA Fund- I Class	5.74%	-0.21%	0.97	0.99	-0.23	-0.30	0.69%
Bloomberg US GNMA Index	5.88	0.00	1.00	1.00	0.00	-0.26	0.00

**Past performance is not a reliable indicator of future performance.** Figures are calculated using monthly data and are net of fees.**PORTFOLIO CHARACTERISTICS**

	GNMA Fund- I Class	Bloomberg US GNMA Index
Number of Holdings	763	78
Weighted Average Maturity	7.62 years	6.80 years
Weighted Average Effective Duration	5.63 years	5.59 years
Weighted Average Coupon	3.53%	3.45%
Yield to Maturity	4.71%	4.71%
Percent of Portfolio in Cash	-5.1%	-
Total Assets (all share classes)	1,044,297,970	-

**SECTOR DIVERSIFICATION**

	GNMA MBS	Agency MBS	CMO	IO/PO	Reserves
GNMA Fund- I Class	96.9%	5.1%	2.3%	0.7%	-5.1%
Bloomberg US GNMA Index	100.0	0.0	0.0	0.0	0.0
<b>Over/Underweight</b>	<b>-3.1</b>	<b>5.1</b>	<b>2.3</b>	<b>0.7</b>	<b>-5.1</b>

**CREDIT QUALITY DIVERSIFICATION**

	U.S. Govt Ag**	AAA	Not Rated	Reserves
GNMA Fund- I Class	104.7%	0.4%	0.0%	-5.1%
Bloomberg US GNMA Index	100.0	0.0	0.0	0.0
<b>Over/Underweight</b>	<b>4.7</b>	<b>0.4</b>	<b>0.0</b>	<b>-5.1</b>

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

**MATURITY DIVERSIFICATION**

	0-1 Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	10-20 Years	20-30 Years	30+ Years
GNMA Fund- I Class	-5.0%	0.8%	8.3%	29.2%	65.1%	1.6%	0.0%	0.0%

## Definitions

Weighted Average Effective Duration is a calculation that seeks to measure the price sensitivity of a bond Fund to changes in interest rates. In general, the longer the average duration, the greater the Fund's sensitivity to interest rates.

## Additional Disclosures

**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](http://troweprice.com). Read it carefully.**

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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.

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Source for Maturity Diversification: T Rowe Price.

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

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