

# High Yield Fund (PRHYX)

As of December 31, 2025



T. Rowe Price

## Portfolio Highlights

The portfolio outperformed the Bloomberg US High Yield 2% Issuer Capped Index for the three-month period ended December 31, 2025.

Relative performance drivers:

- Credit selection in the automotive and wireless communications industries contributed to relative performance.
- Our defensive, risk-aware positioning added value.
- Security selection in the energy and cable operators segments detracted.

Additional highlights:

- We increased our allocation to the utilities industry and decreased exposure to the services segment.
- While spreads are near historically tight levels, the asset class continues to provide extremely attractive yields, in our view. Given the large portion of secured debt and the high-quality nature of the asset class, we view high yield as a compelling source of risk-adjusted returns.

## Fund Information

CUSIP	741481105
Inception Date of Fund	December 31, 1984
Benchmark	Bloomberg US HY 2% Iss Cap Index
Expense Information (as of the most recent Prospectus) <sup>(1)</sup>	0.80%(Gross) 0.70%(Net)
Total Assets (all share classes)	\$6,626,126,625
Percent of Portfolio in Cash	2.7%

<sup>(1)</sup>The Fund operates under a contractual expense limitation that expires on July 31, 2027.

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

	3m	1yr	3yrs	5yrs	10yrs	15yrs	30-Day SEC Yield	30-Day SEC Yield w/o Waiver <sup>(2)</sup>
High Yield Fund	1.45	8.59	9.57	4.22	5.80	5.56	5.87	5.75
Bloomberg U.S. High-Yield 2% Issuer Capped Bond Index	1.31	8.62	10.06	4.50	6.52	6.02	N/A	N/A

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

	Inception Date	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
High Yield Fund	Dec 31 1984	14.49	7.37	-3.33	14.66	4.95	5.18	-11.14	13.65	6.59	8.59
Bloomberg U.S. High-Yield 2% Issuer Capped Bond Index		17.13	7.50	-2.08	14.32	7.05	5.26	-11.18	13.44	8.19	8.62

**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](http://troweprice.com).**

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

<sup>(2)</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(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. **"Junk" bonds:** Investments in bonds that are rated below investment grade, commonly referred to as junk bonds, and loans that are rated below investment grade, expose the fund to greater volatility and credit risk than investments in securities that are rated investment grade. See the prospectus for more detail on the fund's principal risks.

## Performance Review

### Market Review

The high yield market returned 1.31% for the three-month period ended December 31, 2025, according to the Bloomberg US High Yield 2% Issuer Capped Index.

The Treasury yield curve steepened as Federal Reserve rate cuts pushed shorter-maturity yields lower while positive economic data and lingering fiscal concerns supported higher longer-term yields. After starting the quarter at 4.16%, the yield of the benchmark 10-year U.S. Treasury note ended at 4.18%.

Favorable corporate earnings reports, business deals and partnerships involving artificial intelligence, and expectations for interest rate cuts due to signs of a weakening labor market buoyed investor sentiment. Equities capped a fairly strong year that saw major indexes rise to all-time highs. The longest U.S. government shutdown on record ended on November 12 after President Donald Trump signed a spending bill to keep the government funded through January 30, alleviating some uncertainty for risk assets and leading to a restart of official economic data releases.

The Bureau of Labor Statistics' (BLS) closely watched nonfarm payrolls report showed that U.S. employers added 64,000 jobs in November, ahead of estimates for around 45,000 and a sharp rebound from the 105,000 jobs lost in October. However, the unemployment rate rose to 4.6% in November, the highest level in over four years.

The BLS later reported that U.S. inflation unexpectedly cooled in November. According to its consumer price index (CPI), prices rose 2.7% year over year during the month, below estimates for around a 3.1% increase and down from a 3% rise in September (October data were not released due to collection issues related to the federal government shutdown). Core prices, which exclude volatile food and energy costs, rose 2.6% over the same period, also well below estimates and the lowest level since March 2021.

The Fed announced two 25-basis-point cuts, lowering its target range for the federal funds rate to 3.50%-3.75%. The central bank's latest policy statement included language that has previously signaled a pause in policy actions, noting that policymakers "will carefully assess incoming data" to determine "the extent and timing of additional adjustments to the target range."

Fed Chair Jerome Powell's December post-meeting press conference offered somewhat mixed messages, though ultimately appeared to be less hawkish than some investors were anticipating. While Powell noted that the fed funds rate is "within a broad range of estimates of its neutral value" and that policymakers are "well positioned to wait and see how the economy evolves," he also referenced concerns about "significant downside risks" to the labor market.

As measured by the J.P. Morgan Global High Yield Index, high yield bond spreads compressed (-6 bps) during the fourth quarter, ending the period at 341 basis points. According to J.P. Morgan, capital market activity decreased quarter over quarter, producing USD 65.4 billion in new paper, and refinancing was the largest category of issuance at roughly 62% of the gross volume. The J.P. Morgan par-weighted default rate rose to 0.99% from 0.49% at the end of September, although it remained well below the long-term average of 3%-4%.

### Automotive Industry Contributed

Security selection in the automotive industry added value, partly due to electric vehicle manufacturer Rivian. The securities traded higher after the company reported better-than-expected 3Q25 results, which included its second quarterly gross profit of 2025, and made progress toward full production of its R2 mid-size sport utility vehicle. Rivian's joint venture with Volkswagen and its software and services division also made meaningful contributions during the period.

### Wireless Communications Industry Aided Performance

Credit selection in the wireless communications segment was supportive, partly due to Asurion, the leading provider of mobile protection services. In our view, the company has a solid track record of innovation, resilience, and execution. Asurion's contracts with Verizon and AT&T, which were recently extended through year-end 2031, as well as its growing Connected Home business, provide reasonable earnings visibility.

### Defensive Positioning Added Value

Our defensive, risk-aware positioning contributed to relative performance, partly due to our avoidance of troubled issuers that underperformed during the period, including Saks Global, an American holding company of department stores and commercial property; Multi-Color, a leader in global label solutions; and CoreWeave, a provider of outsourced graphics processing units and datacenter management and capacity.

### Energy Industry Detracted

Security selection in the energy industry detracted, partly due to liquefied natural gas (LNG) company Venture Global (VG). International LNG prices have fallen while domestic prices have increased, compressing the spread between the two. This spread represents VG's gross margin on non-contractual market rate commissioning cargos. The rapid collapse in spreads has recently been a performance headwind for the company.

### Cable Operators Weighed

Credit selection among cable operators detracted, partly due to broadband communications and video services provider Altice USA (ATUS). Cable companies have faced intense competition from fiber technology and fixed wireless providers. Rising liability management exercise risk has also been a performance headwind for ATUS.

### Services Segment Held Back Gains

Within the services segment, Sabre, a technology solutions provider to the global travel and tourism industry, held back relative gains. The company reported mixed 3Q25 results. Although revenue and EBITDA were in line with expectations, bookings were weaker than anticipated and management lowered 2025 guidance.

### Portfolio Positioning And Activity

We increased our allocation to the utilities industry partly by augmenting our investment in Talen Energy, an independent power producer and energy infrastructure company.

We also reduced our allocation to the services segment, partly by liquidating our investment in car rental company Hertz. Although Hertz's near-term earnings are expected to continue improving with relative value remaining attractive, this is more than offset by structural profitability concerns and an unsustainable capital structure, in our view.

## Manager's Outlook

Our outlook on the high yield market remains balanced. Despite recent periods of volatility and weaker-than-expected jobs reports, we do not anticipate default rates moving materially from current levels. Sectors with large exposure to the low-end consumer have experienced weakness, but we have not observed a broad-based deterioration in fundamentals.

Year to date, underwriting has been disciplined as evidenced by a lack of aggressive leveraged buyout activity and the lowest percentage of CCC issuance in a decade. Earnings for most issuers have been better than feared, and credit markets are poised to benefit from several tailwinds next year, including monetary easing and fiscal stimulus. We also believe deregulation and increased M&A activity should remain supportive for sub-investment-grade issuers. Given these factors, a near-term recession is not in our base-case forecast. While spreads are near historically tight levels, the asset class continues to provide extremely attractive yields, in our view. Given the large portion of secured debt and the high-quality nature of the asset class (over 60% is composed of BB rated bonds), we view high yield as a compelling source of risk-adjusted returns.

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 historically led to favorable returns for our high yield clients over various market cycles.

## Organizational Update

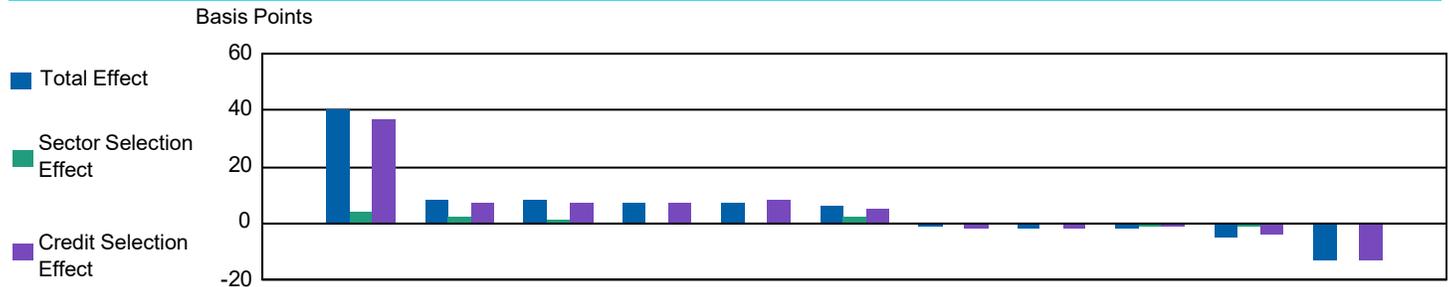
The following investment team changes occurred during the quarter:

Additions: Matthew Murphy, Trader

Nick Horton, Trader

Quarterly Attribution

Industry Attribution: Fund vs. Bloomberg US HY 2% Iss Cap Index (Top and Bottom Five By Total Effect) (3 months ended December 31, 2025)

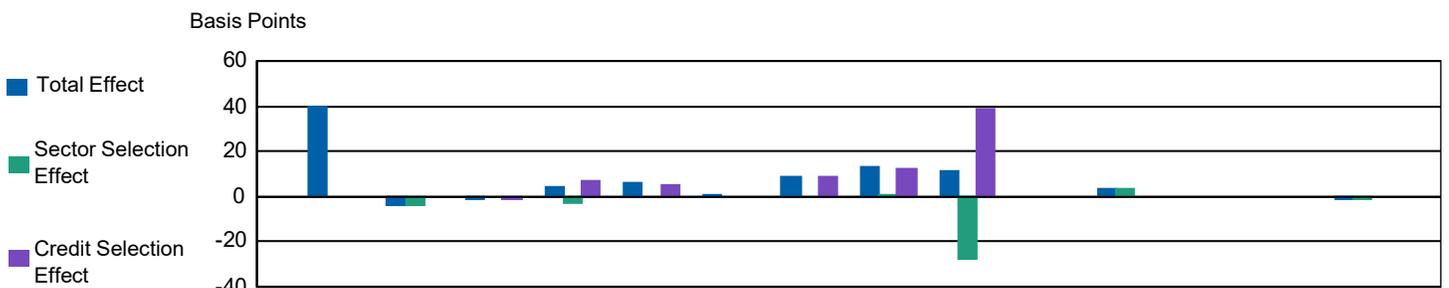


	Total	Retail	Wireless Communications	Health Care	Automotives	Financial Services	Entertainment & Leisure	Gaming & Lodging	Cable Operators	Energy
Fund Weight (%)	100.00	1.41	2.31	8.06	3.77	12.82	5.38	2.76	3.78	12.46
Benchmark Weight (%)	100.00	1.75	0.74	7.99	4.54	9.54	8.14	2.17	4.77	11.11
Fund Performance (%)	1.71	1.96	4.84	3.04	3.69	2.15	0.96	0.88	1.82	-0.29
Benchmark Performance (%)	1.31	-2.79	1.70	2.10	1.65	1.79	1.24	1.59	2.11	0.24
Sector Selection Effect (bps)	4	2	1	0	0	2	0	0	-1	0
Credit Selection Effect (bps)	37	7	7	7	8	5	-2	-2	-1	-13
Total Effect (bps)	40	8	8	7	7	6	-1	-2	-2	-5

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. Bloomberg US HY 2% Iss Cap Index (3 months ended December 31, 2025)



	Total	Bank Debt	BBB/BB Rated	BB & Above Rated	BB/B Rated	B Rated	B/CCC Rated	CCC Rated & Below	Not Rated	Convertible Preferred	Common	Mutual Fund	Credit Default Swap	Short Term
Fund Weight (%)	100.00	4.29	2.39	31.33	13.94	28.07	6.92	7.34	3.84	0.61	0.19	0.00	0.01	1.06
Benchmark Weight (%)	100.00	0.00	2.51	40.83	15.29	27.27	5.27	8.53	0.31	0.00	0.00	0.00	0.00	0.00
Fund Performance (%)	1.71	0.66	0.21	1.90	1.63	1.60	2.41	0.81	3.69	0.68	16.87	0.00	0.00	0.00
Benchmark Performance (%)	1.31	0.00	0.67	1.68	1.22	1.59	1.15	-0.71	-6.21	0.00	0.00	0.00	0.00	0.00
Sector Selection Effect (bps)	0	-4	0	-3	0	0	0	1	-28	0	3	0	0	-1
Credit Selection Effect (bps)	0	0	-1	7	5	0	9	12	39	0	0	0	0	0
Total Effect (bps)	40	-4	-1	4	6	1	9	13	11	0	3	0	0	-1

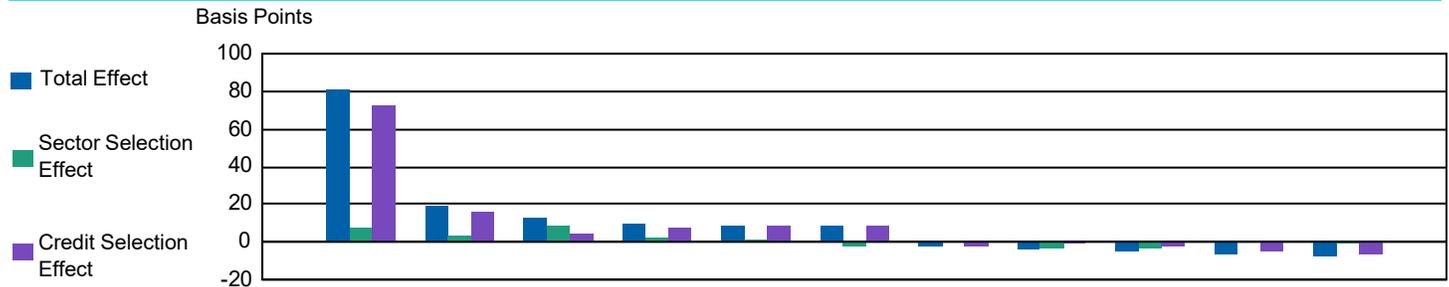
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Source of credit quality rating: Moody's Investor Services, Standard and Poor's.

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12-Month Attribution

Industry Attribution: Fund vs. Bloomberg US HY 2% Iss Cap Index (Top and Bottom Five By Total Effect) (12 months ended December 31, 2025)

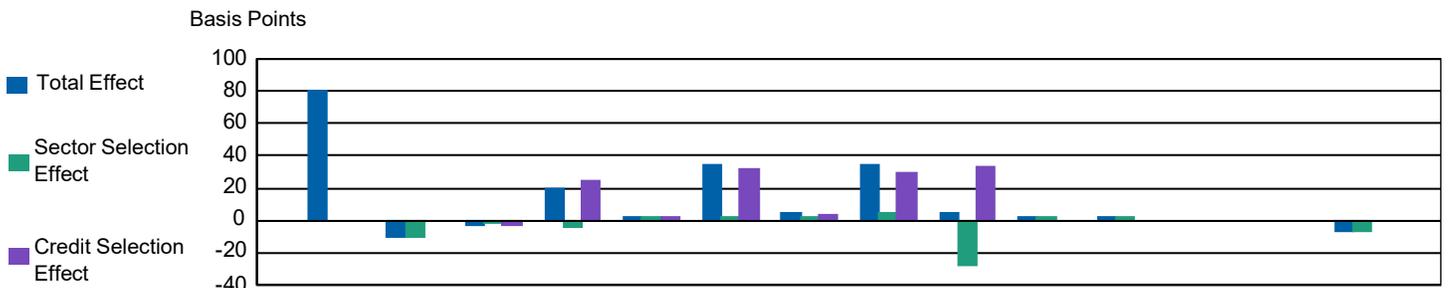


	Total	Retail	Container	Financial	Wireless Communications	Utilities	Restaurants	Supermarkets	Satellites	Chemicals	Entertainment & Leisure
Fund Weight (%)	100.00	1.47	0.64	13.23	2.09	4.99	0.42	0.59	0.32	3.37	3.39
Benchmark Weight (%)	100.00	1.79	2.20	9.59	0.79	3.30	1.28	1.50	0.48	3.27	2.53
Fund Performance (%)	9.43	8.77	8.58	9.98	12.36	9.56	7.22	8.97	20.54	2.98	5.38
Benchmark Performance (%)	8.62	-1.23	2.93	9.42	9.23	7.59	9.19	11.29	27.72	4.48	7.57
Sector Selection Effect (bps)	7	3	9	2	1	-2	0	-3	-3	0	-1
Credit Selection Effect (bps)	73	16	4	7	8	9	-2	-1	-2	-5	-7
Total Effect (bps)	81	19	13	10	9	8	-2	-4	-5	-6	-8

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Credit Quality Attribution: Fund vs. Bloomberg US HY 2% Iss Cap Index (12 months ended December 31, 2025)



	Total	Bank Debt	BBB/BB Rated	BB	BB/B Rated	B	B/CCC Rated	CCC Rated	Not Rated	Convertible Preferred	Common	Mutual Fund	Credit Default Swap	Short Term
Fund Weight (%)	100.00	4.74	2.76	30.26	15.72	27.12	6.01	8.14	3.49	0.57	0.21	0.00	0.00	0.98
Benchmark Weight (%)	100.00	0.00	2.55	38.60	16.39	27.79	5.07	9.33	0.28	0.00	0.00	0.00	0.00	0.00
Fund Performance (%)	9.43	6.55	7.35	9.99	9.32	9.40	10.51	9.69	8.97	7.19	23.84	0.00	0.00	0.00
Benchmark Performance (%)	8.62	0.00	7.97	9.17	9.12	8.16	10.27	6.03	-0.14	0.00	0.00	0.00	0.00	0.00
Sector Selection Effect (bps)	0	-11	-1	-4	1	2	1	5	-28	1	1	0	0	-7
Credit Selection Effect (bps)	81	0	-3	24	2	32	3	30	33	0	0	0	0	0
Total Effect (bps)	81	-11	-3	20	2	34	4	34	5	1	1	0	0	-7

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Source of credit quality rating: Moody's Investor Services, Standard and Poor's. 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.

## Portfolio Positioning

### Significant Over/Underweight Industries vs. Bloomberg US HY 2% Iss Cap Index (%)

Industry	Fund 12/31/25	Benchmark 12/31/25	Over/Underweight
Financial	12.9	9.5	3.3
Utilities	5.7	3.7	2.0
Wireless Communications	2.6	1.0	1.7
Info Tech	7.1	5.9	1.1
Misc.	0.9	0.0	0.9
Media	5.3	4.4	0.9
Energy	11.9	11.1	0.8
Restaurants	0.3	1.2	-0.8
Airlines	0.0	0.8	-0.8
Gaming	2.2	3.2	-1.0
Supermarkets	0.2	1.3	-1.1
Consumer Products	0.6	1.9	-1.3
Container	0.4	1.9	-1.6
Services	5.6	8.1	-2.4

### Credit Quality Diversification—Changes Over Time vs. Bloomberg US HY 2% Iss Cap Index (%)

	Fund 12/31/24	Fund 9/30/25	Fund 12/31/25	Benchmark 12/31/25
BBB/BB & Abv	3.5	2.6	2.4	3.1
BB	30.9	31.2	31.7	41.3
BB/B	18.3	14.7	12.8	14.8
B	27.5	30.2	29.4	26.7
B/CCC	5.8	7.0	7.6	5.4
CCC & Below	11.5	8.9	8.3	8.3
CDS	0.0	0.0	0.0	0.0
Default	0.0	0.0	0.0	0.0
Equities	1.5	1.3	1.4	0.0
Not Rated	2.8	3.7	3.7	0.3
Short- Term	-1.9	0.4	2.7	0.0

## Holdings

### Top 10 Issuers

Issuer	Industry	% of Fund
TransDigm Group Inc	Aerospace & Defense	2.2
Charter Communications Inc	Cable Operators	2.0
Vistra Corp	Utilities	1.8
Asurion LLC	Wireless Communications	1.7
Venture Global LNG Inc	Energy	1.7
Cloud Software Group Inc	Info Tech	1.7
LifePoint Health Inc	Health Care	1.6
Navient Corp	Financial	1.6
HUB International Ltd	Financial	1.4
Talen Energy Supply LLC	Utilities	1.2

## Portfolio Management

	Managed Since	Joined Firm
Rodney Rayburn	2019	2014

## 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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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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