

Floating Rate Fund (PRFRX)

As of March 31, 2026



T. Rowe Price

Portfolio Highlights

The portfolio outperformed the Morningstar LSTA Performing Loan Index for the three-month period ended March 31, 2026.

Relative performance drivers:

- Credit selection in the information technology and energy segments contributed.
- Our defensive, risk-aware positioning added value.
- Security selection among financials and our underweight to the chemicals industry detracted.

Additional highlights:

- We augmented the portfolio's holdings in the health care industry and continued to reduce our exposure to the information technology segment.
- The number of rate cuts priced into the market has declined, which we view as supportive for loan coupons and the asset class's income advantage relative to other traditional fixed income sectors.

Fund Information

CUSIP	87279B106
Inception Date of Fund	July 29, 2011
Benchmark	Morningstar LSTA Performing Loan Index
Expense Information (as of the most recent Prospectus)	0.76%
Total Assets (all share classes)	\$4,052,538,021
Percent of Portfolio in Cash	5.0%

Performance (%) (NAV, total return performance > 1 year is annualized)

	3m	1yr	3yrs	5yrs	10yrs	Since Inception	30-Day SEC Yield
Floating Rate Fund	-0.49	5.47	7.87	5.80	4.97	4.42	6.27
Morningstar LSTA Performing Loan Index	-0.67	4.81	8.15	6.06	5.77	5.10	N/A

Calendar Year Performance (%) (NAV, total return)

	Inception Date	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Floating Rate Fund	Jul 29 2011	7.67	3.47	-0.10	8.43	1.73	4.60	-0.69	12.29	8.74	6.55
Morningstar LSTA Performing Loan Index		10.36	4.32	0.60	8.70	3.50	5.42	-0.77	13.72	9.15	6.01

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.

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. **Floating rate loans:** Transactions involving floating rate loans may have significantly longer settlement periods than more traditional bond investments (settlement can take longer than 7 days) and often involve borrowers whose financial condition is troubled or highly leveraged, which increases the risk that the fund may not receive its proceeds in a timely manner and that the fund may incur unexpected losses in order to pay redemption proceeds to its shareholders. See the prospectus for more detail on the fund's principal risks.

Performance Review

Market Review

The leveraged loan market returned -0.67% for the three-month period ended March 31, 2026, according to the Morningstar LSTA Performing Loan Index.

Yields increased across the Treasury curve. After starting the quarter at 4.18%, the yield of the benchmark 10-year U.S. Treasury note ended at 4.30%.

Geopolitical developments were the dominant driver of market performance as the outbreak of war in the Middle East and the effective closure of the Strait of Hormuz reignited inflation concerns. As a result, investors demanded higher yields to compensate for increased uncertainty and potential energy price shocks. These dynamics also led markets to reprice monetary policy expectations. However, optimism in late March around potential de-escalation helped stabilize markets, with Treasury yields declining modestly and risk appetite improving over the final trading days of the period.

The Bureau of Labor Statistics reported that nonfarm payrolls declined by 92,000 in February, well below expectations, and the unemployment rate ticked up to 4.4%. The weaker report could complicate decision-making for the Federal Reserve, as policymakers balance signs of labor market cooling against potential inflation pressures from rising energy prices amid escalating conflict in the Middle East.

The Bureau of Economic Analysis (BEA) revealed that the Fed's preferred inflation gauge, the core personal consumption expenditures price index, increased 0.4% in January, roughly in line with expectations, while the annual rate unexpectedly ticked up to 3.1%, the highest level since early 2024.

The BEA also reported that the U.S. economy grew at a slower pace than initially estimated in the fourth quarter, with the second estimate of gross domestic product growth coming in at an annual rate of 0.7% versus the initial estimate of 1.4%. The downward revision reflected lower exports, consumer spending, government spending, and investment.

At its March monetary policy meeting, the Fed decided to leave the target range for its federal funds rate unchanged at 3.50% to 3.75%, the second consecutive meeting with no change. Updated forecasts from central bank officials showed a median estimate of one more rate cut for the year, unchanged from their prior projection, while forecasts for both inflation and economic growth during the year were revised higher. At his post-meeting press conference, Fed Chair Jerome Powell pointed to heightened economic uncertainty stemming in part from geopolitical developments in the Middle East, particularly related to the potential for an energy shock that "can cause trouble for inflation expectations."

The volume of new deals increased quarter over quarter as USD 223.8 billion of issuance was priced, according to J.P. Morgan. Retail loan mutual funds reported a negative flow of USD 1.9 billion in the first quarter, and gross collateralized loan obligation (CLO) issuance, a key source of demand, declined quarter over quarter to USD 101 billion. The Morningstar LSTA 12-month par-weighted leveraged loan default rate rose to 1.44% from 1.23% at the end of December.

Information Technology Segment Added Value

Credit selection in the information technology segment aided relative performance, partly due to X.AI, which develops advanced artificial intelligence systems, including its flagship Grok model. Exclusive access to X's proprietary data and distribution to its monthly active users; the world's largest compute cluster; an innovative management team focused on speed and efficiency; and Elon Musk's sponsorship with access to his corporate and government connections, have been supportive for X.AI's performance.

Energy Issuer Contributed

Within the energy industry, liquefied natural gas (LNG) provider Venture Global was a notable contributor to relative performance. Higher overseas LNG prices amid supply disruptions due to the conflict in Iran and the closure of the Strait of Hormuz were supportive for the issuer's performance.

Defensive Positioning Aided Performance

Our defensive, risk-aware positioning added value. Specifically, avoiding troubled issuers that underperformed during the period including, Cornerstone Building Brands, the largest manufacturer of exterior building products in North America; Vibrant Technologies, a global manufacturer of diversified specialty chemicals; and Cubic Corporation, a multinational defense and public transportation equipment manufacturer, added value.

Software Names Under Pressure

Although the information technology segment contributed overall, fears about the potential impacts of displacement amid increased adoption of artificial intelligence technology (AI) weighed on the performance of several issuers including Qlik, which offers business intelligence and analytics; Cloud Software Group, a combination of Citrix Systems (software provider of remote desktop access) and TIBCO Software (data integration and harmonization); and Kaseya, a leading global provider of information technology management solutions.

Financials Segment Detracted

Credit selection within the financials segment weighed on relative results, partly due to middle-market insurance broker Alera due to fears about AI disintermediation risk affecting the insurance brokers subsector. However, we believe these risks are low because insurance brokers advise on complex, nondiscretionary products, and their businesses are broadly diversified across hundreds of thousands of clients and varying insurance lines, industries, and geographies.

Industry Underweight Held Back Gains

Our underweight allocation to chemicals, one of the benchmark's top-performing industries for the three-month period, detracted from relative results. Not owning chemical manufacturing company INEOS Group also had a negative performance impact as the loans traded higher during the quarter.

Portfolio Positioning And Activity

We increased the portfolio's allocation to the health care segment, largely by participating in a new issue from Hologic, a developer, manufacturer, and supplier of diagnostics products, medical imaging systems, and surgical products with an emphasis on women's health. A dominant market share, diversified noncyclical recurring revenue streams, and significant customer loyalty support the issuer's performance.

We continued to pare down the portfolio's information technology holdings, largely due to AI-displacement risk. For several quarters, we had been evaluating how generative AI could affect revenue durability, pricing power, reinvestment needs, and capital structure outcomes across our software and broader technology holdings. Last spring, our team developed an AI-risk framework designed to distinguish businesses where AI was more likely to be an enhancer from those where it could become a dis-intermediator. As a result of this framework, we have moved from a significant overweight in the information technology sector to a modest underweight over the last year. In addition to our AI-related trims during the quarter, the portfolio's Twitter/X loans were recently taken out at par, which further reduced our industry exposure.

Second-Lien Loan Opportunities in High-Conviction Names

We have an overweight allocation to higher-coupon, second-lien loans, although first liens still represent the vast majority of our holdings. Second liens are a step lower in the capital structure and, likewise, tend to be lower in credit quality, but these loans pay higher interest payments to compensate for the additional risk. Furthermore, they often come with hard call protection, an attractive feature not typically seen in the bank loan market. We will often hold a blended allocation of first- and second-lien loans from a single issuer to express conviction within an improving or stable credit. However, we have reduced exposure to second liens from our high in mid-2018.

Covenant-Lite Loans from Issuers with Sound Credit Profiles

With more than three-quarters of the market composed of covenant-lite (cov-lite) loans, our strategy cannot altogether avoid these loans. However, we remain significantly underweight, a consistent positioning since the strategy's inception. Cov-lite refers to a loan that is not subject to quarterly maintenance covenants, which are tests on certain credit metrics, formerly typical of the asset class. However, other restrictions remain, such as use of proceeds and restricted payments, similar to high yield covenants. Evaluating covenants has always been a critical component of our fundamental research process, and we will seek to invest in cov-lite loans issued from companies with sound credit profiles.

High Yield Bonds Can Provide Income and Enhance Liquidity

A typically modest allocation to high yield bonds with fixed rates can augment our income stream and enhance portfolio liquidity. When investing in this segment of the market, we often target secured bonds that are positioned at the same level of a company's capital structure (*pari passu*) as bank loans but with higher coupons. Similar to our second-lien positions, high yield bonds with fixed rates will often complement a bank loan holding to convey a positive thesis.

Manager's Outlook

Our outlook on the bank loan market remains balanced, though we are somewhat more cautious than we were last quarter. Recent economic data have remained solid. Additionally, continued investment tied to artificial intelligence, strong tax refund season trends, and ongoing mergers and acquisitions activity combined with open capital market conditions are all supportive of credit markets. However, we see a more mixed backdrop emerging beneath the surface. In particular, concerns around AI-driven displacement risk in software have increased, which is notable given the bank loan market's sizable exposure to that sector. Although we have not observed broad-based deterioration across issuers, this dynamic has led us to modestly raise our default expectations, primarily driven by potential pressure on select software companies. Even so, a near-term recession is not our base case.

The technical backdrop for loans remains supportive, particularly given still-robust collateralized loan obligation (CLO) formation, though retail flows bear watching more closely going forward. Year-to-date spread widening in the asset class has been driven largely by software names, and we think that pressure will continue, making it difficult to find compelling value outside of the more heavily discounted parts of the market. At the same time, recent geopolitical developments in the Middle East present an additional risk, as they could prove inflationary and erode some of the support consumers have recently received from strong tax refunds. While the trajectory of Fed policy remains uncertain, the number of rate cuts priced into the market has declined, which we view as supportive for loan coupons and the asset class's income advantage relative to other traditional fixed income sectors.

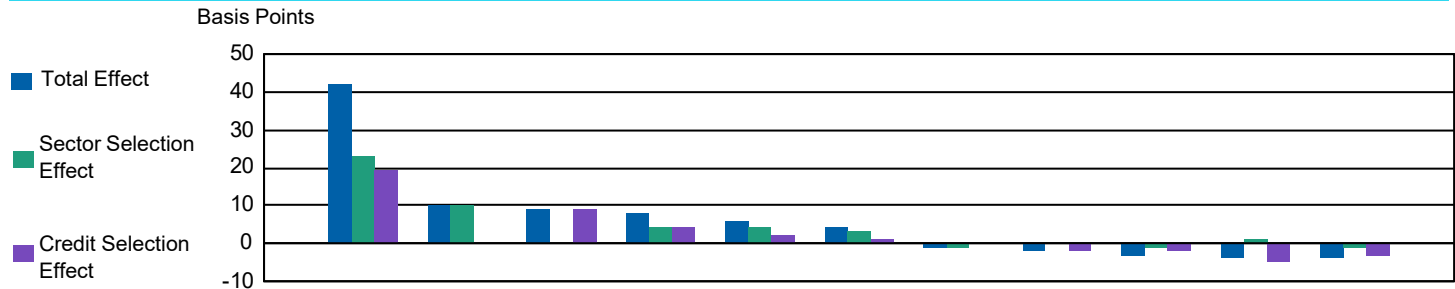
Organizational Update

The following investment team changes occurred during the quarter:

Departure: Tommy O'Neill, Associate Analyst

Quarterly Attribution

Industry Attribution: Fund vs. Morningstar LSTA Performing Loan Index (Top and Bottom Five By Total Effect) (3 months ended March 31, 2026)

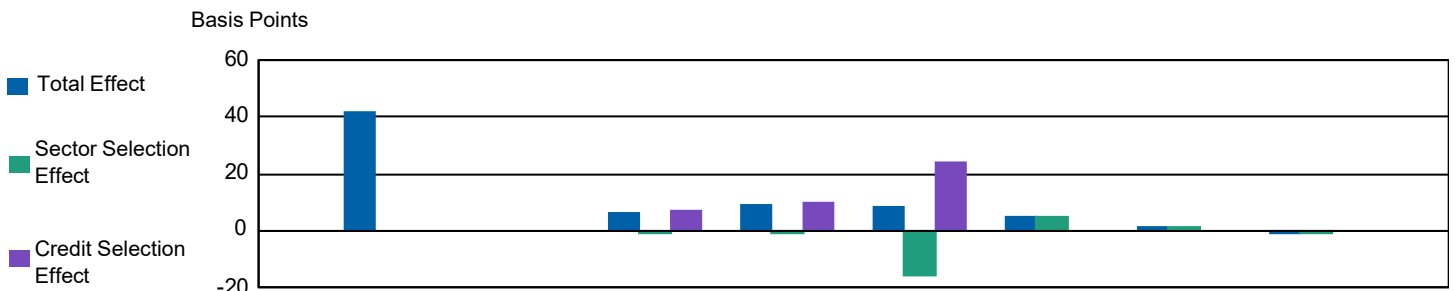


	Total	Chemicals	Autos	Building Products	Financial	Media	Transportation	Energy	Service	Cable Operators	Aerospace & Defense
Fund Weight (%)	100.00	1.24	3.83	1.33	18.05	4.07	0.00	2.77	8.33	1.44	2.91
Benchmark Weight (%)	100.00	3.83	2.89	3.11	9.43	1.24	1.07	2.38	16.00	2.03	3.40
Fund Performance (%)	1.72	-2.63	3.35	1.76	1.92	2.42	0.00	0.95	1.13	-2.62	2.11
Benchmark Performance (%)	1.30	-2.51	1.10	-1.14	1.80	2.25	1.86	1.75	1.38	0.35	3.17
Sector Selection Effect (bps)	23	10	0	4	4	3	-1	0	-1	1	-1
Credit Selection Effect (bps)	19	0	9	4	2	1	0	-2	-2	-5	-3
Total Effect (bps)	42	10	9	8	6	4	-1	-2	-3	-4	-4

Past performance is not a guarantee or a reliable indicator of future results.

T. Rowe Price's proprietary attribution model compares the Fund's performance and average market weights with that of the benchmark. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance for each security is obtained in the local currency and, if necessary, is converted to USD using an exchange rate determined by an independent third party.

Credit Quality Attribution: Fund vs. Morningstar LSTA Performing Loan Index (3 months ended March 31, 2026)



	Total	BBB Rated & Above	BB Rated	B Rated	CCC Rated & Below	Not Rated	CDS/CDX	Short Term
Fund Weight (%)	100.00	1.30	18.08	26.43	10.74	6.61	0.04	3.46
Benchmark Weight (%)	100.00	0.00	25.83	29.95	5.05	3.35	0.00	0.00
Fund Performance (%)	1.72	1.62	1.81	2.03	0.58	2.91	0.00	0.00
Benchmark Performance (%)	1.30	0.00	1.46	1.64	-1.61	2.86	0.00	0.00
Sector Selection Effect (bps)	0	0	-1	-1	-16	5	1	-1
Credit Selection Effect (bps)	0	0	7	10	24	0	0	0
Total Effect (bps)	42	0	6	9	8	5	1	-1

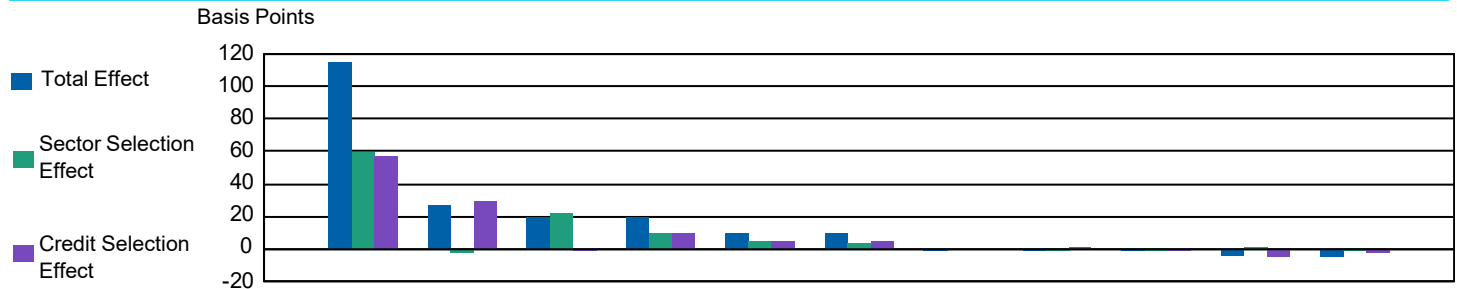
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Source of credit quality rating: Standard and Poor's.

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12-Month Attribution

Industry Attribution: Fund vs. Morningstar LSTA Performing Loan Index (Top and Bottom Five By Total Effect) (12 months ended March 31, 2026)

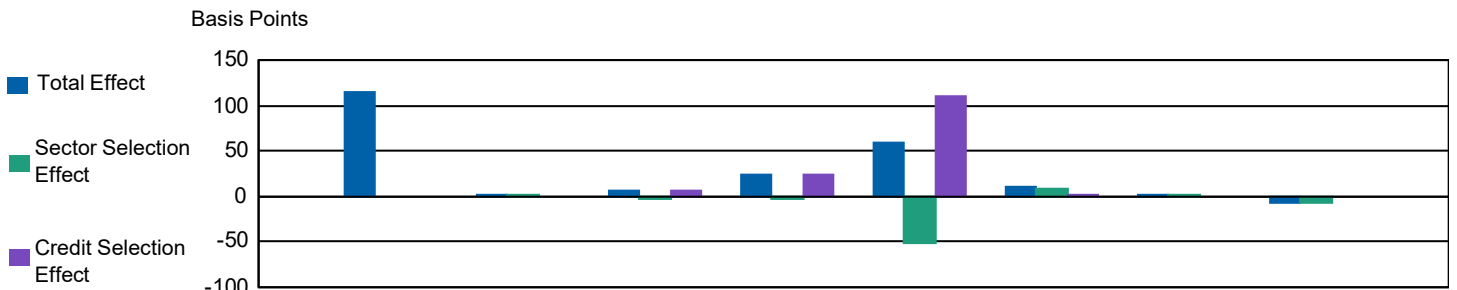


	Total	Automotives	Chemicals	Financial Services	Other Telecom	Aerospace & Defense	Health Care	Restaurants	Info Tech	Cable Operators	
Fund Weight (%)	100.00	3.30	1.40	18.44	8.58	2.80	2.73	8.64	0.68	17.90	1.41
Benchmark Weight (%)	100.00	3.10	4.03	9.16	15.94	1.21	3.30	11.27	1.67	14.38	2.36
Fund Performance (%)	7.17	7.31	-3.18	7.62	6.05	9.71	6.65	7.50	5.37	6.08	6.05
Benchmark Performance (%)	6.01	-0.17	-2.10	7.16	5.54	7.68	6.87	7.33	7.04	6.31	8.08
Sector Selection Effect (bps)	59	-3	22	10	4	3	0	-2	-1	1	-2
Credit Selection Effect (bps)	57	30	-2	9	5	5	0	1	-1	-5	-3
Total Effect (bps)	116	27	20	19	9	9	-1	-1	-2	-4	-5

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Credit Quality Attribution: Fund vs. Morningstar LSTA Performing Loan Index (12 months ended March 31, 2026)



	Total	BBB Rated & Above	BB Rated	B Rated	CCC Rated & Below	Not Rated	CDS/CDX	Short Term
Fund Weight (%)	100.00	0.87	18.72	27.22	10.98	6.66	0.04	3.50
Benchmark Weight (%)	100.00	0.00	24.85	29.43	5.21	3.77	0.00	0.00
Fund Performance (%)	7.17	5.59	6.64	7.92	6.92	8.30	0.00	0.00
Benchmark Performance (%)	6.01	0.00	6.29	7.00	-2.58	8.08	0.00	0.00
Sector Selection Effect (bps)	0	2	-1	-3	-52	9	1	-7
Credit Selection Effect (bps)	0	0	7	25	111	2	0	0
Total Effect (bps)	116	2	7	23	59	10	1	-7

Past performance is not a guarantee or a reliable indicator of future results.

Source of credit quality rating: Standard and Poor's.

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Portfolio Positioning

Significant Over/Underweight Industries vs. Morningstar LSTA Performing Loan Index (%)

Industry	Fund 3/31/26	Benchmark 3/31/26	Over/Underweight
Financial	16.1	9.8	6.3
Media	5.2	1.4	3.9
Utilities	5.3	2.4	2.9
Misc.	1.4	0.0	1.4
Other Telecommunications	2.1	0.9	1.3
Automotives	4.1	3.0	1.1
Satellites	1.3	0.4	0.9
Transportation	0.0	1.1	-1.1
Container	1.3	2.5	-1.2
Food	0.8	2.4	-1.6
Building Products	1.4	3.1	-1.7
Info Tech	12.2	14.3	-2.2
Chemicals	1.4	3.6	-2.2
Services	7.9	16.3	-8.4

Credit Quality Diversification—Changes Over Time vs. Morningstar LSTA Performing Loan Index (%)

	Fund 3/31/25	Fund 12/31/25	Fund 3/31/26	Benchmark 3/31/26
BBB/BB & Abv	0.8	1.8	1.7	0.5
BB	15.5	13.3	15.2	19.3
BB/B	5.7	5.2	7.3	6.9
B	55.9	56.9	53.9	62.9
B/CCC	3.5	3.8	3.0	3.2
CCC & Below	10.2	9.4	9.2	3.8
CDS	0.0	0.0	0.0	0.0
Equities	0.2	0.3	0.4	0.0
Not Rated	4.9	4.5	4.4	3.4
Short- Term	3.4	4.7	5.0	0.0

Bank Loan Distribution vs. Morningstar LSTA Performing Loan Index

	% of Fund	% of Benchmark
2nd Lien	9.8	1.7
Covenant Lite Deals	78.5	93.2
LIBOR Floor	30.6	40.4

All categories are not mutually exclusive and an individual issuer may be counted in more than one category.

Holdings

Top 10 Issuers

Issuer	Industry	% of Fund
Hologic Inc	Health Care	2.5
Applied Systems Inc	Info Tech	1.9
Nielsen Finance LLC	Media	1.8
Alera Group Inc	Financial	1.8
Sophia Holding II LP	Info Tech	1.6
TransDigm Group Inc	Aerospace & Defense	1.6
Asurion LLC	Wireless Communications	1.5
Resilience Parent LLC	Utilities	1.4
CRC Insurance Group LLC	Financial	1.4
UKG Inc	Services	1.4

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

Portfolio Management

	Managed Since	Joined Firm
Paul Massaro	2011	2003

Additional Disclosures

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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.

Industry classification was determined by T. Rowe Price's high yield industry structure.

T. Rowe Price uses a custom structure for sector and industry reporting for 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 and Standard & Poor's 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. Split ratings (e.g., BB/B and B/CCC) are assigned when Moody's and S&P differ. If a rating is not available, the security is classified as Not Rated (NR). The rating of the underlying investment vehicle is used 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.

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.

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the portfolio, and no assumptions should be made that investments in the securities identified and discussed were or will be profitable.

The manager's views and portfolio holdings are historical and subject to change. This material should not be deemed a recommendation to buy or sell any of the securities mentioned.

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