



PORTFOLIO UPDATE

Floating Rate Fund

As of September 30, 2019



Portfolio Manager:
Paul Massaro

Managed Fund Since:
2011

Joined Firm:
2003

INVESTMENT OBJECTIVE

The fund seeks high current income and, secondarily, capital appreciation.

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	-

MARKET COMMENTARY

Leveraged loans posted modest gains in September despite the Federal Reserve's second rate cut of 2019 and the challenging technical conditions created by an increase in new issuance and continued outflows from the asset class. Collateralized loan obligations (CLO) continued to be an important source of demand, and the strong bid for higher-quality loans in both the primary and secondary markets caused bifurcated returns across the quality spectrum. Most loan industries either marginally advanced or ended flat, but significant oil price volatility caused commodities-related segments to decline sharply.

Longer-term Treasury yields increased in September as positive economic and trade news dampened investor enthusiasm for U.S. government bonds. 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.

The magnitude of outflows from the asset class fell to a 12-month low as loan funds reported a negative flow of USD \$722 million in September. According to J.P. Morgan, new issuance reached a year-to-date high as USD \$35.1 billion in loans came to the market during the month, with refinancing accounting for 56% of the total volume. CLO issuance marginally increased month over month to USD \$11.2 billion. The S&P/LSTA 12-month par-weighted leveraged loan default rate was unchanged for the month.

PERFORMANCE

(NAV, total return)

	One Month	Three Months	Year-to-Date	One Year	Annualized			30-Day SEC Yield
					Three Years	Five Years	Since Inception 7/29/11	
Floating Rate Fund	0.48%	1.23%	6.77%	3.63%	3.88%	3.75%	3.81%	4.69%
S&P/LSTA Performing Loan Index	0.44	0.90	6.71	3.00	4.63	4.29	4.56	-

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.

RISK RETURN CHARACTERISTICS

(Five Years ended September 30, 2019)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Floating Rate Fund	2.44%	0.16%	0.79	0.96	-0.65	1.14	0.82%
S&P/LSTA Performing Loan Index	3.02	0.00	1.00	1.00	0.00	1.09	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 21.2% of total net assets.

	Industry	% of Fund
Asurion LLC	Wireless Communications	4.1%
Kronos Inc/MA	Services	3.2
UFC Holdings LLC	Entertainment & Leisure	2.1
Altice USA Inc	Cable Operators	2.0
Refinitiv US Holdings Inc	Info Tech	1.9
Bausch Health Cos Inc	Health Care	1.8
CCC Information Services Inc	Info Tech	1.6
Intelsat Jackson Holdings SA	Satellites	1.6
Avantor Inc	Health Care	1.5
Clear Channel Worldwide	Broadcasting	1.4

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

PORTFOLIO CHARACTERISTICS

	Floating Rate Fund	S&P/LSTA Per- forming Loan Index
Number of Holdings	309	1,371
Weighted Average Maturity	5.22 years	4.93 years
Weighted Average Duration	0.33 years	- years
Weighted Average Coupon	5.70%	-
Yield to Worst	5.20%	-
Percent of Portfolio in Cash	5.2%	-
Total Assets (all share classes)	1,731,003,517	-

INDUSTRY DIVERSIFICATION

	Health Care	Info Tech	Services	Finan- cial	Broad- casting	Wireless Commu- nica- tions	Cable Opera- tors	Enter- tain- ment & Leisure	Chemi- cals	Gaming	Other
Floating Rate Fund	14.1%	10.6%	10.4%	6.3%	5.7%	4.7%	4.5%	3.8%	3.2%	3.0%	28.4%
S&P/LSTA Performing Loan Index	12.5	13.4	12.9	4.9	3.2	2.2	3.3	2.7	4.3	3.1	37.4
Over/Underweight	1.6	-2.8	-2.6	1.4	2.5	2.5	1.3	1.0	-1.1	0.0	-9.0

CREDIT QUALITY DIVERSIFICATION

	BBB/BB & Abv	BB	BB/B	B	B/CCC	CCC & Be- low	Equities	Not Rated	Short- Term
Floating Rate Fund	5.0%	19.9%	12.7%	47.6%	1.5%	6.0%	0.7%	1.4%	5.2%
S&P/LSTA Performing Loan Index	0.4	22.4	11.0	57.0	2.9	5.0	0.0	1.3	0.0
Over/Underweight	4.5	-2.5	1.7	-9.4	-1.3	1.0	0.7	0.1	5.2

MATURITY DIVERSIFICATION

	0-2 Years	2-4 Years	4-7 Years	7-10 Years	10+ Years
Floating Rate Fund	1.8%	12.3%	77.9%	2.7%	0.1%

Definitions

Weighted Average 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

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

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 Performance Loan Index is Standard & Poor's.

Source for Maturity Diversification: T. Rowe Price.

"Other" includes any categories not explicitly mentioned.

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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