T.RowePrice®
INVEST WITH CONFIDENCE

QUARTERLY REVIEW

Floating Rate Fund

As of June 30, 2020

PORTFOLIO HIGHLIGHTS

The portfolio underperformed the S&P/LSTA Performing Loan Index for the three-month period ended June 30, 2020.

Relative performance drivers:

- Our higher-quality bias weighed on relative performance amid the rally in distressed and lower-quality names.
- Credit selection in energy was a top contributor to relative performance.
- Long-standing top positions continued to produce solid gains.

Additional highlights:

- We have reduced our new issue participation rate as underwriting standards in the loan market have deteriorated, in our view.
- History tells us that when loan prices reach certain low levels, one-year forward returns are typically positive, and we expect this trend to continue.

FUND INFORMATION

Symbol	PRFRX
CUSIP	87279B106
Inception Date of Fund	July 29, 2011
Benchmark	S&P/LSTA Performing Loan Index
Expense Information (as of the most recent Prospectus)	0.76%
Fiscal Year End	May 31
12B-1 Fee	–
Total Assets (all share classes)	$2,042,858,010
Percent of Portfolio in Cash	1.4%

PERFORMANCE

(NAV, total return)

				Annualized			
	Three Months	**Year-to-Date**	**One Year**	**Three Years**	**Five Years**	**Since Inception 7/29/11**	**30-Day SEC Yield**
Floating Rate Fund	7.46%	-4.53%	-1.86%	1.77%	2.51%	3.13%	3.38%
S&P/LSTA Performing Loan Index	10.32	-4.60	-1.95	2.17	3.11	3.83	–

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Floating Rate Fund	Jul 29 2011	7.32%	4.21%	1.38%	1.19%	7.67%	3.47%	-0.10%	8.43%
S&P/LSTA Performing Loan Index		9.76	5.41	1.82	0.10	10.36	4.32	0.60	8.70

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. 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. The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.
This fund could have greater price declines than a fund that invests primarily in high-quality bonds or loans: the loans and debt securities held by the fund are usually considered speculative and involve a greater risk of default and price decline than higher-rated bonds.
The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details. For Sourcing Information, please see Additional Disclosures.

PERFORMANCE REVIEW

Market Review
Progress in the battle against the coronavirus benefited financial markets early in the quarter, with infection rates, hospitalizations, and deaths beginning to decline in early April in New York and other hard-hit areas. The turnaround encouraged the nation's governors to begin the gradual reopening of businesses and public facilities, while many major firms resumed manufacturing operation in late April. After declining for several weeks, however, the national number of daily diagnosed new cases began to climb in June and reached new highs by the end of the period, prompting governors in several states to announce either reversals or delays in reopening plans.

Throughout the quarter, markets appeared to react to reports of progress in developing treatments and a vaccine for the coronavirus. In June, a major study showing that a common steroid drug helped save lives in serious cases of the virus buoyed investor sentiment, as it marked the first time a treatment had a verifiable impact on reducing the fatality rate. Anthony Fauci, the nation's top infectious diseases official, later told a congressional committee that a vaccine was a matter of "when and not if" and that he was "cautiously optimistic" that one would arrive by the end of the year.

Treasury yields ended the quarter little changed from where they began. The yield on the benchmark 10-year note ended at 0.66% compared with 0.70% at the beginning of the period. Investors welcomed continued efforts by the Federal Reserve and the federal government to support the U.S. economy. In early April, the central bank promised up to USD 2.3 trillion in loans to smaller businesses and municipalities and announced that it would include eligible fallen angels and high yield exchange-traded funds (ETFs) as part of its Term Asset-Backed Securities Lending Facility (TALF) and other emergency lending programs. In mid-June, the Fed decided to augment its purchases of ETFs by starting to buy a broad portfolio of U.S. corporate bonds.

The overall tone of economic data improved throughout the quarter and appeared to help offset coronavirus fears. May's employment report was particularly encouraging as data showed that employers added back 2.5 million positions, defying consensus expectations for a decline of around 8 million jobs. Instead of rising to nearly 20% as forecast, the unemployment rate dropped to 13.3% from 14.7%. Retail sales also rebounded in May, and several indicators suggested a recovery in manufacturing. Escalating tensions with China resulted in periodic volatility and may have restrained the quarter's gains. However, President Donald Trump helped allay investors' fears in June as he reaffirmed his support for the phase one trade agreement.

Unlike high yield bonds, bank loan new issue activity has yet to return to pre-crisis levels, although issuance in June increased twofold month over month. Second-quarter new issue volume of USD 46.4 billion marked a significant decline from the previous three-month period and is the lowest level in 17 quarters, according to J.P. Morgan. Overall, many issuers seem to prefer high yield debt in the form of bonds rather than bank loans in the current environment. Similarly, collateralized loan obligation (CLO) issuance increased each successive month of the quarter, although overall levels, which declined 34% year over year, remain lower for this important source of demand for loans.

The S&P/LSTA par-weighted 12-month default rate ended the quarter at 3.23% compared with 1.84% in March. This level represents a five-year high, although it remains lower than the high yield default rate of 6.19% where energy is a greater portion of the market. Strategists estimate loan defaults could increase to 5% this year (compared with the previous forecast of 2% at the end of 2019) before declining in 2021.

Our Higher-Quality Bias Weighed on Results
Leveraged loan market returns were led by a rally in distressed and low-quality names, and the portfolio underperformed due to our higher-quality bias, including a significant underweight to loans rated B minus. Downgrade activity in the loan market for the first six months this year has already set annual records. Year-to-date downgrades have outpaced last year's record volume while the upgrade-to-downgrade ratio also resides at a record low due to aggressive underwriting standards, particularly throughout 2017 and 2018. Against this credit backdrop, CLO support remains limited for lower-quality tiers, including loans rated B minus and CCC due to rating restrictions in CLO structures. Regardless, low-quality, low dollar price loans outperformed the second quarter as investors focused on short-term return potential despite elevated default and downgrade estimates.

Our reserves allocation, which is necessary for liquidity purposes, was a notable relative performance detractor due to the strong performance environment during the period.

Credit Selection Among B Rated Loans Detracted
At 2019 conclusion, the index held 13.8% in loans rated B minus, while today that exposure is 17.9% due to elevated downgrade activity. As this area in the loan market has expanded, we have been underweight to B minus loans throughout the year, coinciding with a meaningful decline in our new deal participation rate over the last two years. Due to the low-quality rally, our credit selection within B rated loans was a top detractor during the second quarter. This positioning also weighed on performance within the information technology and health care segments, largely due to our avoidance of many lower-quality issuers in the B rating tier.

Energy Sector Made Meaningful Contribution
Credit selection in energy, including select off-index exposures in this relatively small loan industry, was a meaningful contributor to relative performance. Targa Resources, a midstream energy company that is one of the nation's largest providers of natural gas and natural gas liquids, benefited portfolio performance within the segment. The company took several credit-friendly actions in March when oil prices declined in order to shore up its balance sheet and preserve liquidity in what could be a prolonged, difficult operating environment.

Strong Performance From Top Issuers
Long-standing top positions in Asurion and Kronos produced solid gains. Asurion is a loan-only issuer and global provider of product protection and support services to the wireless, insurance, retail, and home repair service industries. Asurion's dominant market position, solid credit profile, near-term revenue visibility, and attractive coupons support our high conviction.

Kronos is a leader in the workforce management solutions market. The company's products address business needs, including monitoring employee time and attendance, scheduling, absence management, and workforce analytics. Its market-leading products and subscription-based business foster loyalty from its diverse customer base consisting of large, well-capitalized companies.

PORTFOLIO POSITIONING AND ACTIVITY

In our view, underwriting standards in the loan market have deteriorated in recent years. This shift was reflected in the pricing of loans, in covenants and terms, and in the ratings mix of our market, which becomes increasingly important in a downturn or recession when there is more downgrade activity. Consequently, we significantly reduced our new issue participation rate.

Industry Allocations Adjusted
We increased our technology industry allocation as we found value in the first- and second-lien loans. In our view, software-as-a-service businesses are particularly attractive because the licensing of software to customers provides recurring revenue streams. Following the onset of the coronavirus, most technology companies were able to continue normal operations with employees working remotely, and the industry has generally not encountered earnings issues as a result of the pandemic. The performance of software companies in particular has been resilient, which gave us the confidence to increase our technology sector investment.

While navigating the global financial crisis, we learned that advertising companies are among the first businesses to be negatively impacted by an economic downturn. Consequently, we meaningfully reduced our broadcasting industry exposure at reasonable prices.

Potential Income Protection From Loans With LIBOR Floor
A LIBOR floor is a minimum value imposed on the benchmark component of the floating rate coupon. Typical LIBOR floors today are either 75 or 100 basis points; however, 0% LIBOR floors exist as protection in case rates go negative. Even so, the percentage of the market with LIBOR floors has tracked lower in recent years as rates were rising and then leveled off. Three-month LIBOR was at 30 basis points at the end of June, a decline from 145 basis points at the end of March.

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 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, similar to high yield covenants. Evaluating covenants is an existing component of our fundamental research platform, and we seek to invest in cov-lite loans issued from companies with sound credit profiles. Top positions by issuers such as Asurion and Kronos include cov-lite loans.

High Yield Bonds Provided Income and Enhanced 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

We are broadly constructive in our performance expectations due to the compelling average dollar price of the loan asset class following the recent sell-off. Valuations have started to recover but remain attractive, and we believe opportunities to generate meaningful income still exist. History tells us that when loan prices reach certain low levels, one-year forward returns are typically positive, and we expect this trend to continue. However, the loan default rate is likely to increase amid bouts of heightened volatility.

If the Federal Reserve pivots to negative interest rates, loans with LIBOR floors may help provide some income protection. Conversely, the eventual return to a rising rate environment, although unlikely in the near term, should result in potential upside for the asset class. We are optimistic about the efficacy of therapeutic treatments for the virus and believe the reopening of the economy will continue at a measured pace. In recent months, we have taken advantage of attractive entry points in market segments that have been significantly impacted by the pandemic while actively researching lower-dollar opportunities to enhance the portfolio's total return potential.

As always, we aim to deliver high current income while seeking to contain the volatility inherent in this market. Our team maintains a commitment to credit research and risk-conscious investing that has led to favorable returns for our bank loan clients over various market cycles.

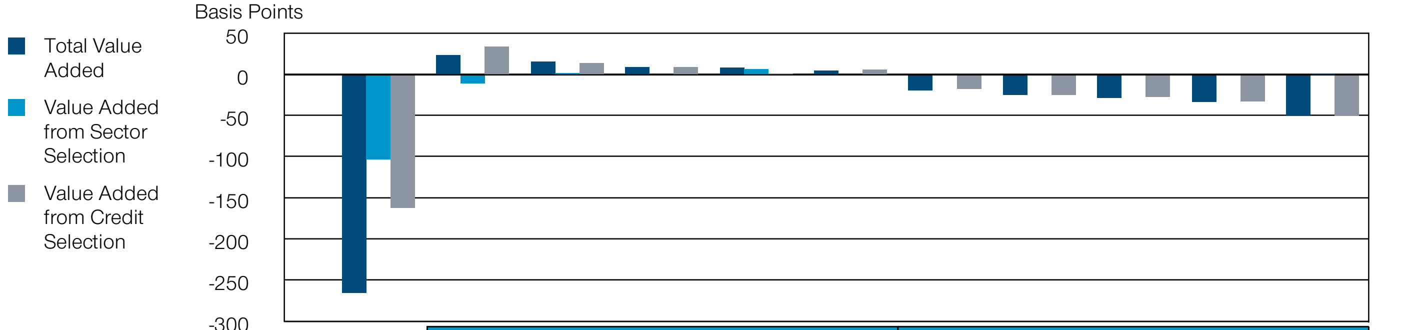
ORGANIZATIONAL UPDATE

The following investment team changes occurred during the quarter:
Departure: Christopher Schubert, Trader

QUARTERLY ATTRIBUTION

INDUSTRY ATTRIBUTION VS. S&P/LSTA PERFORMING LOAN INDEX (TOP AND BOTTOM 5 BY TOTAL VALUE ADDED)

(3 months ended June 30, 2020)



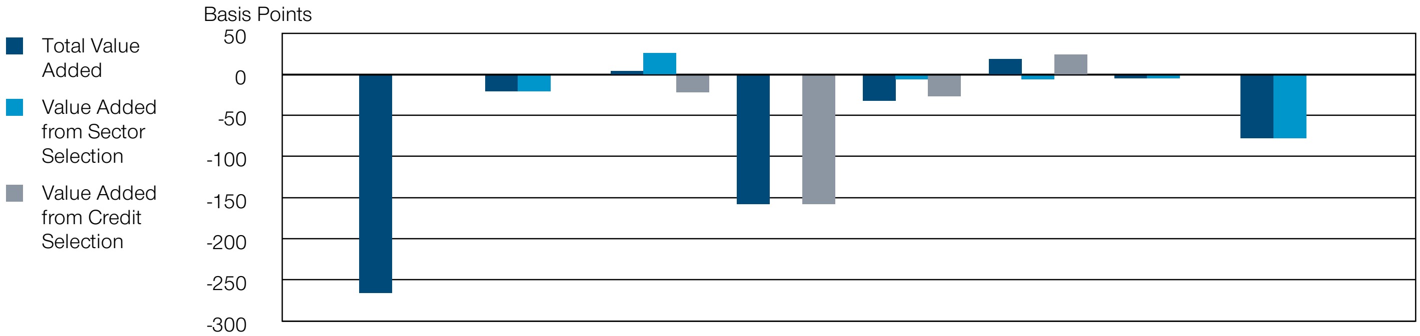
	Total	Energy	Consumer Products	Restaurants	Airlines	Reits	Automotive	Services	Financial	Health Care	Info Tech
		Top Five Total Value Added					Bottom Five Total Value Added				
Fund Weight (%)	100.00	2.07	1.29	1.30	0.23	0.05	2.51	12.98	9.72	14.51	12.38
Benchmark Weight (%)	100.00	2.56	2.02	1.35	0.78	0.16	3.01	13.46	5.48	12.74	14.15
Fund Performance (%)	7.67	49.90	17.70	15.36	5.23	–	5.50	8.55	7.28	7.65	5.89
Benchmark Performance (%)	10.32	31.44	7.00	8.53	-1.73	13.95	12.43	10.42	10.03	9.85	9.96
Sector Selection (bps)	-103	-10	2	0	7	0	-1	0	-1	-1	1
Credit Selection (bps)	-162	34	14	9	2	6	-17	-24	-27	-32	-50
Total Contribution (bps)	-265	24	16	9	8	5	-18	-24	-28	-33	-50

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

Past performance is not a reliable indicator of future performance. T. Rowe Price's proprietary attribution model compares the fund's performance and market weights by industry classification with the benchmark's performance and market weights. 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 using an exchange rate determined by an independent third party. Performance returns are in USD. Any difference in the total value added and the sum of credit selection and sector selection is referred to as residual. Residual can occur due to position shifts within the portfolio and benchmark both from an issuer and sector perspective and reflects any difference in performance calculation methodology between T. Rowe Price's proprietary attribution model and internal performance tool. For Sourcing Information, please see Additional Disclosures.

CREDIT QUALITY ATTRIBUTION VS. S&P/LSTA PERFORMING LOAN INDEX

(3 months ended June 30, 2020)



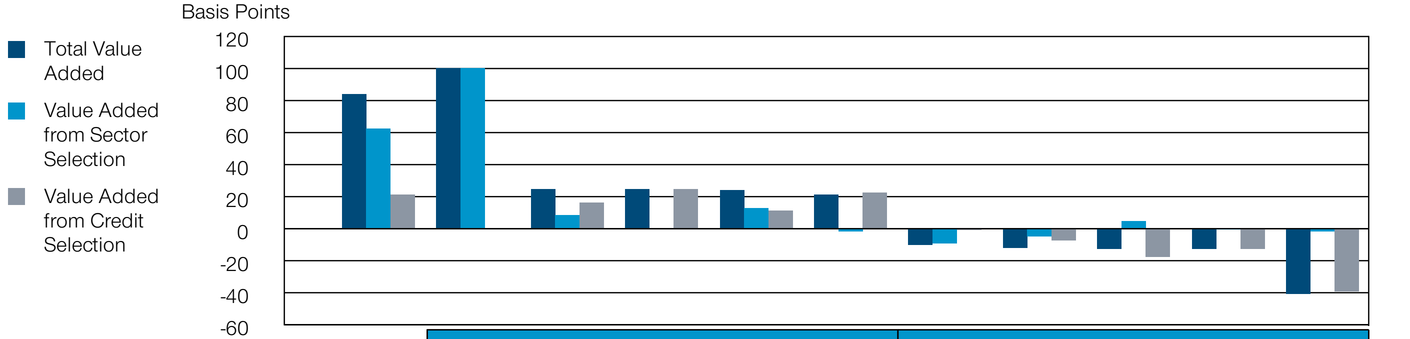
	Total	BBB Rated & Above	BB Rated	B Rated	CCC Rated & Below	Not Rated	Credit Default Swap	Short Term
Fund Weight (%)	100.00	3.59	16.57	63.46	6.67	3.63	0.54	5.54
Benchmark Weight (%)	100.00	0.00	25.57	63.78	8.80	1.86	0.00	0.00
Fund Performance (%)	7.67	4.89	5.78	8.75	9.03	16.79	–	–
Benchmark Performance (%)	10.32	–	7.08	11.22	12.88	7.04	–	–
Sector Selection (bps)	–	-19	26	0	-5	-6	-4	-77
Credit Selection (bps)	–	0	-21	-157	-26	25	0	0
Total Contribution (bps)	-265	-19	5	-157	-31	19	-4	-77

Past performance is not a reliable indicator of future performance. Source of credit quality rating: Moody's Investor Services and Standard and Poor's. Analysis represents the combined performance of the underlying securities held within the given time period relative to its respective broad weighted benchmark as calculated by T. Rowe's proprietary attribution model. Performance for each security is obtained in the currency in which it is issued and, if necessary, is converted using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance returns are in USD.

12-MONTH ATTRIBUTION

INDUSTRY ATTRIBUTION VS. S&P/LSTA PERFORMING LOAN INDEX (TOP AND BOTTOM 5 BY TOTAL VALUE ADDED)

(12 months ended June 30, 2020)



		Top Five Total Value Added					Bottom Five Total Value Added				
	Total	Consumer Products	Reits	Wireless Communications	Services	Metals & Mining	Building Products	Chemicals	Cable Operators	Gaming	Broadcasting
Fund Weight (%)	100.00	1.79	0.28	4.46	11.35	1.67	0.48	2.78	4.67	2.95	4.73
Benchmark Weight (%)	100.00	2.38	0.24	2.06	13.28	0.72	2.25	4.28	3.37	2.96	3.08
Fund Performance (%)	-1.11	-7.35	–	5.96	0.85	4.79	1.74	-1.30	-1.80	-5.78	-12.31
Benchmark Performance (%)	-1.95	–	-16.53	-1.17	3.39	-1.16	3.15	1.19	1.96	-1.51	-2.91
Sector Selection (bps)	63	101	9	0	13	-2	-9	-5	5	0	-2
Credit Selection (bps)	21	0	16	25	11	23	-1	-7	-18	-13	-39
Total Contribution (bps)	84	101	25	25	24	21	-10	-12	-12	-13	-41

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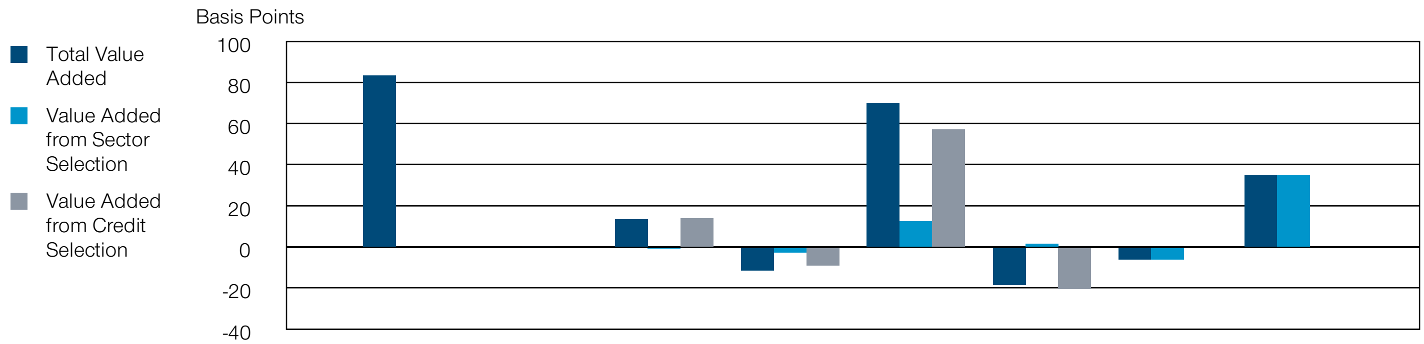
CREDIT QUALITY ATTRIBUTION VS. S&P/LSTA PERFORMING LOAN INDEX

(12 months ended June 30, 2020)

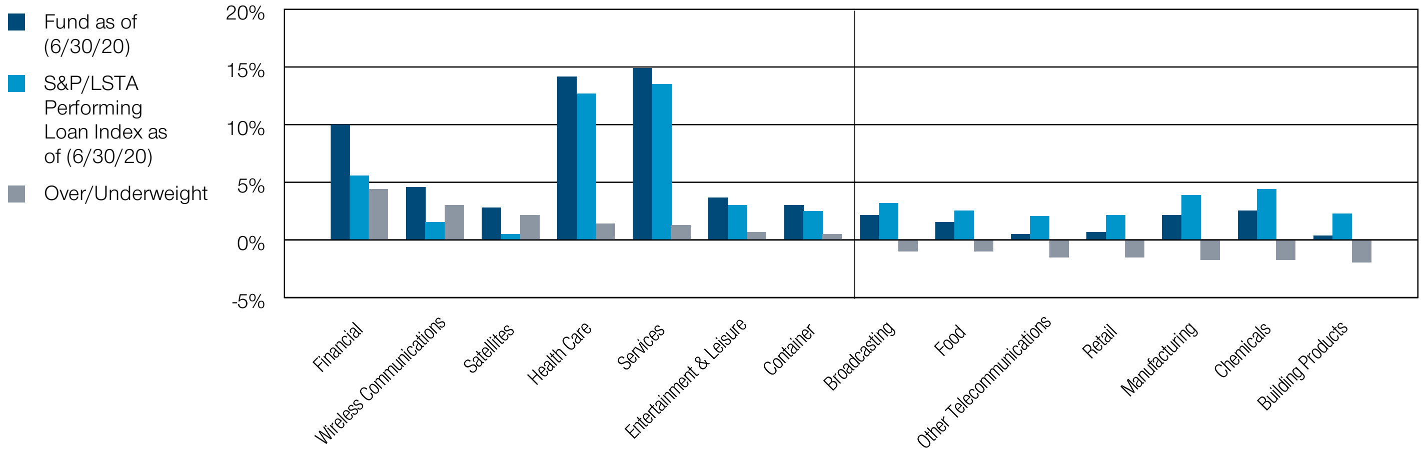


	Total	BBB Rated & Above	BB Rated	B Rated	CCC Rated & Below	Not Rated	Credit Default Swap	Short Term
Fund Weight (%)	100.00	4.32	21.91	59.46	5.99	2.60	0.51	5.20
Benchmark Weight (%)	100.00	0.00	27.71	63.28	7.12	1.89	0.00	0.00
Fund Performance (%)	-1.11	-1.91	-1.17	-1.44	-3.45	-7.08	–	–
Benchmark Performance (%)	-1.95	–	-1.83	-1.30	-13.08	0.65	–	–
Sector Selection (bps)	–	0	-1	-3	13	2	-6	35
Credit Selection (bps)	–	0	14	-9	58	-20	0	0
Total Contribution (bps)	84	0	14	-11	70	-18	-6	35

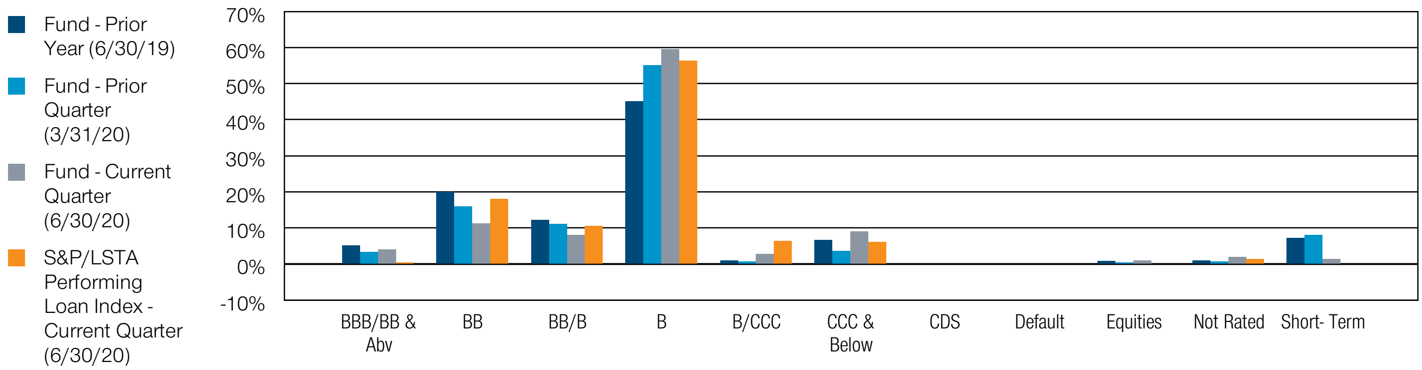
Past performance is not a reliable indicator of future performance. Source of credit quality rating: Moody's Investor Services and Standard and Poor's. Analysis represents the combined performance of the underlying securities held within the given time period relative to its respective broad weighted benchmark as calculated by T. Rowe's proprietary attribution model. Performance for each security is obtained in the currency in which it is issued and, if necessary, is converted using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would be lower as a result of the deduction of such fees. Performance returns are in USD.

PORTFOLIO POSITIONING

SIGNIFICANT OVER/UNDERWEIGHT INDUSTRIES



CREDIT QUALITY DIVERSIFICATION – CHANGES OVER TIME



BANK LOAN DISTRIBUTION

	% of Fund	% of S&P/LSTA Performing Loan Index
2nd Lien	11.1%	3.1%
Convenant Lite Deals	73.8	88.2
LIBOR Floor	37.7	36.0

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
Hellman & Friedman LLC	Services	4.2%
Asurion LLC	Wireless Communications	4.0
Kronos Inc/MA	Services	4.0
Refinitiv US Holdings Inc	Info Tech	2.9
HUB International Ltd	Financial	2.6
UFC Holdings LLC	Entertainment & Leisure	2.5
USI Advantage Corp	Financial	1.8
Versant Health Inc	Health Care	1.7
Altice USA Inc	Cable Operators	1.6
Solera LLC	Info Tech	1.4

PORTFOLIO MANAGEMENT

Portfolio Manager:
Paul Massaro

Managed Fund Since:
2011

Joined Firm:
2003

Additional Disclosures

Source for S&P data: S&P. "Standard & Poor's®", "S&P®", "S&P 500®", "Standard & Poor's 500", and "500" are trademarks of Standard & Poor's, and have been licensed for use by T. Rowe Price. The fund is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the fund.

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. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.
Industry classification was determined by T. Rowe Price's high yield industry structure. The bonds in which the fund invests are at a much greater risk of default and tend to be more volatile than higher-rated bonds. Like bond funds, it is exposed to interest rate risk, but credit and liquidity risks may often be more important.
Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.
Sources for credit quality: Moody's Investors Service and Standard & Poor's (S&P); split ratings (e.g., BB/B and B/CCC) are assigned when the Moody's and S&P ratings differ. T. Rowe Price does not evaluate these ratings, but simply assigns them to the appropriate credit quality category as determined by the rating agency. T. Rowe Price uses the rating of the underlying investment vehicle for credit default swaps. Short-term holdings are not rated. The source of credit quality for the S&P/LSTA Performing Loan Index is Standard & Poor's.
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Unless indicated otherwise the source of all data is T. Rowe Price.
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