



PORTFOLIO UPDATE

# Credit Opportunities Fund

As of September 30, 2019



**Portfolio Manager:**  
Rodney Rayburn

**Managed Fund Since:**  
2015

**Joined Firm:**  
2014

## INVESTMENT OBJECTIVE

The fund seeks a combination of long-term capital appreciation and high income.

## FUND INFORMATION

Symbol	PRCPX
CUSIP	87279J109
Inception Date of Fund	April 29, 2014
Benchmark	Bloomberg Barclays US HY 2% Iss Cap Index
Expense Information (as of the most recent Prospectus)*	1.28% (Gross) 0.92% (Net)
Fiscal Year End	May 31
12B-1 Fee	-

\*The Fund operates under a contractual expense limitation that expires on September 30, 2020.

## PERFORMANCE

(NAV, total return)

	One Month	Three Months	Year-to-Date	One Year	Annualized			30-Day SEC Yield	30-Day SEC Yield w/o Waiver <sup>o</sup>
					Three Years	Five Years	Since Inception 4/29/14		
Credit Opportunities Fund	0.40%	1.75%	11.51%	7.42%	6.47%	3.91%	3.26%	4.39%	3.95%
Bloomberg Barclays U.S. High-Yield 2% Issuer Capped Bond Index	0.36	1.33	11.41	6.35	6.07	5.38	4.94	-	-

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

<sup>o</sup>Excludes the effect of contractual expense limitation arrangements.

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.

Source for Bloomberg Barclays data: Bloomberg Index Services Limited. See additional disclosures.

## MARKET COMMENTARY

High yield bonds posted modest gains in September. The market's elevated cash balances and positive flows drove steady demand, which helped offset an increase in new issuance. The Federal Reserve's second rate cut of the year engendered a muted market reaction. Although oil supply disruption fears temporarily bolstered energy sector performance, the industry ultimately produced the month's weakest results. Most high yield segments advanced, and B rated bonds outperformed other qualities by a wide margin.

Longer-term Treasury yields increased in September as positive economic and trade news dampened investor enthusiasm for U.S. government bonds. After starting the month at 1.50%, the benchmark 10-year Treasury yield ended at 1.68%. As expected, the Fed announced another interest rate reduction at its September meeting. The quarter-point move lowered the fed funds rate to a target range of 1.75% to 2.00%. Conciliatory gestures from both sides of the U.S.-China trade dispute in the first half of the month helped ease market concerns about the impact that tariffs could have on long-term economic growth. While some rhetoric from U.S. and Chinese officials was discouraging, investors remained optimistic that the resumption of trade negotiations in October would lead to tangible progress toward a trade deal. Oil prices spiked following the September 14 attacks against oil facilities in Saudi Arabia, but the kingdom worked quickly to restore production, causing commodities to retrace the gains.

High yield funds reported an inflow of USD \$4.7 billion in September. According to J.P. Morgan, new issuance volume reached a two-year high as 51 bonds priced for USD \$31.3 billion, with refinancing activity accounting for 65% of the total volume. Default activity declined month over month as one company defaulted and another completed a distressed exchange, for a total default volume of USD \$1 billion. J.P. Morgan's par-weighted U.S. default rate declined to 2.52% from 2.55% in August.

**RISK RETURN CHARACTERISTICS**

(Five Years ended September 30, 2019)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Credit Opportunities Fund	5.24%	-0.89%	0.88	0.80	-0.61	0.56	2.42%
Bloomberg Barclays US HY 2% Iss Cap Index	5.29	0.00	1.00	1.00	0.00	0.83	0.00

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

**TOP 10 ISSUERS**

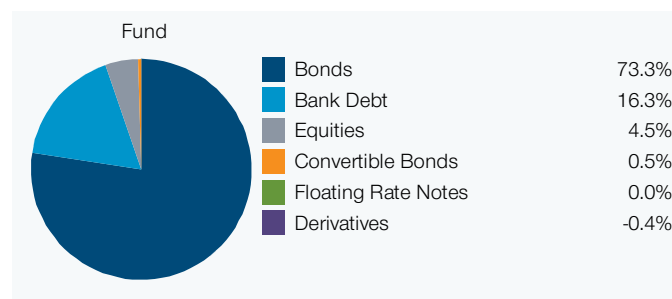
Comprising 31.5% of total net assets.

	Industry	% of Fund
Asurion LLC	Wireless Communications	4.4%
Intelsat Jackson Holdings SA	Satellites	4.1
Kronos Inc/MA	Services	3.9
Charter Communications Inc	Cable Operators	3.6
HCA Healthcare Inc	Health Care	3.0
Altice USA Inc	Cable Operators	2.9
iHeartMedia Inc	Broadcasting	2.8
Bausch Health Cos Inc	Health Care	2.3
U.S. Treasuries	U S Treasury Obligations	2.3
Avantor Inc	Health Care	2.2

Issuers are as of the date indicated and are subject to change.

**PORTFOLIO CHARACTERISTICS**

	Credit Opportunities Fund	Bloomberg Barclays US HY 2% Iss Cap Index
Number of Holdings	216	1,877
Weighted Average Maturity	5.90 years	5.71 years
Weighted Average Effective Duration	2.56 years	3.12 years
Weighted Average Coupon	6.82%	6.33%
Yield to Worst	5.21%	5.69%
Percent of Portfolio in Cash	5.3%	-
Total Assets (all share classes)	74,347,173	-

**ASSET DIVERSIFICATION****GEOGRAPHICAL DIVERSIFICATION**

	North America	Europe	Pacific Ex Japan	Latin America	Reserves
Credit Opportunities Fund	86.8%	7.9%	0.0%	0.0%	5.3%
Bloomberg Barclays US HY 2% Iss Cap Index	89.6	9.3	0.9	0.2	0.0
<b>Over/Underweight</b>	<b>-2.8</b>	<b>-1.4</b>	<b>-0.9</b>	<b>-0.2</b>	<b>5.3</b>

**CREDIT QUALITY DIVERSIFICATION**

	<b>BBB/BB &amp; Abv</b>	<b>BB</b>	<b>BB/B</b>	<b>B</b>	<b>B/CCC</b>	<b>CCC &amp; Below</b>	<b>CDS</b>	<b>Default</b>	<b>Equities</b>	<b>Not Rated</b>	<b>Short- Term</b>
Credit Opportunities Fund	6.4%	22.6%	14.4%	28.0%	9.0%	7.8%	0.1%	0.2%	4.5%	1.5%	5.3%
Bloomberg Barclays US HY 2% Iss Cap Index	3.6	38.3	15.6	26.6	6.3	9.2	0.0	0.0	0.0	0.2	0.0
<b>Over/Underweight</b>	<b>2.7</b>	<b>-15.7</b>	<b>-1.2</b>	<b>1.4</b>	<b>2.7</b>	<b>-1.4</b>	<b>0.1</b>	<b>0.2</b>	<b>4.5</b>	<b>1.3</b>	<b>5.3</b>

Source for Bloomberg Barclays data: Bloomberg Index Services Limited.

**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**

Source for Bloomberg Barclays index data: Bloomberg Index Services Ltd. Copyright 2019, Bloomberg Index Services Ltd. Used with permission.

Derivative valuations are based on standard derivative market valuation methods.

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

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.

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.

Bloomberg Barclays data is based on the Returns Universe. The composition of the index is reset on the first day of each month; the holdings remain constant thereafter throughout the month until it is reset the following month.

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.

This material should not be deemed a recommendation to buy or sell any of the securities mentioned.

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