



**SEMIANNUAL
REPORT**
Financial Statements

November 30, 2017

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T. ROWE PRICE

Retirement 2040 Fund

Retirement 2040 Fund–
Advisor Class

Retirement 2040 Fund–
R Class

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Investor Class

	6 Months Ended 11/30/17	Year Ended 5/31/17	5/31/16	5/31/15	5/31/14	5/31/13
NET ASSET VALUE						
Beginning of period	\$ 25.81	\$ 23.02	\$ 25.32	\$ 24.33	\$ 21.06	\$ 17.26
Investment activities						
Net investment income ⁽¹⁾	0.08	0.32	0.32	0.32	0.26	0.26
Net realized and unrealized gain / loss	2.26	3.57	(1.26)	1.61	3.63	3.93
Total from investment activities	2.34	3.89	(0.94)	1.93	3.89	4.19
Distributions						
Net investment income	–	(0.32)	(0.32)	(0.32)	(0.25)	(0.26)
Net realized gain	–	(0.78)	(1.04)	(0.62)	(0.37)	(0.13)
Total distributions	–	(1.10)	(1.36)	(0.94)	(0.62)	(0.39)
NET ASSET VALUE						
End of period	\$ 28.15	\$ 25.81	\$ 23.02	\$ 25.32	\$ 24.33	\$ 21.06

Ratios/Supplemental Data

Total return ⁽²⁾⁽³⁾	9.07%	17.40%	(3.53)%	8.15%	18.63%	24.49%
Ratio of total expenses to average net assets ⁽³⁾	0.00% ⁽⁴⁾	0.00%	0.00%	0.00%	0.00%	0.00%
Ratio of net investment income to average net assets ⁽³⁾	0.56% ⁽⁴⁾	1.34%	1.39%	1.28%	1.13%	1.36%

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 11/30/17	Year Ended 5/31/17	5/31/16	5/31/15	5/31/14	5/31/13
Ratios/Supplemental Data (continued)						
Portfolio turnover rate ⁽³⁾	8.0%	17.9%	15.2%	7.8%	13.4%	12.8%
Weighted average expense ratio of underlying Price funds ⁽⁵⁾	0.72% ⁽⁴⁾	0.74%	0.76%	0.75%	0.76%	0.78%
Effective expense ratio	0.72% ⁽⁴⁾	0.74%	0.76%	0.75%	0.76%	0.78%
Net assets, end of period (in millions)	\$ 15,300	\$ 15,514	\$ 13,342	\$ 13,090	\$ 10,440	\$ 8,047

(1) Per share amounts calculated using average shares outstanding method.

(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions; it is not annualized for periods less than one year. The fund's total return may be higher or lower than the investment results of the individual underlying Price funds.

(3) Reflects the activity of the fund, and does not include the activity of the underlying Price funds. However, investment performance of the fund is directly related to the investment performance of the underlying Price funds in which it invests.

(4) Annualized

(5) Reflects the indirect expense impact to the fund from its investment in the underlying Price funds, based on the actual expense ratio of each underlying Price fund weighted for the fund's relative average investment therein.

The accompanying notes are an integral part of these financial statements.

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

Advisor Class

	6 Months Ended 11/30/17	Year Ended 5/31/17	5/31/16	5/31/15	5/31/14	5/31/13
NET ASSET VALUE						
Beginning of period	\$ 25.57	\$ 22.81	\$ 25.12	\$ 24.14	\$ 20.90	\$ 17.13
Investment activities						
Net investment income ⁽¹⁾	0.04	0.26	0.26	0.25	0.20	0.21
Net realized and unrealized gain / loss	2.25	3.54	(1.26)	1.60	3.61	3.91
Total from investment activities	2.29	3.80	(1.00)	1.85	3.81	4.12
Distributions						
Net investment income	–	(0.26)	(0.27)	(0.25)	(0.20)	(0.22)
Net realized gain	–	(0.78)	(1.04)	(0.62)	(0.37)	(0.13)
Total distributions	–	(1.04)	(1.31)	(0.87)	(0.57)	(0.35)
NET ASSET VALUE						
End of period	\$ 27.86	\$ 25.57	\$ 22.81	\$ 25.12	\$ 24.14	\$ 20.90

Ratios/Supplemental Data

Total return ⁽²⁾⁽³⁾	8.96%	17.14%	(3.81)%	7.86%	18.38%	24.25%
Ratio of total expenses to average net assets ⁽³⁾	0.25% ⁽⁴⁾	0.25%	0.25%	0.25%	0.25%	0.25%
Ratio of net investment income to average net assets ⁽³⁾	0.31% ⁽⁴⁾	1.08%	1.13%	1.02%	0.88%	1.09%

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 11/30/17	Year Ended 5/31/17	5/31/16	5/31/15	5/31/14	5/31/13
Ratios/Supplemental Data (continued)						
Portfolio turnover rate ⁽³⁾	8.0%	17.9%	15.2%	7.8%	13.4%	12.8%
Weighted average expense ratio of underlying Price funds ⁽⁵⁾	0.72% ⁽⁴⁾	0.74%	0.76%	0.75%	0.76%	0.78%
Effective expense ratio	0.97% ⁽⁴⁾	0.99%	1.01%	1.00%	1.01%	1.03%
Net assets, end of period (in millions)	\$ 2,575	\$ 2,557	\$ 2,526	\$ 2,700	\$ 2,387	\$ 1,725

(1) Per share amounts calculated using average shares outstanding method.

(2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions; it is not annualized for periods less than one year. The fund's total return may be higher or lower than the investment results of the individual underlying Price funds.

(3) Reflects the activity of the fund, and does not include the activity of the underlying Price funds. However, investment performance of the fund is directly related to the investment performance of the underlying Price funds in which it invests.

(4) Annualized

(5) Reflects the indirect expense impact to the fund from its investment in the underlying Price funds, based on the actual expense ratio of each underlying Price fund weighted for the fund's relative average investment therein.

The accompanying notes are an integral part of these financial statements.

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

R Class

	6 Months Ended 11/30/17	Year Ended 5/31/17	5/31/16	5/31/15	5/31/14	5/31/13
NET ASSET VALUE						
Beginning of period	\$ 25.40	\$ 22.66	\$ 24.96	\$ 23.99	\$ 20.78	\$ 17.05
Investment activities						
Net investment income ⁽¹⁾	0.01	0.20	0.21	0.19	0.14	0.16
Net realized and unrealized gain / loss	2.23	3.52	(1.26)	1.59	3.59	3.88
Total from investment activities	2.24	3.72	(1.05)	1.78	3.73	4.04
Distributions						
Net investment income	–	(0.20)	(0.21)	(0.19)	(0.15)	(0.18)
Net realized gain	–	(0.78)	(1.04)	(0.62)	(0.37)	(0.13)
Total distributions	–	(0.98)	(1.25)	(0.81)	(0.52)	(0.31)
NET ASSET VALUE						
End of period	\$ 27.64	\$ 25.40	\$ 22.66	\$ 24.96	\$ 23.99	\$ 20.78

Ratios/Supplemental Data

Total return ⁽²⁾⁽³⁾	8.82%	16.86%	(4.05)%	7.60%	18.08%	23.87%
Ratio of total expenses to average net assets ⁽³⁾	0.50% ⁽⁴⁾	0.50%	0.50%	0.50%	0.50%	0.50%
Ratio of net investment income to average net assets ⁽³⁾	0.06% ⁽⁴⁾	0.83%	0.90%	0.78%	0.64%	0.84%

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

FINANCIAL HIGHLIGHTS

For a share outstanding throughout each period

	6 Months Ended 11/30/17	Year Ended 5/31/17	5/31/16	5/31/15	5/31/14	5/31/13
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Ratios/Supplemental Data (continued)

Portfolio turnover rate ⁽³⁾	8.0%	17.9%	15.2%	7.8%	13.4%	12.8%
Weighted average expense ratio of underlying Price funds ⁽⁵⁾	0.72% ⁽⁴⁾	0.74%	0.76%	0.75%	0.76%	0.78%
Effective expense ratio	1.22% ⁽⁴⁾	1.24%	1.26%	1.25%	1.26%	1.28%
Net assets, end of period (in millions)	\$ 1,718	\$ 1,636	\$ 1,565	\$ 1,652	\$ 1,495	\$ 1,148

- (1) Per share amounts calculated using average shares outstanding method.
- (2) Total return reflects the rate that an investor would have earned on an investment in the fund during each period, assuming reinvestment of all distributions; it is not annualized for periods less than one year. The fund's total return may be higher or lower than the investment results of the individual underlying Price funds.
- (3) Reflects the activity of the fund, and does not include the activity of the underlying Price funds. However, investment performance of the fund is directly related to the investment performance of the underlying Price funds in which it invests.
- (4) Annualized
- (5) Reflects the indirect expense impact to the fund from its investment in the underlying Price funds, based on the actual expense ratio of each underlying Price fund weighted for the fund's relative average investment therein.

The accompanying notes are an integral part of these financial statements.

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

November 30, 2017

PORTFOLIO OF INVESTMENTS ⁽¹⁾	\$ Value 5/31/17	\$ Purchase Cost	\$ Sales Cost	Shares	\$ Value 11/30/17
(Cost and value in \$000s)					
EQUITY MUTUAL FUNDS 86.2%					
T. Rowe Price Funds:					
Value Fund	3,377,403	123,872	229,455	87,961,530	3,520,220
Growth Stock Fund	3,871,065	56,704	545,505	49,053,739	3,501,456
Overseas Stock Fund	1,633,973	24,525	143,613	141,010,506	1,606,110
International Value Equity Fund	1,558,804	75,223	142,478	100,779,152	1,542,929
Equity Index 500 Fund	1,542,367	49,636	153,578	20,835,539	1,485,991
International Stock Fund	1,492,235	18,386	172,694	71,797,763	1,381,389
Emerging Markets Stock Fund	661,071	41,338	49,105	16,733,227	734,923
Mid-Cap Growth Fund (2)	657,356	53,804	50,736	7,418,868	699,377
Mid-Cap Value Fund	639,886	48,755	50,883	21,108,620	680,964
New Horizons Fund (2)	368,585	78,411	22,072	8,072,176	456,562
Small-Cap Value Fund	433,162	6,666	32,062	8,675,900	449,064
Small-Cap Stock Fund	450,479	8,403	44,584	8,574,122	445,254
Real Assets Fund	394,060	10,975	37,396	33,404,342	383,482
Total Equity Mutual Funds (Cost \$11,596,238)					16,887,721
BOND MUTUAL FUNDS 13.2%					
T. Rowe Price Funds:					
New Income Fund	1,855,223	114,989	275,739	178,501,809	1,690,412
Emerging Markets Bond Fund	244,266	23,157	25,670	18,821,360	236,397
High Yield Fund	249,435	15,989	50,939	31,506,495	212,984
International Bond Fund	216,949	29,377	104,399	16,447,848	148,853
U.S. Treasury Long-Term Fund	—	131,964	624	10,341,406	130,612
Dynamic Global Bond Fund	—	89,332	556	8,999,071	88,461
International Bond Fund (USD Hedged)	—	79,337	486	7,881,485	79,130
Floating Rate Fund	—	8,680	69	871,247	8,599
Limited Duration Inflation Focused Bond Fund	190	—	—	37,784	190
Total Bond Mutual Funds (Cost \$2,584,811)					2,595,638
SHORT-TERM INVESTMENTS 0.6%					
T. Rowe Price Funds:					
U.S. Treasury Money Fund, 0.71% (3)	61,579	463,320	414,313	110,586,384	110,586
Total Short-Term Investments (Cost \$110,586)					110,586
Total Investments in Securities					
100.0% of Net Assets (Cost \$14,291,635)					
					\$ 19,593,945

(1) Each underlying Price fund is an affiliated company; the fund is invested in the Investor Class of each underlying Price fund.

(2) Non-income producing

(3) Seven-day yield

Affiliated Companies

(\$000s)

The fund may invest in certain securities that are considered affiliated companies. As defined by the 1940 Act, an affiliated company is one in which the fund owns 5% or more of the outstanding voting securities, or a company that is under common ownership or control. The following securities were considered affiliated companies for all or some portion of the six months ended November 30, 2017. Net realized gain (loss), investment income, and change in net unrealized gain/loss reflect all activity for the period then ended.

Affiliate	Net Realized Gain (Loss)	Change in Net Unrealized Gain/Loss	Investment Income
T. Rowe Price Funds:			
Dynamic Global Bond Fund	\$ —	\$ (315)	\$ 81
Emerging Markets Bond Fund	1,483	(5,356)	7,598
Emerging Markets Stock Fund	21,725	81,619	—
Equity Index 500 Fund	88,036	47,566	14,006
Floating Rate Fund	—	(12)	29
Growth Stock Fund	298,519	119,192	—
High Yield Fund	438	(1,501)	6,397
International Bond Fund	(1,407)	6,926	1,452
International Bond Fund (USD Hedged)	—	279	62
International Stock Fund	47,339	43,462	—
International Value Equity Fund	22,009	51,379	—
Limited Duration Inflation Focused Bond Fund	—	—	—
Mid-Cap Growth Fund	29,901	38,953	—
Mid-Cap Value Fund	17,904	43,206	—
New Horizons Fund	18,725	31,638	—
New Income Fund	(1,339)	(4,061)	24,156
Overseas Stock Fund	40,247	91,225	—
Real Assets Fund	5,725	15,843	—
Small-Cap Stock Fund	18,756	30,956	—
Small-Cap Value Fund	13,188	41,298	—
U.S. Treasury Long-Term Fund	1	(728)	233
Value Fund	129,005	248,400	—
U.S. Treasury Money Fund	—	—	483
Totals	\$ 750,255#	\$ 879,969	\$ 54,497+

Capital gain/loss distributions from mutual funds represented \$0 of the net realized gain (loss).

+ Investment income comprised \$54,497 of income distributions from underlying Price funds.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ASSETS AND LIABILITIES

(\$000s, except shares and per share amounts)

Assets

Investments in securities, at value (cost \$14,291,635)	\$ 19,593,945
Receivable for shares sold	25,870
Receivable for investment securities sold	10,769
Total assets	<u>19,630,584</u>

Liabilities

Payable for shares redeemed	36,639
Other liabilities	1,362
Total liabilities	<u>38,001</u>

NET ASSETS **\$ 19,592,583****Net Assets Consist of:**

Undistributed net investment income	\$ 74,601
Accumulated undistributed net realized gain	719,667
Net unrealized gain	5,302,310
Paid-in capital applicable to 698,014,039 shares of \$0.0001 par value capital stock outstanding; 30,000,000,000 shares of the Corporation authorized	<u>13,496,005</u>

NET ASSETS **\$ 19,592,583****NET ASSET VALUE PER SHARE****Investor Class****(\$15,299,883,198 / 543,430,791 shares outstanding)** **\$ 28.15****Advisor Class****(\$2,574,903,360 / 92,425,383 shares outstanding)** **\$ 27.86****R Class****(\$1,717,796,616 / 62,157,865 shares outstanding)** **\$ 27.64**

The accompanying notes are an integral part of these financial statements.

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

STATEMENT OF OPERATIONS

(\$000s)

	6 Months Ended 11/30/17
Investment Income	
Income distributions from underlying Price funds	\$ 54,497
Expenses	
Rule 12b-1 fees	
Advisor Class	3,189
R Class	4,179
Total expenses	7,368
Net investment income	47,129
Realized and Unrealized Gain / Loss	
Net realized gain on sales of underlying Price funds	750,255
Change in net unrealized gain / loss on underlying Price funds	879,969
Net realized and unrealized gain / loss	1,630,224
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 1,677,353

The accompanying notes are an integral part of these financial statements.

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 11/30/17	Year Ended 5/31/17
Increase (Decrease) in Net Assets		
Operations		
Net investment income	\$ 47,129	\$ 230,693
Net realized gain	750,255	399,480
Change in net unrealized gain / loss	879,969	2,316,171
Increase in net assets from operations	1,677,353	2,946,344
Distributions to shareholders		
Net investment income		
Investor Class	-	(185,569)
Advisor Class	-	(26,264)
R Class	-	(12,797)
Net realized gain		
Investor Class	-	(452,328)
Advisor Class	-	(78,791)
R Class	-	(49,908)
Decrease in net assets from distributions	-	(805,657)
Capital share transactions*		
Shares sold		
Investor Class	1,315,369	3,023,468
Advisor Class	235,860	651,250
R Class	160,560	346,881
Distributions reinvested		
Investor Class	-	629,171
Advisor Class	-	104,816
R Class	-	62,694
Shares redeemed		
Investor Class	(2,848,079)	(3,154,084)
Advisor Class	(435,353)	(1,013,683)
R Class	(219,887)	(517,545)
Increase (decrease) in net assets from capital share transactions	(1,791,530)	132,968
Net Assets		
Increase (decrease) during period	(114,177)	2,273,655
Beginning of period	19,706,760	17,433,105
End of period	\$ 19,592,583	\$ 19,706,760

T. ROWE PRICE RETIREMENT 2040 FUND

Unaudited

STATEMENT OF CHANGES IN NET ASSETS

(\$000s)

	6 Months Ended 11/30/17	Year Ended 5/31/17
Undistributed net investment income	74,601	27,472
*Share information		
Shares sold		
Investor Class	49,019	125,553
Advisor Class	8,884	27,351
R Class	6,078	14,625
Distributions reinvested		
Investor Class	-	26,957
Advisor Class	-	4,528
R Class	-	2,724
Shares redeemed		
Investor Class	(106,651)	(131,146)
Advisor Class	(16,437)	(42,657)
R Class	(8,339)	(21,969)
Increase (decrease) in shares outstanding	(67,446)	5,966

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

T. Rowe Price Retirement Funds, Inc. (the corporation) is registered under the Investment Company Act of 1940 (the 1940 Act). T. Rowe Price Retirement 2040 Fund (the fund) is an open-end management investment company and is one of the portfolios established by the corporation. The fund invests in a portfolio of other T. Rowe Price stock and bond funds (underlying Price funds) that represent various asset classes and sectors. The fund's allocation among underlying Price funds will change, and its asset mix will become more conservative over time. The fund is nondiversified for purposes of the 1940 Act, due to its limited number of investments; however, its investments in underlying Price funds are selected to provide exposure to a diversified portfolio of securities. The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income.

The fund has three classes of shares: the Retirement 2040 Fund (Investor Class), Retirement 2040 Fund–Advisor Class (Advisor Class), and Retirement 2040 Fund–R Class (R Class). Advisor Class shares are sold only through unaffiliated brokers and other financial intermediaries, and R Class shares are available to retirement plans serviced by intermediaries. The Advisor Class and R Class each operate under separate Board-approved Rule 12b-1 plans, pursuant to which each class compensates financial intermediaries for distribution, shareholder servicing, and/or certain administrative services; the Investor Class does not pay Rule 12b-1 fees. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to all classes; and, in all other respects, the same rights and obligations as the other classes.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board *Accounting Standards Codification* Topic 946 (ASC 946). The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including, but not limited to, ASC 946. GAAP requires the use of estimates made by management. Management believes that estimates and valuations of the underlying Price funds are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately realized upon sale of the underlying Price funds.

Investment Transactions, Investment Income, and Distributions Purchases and sales of the underlying Price funds are accounted for on the trade date basis. Income and expenses are recorded on the accrual basis. Gains and losses realized on sales of the underlying Price funds are reported on the identified cost basis. Income and capital gain distributions from the underlying Price funds are recorded on the ex-dividend date. Dividends received from underlying Price fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Income tax-related interest and penalties, if incurred, are recorded as income tax expense. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared and paid by each class annually. A capital gain distribution may also be declared and paid by the fund annually.

Class Accounting Income distributions from the underlying Price funds and realized and unrealized gains and losses are allocated to the classes based upon the relative daily net assets of each class. The Advisor Class and R Class each pay Rule 12b-1 fees in an amount not exceeding 0.25% and 0.50%, respectively, of the class's average daily net assets.

In-Kind Redemptions In accordance with guidelines described in the fund's prospectus, the fund may distribute shares of the underlying Price funds rather than cash as payment for a redemption of fund shares (in-kind redemption). For financial reporting purposes, the fund recognizes a gain on in-kind redemptions to the extent the value of the distributed shares of the underlying Price funds on the date of redemption exceeds the cost of those shares. Gains and losses realized on in-kind redemptions are not recognized for tax purposes and are reclassified from undistributed realized gain (loss) to paid-in capital. During the six months ended November 30, 2017, the fund realized \$559,070,000 of net gain on \$1,437,572,000 of in-kind redemptions.

New Accounting Guidance On August 1, 2017, the fund implemented amendments to Regulation S-X, issued by the Securities and Exchange Commission, which require standardized, enhanced disclosures, particularly related to derivatives, in investment company financial statements. Adoption had no effect on the fund's net assets or results of operations.

Indemnification In the normal course of business, the fund may provide indemnification in connection with its officers and directors, service providers and/or private company investments. The fund's maximum exposure under these arrangements is unknown; however, the risk of material loss is currently considered to be remote.

NOTE 2 - VALUATION

The fund's financial instruments are valued, and each class's net asset value (NAV) per share is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business. However, the NAV per share may be calculated at a time other than the normal close of the NYSE if trading on the NYSE is restricted, if the NYSE closes earlier, or as may be permitted by the SEC. The fund's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in the underlying Price funds are valued at their closing NAV per share on the day of valuation. Assets and liabilities other than financial instruments, including short-term receivables and payables, are carried at cost, or estimated realizable value, if less, which approximates fair value.

The T. Rowe Price Valuation Committee (the Valuation Committee) is an internal committee that has been delegated certain responsibilities by the fund's Board of Directors (the Board) to ensure that financial instruments are appropriately priced at fair value in accordance with GAAP and the 1940 Act. Subject to oversight by the Board, the Valuation Committee develops and oversees pricing-related policies and procedures and approves all fair value determinations. Specifically, the Valuation Committee establishes procedures to value securities; determines pricing techniques, sources, and persons eligible to effect fair value pricing actions; oversees the selection, services, and performance of pricing vendors; oversees valuation-related business continuity practices; and provides guidance on internal controls and valuation-related matters. The Valuation Committee reports to the Board and has representation from legal, portfolio management and trading, operations, risk management, and the fund's treasurer.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that the fund can access at the reporting date

Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads)

Level 3 – unobservable inputs

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument.

Unobservable inputs are those for which market data are not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest-level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values. On November 30, 2017, all of the investments in underlying Price funds were classified as Level 1, based on the inputs used to determine their fair values.

NOTE 3 - INVESTMENTS IN UNDERLYING PRICE FUNDS

Purchases and sales of the underlying Price funds during the six months ended November 30, 2017, aggregated \$1,552,843,000 and \$3,297,211,000, respectively.

NOTE 4 - FEDERAL INCOME TAXES

No provision for federal income taxes is required since the fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code and distribute to shareholders all of its taxable income and gains. Distributions determined in accordance with federal income tax regulations may differ in amount or character from net investment income

and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences. The amount and character of tax-basis distributions and composition of net assets are finalized at fiscal year-end; accordingly, tax-basis balances have not been determined as of the date of this report.

At November 30, 2017, the cost of investments for federal income tax purposes was \$14,530,349,000. Net unrealized gain aggregated \$5,063,596,000 at period-end, of which \$5,304,146,000 related to appreciated investments and \$240,550,000 related to depreciated investments.

NOTE 5 - RELATED PARTY TRANSACTIONS

The fund is managed by T. Rowe Price Associates, Inc. (Price Associates), a wholly owned subsidiary of T. Rowe Price Group, Inc. (Price Group). Price Associates, directly or through sub-advisory agreements with its wholly owned subsidiaries, also provides investment management services to all the underlying Price funds. Pursuant to various service agreements, Price Associates and its wholly owned subsidiaries provide shareholder servicing and administrative services as well as certain accounting, marketing, and other services to the fund. Certain officers and directors of the fund are also officers and directors of Price Associates and its subsidiaries and the underlying Price funds.

The fund pays no management fees; however, Price Associates receives management fees from the underlying Price funds. The fund operates in accordance with the investment management and special servicing agreements between and among the corporation; the underlying Price funds; Price Associates; and T. Rowe Price Services, Inc., a wholly owned subsidiary of Price Associates. Pursuant to these agreements, expenses associated with the operation of the fund, other than class-specific Rule 12b-1 fees, are borne by each underlying Price fund to the extent of estimated savings to it and in proportion to the average daily value of its shares owned by the fund. Therefore, the expense ratio of each class reflects only its Rule 12b-1 fees, if any. However, the fund indirectly bears its proportionate share of the management fees and operating costs of the underlying Price funds in which it invests.

The fund does not invest in the underlying Price funds for the purpose of exercising management or control; however, investments by the fund may represent a significant portion of an underlying Price fund's net assets. At November 30, 2017, the fund held less than 25% of the outstanding shares of any underlying Price fund.

INFORMATION ON PROXY VOTING POLICIES, PROCEDURES, AND RECORDS

A description of the policies and procedures used by T. Rowe Price funds and portfolios to determine how to vote proxies relating to portfolio securities is available in each fund's Statement of Additional Information. You may request this document by calling 1-800-225-5132 or by accessing the SEC's website, sec.gov.

The description of our proxy voting policies and procedures is also available on our corporate website. To access it, please visit the following Web page:

<https://www3.troweprice.com/usis/corporate/en/utility/policies.html>

Scroll down to the section near the bottom of the page that says, "Proxy Voting Policies." Click on the Proxy Voting Policies link in the shaded box.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through T. Rowe Price, visit the website location shown above, and scroll down to the section near the bottom of the page that says, "Proxy Voting Records." Click on the Proxy Voting Records link in the shaded box.

HOW TO OBTAIN QUARTERLY PORTFOLIO HOLDINGS

The fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available electronically on the SEC's website (sec.gov); hard copies may be reviewed and copied at the SEC's Public Reference Room, 100 F St. N.E., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

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T. ROWE PRICE MUTUAL FUNDS

This page contains supplementary information that is not part of the shareholder report.

STOCK FUNDS

Domestic

Blue Chip Growth
Capital Appreciation[†]
Capital Opportunity
Diversified Mid-Cap Growth
Dividend Growth
Equity Income
Equity Index 500
Extended Equity Market Index
Financial Services
Growth & Income
Growth Stock
Health Sciences[‡]
Media & Telecommunications
Mid-Cap Growth[†]
Mid-Cap Value[†]
New America Growth
New Era
New Horizons[‡]
QM U.S. Small & Mid-Cap Core Equity
QM U.S. Small-Cap Growth Equity
QM U.S. Value Equity
Real Estate
Science & Technology
Small-Cap Stock[†]
Small-Cap Value
Tax-Efficient Equity
Total Equity Market Index
U.S. Large-Cap Core
Value

ASSET ALLOCATION FUNDS

Balanced
Global Allocation
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Real Assets
Spectrum Growth
Spectrum Income
Spectrum International
Target Date Funds[†]

BOND FUNDS

Domestic Taxable

Corporate Income
Credit Opportunities
Floating Rate
GNMA
High Yield[†]
Inflation Protected Bond
Limited Duration Inflation
Focused Bond
New Income
Short-Term Bond
Total Return
Ultra Short-Term Bond
U.S. Bond Enhanced Index
U.S. High Yield
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-Free

California Tax-Free Bond
Georgia Tax-Free Bond
Intermediate Tax-Free High Yield
Maryland Short-Term Tax-Free Bond
Maryland Tax-Free Bond
New Jersey Tax-Free Bond
New York Tax-Free Bond
Summit Municipal Income
Summit Municipal Intermediate
Tax-Free High Yield
Tax-Free Income
Tax-Free Short-Intermediate
Virginia Tax-Free Bond

MONEY MARKET FUNDS

Taxable

Cash Reserves¹
Government Money²
U.S. Treasury Money²

MONEY MARKET FUNDS (CONT.)

Tax-Free

California Tax-Free Money¹
Maryland Tax-Free Money¹
New York Tax-Free Money¹
Summit Municipal Money Market¹
Tax-Exempt Money¹

INTERNATIONAL/GLOBAL FUNDS

Stock

Africa & Middle East
Asia Opportunities
Emerging Europe
Emerging Markets Stock
Emerging Markets Value Stock
European Stock
Global Consumer
Global Growth Stock
Global Industrials
Global Real Estate
Global Stock
Global Technology[†]
International Concentrated Equity
International Discovery
International Equity Index
International Stock
International Value Equity
Japan
Latin America
New Asia
Overseas Stock
QM Global Equity

Bond

Dynamic Global Bond
Emerging Markets Bond
Emerging Markets Corporate Bond
Emerging Markets Local Currency Bond
Global High Income Bond
Global Multi-Sector Bond
International Bond
International Bond (USD Hedged)

Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

[†]Subject to certain exceptions, the fund is currently closed to new investors and new accounts.

[†]The Target Date Funds are inclusive of the Retirement Funds, the Target Funds, and the Retirement Balanced Fund.

¹Retail Funds: You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. Beginning October 14, 2016, the Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

²Government Funds: You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.



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