



## QUARTERLY REVIEW

# New Income Fund – Multi-Class

As of March 31, 2024

## PORTFOLIO HIGHLIGHTS

The portfolio produced negative total returns and underperformed the Bloomberg U.S. Aggregate Bond Index for the three-month period ended March 31, 2024.

Relative performance drivers:

- Interest rate management detracted from relative results due to positioning on the European yield curve.
- Security selection contributed, led by IG corporates.
- Sector allocation was an overall contributor.

Additional highlights:

- We increased credit risk in the portfolio in light of an improved global growth environment and markedly looser financial conditions.
- We believe that the increased idiosyncratic risk we are seeing in credit markets at the issuer level has the potential to create opportunities for active managers.

## FUND INFORMATION

Symbol	PRCIX
CUSIP	779570100
Inception Date of Fund	August 31, 1973
Benchmark	Bloomberg US Agg Index
Expense Information (as of the most recent Prospectus)*	0.53% (Gross) 0.44% (Net)
Fiscal Year End	May 31
12B-1 Fee	–
Total Assets (all share classes)	\$16,829,338,956
Percent of Portfolio in Cash	0.5%

\*The Fund operates under a contractual expense limitation that expires on September 30, 2024. Please refer to the detailed Fund Information section, at the end of the report, for additional expense information and available share classes.

## PERFORMANCE

(NAV, total return)

	Inception Date	Three Months	One Year	Annualized				30-Day SEC Yield	30-Day SEC Yield w/o Waiver <sup>o</sup>
				Three Years	Five Years	Ten Years	Fifteen Years		
New Income Fund	Aug 31 1973	-0.96%	0.58%	-3.20%	-0.23%	1.17%	2.75%	4.58%	4.49%
New Income Fund - Advisor Class	Sep 30 2002	-1.08	0.03	-3.66	-0.65	0.83	2.43	4.13	–
New Income Fund - R Class	Sep 30 2002	-0.99	-0.06	-3.82	-0.88	0.55	2.15	3.98	3.84
New Income Fund - I Class	Aug 28 2015	-0.81	0.66	-3.11	-0.14	1.27	2.82	4.66	–
Bloomberg U.S. Aggregate Bond Index		-0.78	1.70	-2.46	0.36	1.54	2.62	–	–

## CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
New Income Fund	Aug 31 1973	5.74%	0.18%	2.64%	4.01%	-0.63%	9.26%	5.74%	-0.57%	-14.34%	4.72%
New Income Fund - Advisor Class	Sep 30 2002	5.53	-0.06	2.40	3.75	-0.94	8.91	5.41	-1.07	-14.95	4.53
New Income Fund - R Class	Sep 30 2002	5.17	-0.37	2.07	3.37	-1.25	8.57	5.05	-1.25	-14.87	3.93
New Income Fund - I Class	Aug 28 2015	5.74	0.23	2.80	4.16	-0.50	9.39	5.85	-0.50	-14.25	4.68
Bloomberg U.S. Aggregate Bond Index		5.97	0.55	2.65	3.54	0.01	8.72	7.51	-1.54	-13.01	5.53

**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 (8/28/15) 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.

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

## PERFORMANCE REVIEW

### Bonds Start Year With Down Quarter Amid Rising Yields

Following its strongest quarter of total returns since 1989 in the fourth quarter of 2023, the Bloomberg U.S. Aggregate Bond Index gave back some gains in the first quarter as investors reduced their expectations for Federal Reserve rate cuts, sending Treasury yields higher.

Market expectations at the start of year had pointed to as many as six rate cuts in 2024 with the first cut coming as early as March. But Fed communications indicating that policymakers were in no hurry to start cutting rates, along with higher-than-expected growth and inflation data, led markets by period-end to price in only three cuts this year, in line with the Fed's Summary of Economic Projections.

Treasury yields increased across the curve, with yields in the two-to-five-year portion of the curve rising more than other segments. After starting the period at 3.88%, the benchmark 10-year Treasury note yield rose as high as 4.34% in mid-March before dropping back to 4.20% at period-end.

While rising Treasury yields weighed on absolute results, excess returns were largely positive among the major credit sectors within the benchmark. Securitized credit sectors produced some of the best results in the index, benefiting from strong demand in the face of heavy supply. Investment-grade (IG) corporates, despite record issuance, also produced solid excess returns amid strong demand for high yields. Conversely, agency mortgage-backed securities (MBS) lagged as longer-duration lower-coupon securities, which comprise a large part of the market, fared poorly with Treasury yields rising.

Outside the benchmark, high yield corporate bonds outperformed their IG counterparts. Bank loans trailed the high yield bond market but still had a good quarter, benefiting from higher-for-longer rate expectations and high spread carry. Amid strong risk appetite, emerging markets bonds produced impressive results, led by some higher-yielding countries that caught a tailwind from positive domestic developments. Relative performance was driven by the following factors:

### Interest Rate Management Weighed on Performance

Interest rate management was an overall detractor from relative performance. The portfolio's short relative duration position in the U.S. added value as Treasury yields increased during the period; however, positioning for a steeper European yield curve was a negative offsetting position. Similar to the dynamic in the U.S., investors dialed back their projections for rate cuts by the European Central Bank this year as the European growth outlook improved, causing the euro area curve to flatten in a bearish manner.

### Security Selection Added Value

Security selection was a significant contributor, particularly in the IG corporate sector, where a mix of health care, banking, and telecom names outperformed. Using credit default swap indexes (CDX) for liquid exposure to corporates also added value. Selection contributed to a lesser extent in the asset-backed securities (ABS) sector, where whole-business securitizations produced strong results.

Conversely, positioning within the agency MBS sector weighed on relative results as parts of the sector struggled amid the increase in rates. Specifically, an underweight to conventional MBS in favor of GNMAAs was a headwind, as were overweightings to some underperforming lower-coupon issues.

### Sector Allocations Were an Overall Contributor

The portfolio benefited from out-of-benchmark positions in high yield bonds, Treasury inflation protected securities, and non-agency residential mortgage-backed securities, which were supported by strong investor risk appetite, signs of improving global growth, higher oil prices, and stubborn inflation data.

An overweight to ABS and an out-of-benchmark position in collateralized loan obligations contributed to a lesser degree as securitized credit spreads tightened. The sectors benefited from high investor demand and inflows into multi-sector bond funds, whose managers took advantage of ample issuance to deploy cash.

Conversely, a lack of exposure to taxable municipal bonds, which were aided by scarce supply, slightly hurt performance.

## PORTFOLIO POSITIONING AND ACTIVITY

In light of an improved global growth environment and markedly looser financial conditions since the Fed signaled that its aggressive policy tightening campaign was complete, we increased credit risk in the portfolio over the past quarter.

### Added to Credit Risk Amid More Favorable Backdrop

We added to high yield bonds, bank loans, and emerging markets sovereign credit as the backdrop appeared more conducive to risk. While spreads are tight, we see value in high yield bonds as a result of their high all-in yields, which should support demand, and low dollar prices. In addition, a healthy economy and improved credit profiles outside of a few large, troubled issuers should be supportive. We also like bank loans, which offered the highest spreads of major credit sectors, and a later start for Fed rate cuts could keep loan yields higher for longer. And emerging markets assets, in our view, stand to benefit from an upturn in global growth, past-peak monetary tightening in many countries, compelling yields, and positive technicals.

### Increased Overweight to IG Corporates

Record IG corporate issuance created some attractive opportunities in the primary market, and we increased our overweight allocation. Our purchases spanned a variety of industries, but larger acquisitions included bonds in the banking, health care, utility, and energy sectors.

### With Disinflation Stalling, TIPS Appeared Attractive

The portfolio increased its out-of-benchmark allocation to TIPS. Inflation has meaningfully declined from its peak, but the disinflationary trend appears to have stalled around the 3% level, and we believe that rising oil prices and continued high wage growth will challenge a further decline. In light of these factors, inflation pricing in the TIPS market appeared cheap, especially if the Fed begins cutting rates prematurely.

### Maintaining a Bias Toward a Shorter Duration

The portfolio maintained a shorter duration posture than the index for most of the quarter based on the view that the market had gone too far in pricing in rate cuts this year. As implied market pricing moved closer to the Fed's projections, we moved to a neutral stance ahead of the FOMC's March meeting, expecting a strong reaction in either direction. Still, we are biased toward a shorter relative duration based on growth and inflation fundamentals that support the Fed taking its time to start cutting rates.

## MANAGER'S OUTLOOK

We still expect the Federal Reserve to cut interest rates this year, but we agree with the shift in market consensus during the quarter and now anticipate a smaller number of cuts along with a later start date. Recent firm inflation data, if it persists, skews the risks to fewer-or even no-cuts this year barring an unexpected labor market slowdown or financial system shock.

We are biased toward a shorter relative duration position based on our view that a recent series of better-than-expected growth data increases the risk of higher yields in the near term. While we plan to be patient in adding duration to the portfolio and positioning for expected curve steepening, we will look to take advantage of any trading opportunities that develop as yields fluctuate and we approach the cutting cycle.

In credit markets, we are being careful with where to take risk and are generally favoring higher-quality and more-liquid securities. While tight credit spreads provide limited upside potential, we don't see a catalyst for materially wider spreads in the near term with the economy remaining resilient and the Fed looking to ease policy to support a continued expansion. We also believe that the increased idiosyncratic risk we are seeing in credit markets at the issuer level has the potential to create opportunities for active managers.

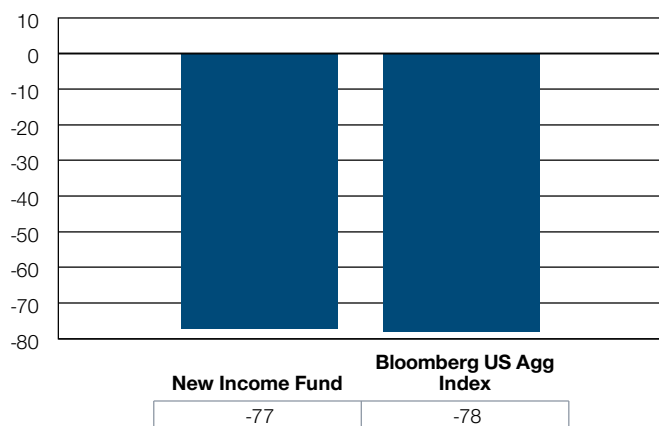
We continue to carefully monitor factors that could lead to increased volatility. Bank funding conditions remain a concern, particularly for smaller regional banks. And the rapid rundown of the Fed's reverse repurchase facility, combined with ongoing quantitative tightening, are continuing to drain liquidity from the financial system. As always, we will rely on our broad and deep global research platform to parse the complex macro environment and inform portfolio positioning.

## QUARTERLY ATTRIBUTION

### OVERALL PERFORMANCE: FUND VS. BLOOMBERG US AGG INDEX

(3 months ended March 31, 2024)

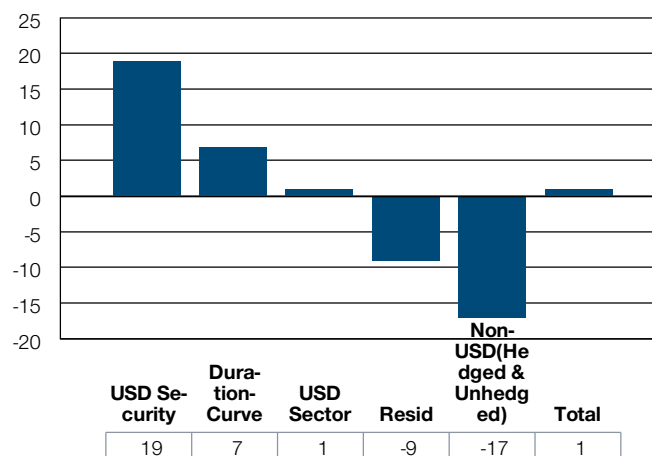
Basis Points



### CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG US AGG INDEX

(3 months ended March 31, 2024)

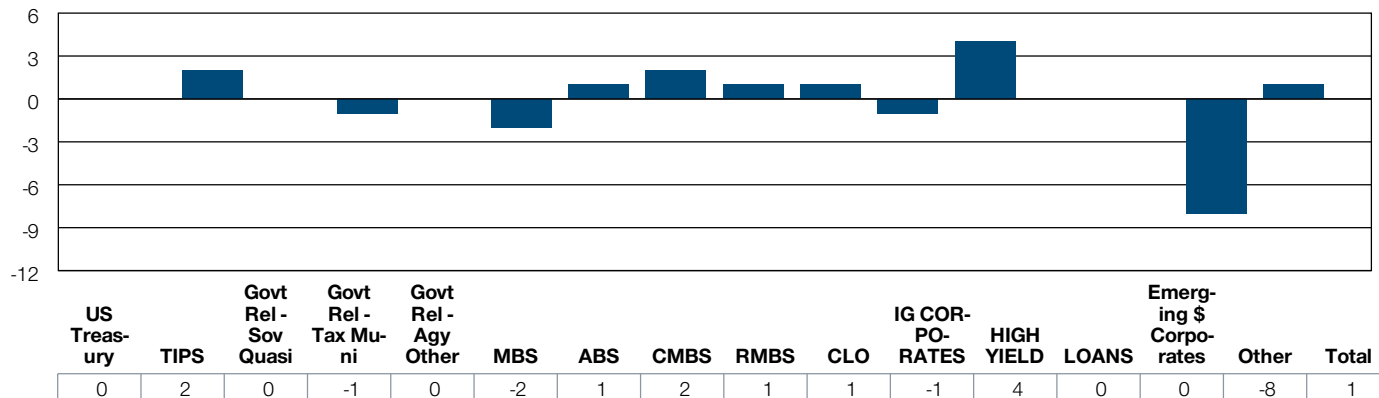
Basis Points



### SECTOR ALLOCATION: FUND VS. BLOOMBERG US AGG INDEX

(3 months ended March 31, 2024)

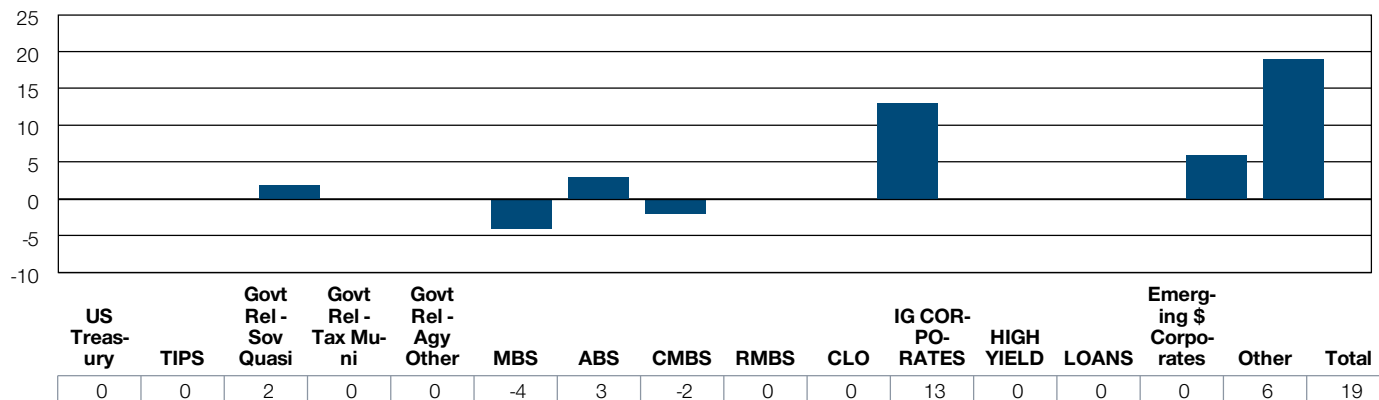
Basis Points



### SECURITY SELECTION DETAILS: FUND VS. BLOOMBERG US AGG INDEX

(3 months ended March 31, 2024)

Basis Points



**Past performance is not a reliable indicator of future performance.**

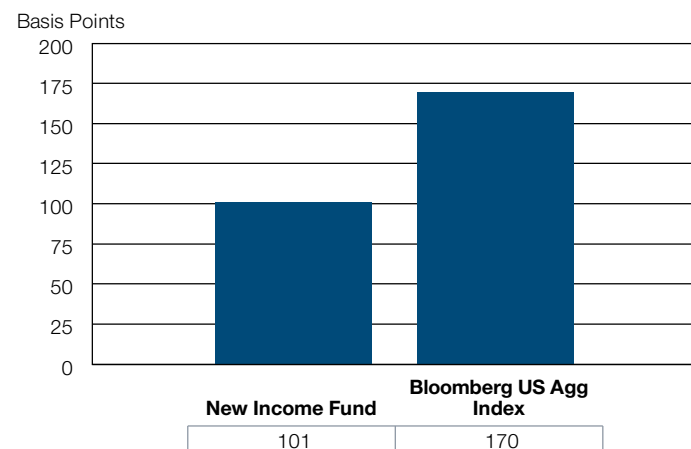
Source: Bloomberg Index Services Limited.

Analysis represents the performance of the portfolio compared to its benchmark as calculated by the Bloomberg attribution model. Performance is attributed to a set of portfolio decisions such as credit quality, duration and yield curve exposures, relative sector weightings, and security selection. Performance for each security is obtained in the local currency and, if necessary, is converted to U.S. dollars using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would have been lower as a result of the deduction of such fees.

## 12-MONTH ATTRIBUTION

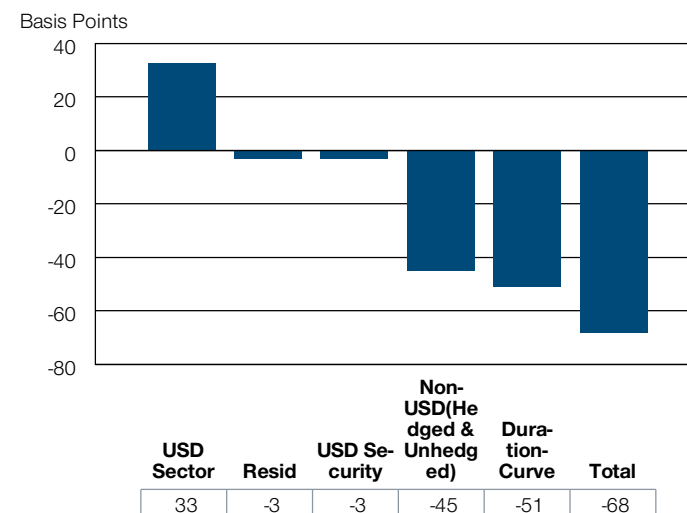
### OVERALL PERFORMANCE: FUND VS. BLOOMBERG US AGG INDEX

(12 months ended March 31, 2024)



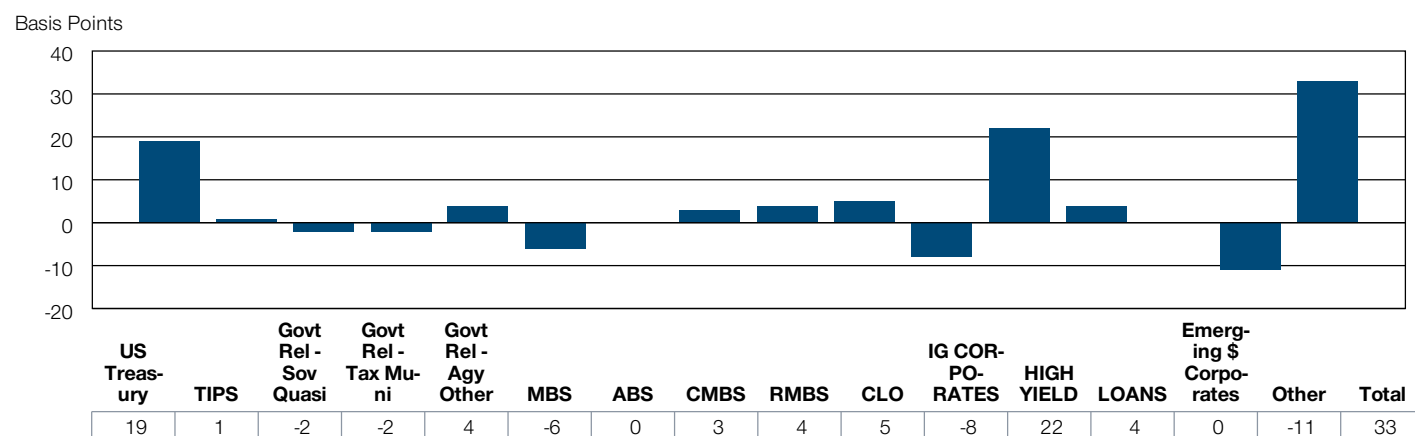
### CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG US AGG INDEX

(12 months ended March 31, 2024)



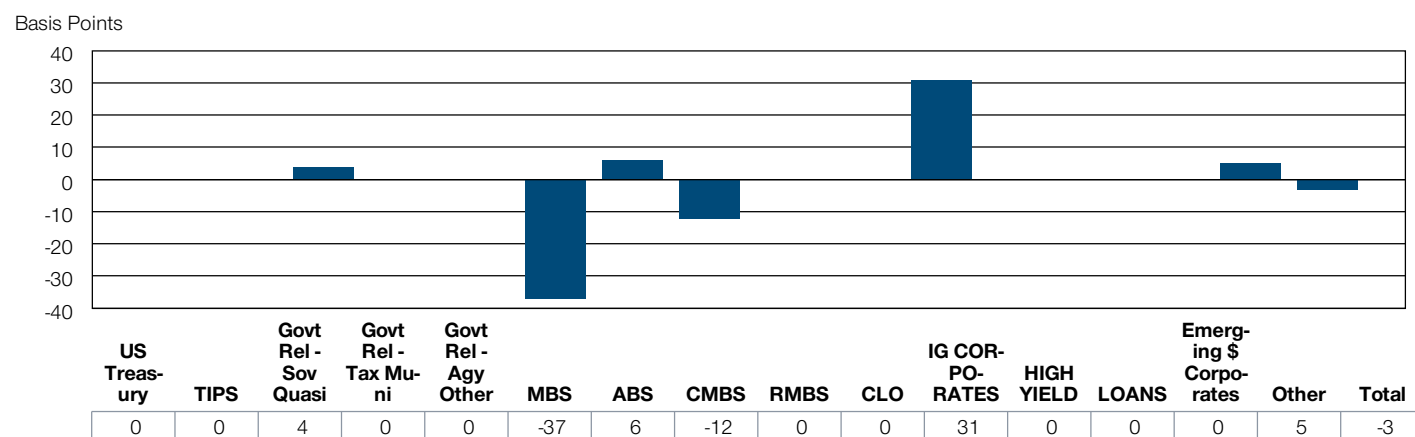
### SECTOR ALLOCATION: FUND VS. BLOOMBERG US AGG INDEX

(12 months ended March 31, 2024)



### SECURITY SELECTION DETAILS: FUND VS. BLOOMBERG US AGG INDEX

(12 months ended March 31, 2024)



Past performance is not a reliable indicator of future performance.

Source: Bloomberg Index Services Limited.

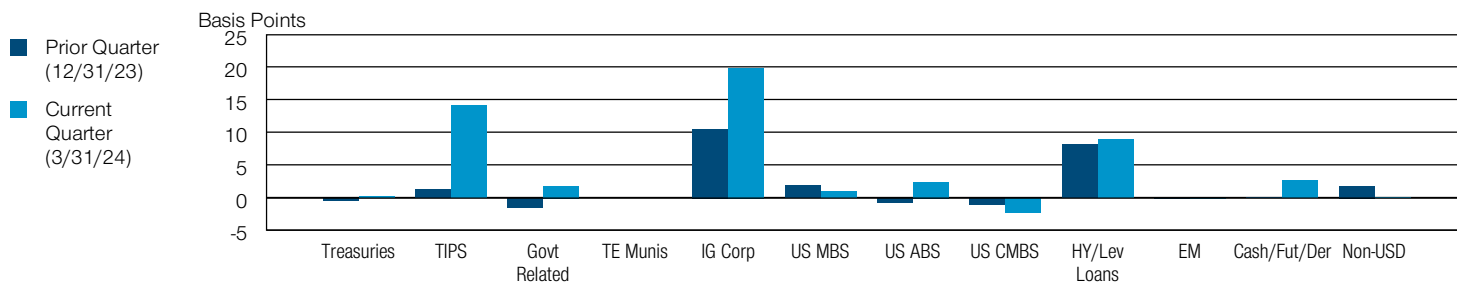
Analysis represents the performance of the portfolio compared to its benchmark as calculated by the Bloomberg attribution model. Performance is attributed to a set of portfolio decisions such as credit quality, duration and yield curve exposures, relative sector weightings, and security selection. Performance for each security is obtained in the local currency and, if necessary, is converted to U.S. dollars using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would have been lower as a result of the deduction of such fees.

## RISK ANALYSIS

### RISK FACTOR CONTRIBUTION

	Contribution to TEV (Annualized) 12/31/23 (Prior Quarter)	Contribution to TEV (Annualized) 3/31/24 (Current Quarter)
Systematic	69.7 bps	59.7 bps
Foreign Exchange	5.0	0.1
Curve	45.5	14.3
Inflation Linked	1.3	14.0
Swap Spreads	2.5	2.8
Volatility	-0.2	0.0
Spread Government Related	-0.5	-0.2
Spread Credit and EMG	11.1	28.1
Spread Securitized	1.1	0.0
Spread Other	4.1	0.4
Equity	0.0	0.0
Idiosyncratic	2.4	3.7
<b>Total</b>	<b>72.2</b>	<b>63.3</b>

### SECTOR CONTRIBUTION TO RISK VERSUS BENCHMARK

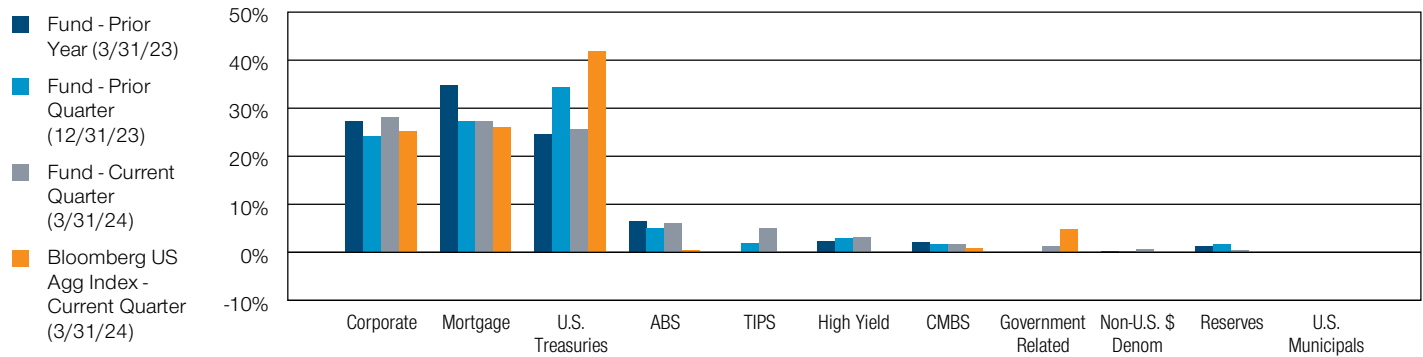


Source: Bloomberg Index Services Limited. Statistics based on monthly data. TEV, or tracking error volatility, is the standard deviation of the difference between portfolio and benchmark returns. It is the square root of the tracking error variance, or TE variance. The TE variance is the projected variance of the difference between portfolio and benchmark returns. It is estimated from historical return data and from portfolio and benchmark characteristics. It can be decomposed into three sources: Systematic, Idiosyncratic and Default. Systematic (Market) Risk is the risk due to the effect of all systematic factors of the Bloomberg risk model. Idiosyncratic (nonsystematic) risk is the risk not explained by the combination of all systematic or default factors. It represents risk due to non-default events that affect only the individual issuer or bond.

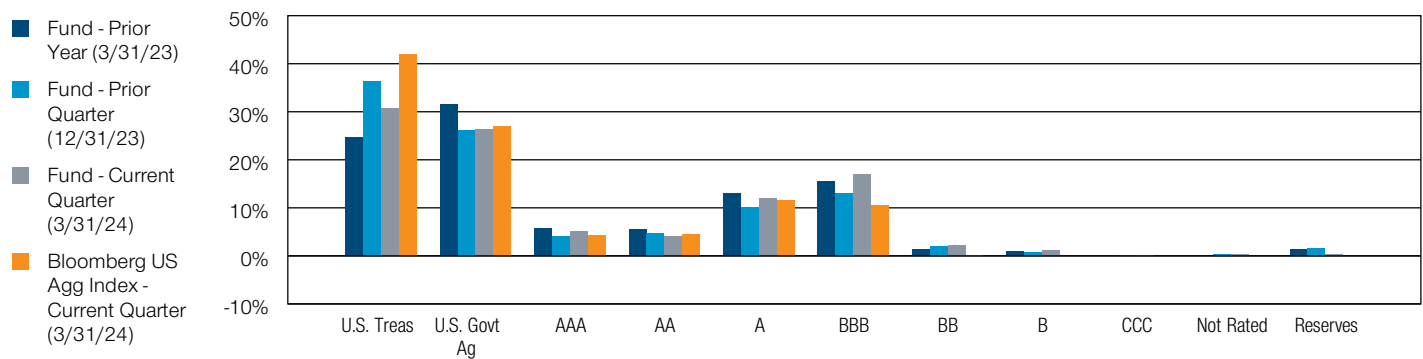
The contribution to TEV is the contribution, in basis points, of a risk factor to total TEV. This measure includes the effect of correlation. The risk factors included in this analysis and shown above are credit spreads, currency, and interest rate duration.

## PORTFOLIO POSITIONING

### SECTOR DIVERSIFICATION – CHANGES OVER TIME



### CREDIT QUALITY DIVERSIFICATION – CHANGES OVER TIME



## HOLDINGS

### TOP ISSUERS

Issuer	Industry	% of Fund
Bank of America	Banking	0.9%
AbbVie	Consumer Non Cyclical	0.9
UnitedHealth Group	Insurance	0.8
JPMorgan Chase	Banking	0.8
Citigroup	Banking	0.8
Rogers Communications	Communications	0.7
Wells Fargo	Banking	0.6
UBS	Banking	0.6
PG&E	Electric	0.6
Goldman Sachs	Banking	0.5

## FUND INFORMATION

	New Income Fund	New Income Fund - Advisor Class	New Income Fund - R Class	New Income Fund - I Class
Symbol	PRCIX	PANIX	RRNIX	PRXEX
Expense Information	0.53% (Gross) 0.44% (Net)	0.81%	1.16% (Gross) 1.08% (Net)	0.36%
Fiscal Year End Date	5/31/23	5/31/23	5/31/23	5/31/23
12B-1 Fee	–	0.25%	0.50%	–

The expense ratios shown are as of the most recent prospectus. The stated expense ratio for the Advisor and R Classes include the applicable 12b-1 fee. The fund operates under a contractual expense limitation that expires on 9/30/24. The R Class operates under a contractual expense limitation that expires on 9/30/24.

## PORTFOLIO MANAGEMENT

Portfolio Manager:	Managed Fund Since:	Joined Firm:
Stephen Bartolini	2018	2010
Saurabh Sud	2023	2018

## 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 1-877-804-2315 or visit [troweprice.com](http://troweprice.com). Read it carefully.**

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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.

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The Top Issuers excludes U.S. Treasuries, institutional funds, agencies and securitized products.

T. Rowe Price uses a custom structure for diversification reporting on this product.

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.

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

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