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RE: *Treaty Eligibility for U.S. Funds – Responses to MOSF Questions*

Dear Mr. Jung and Mr. Jeon:

The Investment Company Institute ("ICI")[1] submits the enclosed materials supporting our request for guidance clarifying that regulated investment companies ("RICs") may claim at-source treaty relief by filing Form No. 72-2.[2] These materials support our position that these funds are entitled to claim treaty benefits under the Korea-U.S. income tax treaty by filing as foreign corporations. RICs, as we discussed, are not transparent vehicles.

These materials respond to the questions you raised during and after our meeting in your office and provide further support for the ICI's position that RICs are entitled to claim treaty benefits in their own right. The responses contained in this memorandum are grouped in five categories. They are:

I. Information regarding collective investment vehicles ("CIVs") organized in the U.S. and taxed as RICs – including discussions of legal (organization and tax) requirements.

[1] The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds ("ETFs"), and unit investment trusts ("UITs"). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $14.96 trillion and serve over 90 million shareholders.

[2] Form No. 72-2, Application for Entitlement to Reduced Tax Rate on Domestic Sourced Income (for Foreign Corporation)

II. Treaty-related issues for CIVs that historically have claimed treaty benefits on their own behalf – including discussions of (1) why RICs qualify as persons, residents, and the beneficial owners of their income and (2) the U.S. industry's experience with receiving treaty benefits generally and in Korea (both before and after the recent changes in Korean law).

III. Treaty-related issues for CIVs that claim refunds on behalf of their investors.

IV. The October 2012 coalition letter's recommendations – including discussions of issue prioritization and the form of guidance.

V. Descriptions of ICI and ICI Global.

Detailed explanations of a few matters are enclosed as:

Appendix A (Organization and Operation of a U.S. Fund – and the Applicable U.S. Securities Laws).

Appendix B (U.S. Tax Laws Governing Regulated Investment Companies).

Appendix C (Summary of RIC's Eligibility to Claim Treaty Benefits).

Appendix D (Examples of Tax Treaty Benefits Applicable to RICs).

Appendix E (Descriptions of Preparation and Submission of Information to Claim Tax Treaty Benefits).

Also enclosed with this submission are the three letters sent by ICI (either alone, with ICI Global, or with the coalition) as well as examples of offering documents for two funds that are offered by a major U.S. fund manager and that have significant investments in Korea.

We appreciate your time and consideration of this request. Please feel free to contact my colleague Ryan Lovin (at ryan.lovin@ici.org or 001-202-326-5826) or me (at lawson@ici.org or 001-202-326-5832) if we can provide you with any additional information.

Sincerely,

Keith Lawson
Senior Counsel – Tax Law

Enclosures

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Memorandum

May 16, 2013

This memorandum responds to questions raised by the Korean Ministry of Strategy and Finance ("MOSF") during and following the in-person meeting in the MOSF's offices. The responses are grouped by the following categories:

I. Information regarding collective investment vehicles ("CIVs") organized in the U.S. and taxed as regulated investment companies ("RICs") – including discussions of legal (organization and tax) requirements and copies of information (prospectuses, annual reports, etc.) provided to investors for a representative fund;

II. Treaty-related issues for CIVs that historically have claimed treaty benefits on their own behalf – including discussions of (1) why RICs qualify as persons, residents, and the beneficial owners of their income and (2) the U.S. industry's experience with receiving treaty benefits generally and in Korea (both before and after the recent changes in Korean law);

III. Treaty-related issues for CIVs that claim refunds on behalf of their investors;

IV. The October 2012 coalition letter's recommendations – including discussions of issue prioritization and the form of guidance; and

V. Descriptions of ICI and ICI Global.

Detailed explanations of a few matters are attached as:

- Appendix A (Organization and Operation of a U.S. Fund – and the Applicable U.S. Securities Laws);
- Appendix B (U.S. Tax Laws Governing Regulated Investment Companies);
- Appendix C (Summary of RICs' Eligibility to Claim Treaty Benefits);
- Appendix D (Examples of Tax Treaty Benefits Available to RICs); and
- Appendix E (Description of Preparation and Submission of Information to Claim Tax Treaty Benefits).

I. Information Regarding CIVs Organized in the U.S. and Taxed as RICs

A. State Laws Under Which RICs are Organized

RICs may be organized, under the laws of the fifty United States, as either state-law corporations or state-law business trusts (sometimes called "statutory trusts"). In both situations, the RIC is a separate legal entity under state law. RICs are not organized as partnerships.[1]

Although RICs may be organized in two different legal forms, there are very few legal differences in the structures,[2] no practical differences from an investor's perspective,[3] and no difference from a tax perspective.[4] Interestingly, a comprehensive textbook on U.S. mutual funds ("The Mutual Fund Business," by Robert C. Pozen) does not even mention state-law organizational issues.

B. U.S. Securities Laws Applicable to RICs

RICs have full legal personality under the U.S. securities laws and are regulated extensively under these laws as entities. The Investment Company Act of 1940[5] provides extensive rules for the publicly-offered, widely-held funds for which we are requesting relief. These rules, and those of the other applicable U.S. securities laws, are described in detail in this memorandum's Appendix A.

C. U.S. Tax Laws Applicable to RICs and Their Shareholders

RICs are corporations for U.S. federal income tax purposes. As such, they are taxed just like operating companies organized in corporate form, unless they qualify for the tax treatment provided by Subchapter M of the U.S. Internal Revenue Code. Subchapter M is designed to provide RIC investors with tax treatment that is "comparable" to that received by direct investors in securities.

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[1] RIC tax treatment, as discussed below, follows from this separate legal entity determination.

[2] Whether a fund is organized under state law as a business trust or as a corporation has no practical impact on the management powers of the fund's board of trustees (if a trust) or board of directors (if a corporation) or the discretionary powers of the trustees/directors to distribute or retain income. Both types of funds are regulated by statute, have perpetual existence, issue transferable shares, have the capacity to sue, and may issue multiple classes of shares. Because business trusts have the corporate characteristics described above (and others), they historically have been recognized under state law as "associations" rather than as "private trusts."

[3] The U.S. federal securities law (the Investment Company Act of 1940) that governs the organization and operation of a RIC does not distinguish between RICs based upon the manner in which they are organized under state law.

[4] All RICs are taxed as corporations under the U.S. federal tax laws. No distinctions are made, under the RIC-specific provisions of Subchapter M of the Internal Revenue Code (26 U.S. Code §§ 851 *et seq*), based upon the manner in which RICs are organized under state law,.

[5] 15 U.S. Code §§ 80a-1 *et seq.*

Subchapter M's "comparable-to-the-direct-investor" treatment is very different than the tax treatment provided by U.S. law for partnerships and other pass-through vehicles. Among other things, unlike partnerships, neither net operating losses nor net capital losses realized by the RIC flow through to the RIC's shareholders; while net capital losses are carried forward to the RIC's next taxable year, net operating losses do not carry forward (but expire and are lost). Moreover, a RIC's short-term gains are includable in RIC shareholders' income upon distribution as dividends; as such, these amounts cannot be offset by investors' unrelated capital losses.

A U.S. investment company cannot qualify for Subchapter M taxation as a RIC (under Code sections 851 and 852) unless it meets several tests. These tests include those regarding the sources of its income, the diversification of its assets, and the distribution of its income.

One notable requirement involves RIC distributions. Under Subchapter M, a RIC must distribute with respect to its taxable year at least 90 percent of its income (other than net capital gain). Importantly, the remaining 10 percent of ordinary income, and all capital gain, may be retained. Moreover, all retained income is taxed at regular corporate tax rates.

Because a RIC that incurs corporate tax provides a lower return than one that does not incur such tax, RICs generally attempt to distribute all of their income. In addition, because RICs are taxable under an excise tax unless they distribute essentially all of their income in the calendar year in which it is earned,[6] RICs typically distribute their income currently. Nevertheless, RICs may retain substantial amounts of their income and still qualify for Subchapter M treatment.

Another Subchapter M rule, alluded to above, allows RICs to exclude from their taxable income the dividends that they pay to their shareholders. This dividends paid deduction, as noted in the OECD's CIV Report,[7] does not preclude a RIC from being treated for tax treaty purposes as a resident. The U.S. tax rules applicable to RICs are described in greater detail in this memorandum's Appendix B.

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[6] Specifically, U.S. tax law imposes an excise tax (under Code section 4982) on any RIC that does not distribute essentially all of its income during the calendar year in which it is earned. To eliminate any excise tax liability, a RIC must distribute by December 31 an amount equal to the sum of: (1) 98 percent of its ordinary income earned during the calendar year; (2) 98.2 percent of its net capital gain earned during the 12-month period ending on October 31 of the calendar year; and (3) 100 percent of any previously-earned amounts not distributed during the prior calendar year. A tax of 4 percent is imposed on the amount, if any, by which the RIC's required distribution exceeds the amount actually distributed. The excise tax, in effect, acts as an interest charge on undistributed amounts.

[7] The CIV Report, entitled "The Granting of Treaty Benefits with Respect to the Income of Collective Investment Vehicles," was approved by the OECD's Committee on Fiscal Affairs in April 2010. The discussion of the dividends paid deduction is in paragraph 29 of the Report. http://www.oecd.org/dataoecd/59/7/45359261.pdf.

D. Representative Offering and Other Documents for RICs Investing in Korea

Representative information is provided for the T. Rowe Price New Asia Fund ("NAS") and the T. Rowe Price International Bond Fund ("IBF"). The information includes each fund's (1) Summary Prospectus, (2) Prospectus, (3) Statement of Additional Information ("SAI"), and (4) Annual Report. The significance of these documents is described in Appendix A, which discusses the regulation of U.S. mutual funds. The most recent information regarding the composition of these funds' portfolios can be found online at T. Rowe Price's website.[8]

II. Treaty Issues for CIVs that Claim Treaty Benefits on their Own Behalf

A. RICs' Eligibility to Claim Treaty Benefits – In General

RICs are eligible to claim benefits under the U.S.-Korea tax treaty because they are persons, residents, and the beneficial owners of their income.[9] Part I of Appendix C provides the legal analysis to support RICs' qualifications under each of these three tests for treaty eligibility. As explained in the ICI's April 13, 2012 letter (attached) to Mr. Byung-Cheol Kim, RICs clearly satisfy the factors for treaty eligibility that are discussed in the OECD's CIV Report and in the Updated Commentary on Article 1 of the Model Convention.

B. RIC Investors Cannot Claim Treaty Benefits

RIC shareholders cannot claim treaty benefits attributable to the RIC's income for two reasons – one legal and one practical. Both reasons support allowing a RIC to claim treaty benefits in its own right.

Legally, the shareholders cannot claim treaty benefits on the RIC's income because they do not own the income. As discussed in Appendix C, the RICs are the beneficial owners of their income. RICs are not like hedge funds and other investment partnerships – structures in which the underlying investors, as a legal matter, do own the income. Instead, RICs are corporations. RIC shareholders do not have any legal right to the RIC's income; all the shareholders have is a right to whatever dividends are declared by the RIC.

Moreover, it is impossible, as a practical matter, for a RIC shareholder to acquire the information necessary to file a treaty relief claim. To make a claim, the RIC shareholder would need to know both (1) all relevant information about each income payment received by the RIC, including

[8] Portfolio information is available at: http://individual.troweprice.com/vgn-ext-templating/v/index.jsp?vgnextoid=8e64912b5e6aa110VgnVCM1000006be716acRCRD&vgnextchannel=8e64912b5e6aa110VgnVCM1000006be716acRCRD&src=em_emtp

[9] This memorandum discusses beneficial ownership, even though the Korea-U.S. treaty does *not* include a beneficial ownership requirement, because it appears that the factors usually involved in beneficial ownership discussions in other contexts are being considered in the present tax dispute.

(a) each portfolio security on which the payment was received, (b) the amount of each payment, (c) the date of each payment, (d) the withholding rate applied to the payment, and (e) the applicable treaty rate and (2) the shareholder's proportionate interest in the RIC on each date on which the income was received.

The *only* way an investor *ever* could receive this information would be if it were provided by the RIC itself. RICs do not disclose this information to their shareholders.

While some information about a RICs portfolio holdings is disclosed periodically, RICs do not disclose the daily amount of these holdings (*i.e.,* the number of shares held on a day on which a payment was received). RICs likewise do not disclose for each payment the amount of tax withheld (or the basis for the withholding).

Moreover, even if all of the information about the payments were disclosed at the RIC level, the shareholder could not file a treaty relief claim because he or she would not know his or her proportionate interest in the RIC. A shareholder's proportionate interest in a RIC cannot be known because the number of shares outstanding typically changes every day. For example, even if an investor held precisely 1,000 shares for the entire year, his or her proportionate interest in the RIC would increase if other investors redeemed shares (*i.e.,* sold them back to the fund) and would decrease if others purchased shares from the RIC. Thus, it is not possible for a RIC investor to file a treaty relief claim for taxes withheld on payments made to a RIC.

C. RICs' Experience Claiming Treaty Benefits in Other Countries

RICs receive treaty benefits in their own right from virtually every country that provides relief under a treaty with the U.S. The ICI is pursuing actively treaty relief for the industry in the two countries (Korea and Norway) that presently are creating obstacles to RICs making these claims. A summary chart that provides examples of how tax treaty benefits are claimed by RICs in various jurisdictions is attached in Appendix D.

The industry's first experience with treaty relief difficulties involved the United Kingdom and a concern that RICs organized as Massachusetts business trusts were not the beneficial owners of their income. Notably, the U.K. never asserted that RICs organized in corporate form were ineligible to claim treaty benefits in their own right. The beneficial ownership issue was limited to RICs organized as business trusts.

The ICI and a coalition of banks responded to the U.K. concerns by addressing several issues that were considered relevant to treaty eligibility. First, we addressed head-on the legal issue by providing the U.K. with a compelling legal analysis of Massachusetts law that explained the differences between investors' rights in a Massachusetts business trust and in a private trust and the similarities between investors' rights in a Massachusetts business trust and in a Massachusetts corporation. Second, we explained, as we did above, that a RIC investor has no practical ability to claim treaty benefits because the relevant information never would be provided by the RIC or otherwise available to the shareholder. Third, we explained that U.S. funds are owned almost exclusively by U.S. persons; the reasons for the U.S.-only shareholder base are: (1) the tax disadvantages imposed on non-U.S. investors in U.S. funds (explained on pages 2 and 3 of Appendix B to this Memorandum); and (2) the fact that U.S. funds almost never are offered for sale outside of the U.S. Finally, we explained that U.S. funds are not attractive treaty-shopping vehicles because of the U.S. withholding tax imposed on payments by RICs to non-U.S. investors (as explained on page 2 of Appendix C to this Memorandum).

The dispute with the U.K. was resolved through an agreement reflected in an exchange of letters between the industry's counsel and the U.K. tax authorities. Under the agreement, the U.K. agreed to allow RICs organized as Massachusetts business trusts to claim treaty benefits "on behalf of" their shareholders, as each side maintained its legal position regarding beneficial ownership. The U.K., in effect, recognized that treaty benefits effectively would be denied if it did not allow the RICs to make these claims for their shareholders. One important caveat was that, under the agreement, a RIC's future treaty relief would be reduced by any treaty claims that the U.K. paid to individual shareholders in that RIC who filed individually for the tax relief to which they were "entitled."

Two important features of this agreement are worth noting. First, in the 20-plus years since that agreement was reached, the U.K. *never* has reduced a treaty claim filed by a RIC because no shareholder *ever* has filed a claim. Second, the U.K. allows RICs to claim treaty benefits without providing any information regarding their investors. Thus, for all practical purposes, RICs are claiming treaty benefits in their own right despite the "agreement to disagree" over 20 years ago regarding whether the RIC organized as a Massachusetts business trust or its shareholders were the beneficial owners of the RIC's income.

In the late 1990s, the industry experienced difficulties with Switzerland and Germany. The issue with Switzerland began after the U.S. changed the so-called "address rule" under which Swiss funds (that generally were viewed as tax transparent) had been claiming treaty relief based solely on their Swiss addresses. Once Swiss funds no longer were viewed by the U.S. as treaty-eligible, Switzerland stopped honoring treaty reclaims filed by RICs. After extended negotiations between the industry (the ICI and another coalition of banks), and Swiss tax authorities, Switzerland agreed to allow RICs to claim treaty benefits. Any fund filing a claim asserting that at least 95% of its direct shareholders were U.S. residents on March 31 of a calendar year was entitled to 100% of the benefit claimed for that year. If a fund's direct U.S. shareholder percentage was less than 95% on March 31, only proportionate relief would be provided. Switzerland continues to provide relief using this standard and accepts ownership certifications from RICs.[10]

The German situation arose because of a misunderstanding regarding the nature of U.S. funds; specifically, a concern arose that U.S. funds might be transparent – as are German funds. After the tax treatment of RICs was explained to German tax officials, they agreed that RICs were the

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[10] So long as at least 50% of the RIC shares are held directly through the RIC, the RIC can determine its U.S. ownership percentage based upon the directly-held shares. If less than 50% of the RIC shares are held directly, the Swiss tax authorities may request an explanation of how the RIC determined its ownership percentage.

beneficial owners of their income and allowed them to claim treaty benefits so long as at least 50% of the RIC's shareholders are U.S. residents; this 50% threshold is required under the limitations on benefits provision in Article 28 of the German-U.S. treaty. To receive treaty benefits in Germany, a RIC must self-certify, "to the best of [the RIC's] knowledge and belief," that it meets the 50% limitation on benefits test.

Norway is the country, other than Korea, in which RICs have experienced significant difficulties in receiving treaty relief. The dispute with Norway began after treaty negotiations to replace the 1971 Norway-U.S. treaty (which were reported publicly in 2006 to be "substantially complete") came to a standstill. The ICI filed a letter with the Norwegian tax authorities asserting the RICs should continue to receive the treaty benefits that they had before the treaty negotiation dispute. Although Norway never responded to the ICI's request, many Norwegian subcustodians stopped filing treaty relief claims for RICs because of concerns that Norway later would assert tax liabilities for "inappropriately-filed" claims. Notwithstanding this "unofficial freeze," one custodian continued to file claims for RICs which, we understand, have been paid and not challenged. Moreover, now that the treaty negotiations between Norway and the U.S. once again appear to be moving toward successful completion, treaty reclaims filed by RICs, we understand, are being accepted.

D. How RICs Claimed Tax Treaty Benefits in Korea Prior to the New Procedure

Prior to the new procedure, RICs did not experience any difficulties in claiming tax treaty benefits in their own right under the Korea-U.S. treaty based on the tax rulings discussed below. A RIC simply completed the IRC application that included a country of residence, nationality, legal classification and provided a tax authority certification in the form of an IRS Form 6166 that was used to determine treaty entitlement. The information was presented by the custodian, on behalf of the RIC, to the subcustodian, establishing that the RIC was treaty-entitled because it was a RIC (and therefore a person, U.S. resident, and the beneficial owner of its income).

Article 17 of the Korea-U.S. treaty precludes treaty relief for dividends, interest, royalties and capital gains of investment companies if "25 percent or more of the capital of such corporation is held of record or is otherwise determined, after consultation between the competent authorities of the Contracting States, to be owned directly or indirectly, by one or more persons who are not individual residents of the first-mentioned Contracting State (or, in the case of a Korean corporation, who are residents of the United States)."

In this regard, the Ministry of Finance and Economy and the National Tax Service has ruled in several tax rulings (*e.g.*, Jae-kook-jo46017-85 dated May 23, 1995, Kook-jo46017-122 dated November 17, 1993) that a RIC whose shares are listed on a stock exchange and publicly traded by investors should not be considered as having 25% or more of its outstanding shares owned by persons who are not individual residents of the United States, as long as the number of shares of such RIC underwritten by underwriters other than U.S. underwriters is less than 25% of the aggregate number of shares offered.

Since RICs, as discussed in Appendix C, are owned almost exclusively by U.S. persons, based on Article 17 of the Korea-U.S. treaty and the previous tax rulings discussed above, RICs have been claiming tax treaty benefits in their own right under the Korea-U.S. treaty. Moreover, RICs have found that the residence of their shareholders changes very minimally from quarter to quarter[11] or even year to year.

E. Markets that were similar to Korea that have changed how they process tax benefits

Korea is the only country in the world that requires such detailed information (e.g., precise investor identification) before granting treaty benefits to a RIC. There are no similar countries or markets.

The industry highly recommends that market changes be accompanied by appropriate time frames to implement and to follow a "self certification" or certificate of residency format through a relief at source process that is streamlined for all treaty eligible investors to complete. In addition, if relief at source is missed, a timely tax reclaim process must be available through the chain of participants that does not require the ultimate investor to file directly with the local tax authorities.

F. The Business Community's Confusion and Difficulties Applying the New Procedure

There has been a substantial amount of frustration with the difficulties posed by the new procedure since it took effect in July 2012. The forms are due four times a year, which is significantly greater than most other foreign markets. The fund managers' frustration stems from (1) lack of resources, (2) lack of clear guidance, (3) the availability of required information, (4) stringent timeframes, and (5) the complexity of the forms.

An illustration of the intense burden imposed by these reporting requirements is found in Appendix E.

Lack of Resources.

RICs often do not have enough resources to gather the required data cost effectively on a continuous quarterly basis for all funds that invest in South Korea. New requirements have become a significant business project that is affecting multiple business units and costing substantial amounts. Upper management at some firms have discussed with portfolio managers the advisability of further investments in South Korea.

Lack of Clear Guidance.

The industry's difficulties with the new procedure began even before the procedure became effective because of confusion regarding a RIC's ability, or not, to claim treaty benefits by filing as a

[11] Generally far less than 1% and, we believe, in most cases less than 0.1%.

corporation. The corporate form,[12] the industry believed, was the correct form because RICs historically have been treated in Korea (appropriately, we submit) as persons, residents, and the beneficial owners of their income based on Article 17 of the Korea-U.S. treaty and the previous tax rulings discussed above. As RICs began to work with their custodians to develop procedures for claiming treaty relief, it was not clear whether to file the corporate form or the form that is used by CIVs that are not entitled to claim in their own right (the Overseas Investment Vehicle Report).[13] Considerable time and effort was spent as the fund industry consulted with custodians, subcustodians, tax advisers and others to ascertain the Korean government's view of the proper filing form. Different answers were received from different custodians and different tax advisers.

Availability of Required Information.

Several difficulties arise with completing the Overseas Investment Vehicle Report. Because RIC shares often are held through nominee accounts, by intermediaries holding shares for their customers, RICs typically did not have access to the information necessary to make the country-by-country ownership determinations (required by the Overseas Investment Vehicle Report) with 100% certainty. Acquiring detailed information from nominees, in many cases, would be extraordinarily difficult (at best). Unlike the German situation, where it is clear that customer declarations are made based upon a standard of "to the best of [the RIC's] knowledge and belief," the standard to be applied for Korean tax purposes was unknown. Because the Overseas Investment Vehicle Report requires that shareholders' countries of residence be reported to the fifth digit (*e.g.,* 2.7588%), many in the industry concluded that absolute certainty regarding the RIC's shareholders was required. As most RICs would not be able to achieve 100% certainty because of the shares held through nominees, many RICs questioned whether they could receive treaty relief at all.

As noted in Appendix C, RICs are almost exclusively held by U.S. persons. RICs have found that the residence of their shareholders changes very minimally from quarter to quarter[14] or even year to year.

Stringent Timeframes.

The forms are valid only for the three-month period that begins on the first day after the measurement period but must be filed before income events occur during that period (as provided in Guideline No. 11 of the Form No. 29-13 (Report of Overseas Investment Vehicle). Thus, at the time tax relief is granted on the payment date, the RIC's shareholder composition has likely changed and the blended rate applied to the income payment date reflects the shareholder domicile composition on the record date, rather than the payment date.

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[12] Form No. 72-2 (Application for Entitlement to Reduced Tax Rate on Domestic Sourced Income (for Foreign Corporation).

[13] Form No. 29-13 (Report of Overseas Investment Vehicles).

[14] Generally far less than 1% and, we believe, in most cases less than 0.1%.

Following a shareholder-determination date, treaty relief is not available until the RIC collects the relevant shareholder information (which can take considerable time if nominees must provide this information for their clients), performs the country-by-country calculations, completes the form, provides the form to its custodian, which provides the form to the local subcustodian, which provides the form to the paying agent. These steps take days rather than hours. Thus, for example, if March 31 is a shareholder determination date, it is unlikely that a RIC could claim treaty relief for any dividends paid during the first week or two of April. The time zone differences between Korea and the U.S., as a general matter, add another day for which treaty relief cannot be claimed.

An option announced on February 23, 2013 provides partial relief by allowing funds to complete forms based on a date other than the last day of the quarter. This option attempts to accommodate timing issues in applying for benefits during the first weeks of income activity in the next quarter; however this option does not eliminate the timing problem and creates other issues. The forms under this option are only valid for a month and thus funds must still submit a quarterly form. This means funds must submit forms up to eight times per year, which doubles the administrative burden and cost to complete forms that will have very minor changes.

Fund staff and senior management have been very adamant that, since the forms are either due by the first day of the quarter or under a duplicative alternative procedure, they view treaty benefits as functionally unattainable in Korea due to the substantial amount of time it takes to obtain the data in order to complete the tax forms.

The forms are valid only for a calendar quarter, rather than for a full calendar year (as provided in Guideline No. 11 of the Form No. 29-13 (Report of Overseas Investment Vehicle). Hence, the administrative work must be done four times as often and the total period for which treaty relief cannot be claimed (for the reason discussed immediately above) is four times as long as would be the case if the forms were valid for a full year.

As RICs know that the residence of their shareholders changes very slowly, submitting the information "no sooner than one calendar quarter from the close of the year" would still accurately reflect the shareholder base on the date the dividend is paid.

As there is no opportunity for reclaims or refunds, the filing requirement has raised numerous issues for funds that could be affected by these impractical deadlines each quarter. The funds with payment dates issued in the beginning of the quarter would lose the opportunity to receive treaty benefits, because of the complex components necessary to complete the tax forms. Even with the 30 day grace period, there are significant challenges to gather the data and at least a 90 day grace period is needed.

Examples of the practical approaches adopted by other countries to address these issues are shown in the charts in Appendix D.

Complexity of the Forms.

Funds obtain the required information from multiple different internal and external sources. The forms require all countries in which the funds have shareholders to be listed, along with the data and corresponding adjusted treaty rates. The requirement of providing all country information, rather than just the United States shareholder information, creates a substantial amount of additional time gathering and analyzing the data required on the forms. As the forms are required quarterly—rather than annually like most other foreign markets—these internal teams spend a significant amount of time throughout the entire year working on these tax forms. As noted above, it is particularly difficult to get verifiable information on the tax residence of every fund shareholder when, as is often the case, the shares are held in omnibus accounts; when the relevant information is not on the fund's record-keeping platform it must be requested from the omnibus account holders.

G. How RICs Claim Tax Treaty Benefits in Other Countries

RICs receive treaty benefits in their own right either at source (when a payment is made) or by filing a reclaim. The process typically is very simple and straightforward. Generally, a RIC's custodian secures from the IRS an official IRS Form 6166 on which the IRS certifies that the RIC is a U.S. resident. The custodian, or an in-country subcustodian, files the claim using the source-country's form and attaches the IRS Form 6166. No other documentation typically is required.

Appendix D provides specific examples of the procedures adopted and implemented by other countries that allow RICs to claim treaty benefits.

Administrative issues sometimes arise if treaty relief is provided through a reclaim procedure rather than at-source. In Italy, for example, RICs receive full treaty relief when their paperwork is filed in time to receive at-source relief. The Italian tax authorities also provide for a "grace period" till March 31st of the following income year for submission of the annual IRS Form 6166 to support the relief at source process. Significant delays, that can rise to the level of effective denial of treaty benefits, have arisen when treaty relief must be requested through the reclaim process. The Italian experience reflects the widely-held understanding that RICs are treaty-entitled in their own right but that administrative hurdles (similar to the ones being experienced in Korea) can lead to effective denial of treaty relief.

III. Treaty Issues for CIVs that Claim Refunds on Behalf of Their Investors

A. Basis Upon Which CIVs (That Cannot Claim Treaty Benefits on Their Own Behalf) May Claim The Benefits for Their Investors

The OECD's CIV Report, as noted above and in the October 22 coalition letter, explains why CIVs that cannot claim treaty benefits in their own right should be allowed to make the claims for their investors. In effect, this type of CIV is claiming treaty relief as an agent for its investors who are entitled to claim treaty benefits but have neither the necessary information nor the financial incentive to pursue these claims on their own.

Because RICs meet all three requirements for treaty-entitlement, and hence are not claiming relief as agents for their shareholders, this is not an issue for the ICI. Hence, any discussion of the additional documentation requirements that may be appropriate when a CIV is claiming benefits for a mix of investors, some of whom may not be treaty-entitled, is beyond the scope of this letter.

B. <u>Practical Impediments that Prevent These CIVs' Investors from Claiming Treaty Benefits</u>

Investors in CIVs that cannot claim treaty relief in their own right, as discussed above, have neither the information nor the financial incentive to claim treaty relief themselves. In a widely-held CIV – which is the type of CIV addressed in the OECD's CIV Report and in the October 2012 coalition letter – an investor's proportionate interest in the CIV typically will change every day as other investors purchase or redeem shares of the CIV; an investor's proportionate interest also will change, obviously, if he or she purchases or redeems shares in the CIV. Thus, even if the investor knew the precise amount of income received by the CIV for which he or she could claim treaty relief, the investor would not know his or her share of the income unless the investor also knew his or her proportionate interest in the CIV. In reality, *none* of this information is known to the investors.

Moreover, even if this information were known, any individual investor's interest in any payment most likely would be *de minimis.* CIVs are highly diversified vehicles that typically hold tens or hundreds of different securities. They also, as widely-held vehicles, typically have thousands, tens of thousands, or hundreds of thousands of investors. When the number of securities in the portfolio and the number of investors in the CIV are combined, any single investor's interest in any payment on any individual security almost surely will be too small to justify the cost of filing for treaty relief. The CIVs for which we are seeking treaty relief are not like hedge funds, where a small number of investors (with limited opportunities to exit the fund) make substantial contributions to a vehicle that typically will hold a relatively small number of securities.

C. The Administrative Relief Requested Would Not Elevate Form over Substance

Because CIVs are widely-held and have shareholder bases that change every day, it is not possible to match precisely the CIV's eligible shareholder base on any given day with the treaty relief provided for income received on that day. Widely-held, publicly-available CIVs are not like small partnerships with stable investor bases – where such precise tracing is relatively straightforward.

Although precision is not possible, the portion of any CIV's shareholder base that is treaty-eligible remains relatively constant unless the CIV begins to be marketed actively in countries without applicable treaties. Even when this marketing occurs to new investors who are not treaty-eligible, the influx of new investors will not have any significant impact, over a relatively short time period, in the treaty-eligibility percentage of a CIV with any significant shareholder base.

Because of the extraordinary burden of seeking to determine precisely the treaty eligibility of investors in a widely-held publicly-offered CIV, cost-effective safe harbors that both protect government interests and reflect business reality should be provided. We submit that two accommodations should be made for these CIVs that can claim treaty relief only on behalf of their treaty-eligible investors. First, as discussed above, a lag must be provided between the date for which the treaty-eligibility determination is made and the period for which the determination applies.[15] In the October 2012 coalition letter, we suggested a one-quarter lag. This period, we submit, is appropriate. Second, we believe that it is appropriate for this determination to apply for a full year, as the burdens of quarterly determinations are significant and the additional imprecision from making these determinations applicable for a year rather than a quarter is small.

Appendix D provides examples of how other countries have adopted an administrable approach to these issues. Appendix E illustrates the extreme administrative burdens faced by fund managers under the current Korean system.

IV. Prioritizing the October 2012 Coalition Letter's Recommendations

All of the October 2012 coalition letter's recommendations are important. The recommendations address distinct issues. The ICI, with respect to RICs, would prioritize the issues as follows.

A. Highest Priority Recommendations

The first and third recommendations from the 22 October 2012 coalition letter are by far the most important from the ICI's perspective to address in a timely manner. These issues are:

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[15] In our opinion, the option announced on February 23, 2013—allowing funds to complete forms based on a date other than the last day of the quarter—offers only partial relief. This option does not eliminate the timing problem and creates other issues. For example, funds must submit forms up to eight times per year, which doubles the administrative burden and cost.

1. *All collective investment vehicles ("CIVs") treated as both Persons and Residents by the country in which they are organized should file Form No. 72-2 to claim treaty benefits in their own right. RICs are one type of such CIV and should claim treaty benefits in their own right.*

3. *For purposes of the 100-person rule for filing as a public CIV, another OIV investing in a CIV should not be treated as a single investor. Rather, the OIV should provide details regarding the number of its investors – so that the 100-person rule requires detailed reporting only if there are fewer than 100 individual investors throughout the intermediated distribution structure.*[16]

The first recommendation would address the majority of concerns for RICs seeking to claim treaty relief. The third recommendation, which is most relevant if the first recommendation is not adopted (*i.e.,* if RICs cannot claim treaty benefits in their own right), also is important, however, for those RICs the shares of which are held by fewer than 100 nominees (who hold for hundreds or thousands of individual investors). In some limited situations, this third recommendation also might be useful for a RIC that is just beginning to invest and has only a few nominees and a relatively small number of direct investors.

The first recommendation, as it applies to RICs—which are treaty-entitled in their own right—should be adopted through administrative guidance. As RICs' eligibility for treaty relief is provided clearly by the treaty itself, no legislative changes should be necessary. The third recommendation should be adopted through tax law amendment or administrative guidance.

With respect to the third recommendation, it should be noted that even where a RIC with less than 100 investors is permitted to file the corporate form, this does not entitle private equity or hedge funds to file the corporate form. U.S. private equity funds generally are formed as partnerships both for U.S. legal and tax purposes. Unlike RICs, partnerships are not eligible to claim treaty benefits in their own right.

B. Second Highest Priority Recommendations

The two administrative recommendations, the fifth and sixth, are important because they allow custodian banks and their clients to address situations in which the necessary documentation, for whatever reason, is not provided in time to claim at-source treaty relief. These administrative recommendations are:

5. *A "quick refund" procedure should be reestablished. This procedure would allow treaty-entitled investors a grace period to provide documentation and would reduce unnecessary administrative burdens that would be placed on investors, custodians, and the Korean tax authorities by a lengthy reclaim process.*

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[16] This issue was addressed in detail in the letter submitted by ICI and ICI Global on January 20, 2012.

6. *A tax reclaim process should be established for treaty-entitled investors that cannot provide required tax documentation before the income event (or the end of the grace period provided by our fifth recommendation).*

For RICs and other similar CIVs – that are permitted to claim treaty relief in their own right (under the first recommendation) with the clarifications to the 100-person rule (provided by the third recommendation) – these recommendations are relevant only if the CIV does not file the corporate form before the income event. So long as the form remains valid, the need for quick refund procedures and a reclaim process should be relatively remote. Because these recommendations are administrative, they presumably could be provided by administrative guidance as well.

Appendix D provides examples of countries that offer efficient reclaim procedures.

B. Third Highest Priority Recommendation

For CIVs that cannot claim treaty relief in their own right, clearly the second recommendation is the most important because that recommendation is required for such a fund to have an administrable process to claim tax treaty benefits. This recommendation is that:

2. *Any CIV that cannot claim treaty benefits in its own right (under our first recommendation above) should file Form No. 29-13 on an annual, rather than quarterly, basis. Additionally, to allow adequate time for gathering data and preparing the Form, such annual reporting should be due no sooner than one calendar quarter from the close of the year.*

The second part of this second recommendation (that a delay be provided between the date shareholder determinations must be made and the date these new percentages become applicable for treaty relief claims) is particularly important because it will reduce substantially the likelihood that the CIV will need to exercise the relief provided by the fifth and sixth recommendations. As this recommendation also is administrative, presumably it too could be provided by administrative guidance.

As noted above, fund staff and senior management are adamant that, since the forms are either due by the first day of the quarter or under a duplicative alternative procedure, they view treaty benefits as functionally unattainable in Korea. The lack of available treaty benefits is being considered by portfolio managers regarding the advisability of further investments in South Korea. Fund managers cannot feasibly devote the resources needed to gather the data even quarterly for all funds that have holdings in South Korea.

B. Third Highest Priority Recommendations

The importance of the fourth recommendation is diminished substantially, for RICs, with prompt adoption of the October 2012 coalition letter's first (and, to a lesser extent, third) recommendations. This fourth recommendation is that:

4. *Guidance should be provided that the tax exemption for capital gain transactions between non-residents applies regardless of whether any of the non-residents is a CIV. Such guidance is needed promptly to reassure brokers that their foreign investors can trade their positions without incurring tax or reporting obligations.*

This recommendation likewise should be provided through administrative guidance.

V. Descriptions of ICI and ICI Global

1. The Investment Company Institute ("ICI")

The Investment Company Institute is the national association of U.S. investment companies. The ICI has represented mutual funds and other investment companies on regulatory, legislative, and industry initiatives that affect funds and their shareholders since 1940. The ICI's members manage total assets of $14.96 trillion and serve over 90 million shareholders.

The ICI staff consists of approximately 180 persons, all located in Washington, DC, working on legal, accounting, operations, economic, statistical research, and public communications matters. The ICI is governed by a Board of Governors (composed of industry leaders from small and large firms and independent directors of fund companies) and a smaller Executive Committee of the Board. This broad-based representation helps to ensure that the Institute's policy deliberations consider all segments of the fund industry and all investment company shareholders.

The ICI's three core missions are (1) encouraging adherence to high ethical standards by all industry participants; (2) advancing the interests of funds, their shareholders, directors, and investment advisers; and (3) promoting public understanding of mutual funds and other investment companies. The ICI's involvement on international tax matters is just one aspect of our advocacy mission. ICI's Senior Counsel – Tax Law (Keith Lawson) has represented the U.S. fund industry on treaty eligibility issues for over 20 years (beginning with the issue discussed above involving the United Kingdom).

Additional information about the ICI, including the most recent annual report, can be found on the Institute's website: http://www.ici.org/about_ici.

For a review of trends and activity in the U.S. investment company industry, please also refer to the '2012 Investment Company Handbook', 52nd edition, issued by the ICI, which can be found on the Institute's website: http://www.icifactbook.org/

2. ICI Global

ICI Global was founded by the ICI in 2011 as a trade organization focused on regulatory, market, and other issues for global investment funds, their managers and investors. ICI Global members include regulated funds publicly offered to investors in jurisdictions worldwide, making it the first industry body exclusively advancing the perspective of globally active funds. ICI Global is based in London and has established an office in Hong Kong.

ICI Global seeks to advance the common interests and promote public understanding of global investment funds, their managers, and investors. In this regard, ICI Global operates in the same manner as the ICI. ICI Global at the moment is staffed by four full-time London-based employees and a full-time Hong Kong-based employee; substantial support also is provided by ICI and ICI/ICI Global employees in Washington.

Additional information about ICI Global can be found on the Institute's website at: http://www.iciglobal.org/iciglobal/about

Appendices and Attachments

Appendix A (Organization and Operation of a U.S. Fund – and the Applicable U.S. Securities Laws)

Appendix B (U.S. Tax Laws Governing U.S. Funds Taxable as Regulated Investment Companies)

Appendix C (Summary of RICs' Eligibility to Claim Treaty Benefits)

Appendix D (Examples of Tax Treaty Benefits Available to RICs)

Appendix E (Description of Preparation and Submission of Information to Claim Tax Treaty Benefits)

Attachment 1 – ICI/ICI Global Letter dated January 20, 2012

Attachment 2 – ICI Letter dated April 13, 2012

Attachment 3 – Coalition Letter dated 22 October 2012

Attachment 4 – Representative information for the T. Rowe Price New Asia Fund ("NAS") and the T. Rowe Price International Bond Fund ("IBF"). The information includes each fund's (i) Summary Prospectus, (ii) Prospectus, (iii) Statement of Additional Information ("SAI"), and (iv) Annual Report

Appendix A:
Organization and Operation of a U.S. Fund (and the Applicable U.S. Securities Laws)[17]

U.S. mutual funds are registered under the Investment Company Act of 1940 as "open-end investment companies." Shares of a U.S. mutual fund generally are available for purchase every day pursuant to a public offering. In all cases, shares of a U.S. mutual fund are redeemable upon shareholder demand.

I. The Organization of a U.S. Mutual Fund

Each U.S. mutual fund is a separate legal entity, organized under state law either as a corporation or a business trust (sometimes called a "statutory trust"). Mutual funds have officers and directors (if the fund is a corporation) or trustees (if the fund is a business trust).[18] The fund's board plays an important role, described in more detail below, in overseeing fund operations.

Unlike other companies, a mutual fund is externally managed; it is not an operating company and it has no employees in the traditional sense. Instead, a fund relies upon third parties or service providers – either affiliated organizations or independent contractors – to invest fund assets and carry out other business activities.

The following diagram shows the primary types of service providers usually retained by a mutual fund. These service providers include the investment adviser, the principal underwriter, the administrator, the transfer agent, the custodian, and the independent public accountant.

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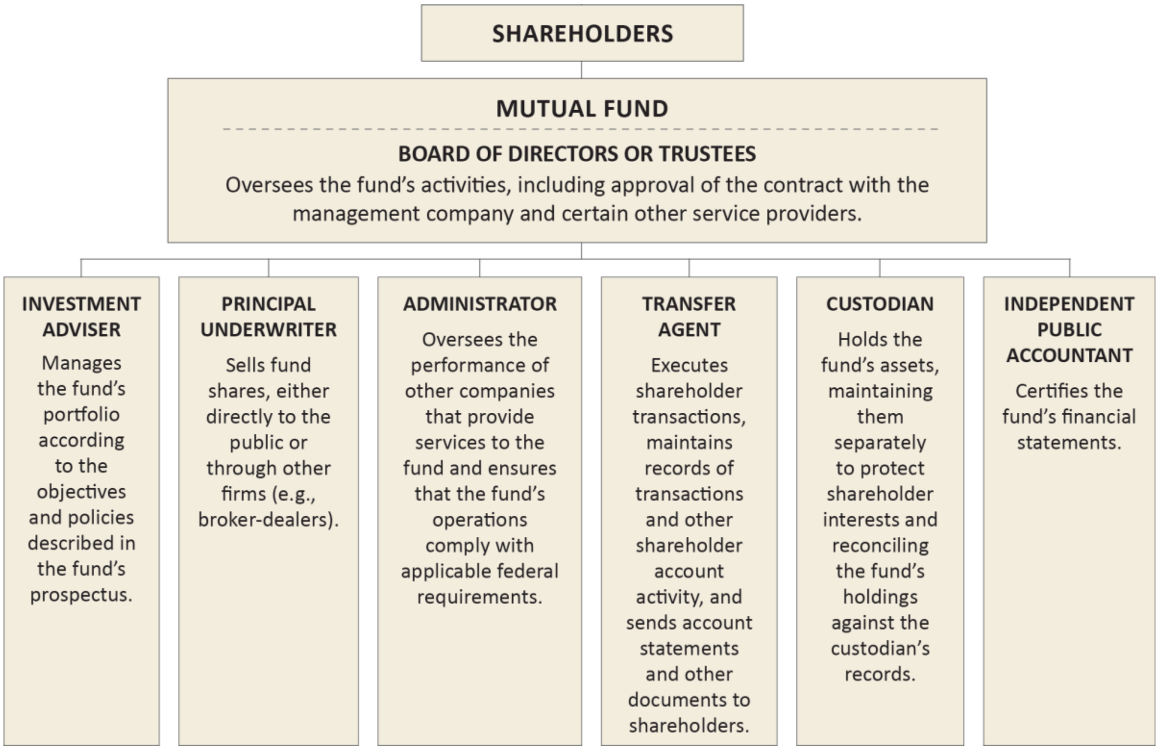
[17] Samples of the securities offering and other documents that are discussed in this appendix are provided for the T. Rowe Price family of funds and attached to this appendix.

[18] Hereafter, for simplicity, both directors and trustees are referred to as "directors."



II. Distribution of U.S. Mutual Fund Shares

Mutual funds may be organized as retail investment vehicles, as institutional investment vehicles, or as combined retail/institutional vehicles (with separate classes of shares for the retail and institutional investors). Mutual funds typically have thousands of shareholders; some mutual funds have hundreds of thousands of shareholders. Some mutual funds shareholders hold as nominees for their clients. Nominee accounts include street name accounts set up by brokerage firms, banks, and financial planners for their customers and those set up by so-called "fund supermarkets," which are created by financial services firms to invest their clients' assets in other firm's mutual funds. Because customer identity information is a valuable commercial asset, firms with the customer relationship may utilize the nominee account structure to shield the client's identity from competitors, including mutual funds and the financial services firms that manage mutual funds. The nominee account structure, importantly, does not shield client information from the Internal Revenue Service.

III. Core Principles Underlying the Regulation of Mutual Funds

Mutual funds are subject to a comprehensive regulatory scheme under the U.S. securities laws that provides important protections for shareholders and limits the potential for systemic risk. Mutual funds are regulated under all four of the major U.S. securities laws: the Securities Act of 1933, which requires registration of the fund's shares and the delivery of a prospectus; the Securities Exchange Act of 1934, which regulates the trading, purchase and sale of fund shares and establishes antifraud standards governing such trading; the Investment Advisers Act of 1940, which regulates the conduct of mutual fund investment advisers and requires them to register with the U.S. Securities and

Exchange Commission ("SEC"); and, most importantly, the Investment Company Act of 1940 ("Investment Company Act"), which requires all mutual funds to register with the SEC and to meet certain operating standards.

The Investment Company Act goes far beyond the disclosure and anti-fraud requirements that are characteristic of the other U.S. federal securities laws by imposing substantive requirements and prohibitions on the structure and day-to-day operations of a mutual fund. The core principles of the Investment Company Act are:

(1) strict separation of the mutual fund's assets from the fund's investment adviser through explicit rules concerning the custody of portfolio securities;

(2) ensuring that the market and investors receive sufficient information about the mutual fund, including its strategy and investment risks, and that the information is accurate and not misleading;

(3) prohibiting complex, unfair, or unsound capital structures by, for example, placing constraints on the use of leverage;

(4) offering shareholders liquidity and objective, market-based valuation of their investments;

(5) prohibiting or restricting affiliated transactions and other forms of self-dealing;

(6) providing for specific diversification standards; and

(7) providing for a high degree of oversight and accountability.

Each of these core principles is discussed in more detail below.

A. Custody

The Investment Company Act requires all mutual funds to maintain strict custody of their assets, separate from the assets of the adviser. Although the Investment Company Act permits other arrangements, nearly all mutual funds use a bank custodian for domestic securities.[19] Foreign securities are required to be held only in the custody of certain eligible foreign banks or securities depositories.

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[19] The Investment Company Act contains six separate custody rules for the different types of possible custody arrangements for mutual funds.

A mutual fund's custody agreement with a bank is typically far more elaborate than the arrangements used for other bank clients. The custodian's services generally include safekeeping and accounting for the fund's assets, settling securities transactions, receiving dividends and interest, providing foreign exchange services, paying fund expenses, reporting failed trades, reporting cash transactions, and monitoring corporate actions at portfolio companies.

A mutual fund's portfolio assets are never considered assets of the investment adviser, custodian, or any other fund. No creditor of the adviser or custodian will have a claim against the assets of the fund, and gains or losses of the fund cannot be used to offset losses or gains in any other fund or portfolio.[20] As a result, the failure of the mutual fund's custodian or investment adviser would have little impact on the portfolio.

The Investment Company Act's strict rules on custody and reconciliation of fund assets are also designed to prevent the types of theft and other fraud-based losses that have occurred in less regulated investment products. Shareholders are further insulated from these types of losses by a provision in the Investment Company Act that requires all mutual funds and closed-end funds to have fidelity bonds designed to protect them against possible instances of employee larceny and embezzlement.

B. Transparency

Mutual funds are subject to extensive disclosure requirements that ensure that the market and investors receive sufficient information about the fund.[21] The combination of registration statements, annual and semi-annual shareholder reports, quarterly portfolio holdings disclosure, and proxy voting disclosure, described below, provide the investing public, regulators, media, and other interested parties with far more information on mutual funds than is available for other types of investments in the U.S., such as separately managed accounts, bank-sponsored collective investment trusts, and private pools, such as hedge funds or private equity funds. The information filed by mutual funds is publicly available via the SEC's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR') system. In addition, numerous private-sector vendors, such as Morningstar, are in the business of compiling publicly available information on mutual funds in ways designed to benefit investors and the market.[22]

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[20] Each mutual fund stands on its own. It will generate gains or losses based on the performance of its portfolio, less its expenses, independent of the fortunes of any other fund managed by the adviser or serviced by the custodian, and indeed, independent of the fortunes of the adviser or custodian.

[21] The SEC's website contains a description of information available to mutual fund shareholders, available at http://www.sec.gov/answers/mfinfo.htm.

[22] Investment advisers to mutual funds also are required to register with the SEC and disclose information about their business and operations.

1. *Registration Statements*

The cornerstone of the disclosure regime for mutual funds is the registration statement, which is comprised of the prospectus, the statement of additional information ("SAI"), and certain other information.[23] Mutual funds are required to maintain a current prospectus, which provides investors with information about the fund, including its investment objectives, investment strategies, risks, fees and expenses, and performance, as well as how to purchase, redeem, and exchange fund shares. Importantly, the key parts of this disclosure with respect to performance information and fees and expenses are standardized to facilitate comparisons by investors.[24] Certain information is required to be included in a specific manner (*e.g.*, a fee table with specified entries and nothing additional), location, and/or order in the prospectus. The prospectus must be provided to investors who purchase fund shares. In addition, most mutual funds deliver an updated prospectus to existing shareholders annually.

Mutual funds also are required to make their SAI available to investors upon request and without charge. The SAI conveys extensive and more detailed information about the fund. The SAI includes information about the history of the fund, offers detailed disclosure on certain investment policies (such as borrowing and concentration policies), lists officers, directors, and persons who control the fund, discloses the compensation paid to directors/trustees, certain officers, affiliated persons and service providers, and describes a range of information about a fund's portfolio managers, including their management of other accounts. In addition, funds must disclose in their SAI the extent of the board's role in the risk oversight of the fund, such as how the board administers its oversight function, and the effect that this has on the board's leadership structure.

Mutual fund registration statements are amended at least once each year to ensure that financial statements and other information have not become stale. These funds also amend registration statements throughout the year as necessary to reflect material changes to their disclosure.

2. *Annual and Semi-Annual Reports*

Mutual fund shareholders receive audited annual and unaudited semi-annual reports within 60 days after the end, and the mid-point, of the fund's fiscal year, respectively. These reports contain updated financial statements, a list of the fund's portfolio securities,[25] management's discussion of financial performance, and other information current as of the date of the report.

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[23] The registration statement for mutual funds (Form N-1A) is available at http://www.sec.gov/about/forms/formn-1a.pdf; for closed-end funds (Form N-2) at http://www.sec.gov/about/forms/formn-2.pdf; and for UITs (Form N-8B-2) at http://www.sec.gov/about/forms/formn-8b-2.pdf.

[24] Mutual funds are permitted to provide investors with a "summary prospectus" containing key information about the fund, while making more information available on the Internet and in paper upon request.

[25] A fund is permitted to include a summary portfolio schedule in its shareholder reports in lieu of the complete schedule of holdings in securities of unaffiliated issuers, provided that the complete portfolio schedule is filed with the SEC and is

3. *Portfolio Holdings and Proxy Voting Disclosure*

Following their first and third quarter, mutual funds file an additional form with the SEC, Form N-Q, disclosing the complete schedule of their portfolio holdings.

Mutual funds also are required to disclose annually how they voted on specific proxy issues at portfolio companies on Form N-PX. Funds are the only shareholders required to publicly disclose each and every proxy vote they cast.

C. Limits on Leverage

The Investment Company Act prohibits complex capital structures and includes provisions that limit the use of leverage. It imposes various requirements on the capital structure of mutual funds, including limitations on the issuance of "senior securities" and borrowing.[26] Generally speaking, a senior security is any debt that takes priority over the fund's shares, such as a loan or preferred stock.[27] These limitations minimize the possibility that a mutual fund's liabilities could exceed the value of its assets.

The SEC also takes the view that the Investment Company Act prohibits a mutual fund from creating a future obligation to pay unless it "covers" the obligation. A fund generally can cover an obligation by owning the instrument underlying the leveraged transaction. For example, a fund that wants to take a short position in a certain stock can comply with the Investment Company Act by owning an equivalent long position in that stock. The fund can also cover by segregating or earmarking, on its or its custodian's books, liquid securities equal in value to the fund's potential exposure from the leveraged transaction. The assets set aside to cover the leveraged security transactions must be liquid, unencumbered, and marked-to-market daily. They may not be used to cover other obligations and, if disposed of, must be replaced.

The Investment Company Act also limits borrowing. With certain very limited exceptions, any promissory note or other indebtedness generally would be considered a prohibited senior security.

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provided to shareholders upon request, free of charge. The summary portfolio schedule includes each of the fund's 50 largest holdings in unaffiliated issuers and each investment that exceeds one percent of the fund's net asset value. Each report discloses fully investments in, and advances to, affiliates as well as investments that are not securities, regardless of whether a summary schedule is used.

[26] The Investment Company Act also significantly restricts the ability of a RIC to invest in securities of other investment companies ("pyramiding").

[27] The SEC has historically interpreted the definition of senior security broadly, taking the view that selling securities short, purchasing securities on margin, and investing in many types of derivative instruments, among other practices, may create senior securities.

Mutual funds are permitted to borrow from a bank if, immediately after the bank borrowing, the fund's total net assets are at least three times total aggregate borrowings, *i.e.,* the fund must have at least 300 percent asset coverage.

Many mutual funds voluntarily go beyond the prohibitions in the Investment Company Act, adopting policies that restrict further their ability to issue senior securities or borrow. Mutual funds often, for example, adopt a policy stating that they will borrow only as a temporary measure for extraordinary or emergency purposes and not to finance investments in securities. In addition, they may disclose that borrowings will be limited to a small percentage of fund assets (such as five percent). These are meaningful voluntary measures because, under the Investment Company Act, a mutual fund's policies on borrowing money and issuing senior securities (as well as other policies the fund may deem "fundamental") cannot be changed without the approval of fund shareholders.

D. Daily Valuation and Liquidity

Mutual funds offer shareholders liquidity and objective, market-based valuation of their investments. Mutual fund shares are redeemable on a daily basis at a price that reflects the current market value of the fund's portfolio securities; these values are calculated according to the requirements of the Investment Company Act and the policies established by each fund's board of directors.

The Investment Company Act includes detailed provisions for determining the value of each security in a mutual fund's portfolio.[28] The value is determined either by a market quotation, if a market quotation is readily available, or at "fair value" as determined in good faith by the board of directors. Under the Investment Company Act, the board of directors is specifically responsible for fair value determinations.

The daily pricing process is a critically important core compliance function that involves numerous staff, oversight by the mutual fund board, and, in some cases, pricing vendors.[29] The fair valuation process, a part of the overall pricing process, receives particular scrutiny from funds, their boards, regulators, and independent auditors. Under SEC rules, all mutual funds must adopt written policies and procedures that address the circumstances under which securities may be fair valued, and must establish criteria for determining how to assign fair value in particular instances.

The daily valuation process results in a net asset value, or NAV, for the mutual fund. The NAV is the price used for mutual fund share transactions—new purchases, sales (redemptions), and

[28] *See* Investment Company Act Section 2(a)(41) and Rule 22c-1 under the Investment Company Act.

[29] While mutual funds do retain independent pricing services to assist them in fulfilling their valuation responsibilities, those services simply provide an evaluation based on their own methodologies and judgment of a security's value. Mutual funds consider this evaluation together with other information in establishing the price of any particular security.

exchanges from one fund to another within the same fund family. It represents the current mark-to-market value of all the fund's assets, minus liabilities (*e.g.*, fund expenses), divided by the total number of shares outstanding.

The Investment Company Act requires mutual funds to process transactions based upon "forward pricing," meaning that shareholders receive the next computed share price (NAV) following the fund's receipt of their transaction order. Mutual funds must price their shares at least once per day at a time determined by the fund's board. Many funds price at 4:00 p.m. eastern time or when the New York Stock Exchange closes.

When a shareholder redeems shares in a mutual fund, he or she can expect to be paid promptly. Mutual funds may not suspend redemptions of their shares (subject to certain extremely limited exceptions)[30] or delay payments of redemption proceeds for more than seven days.

In furtherance of these requirements, SEC guidelines require a mutual fund to have no more than 15 percent of its assets in illiquid securities. A security is generally deemed to be liquid if it can be sold or disposed of in the ordinary course of business within seven days at approximately the price at which the mutual fund has valued it. Many funds adopt a specific policy with respect to investments in illiquid securities; these policies are sometimes more restrictive than the SEC requirements.[31]

E. Conflicts of Interest and Prohibitions on Transactions with Affiliates

The Investment Company Act includes provisions to address conflicts of interest. The Investment Company Act contains a number of strong and detailed prohibitions on transactions between a mutual fund and fund insiders or affiliated organizations (such as the corporate parent of the fund's adviser).[32] These prohibitions are intended to prevent over-reaching and self-dealing by fund insiders.

Although there are a number of affiliated transaction prohibitions in the Investment Company Act, three are particularly noteworthy:

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[30] With the exception of a newly adopted provision for money market funds, the SEC must declare an emergency to exist to trigger an exception that allows a fund to suspend redemptions. Examples of circumstances deemed an emergency by the SEC include the assassination of President Kennedy in 1963, the blackouts that affected lower Manhattan in 1990, and certain natural disasters. A mutual fund would not be permitted to unilaterally suspend redemptions on the basis of a suspension being in the best interests of the integrity of the market.

[31] Money market funds have more specific liquidity requirements under Rule 2a-7 under the Investment Company Act, including specific daily and weekly requirements, and must limit their illiquid investments to five percent of the portfolio.

[32] In addition, a mutual fund's investment adviser has a fiduciary duty to put the fund's interest before the adviser's interest and is subject to numerous restrictions on transactions that may pose conflicts of interest.

- Provisions generally prohibiting direct transactions between a fund and an affiliate;

- Provisions generally prohibiting joint transactions, where the fund and affiliate are acting together vis-à-vis a third party; and

- Provisions preventing investment banks from placing or "dumping" unmarketable securities with an affiliated fund.[33]

F. Diversification

Both tax law and the Investment Company Act provide diversification standards for mutual funds. Under the tax laws, all mutual funds seeking to qualify as "regulated investment companies" must meet a diversification test every quarter. The diversification test requires a fund with a modest cash position and no government securities to hold securities from at least 12 different issuers; as a practical matter, funds typically hold the securities of many more issuers.

The Investment Company Act sets higher standards for mutual funds that elect to be diversified. For these mutual funds, the Investment Company Act requires that, with respect to at least 75 percent of the portfolio, no more than five percent may be invested in the securities of any one issuer and no investment may represent more than ten percent of the outstanding voting securities of any issuer. Although securities-law diversification is not mandatory, all mutual funds must disclose whether they are diversified under the Investment Company Act's standards.

G. Oversight and Accountability

All mutual funds are subject to a strong system of oversight from both internal and external sources. Internal oversight mechanisms include boards of directors, which include independent directors, and written compliance programs overseen by chief compliance officers, both at the fund and adviser levels. External oversight is provided by the SEC, the Financial Industry Regulatory Association,[34] and external service providers, such as certified public accounting firms.

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[33] The Investment Company Act grants the SEC the ability to exempt certain transactions by rule or order, provided that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Investment Company Act.

[34] The Financial Industry Regulatory Association ("FINRA") is a self-regulatory organization that oversees those who distribute RIC shares and RIC advertising.

IV. Mutual Fund Boards

Mutual funds, as noted above, are organized as corporations (with boards of directors) or as business trusts (with boards of trustees). The Investment Company Act requires at least 40 percent of the members of a fund board to be independent from fund management. In practice, most fund boards have far higher percentages of independent directors or trustees. As of year-end 2008, independent directors made up 75 percent of boards in almost 90 percent of fund complexes.[35]

An independent director is a fund director who does not have any significant business relationship with a fund's adviser, underwriter, or affiliates. An independent director also cannot own any stock of the investment adviser or certain related entities, such as parent companies or subsidiaries.

Independent fund directors play a critical role in overseeing fund operations and are entrusted with the primary responsibility for looking after the interests of the fund's shareholders. They serve as "watchdogs" furnishing an independent check on the management of funds. Like directors of operating companies, they owe shareholders the duties of loyalty and care under state law. But independent fund directors also have specific statutory and regulatory responsibilities under the Investment Company Act; these duties are beyond those required of other types of directors. Among other things, for example, they oversee the performance of the fund, fair valuation determinations for securities held by the fund, and voting of proxies for the fund's portfolio securities. They also approve the fees paid to the investment adviser for its services, and oversee the fund's compliance program.[36]

V. Compliance Programs

The internal oversight function played by the board is complemented by a formal requirement that all mutual funds have a chief compliance officer ("CCO") and adopt a written compliance program reasonably designed to prevent, detect, and correct violations of the federal securities laws.[37] Compliance programs must be reviewed at least annually for their adequacy and effectiveness; mutual fund CCOs are required to report directly to the independent directors. Like mutual funds, investment advisers also must have their own written compliance programs that are overseen by CCOs to ensure compliance with all relevant laws and regulations.

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[35] *See* Fund Governance Practices: 1994-2008, Investment Company Institute and Independent Directors Council, available at http://www.ici.org/pdf/23833.pdf.

[36] For more information on governance, *see* http://www.ici.org/idc/policy/governance/overview_fund_gov_idc and http://www.ici.org/idc/policy/governance/faq_fund_gov_idc.

[37] A mutual fund's compliance program must be adopted by the fund's directors, including a majority of the fund's independent directors. *See* Board Oversight of Fund Compliance, Independent Directors Council, Task Force Report, September 2009, available at http://www.ici.org/pdf/idc_09_compliance.pdf.

At a minimum, a mutual fund's compliance program must address:

- portfolio management processes (*e.g.*, allocation of trades);
- trading practices (*e.g.*, best execution, trade aggregation);
- proprietary and personal trading;
- accuracy of disclosure to investors;
- safeguarding of assets;
- accurate and safe records;
- valuation processes;
- privacy safeguards; and
- business continuity plans.

In addition, the SEC expects fund compliance programs to address:

- pricing of portfolio securities;
- processing fund share transactions;
- identifying affiliated persons;
- protecting non-public information;
- fund governance requirements; and
- market timing.[38]

A mutual fund's board also often is engaged in the selection and ongoing oversight of its service providers, such as the fund's custodian. For example, in evaluating a service provider for the first time, the board may consider a wide variety of information regarding the resources, capabilities and reputation of the service provider. Similarly, a board may be involved in evaluating whether to renew a service provider's contract; the board thus can shift focus to an evaluation of the service provider's performance over the existing period, as well as to whether or not any different fees may be appropriate. Ongoing oversight also is important. In particular, the board at least annually receives a written report from the CCO regarding the operation of the compliance policies and procedures of its investment advisers, principal underwriters, administrators and transfer agents; the board is required to approve and annually review the policies and procedures of these service providers.[39] In addition, many boards receive periodic reports at regular board meetings from fund management regarding service providers' delivery of services and level of performance. The board also may receive periodic reports or presentations from representatives of the service providers.

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[38] These are the minimum requirements; mutual funds may have additional policies and procedures based on the particular fund (*i.e.*, policies and procedures regarding the use of derivatives).

[39] For additional discussion regarding a board's oversight of mutual fund service providers, *see* Board Oversight of Service Providers, Independent Directors Council, Task Force Report, June 2007, available at http://www.ici.org/pdf/21229.pdf. This paper provides practical guidance and insight into a fund board's oversight responsibilities with respect to service providers, such as a fund's administrator, custodian and transfer agent.

VI. Regulatory Oversight

Internal oversight of mutual funds is accompanied by a number of forms of external oversight and accountability. Mutual funds are subject to inspections, examinations, and enforcement by their primary regulator, the SEC. Depending on their circumstances, mutual funds also are subject to varying levels of oversight by self-regulatory organizations (such as FINRA and stock exchanges), state securities regulators, and banking regulators (to the extent the fund is affiliated with a bank).[40]

VII. Auditors

Mutual funds' financial statement disclosure also is subject to several internal and external checks. Annual reports, for example, include audited financial statements certified by a certified public accounting firm subject to oversight by the Public Company Accounting Oversight Board ("PCAOB"). This ensures that the financial statements are prepared in conformity with generally accepted accounting principles ("GAAP") and present fairly the fund's financial position and results of operations. It also serves as a check on valuation because, as part of the process, auditors independently verify the prices for all portfolio securities held by the fund at the report date.

VIII. Additional Regulation of Advisers

In addition to the system of oversight applicable directly to mutual funds, investors enjoy protections through SEC regulation of the investment advisers that manage fund portfolios. All advisers to mutual funds are required to register with the SEC, and are subject to SEC oversight and disclosure requirements.[41] Advisers also owe a fiduciary duty to each fund they advise, meaning that they have a fundamental legal obligation to act in the best interests of the fund pursuant to a duty of undivided loyalty and utmost good faith and to make full and fair disclosure of all material facts.

IX. Mutual Fund Assets

Mutual funds generally may invest in stocks, bonds, short-term money market instruments, other securities or assets, or some combination of these investments. Specifically, the Investment Company Act defines an "investment company" (of which a mutual fund is one type) as any issuer which "is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities."[42] The term "security" is defined as "any

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[40] In addition, like officers of public companies, officers of mutual funds are required to make certifications and disclosures required by the Sarbanes-Oxley Act. For example, officers must certify the accuracy of the financial statements.

[41] The investment adviser registration form (Form ADV) requires information about the adviser's business, ownership, clients, employees, business practices, affiliations, and disciplinary events.

[42] Section 3(a)(1)(A) of the Investment Company Act of 1940.

note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.[43] A mutual fund may invest no more than 15% (5% for money market funds) of its net assets in illiquid securities.

A mutual fund's investment activities are constrained, beyond the requirement to invest primarily in securities, by the fund's investment objective and policies. In particular, a mutual fund is required to disclose the policy of the fund in respect of each of the following types of activities: (a) the classification and sub-classifications (*e.g.,* whether diversified or non-diversified under the securities laws) within which the registrant proposes to operate; (b) borrowing money; (c) the issuance of senior securities; (d) engaging in the business of underwriting securities issued by other persons; (e) concentrating investments in a particular industry or group of industries; (f) the purchase and sale of real estate and commodities, or either of them; (g) making loans to other persons; and (h) portfolio turnover (including a statement showing the aggregate dollar amount of purchases and sales of portfolio securities, other than Government securities, in each of the last three full fiscal years preceding the filing of such registration statement).[44] In addition, to prevent "pyramiding" of funds, the Investment Company Act restricts the ability of a fund to invest in securities of other registered investment companies.[45]

X. Offering of Mutual Fund Shares

In order to offer or sell its securities, a mutual fund must register under the Investment Company Act of 1940.[46] In addition, a mutual fund generally also registers its shares under the

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[43] Section 2(a)(36) of the Investment Company Act of 1940.

[44] Such recital consists in each case of a statement whether the mutual fund reserves freedom of action to engage in activities of such type; if such freedom of action is reserved, a statement indicates briefly, insofar as is practicable, the extent to which the fund intends to engage therein. *See* Section 8 of the Investment Company Act of 1940.

[45] *See* Section 12 of the Investment Company Act of 1940.

[46] *See* Section 8 of the Investment Company Act of 1940.

Securities Act of 1933 so that it may offer its shares to the public.[47] While mutual fund shares almost always are held widely by the public, some funds may require minimum investment amounts or target institutional investors.

[47] Absent registration under the Securities Act of 1933, a mutual fund would be unable to engage in a public offering of its shares. Mutual funds very rarely refrain from registering their shares under the Securities Act of 1933.

Appendix B:
U.S. Tax Laws Governing U.S. Funds Taxable as Regulated Investment Companies

I. U.S. (Domestic) Taxation of RICs and Their Resident Investors

A. Domestic Taxation of RICs

A CIV cannot qualify for RIC status (under Code sections 851 and 852) unless it is taxed as a domestic corporation and meets several tests, including those regarding the sources of its income, the diversification of its assets, and the distribution of its income. Among other things, a RIC must distribute with respect to its taxable year at least 90 percent of its income (other than net capital gain). The remaining 10 percent of ordinary income, and all capital gain, may be retained. A RIC may deduct dividends paid to its shareholders from its taxable income. All retained income, however, is taxed at regular corporate tax rates. Because a RIC that incurs corporate tax provides a lower return than one that does not incur such tax, RICs generally attempt to distribute all of their income.

In addition, U.S. tax law imposes an excise tax (under Code section 4982) on any RIC that does not distribute essentially all of its income during the calendar year in which it is earned. To eliminate any excise tax liability, a RIC must distribute by December 31 an amount equal to the sum of: (1) 98 percent of its ordinary income earned during the calendar year; (2) 98.2 percent of its net capital gain earned during the 12-month period ending on October 31 of the calendar year; and (3) 100 percent of any previously-earned amounts not distributed during the prior calendar year. A tax of 4 percent is imposed on the amount, if any, by which the RIC's required distribution exceeds the amount actually distributed. The excise tax, in effect, acts as an interest charge on undistributed amounts. RICs typically seek to avoid this charge by electing to distribute their income currently.

B. Domestic Taxation of Resident Investors in RICs

U.S. individuals and other taxpaying persons investing in RICs are taxed upon: (1) the receipt of RIC distributions (whether received in cash or reinvested in additional RIC shares); and (2) the disposition of RIC shares. A RIC shareholder is taxed on a distribution whether or not the shareholder was invested in the RIC on the date that the income was received by the RIC. In contrast, net operating losses or net capital losses realized by the RIC do not flow through to RIC shareholders; net capital losses are carried forward to the RIC's next taxable year, but net operating losses expire (and are lost).

All RIC distributions are taxed as ordinary dividends (because RICs are corporations for U.S. income tax purposes), unless the tax law expressly permits the character of the income to be retained. For example, the capital gains arising from the sale of RIC portfolio assets held for more than one year (which are taxable at rates below the marginal tax rate) may be paid as "capital gain dividends" eligible for the lower tax rates. In contrast, capital gains arising from the sale of RIC portfolio assets held for one year or less are distributed as ordinary dividends taxed at the investors' marginal tax rates.

An important feature of RICs investing more than 50 percent of their assets outside of the U.S. is that the RIC can flow through to its U.S. investors the ability to claim a credit against U.S. tax for the foreign taxes paid on the distributed income. To illustrate, assume that a foreign government imposes 15% withholding tax on a treaty-eligible dividend received by the RIC. If a RIC shareholder's interest in this dividend were $100, the RIC would pay an $85 cash dividend ($100 gross dividend less $15 foreign taxes) to the shareholder. However, the RIC would report to the shareholder and to the IRS that the dividend received was $100 and that the shareholder paid $15 of foreign taxes. This $15 foreign tax credit would offset $15 of the taxpayer's U.S. tax liability.

Any gain realized by a RIC investor upon the sale of fund shares is taxed as short-term or long-term capital gain depending upon the length of time the fund shares were held.

C. Domestic Taxation of Non-Resident Investors In RICs

The U.S. tax treatment of non-U.S. investors in RICs reduces significantly the attractiveness of RICs to non-U.S. investors. In addition, because RICs are almost never registered for sale outside of the United States, RICs generally are owned almost exclusively by U.S. investors.

There are three significant adverse tax effects of non-U.S. investments in RICs that, in general, limit substantially the attractiveness of RICs for non-U.S. investors. These adverse tax effects are: (1) U.S. taxation of non-U.S. source income; (2) current distributions of income and gain; and (3) resident-country taxation at "regular" rates of RIC capital gain distributions, where capital gains receive favorable treatment in the investor's residence country. Each of these tax effects, which results in a RIC's non-U.S. investors being disadvantaged vis-à-vis direct investors or investors in non-U.S. CIVs, is described briefly below.

First, non-U.S. investors in RICs are taxed in the United States when the RIC invests outside the United States. Because a RIC's distributions are treated as U.S.-source dividends, they are subject to U.S. withholding tax (at 30 percent or a lower treaty rate). Any non-U.S. investor investing in the same non-U.S. securities directly or through a non-U.S. CIV would not incur any U.S. tax. Thus, the income may be taxed in three countries (the source country, the United States, and the residence country) when the investment is made through a RIC, whereas the income would be taxed only twice (or perhaps once) if the investment is made directly or through a non-U.S. CIV. While a non-U.S. investor may be able to claim a foreign tax credit for the U.S. withholding tax, such a credit in all likelihood would not be available for the tax withheld by the source country on the payment to the RIC.

Second, non-U.S. investors in RICs in all likelihood will be taxed currently in their country of residence on the RICs' annual distributions. Residence country taxation occurs irrespective of whether that country otherwise permits deferral of tax through CIVs that do not distribute their income.

Finally, as we understand non-U.S. law, RIC capital gain dividends are treated in non-U.S. countries as "regular" dividends; the preferential "capital gains" nature of the distribution is not retained for non-U.S. tax purposes. Thus, RIC distributions of capital gains typically will not qualify for any tax preference provided in a residence country for capital gains.

A temporary legislative change effective for 2005 through 2011 made certain RICs more attractive to non-U.S. investors than they were previously. Specifically, legislation permitted a RIC to designate distributions of U.S.-source interest and short-term gain as such to non-U.S. investors (rather than as dividend income -- which was the treatment before the legislation was enacted and will be the treatment going forward unless extended by new legislation). This change had the effect of providing RIC shareholders from outside the U.S. with tax treatment comparable to that received by non-U.S. persons investing in the U.S. directly or through a non-U.S. CIV; these non-RIC investors already are exempt from U.S. tax on interest and short-term gains (as well as long-term gains -- on assets held for more than one year). Only long-term gains previously were exempt from U.S. withholding tax when paid by a RIC to a non-U.S. investor. Importantly, this legislation did <u>not</u> apply to non-U.S.-source interest income received by a RIC and distributed to its shareholders. All such income is treated as dividend income subject to U.S. withholding tax.

One last relevant feature of U.S. tax law involves information reporting of amounts paid to non-U.S. investors. U.S. payors (including brokers, banks, and funds) must report such payments to investors (on IRS Form 1042-S) and to the IRS (on IRS Form 1042). This tax information is available to resident-country governments under exchange of information provisions in U.S. tax treaties.

II. U.S. Taxation of U.S. Persons in Non-U.S. CIVs

The passive foreign investment company ("PFIC") rules, which effectively tax PFIC gains currently at ordinary income rates, generally apply to holdings by U.S. investors of non-U.S. CIVs. Specifically, the value of a U.S. investor's PFIC shares generally is: (1) marked to market (at the investor's election) each year; or (2) subject to an interest charge designed to eliminate any tax deferral benefit. Mark-to-market appreciation and all distributions are taxable at ordinary income rates. Gain from the sale of PFIC shares also is taxable at ordinary income rates. An alternative taxation regime for PFICs that elect treatment as "qualified electing funds" ("QEFs") provides some opportunity for capital gain treatment; the QEF regime typically is not available to investors, however, as it requires the CIV to calculate its income under U.S. tax principles.

The PFIC rules impose such significant tax costs that U.S. taxpayers typically do not invest in non-U.S. CIVs. Even if the PFIC rules did not apply, U.S. securities laws prevent public offerings in the U.S. by non-U.S. CIVs unless the U.S. securities laws applicable to RICs (which are quite detailed) are followed by the non-U.S. CIVs. The combination of the tax and securities law rules provide powerful disincentives for U.S. taxpayer investment in non-U.S. CIVs.

Appendix C:
Summary of RICs Eligibility to Claim Treaty Benefits

I. Satisfaction of Treaty Requirements

RICs qualify for treaty benefits, under the more recent U.S. treaties, because they are persons, residents, and the beneficial owners of their income. They qualify under the Korea-U.S. treaty because they are persons and residents – to the extent that they meet the investment company limitation on benefits provision of Article 17. Satisfaction of this provision should be accepted based upon a self-certification similar to the self-certification (discussed in the memorandum) that is provided by RICs to Germany.

A. Person

Paragraph 1(d) of Article 2 of the Convention defines a "person" to include a "corporation." Paragraph 1(e)(i) of Article 2 define a "United States corporation" to mean "a corporation which is created or organized under the laws of the United States or any state thereof or the District of Columbia, or any unincorporated entity treated as a United States corporation for U.S. tax purposes." To qualify as a RIC under section 851 of the Internal Revenue Code, the CIV must be a "domestic corporation." All RICs are treated as U.S. corporations for U.S. tax purposes. Thus, RICs are persons under the Convention.

B. Resident

Paragraph 1 of Article 3 of the Convention defines resident of the United States to include "a United States corporation." Thus, RICs are residents under the Convention.

Although it is not necessary to address the (clearly inapplicable) "subject to tax" provision that applies to any non-corporate person acting as a fiduciary, RICs could meet this test as well. The Organization for Economic Cooperation and Development ("OECD") recently addressed the "liable to tax" issue in the context of CIVs. Specifically, on 23 April 2010 the OECD's Committee on Fiscal Affairs adopted a report entitled "The Granting of Treaty Benefits with Respect to the Income of Collective Investment Vehicles" in which it stated (in paragraph 29) that "a CIV that is opaque in the Contracting State in which it is established will be treated as a resident of that Contracting State even if . . . it receives a deduction for dividends paid to investors." The Protocol to the Convention further addresses the situation of partnerships and similar pass-through entities. In that (non-opaque) context, the partnership or similar entity is treated as a resident "to the extent that income derived by such partnership [or] similar entity . . . is subject to tax in that State as the income of a resident, either in its hands or in the hands of its partners or beneficiaries." Because RICs are liable to tax, and any income distributed by the RIC is liable to tax in the hands of RIC shareholders, RICs are residents under the Convention.

C. Beneficial Ownership

Article 12 (Dividends) of the Convention does not have a beneficial owner requirement. Were such a requirement in Article 12, RICs would satisfy the test because they, as discussed above, retain full control over their income and are not transparent (as discussed in detail in Part IV, below); in addition, they are not acting as agents for other investors. Also, the CIV Report[48], entitled "The Granting of Treaty Benefits with Respect to the Income of Collective Investment Vehicles," which was approved by the OECD's Committee on Fiscal Affairs in April 2010, states in paragraph 35 of the Report that for the reasons stated in paragraphs 31 to 34, "a widely-held CIV should be treated as the beneficial owner of the income it receives, so long as the managers of the CIV have discretionary powers to manage the assets on behalf of the holders of interests in the CIV." RICs thus are the beneficial owners of their income.

D. Investment or Holding Companies Provision (Article 17)

Article 17 precludes treaty relief for dividends, interest, royalties and capital gains of investment companies if "25 percent or more of the capital of such corporation is held of record or is otherwise determined, after consultation between the competent authorities of the Contracting States, to be owned directly or indirectly, by one or more persons who are not individual residents of the first-mentioned Contracting State (or, in the case of a Korean corporation, who are residents of the United States)." RICs, as discussed in the memorandum to which this Appendix C is attached, are owned almost exclusively by U.S. persons.

Because 25 percent or more of a RIC's shares may be held by nominees, it is important that a procedure be agreed to whereby RICs can certify that they meet the 75 percent individual resident requirement of Article 17. We urge that the self-certification adopted by Germany – "to the best of [the RIC's] knowledge and belief" – be adopted by Korea.

II. RICs are Owned Almost Exclusively by U.S. Investors

RICs are owned almost exclusively by U.S. investors for the tax and securities law reasons discussed above. RICs have found that the residence of their shareholders changes very minimally from quarter to quarter[49] or even year to year. Thus, Treasury effectively is protecting only the interests of U.S. taxpayers when it supports the tax treaty eligibility of RICs. Moreover, significant burden would be placed on individual RIC shareholders if they were required to claim treaty benefits on their own behalf.

[48] Please see the Report at the website: http://www.oecd.org/dataoecd/59/7/45359261.pdf.

[49] Generally far less than 1% and, we believe, in most cases less than 0.1%.

III. U.S. Tax Law Protects the Interests of Both Source and Residence Countries

Additional support for the treaty-eligibility of RICs comes from those provisions of U.S. tax law that protect the interests of the source and residence countries.

The interests of source countries are protected by the provisions of U.S. tax law (including U.S. withholding tax on distributions by RICs of non-U.S. source income) that severely limit the use of a RIC for treaty shopping. For example, assume the worst case scenario – in which the U.S. has treaties with both the source country ("Country A") and the residence country ("Country C"), but no treaty exists between Countries A and C. In this case, a $100 dividend paid by a Country A company to a Country C investor would be taxed at a 30% rate; the net distribution (pre-residence country tax) would be $70. If instead, the investment were made through a RIC, the net distribution (pre-residence country tax and before fund expenses) would be $72.25 ($15 withholding by Country A at 15% rate on the $100 dividend and $12.75 withholding by the U.S. at 15% rate on the net $85 dividend).

The interests of the residence country are protected by the provisions of U.S. tax law (discussed above) that require information reporting to the investor and the IRS of amounts paid to non-U.S. investors. The residence country tax authorities can access this information through exchange of information provisions.

IV. RICs are Not Transparent

While the value of a RIC's shares includes the value of any income (such as dividends, interest, or capital gain) earned by the RIC, a shareholder has no right to receipt of that income until a dividend with respect to that income is declared. If an investor sells shares before the dividend is declared, the investor is not entitled to the dividend. Conversely, if the investor buys shares after the income is earned but before the dividend is declared, the investor is entitled to the dividend. Moreover, U.S. tax and securities laws prevent items of income or tax benefit from being allocated specially to individual shareholders. All shareholders in a RIC are entitled to an equal share of any tax treaty benefit received by the RIC.

Appendix D: Examples of Tax Treaty Benefits Available to RICs

REPUBLIC OF KOREA	
Double Taxation Treaty Agreement (DTAT) with the United States	**Yes** - RICs are eligible for a 16.5 percent dividend withholding tax and a 13.2 percent interest withholding tax
Withholding Process	**Tax Relief at Source is available.** **Tax Documentation Requirements:** Form 29-13 for Overseas Investment Vehicles is required quarterly along with constitutive document and must be submitted 5 days prior to pay date to the Korean subcustodian bank. New relief procedure allows funds to complete forms based on a date other than the last day of the quarter. The forms under this option are only valid for a month and thus funds must still submit a quarterly form. If funds utilize this procedure, they must submit forms up to eight times per year, which doubles the administrative burden and cost.
Reclaim Process	Functionally unavailable. Local custodian banks, as withholding agents are not able to file the application for tax reclaim or refund on behalf of the beneficial owners and, therefore, the local custodian banks do not support a reclaim process. Tax Reclaim/Refund filing must be filed by the beneficial owner **directly** to the National Tax Office within three years after the income payment date. Local tax advisor appointment is required for assistance with filing the tax reclaim. Tax Documentation Requirements: The procedure for filing the tax reclaim with the National Tax Office requires the beneficial owner of the income to file Form Appendix VI 72-3 (Tax Refund Application by Foreign Corporation) or Form 29-14 (Tax Refund Application by Nonresident Individual). The tax reclaim may only be filed by the beneficial owner of the income and foreign investment funds are not permitted to lodge the tax refund claims on behalf of their underlying beneficial owners.
Repayment Timeframe	Unknown

AUSTRALIA	
Double Taxation Treaty Agreement with the United States	**Yes -** RICs are eligible for a 15 percent dividend withholding tax
Withholding Process	**Tax Relief at Source -** Eligible investors may benefit from reduced withholding taxation on dividend and interest income by providing residency information upon account opening. **Tax Documentation Requirements**: N/A
Reclaim Process	N/A Reclaims are not necessary under market practice as tax relief at source is the market practice.
Repayment Timeframe	N/A

CHILE	
Double Taxation Treaty Agreement with the United States	**No -** The statutory withholding tax rate is applied. A domestic law opportunity exists for RICs to avail of an exemption from Capital Gains Tax on the sale of a listed debt security.
Withholding Process	**Exemption from Capital Gains Tax** on listed debt only. **Tax Documentation Requirements:** Upon entrance into the market, nonresident investors without a double taxation treaty are required to provide a legalized and consularized Chilean Tax Affidavit to benefit from exemption from capital gains tax derived from the sale of listed debt securities. Investors may be asked to provide supporting documentation to prove entity type. The Chilean Tax Affidavit is a onetime document and does not expire.
Reclaim Process	N/A
Repayment Timeframe	N/A

CHINA	
Double Taxation Treaty Agreement with the United States	**Yes** - The maximum withholding tax rates will apply to RICs as China's statutory withholding tax rates are equal to or less than the rates provided for under the treaty.
Withholding Process	**Tax Relief at Source** – tax on interest and dividends is withheld by the issuer at the time of income payment. **Tax Documentation Requirements:** - N/A
Reclaim Process	N/A
Repayment Timeframe	N/A

FRANCE	
Double Taxation Treaty Agreement with the United States	**Yes -** RICs are eligible for a 15 percent dividend withholding tax
Withholding Process	**Tax Relief at Source is available.** **Tax Documentation Requirements:** A certificate of residency (CoR) is required on an annual basis with a grace period till March 31st of the following income year.
Reclaim Process	A tax reclaim process is available for RICs that did not provide a CoR prior to income payment date. The reclaim process requires a certificate of residence dated in the same year in which the originating payment was made and a completed tax reclaim form in order to file a claim.
Repayment Timeframe	6-9 months

GERMANY	
Double Taxation Treaty Agreement with the United States	**Yes** - RICs are eligible for a 15 percent dividend withholding tax
Withholding Process	**Reclaim Only**
Reclaim Process	**Quick Reclaim:** The German market offers an Electronic Filing Process ("EFP") to reduce the repayment timeframe for tax reclaims. **Tax Documentation Requirements:** RICs must provide a certificate of residency annually and must complete a one-time EFP authorization form.
Repayment Timeframe	9-12 months for standard tax reclaim filing; 6-8 weeks for EFP process

HONG KONG	
Double Taxation Treaty Agreement with the United States	**No,** however the statutory tax withholding rate is 0% for most investments.
Withholding Process	**N/A** - Withholding tax generally does not apply to nonresident investors.
Reclaim Process	N/A
Repayment Timeframe	N/A

JAPAN	
Double Taxation Treaty Agreement with the United States	**Yes** - RICs may benefit from a 10 percent interest withholding tax and/or a domestic exemption rate of 0%. Currently the dividend article of the treaty is not applied as a special dividend withholding tax rate of 7.147 percent is available for all nonresident investors.
Withholding Process	**Tax Documentation Requirements:** **Exemption on Interest -** RICs must complete the Interest Withholding Tax Exemption Application form to apply for the domestic tax exemption on bonds. This is a one-time document only. **Tax Relief at Source Interest –**RICs must provide an annual certificate of residence along with a power of attorney and Form 17 to apply for treaty rates on bonds. **Tax Relief at Source Dividends** - RICs provide residency information upon an account opening to receive the domestic rate which is lower than the current treaty rate.
Reclaim Process	**Claims under Treaty** - Investors may file a reclaim within 10 days of the payment. Any claims made after this 10-day period will have to be filed with the tax office, via the paying agent and/or issuing company. **Claims under Domestic Law** - reclaim filings are rare, as tax is usually accurately withheld by the local withholding agents. In case of withholding done in error, local paying agent will support tax reclaim filing with the tax office, as outlined above.
Repayment Timeframe	Unknown, but expected to be short.

MALAYSIA	
Double Taxation Treaty Agreement with the United States	**No.** Typically taxation in Malaysia is 0%. A domestic opportunity exists for RICs to benefit from reduced withholding tax of 10 percent applicable to REIT distributions received.
Withholding Process	**Relief at Source is available for REIT distributions.** **Tax Documentation Requirements:** RICs provide residency information upon an account opening to receive a reduced rate on REIT distributions.
Reclaim Process	N/A
Repayment Timeframe	N/A

TAIWAN	
Double Taxation Treaty Agreement with the United States	**No**
Withholding Process	RICs are subject to the maximum withholding tax rates when investing in Taiwan. Nonresident investors are required to appoint a tax agent to assist with the tax payment procedure on bonds. **Tax Documentation Requirements: N/A**
Reclaim Process	N/A
Repayment Timeframe	N/A

UNITED KINGDOM	
Double Taxation Treaty Agreement with the United States	**Yes** – Typically taxation in the U.K. is 0% with some exceptions. RICs may benefit from reduced withholding tax rate of 15 percent on property income distributions (PIDs) from real estate investment trusts (REITs)
Withholding Process	Reclaim Only
Reclaim Process	**Tax Documentation Requirements:** RICs must provide a one-time REIT Declaration form that is stamped by the U.S. Internal Revenue Service (IRS) and forwarded directly to the UK Tax Authority for processing. After the initial claim the UK subcustodian can file directly with a tax reclaim form only.
Repayment Timeframe	2-4 months

Appendix E:
Description of Preparation and Submission of Information to Claim Tax Treaty Benefits

Below is an outline of the process by which the information necessary to claim treaty benefits in Korea is prepared, offered, and submitted by each participating entity in a transaction. This information was prepared by a leading U.S. fund company.

PART I:

1. The fund company's tax team requests that its global custodian provide a list of all of the company's funds that have holdings in South Korea as of the first day of the quarter. The global custodian also will provide a spreadsheet of the treaty tax rates to be applied to each country based on the Korean double taxation treaty agreements in place. This process takes approximately 2 business days.

2. The fund company's tax team sends a consolidated list of all funds that have holdings in South Korea to another internal team referred to as TAAC.[50]

3. TAAC forwards along the list of funds to three transfer agents requesting the total number of shareholders in each country and the total investment amount in each country (in USD) for each fund. This process takes a minimum of 10-20 business days, depending on the number of funds, in order to gather and provide the requested information back to TAAC.

4. TAAC takes the information and consolidates each of the transfer agent's data into one spreadsheet, as each transfer agent can provide information on the same fund, which would need to all be consolidated. This process takes TAAC approximately 1-3 business days to complete.

5. TAAC will then send the consolidated list of information for all requested funds back to the fund company's tax team.

6. The fund company's tax team analyzes the information and determines if the funds have more than 100 investors.

[50] TAAC is an internal shareholder information group.

PART II:

1. <u>If the fund has more than 100 investors</u>:

   A. The fund company's tax team sends the spreadsheet of information for those funds to an internal information technology contributor, who consolidates all the country data by fund together. This process takes about 1-2 business days to complete.

   B. Once consolidated, the information technology contributor will forward along the information back to the fund company's tax team, where they will complete the OPCIV tax forms for the funds.

   C. The team will then complete the 29-13 tax forms for these funds. This process takes approximately 7-10 business days, depending on the number of funds. This process is quite extensive because the fund company's tax team needs to calculate each of the adjusted tax rates in each country on every tax form.

   D. Once the forms are completed for the funds, the fund company's tax team will send them to the global custodian. The global custodian, in turn, sends the completed forms to the respective sub-custodian banks to have the forms reviewed by the local market before having them signed and submitted. This process can take the sub-custodian banks 2-10 business days in order to provide feedback.

      i. The fund company's tax team has encountered several issues with rounding the adjusted tax rates to an accurate 4 decimal places, therefore the review is very important to ensure the forms are 100% accurate before having them signed.

   E. Once the sub-custodian bank confirms that the forms are in good order, the forms are sent back to the fund company's tax team via the global custodian. The fund company's tax team then signs the forms and sends them back to the global custodian who in turn sends them to the sub-custodian banks for submission to the local market. This process takes 5-7 business days.

   F. The sub-custodian bank will confirm within 2-3 business days that the forms submitted are in place for the fund to receive the beneficial rates and valid until the end of the quarter. The global custodian then relays this information to the fund company's tax team.

2. <u>If the fund has less than 100 investors:</u>

   A. The fund company's tax team reaches back out to TAAC and requests the underlying shareholder information from the three transfer agents. This process takes the transfer agents a minimum of 10-20 business days, depending on the number of funds requested.

B. TAAC will then analyze the information and determine if the fund's underlying investors are all other client funds or if they contain outside shareholders.

   i. If the fund's underlying investors include outside shareholders:

      a. TAAC will not forward along the information and the fund company's tax team will not complete a tax form for that fund, as the global custodian would not disclose outside shareholder information. The fund would elect to be taxed at the statutory rates.

   ii. If the underlying investors are other client funds:

      a. TAAC will immediately reach back out to the transfer agents and request they provide the data for each of the underlying client funds, in order for the fund company's tax team to complete the OIV form with the appropriate adjusted tax rates.

      b. Once TAAC receives this information from the transfer agents, they take the information and consolidate each of the transfer agent's data into one spreadsheet, as each transfer agent can provide information on the same fund, which would need to all be consolidated. This process takes TAAC approximately 1-3 business days to complete.

      c. TAAC will then send the consolidated list of information for all requested funds back to the fund company's tax team.

      d. The fund company's tax team analyzes the data to determine if each underlying fund has more than 100 investors.

         - If the underlying fund has more than 100 investors:

            i. Repeat the steps outlined in PART II #1.

         - If the underlying fund has fewer than 100 investors:

            i. The fund company's tax team will not complete a separate OIV form for that fund, instead, they will provide the statutory rates to the OIV form of the top level fund and nothing further is required for these underlying funds.

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By Electronic Delivery

January 20, 2012

Mr. Byung-Cheol Kim, Director
Corporation Tax Division
Ministry of Strategy and Finance
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Gwacheon City, Gyeonggi Province, 427-725
Korea

RE: *Treaty Relief for Offshore Investment Vehicles Under Article 98-6 of the Corporate Income Tax Law and Draft Presidential Decree Article 138-7*

Dear Sir:

The Investment Company Institute ("ICI")[1] and ICI Global[2] support administrable rules that allow publicly offered, regulated collective investment vehicles ("CIVs") to receive the applicable withholding tax relief provided by Korea's double tax treaties. Because these CIVs generally have several thousand (or more) investors who may buy and sell CIV interests on a daily basis, it is essential that the CIVs be able to make all appropriate treaty benefit claims.

We are pleased that the draft Presidential Decree regarding Article 98-6 of the Korean Income Tax Law ("CITL")[3] provides rules for qualifying offshore collective investment vehicles ("OCIVs") that appear designed to address our concerns.[4] In this letter, we request clarification regarding how the

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[1] The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds ("ETFs"), and unit investment trusts ("UITs"). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $12.47 trillion and serve over 90 million shareholders.

[2] ICI Global is the global association of regulated funds publicly offered to investors in leading jurisdictions worldwide. ICIG seeks to advance the common interests and promote public understanding of global investment funds, their managers, and investors. Members of ICIG manage total assets in excess of US $1 trillion.

[3] This Decree was issued by MOSF Public Notice No. 2012-3 (January 6, 2012).

[4] Our comments are based upon an unofficial English-language translation of the draft Presidential Decree. We might have additional comments if the unofficial translation is inaccurate.

OCIV rules apply in certain contexts and raise some concerns with the timing for additional guidance (such as the forms that must be filed).

Paragraph 3 of Article 138-7 of the draft Presidential Decree provides that an offshore investment vehicle ("OIV") that satisfies the requirements of an OCIV, that submits a "Confirmation report of OIV," and that meets certain conditions will not be required to file beneficial owner details. The three conditions described in this paragraph are that the OIV (1) is "regulated by the financial supervisory authorities of the contracting state"; (2) had an average number of investors during the preceding fiscal year of at least 100; and (3) is not on a list of excluded OIVs under the treaty. These conditions appear to largely follow the changes to the Commentary to the Organization for Economic Cooperation and Development's ("OECD's") Model Treaty that were adopted by the OECD's Committee on Fiscal Affairs in 2010.

The 100-investor requirement potentially could be problematic in two situations. First, a newly-created OIV might not have 100 investors for a relatively short period after it is formed. If the OIV also has a very short fiscal year (for example, the OIV is organized in November and has a fiscal year ending on December 31), the OIV might have fewer than 100 investors, on average, each day of its fiscal year.[5] As the requirement for treaty benefits is that the OIV meet the 100-person requirement for the preceding year, a start-up fund might lose benefits for the year after it is formed (when it may have no fewer than several thousand investors each day) simply because it did not attract a large investor base immediately upon its formation. To address this concern, we request clarification that an OIV will be treated as meeting the 100-person requirement if it both (1) has at least 100 investors on the last day of its first fiscal year and the first day of the second fiscal year[6] and (2) certifies that it anticipates meeting the 100-person requirement for this second fiscal year.

A second aspect of the 100-investor requirement that could be problematic relates to what we understand to be a requirement that treats an OIV investing in another OIV as a single investor. This condition, if applied broadly, could be problematic in three situations.

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[5] For example, the OIV might have only one investor (the fund manager) for the first 10 business days of its operation, 50 investors for the next 10 business days, and 125 investors for the final 10 business days. In this example, the average number of investors for the previous fiscal year would not be at least 100 – although the 100-investor threshold would have been met by the end of the fiscal year and the fund could anticipate meeting the threshold during the next fiscal year.

[6] Alternatives could be advanced, such as taking the average for a specified period around the end of the fiscal year (*e.g.,* the average of investors for the last five days of the first fiscal year and the first five days of the second fiscal year). If an alternative is considered, the length of the period during the second fiscal year should be short, as OIVs will need to instruct their custodians before the first payment subject to relief that the 100-person requirement has been satisfied. Our proposal to require the OIV to certify that it anticipates meeting the 100-person requirement for the second fiscal year is intended to address the same concern about basing a determination only on the shareholder base for the last day of the fiscal year.

First, many shareholders in OIVs acquire their interests through intermediaries that then hold the OIV shares for their customers in nominee accounts. An intermediary easily could hold shares for thousands of individual investors. Since the Presidential Decree uses the term "investors," and the individuals holding through the intermediary are the ones whose money is being invested in the OIV, we assume that the 100-person limit is determined by treating these individuals as the "investors." To address any ambiguity, we request that an OIV that offers its shares through intermediaries be permitted to satisfy the 100-person requirement based upon the number of investors holding shares in the OIV through intermediaries (which should not be treated as OIVs under the Presidential Decree).

A related issue involves individuals who invest in an OIV through a regulated insurance product such as a variable annuity or a variable life insurance contract. In this situation, as in the first, the individuals acquiring the variable insurance product are the ones whose money is "invested" in the OIV. As in the first situation, we assume that the 100-person limit is determined by treating these individuals as the "investors." To address any ambiguity, we request that an OIV that offers its shares to insurance companies, that in turn make the OIV available to individual investors through variable insurance products, be permitted to satisfy the 100-person requirement based upon the number of investors in the variable insurance products offered by the insurance companies that are invested in that OIV.

A final issue involves so-called master-feeder funds where the investing (portfolio) OIV may be held only by other OIVs that offer their shares to the general public. This structure can allow different small financial firms to invest in the same portfolio but offer their "own" fund to their clients. If each "secondary OIV" were treated as a single investor, the "master" (portfolio) fund would not meet the 100-person requirement even though it would be held, effectively, by many thousands of investors. To address this concern, we request clarification for a master-feeder fund structure that is created under the laws of a foreign country which are similar to the master-feeder fund structure provided for by Article 233 of the Financial Investment Services and Capital Markets Act (Law No. 8635 (2007) as amended. Specifically, we request that a "master" (portfolio) OIV in a master-feeder fund be permitted to satisfy the 100-person requirement based upon the number of shareholders in the secondary OIV feeder funds investing in the master fund.[7]

We understand that the relevant forms (such as the "OIV Confirmation Report" and the "Application of Reduced Withholding Tax Rates") have not been issued. OIVs and their custodians would like to study each such form when released in due course in order to provide comments such as suggested fill-in instructions and to request clarification regarding a form's requirements in specific factual situations. We urge the Ministry to release these forms, perhaps only in draft form, to allow

[7] A similar issue might arise for the "fund of funds" structure where one fund invests only in other funds with differing investment objectives. In this case, the first ("top tier") effectively allocates its investors' money into "lower tier" funds to gain asset diversification that can be adjusted to reflect changing market conditions. The investors in the upper-tier fund should be taken into account in determining whether the lower-tier fund meets the 100-person requirement. Clarification of this point also would be appreciated.

sufficient time to comment and ensure compliance by the July 1, 2012 effective date for the new requirements.

* * *

We appreciate your consideration of our requests. A Korean-language translation of this letter will be provided soon. Please feel free to contact me (at lawson@ici.org or 001-202-326-5832) or my colleague Pinank Desai (at pinank.desai@ici.org or 001-202-326-5876) if ICI or ICI Global can provide you with any additional information.

Sincerely,

Keith Lawson
Senior Counsel – Tax Law

INVESTMENT COMPANY INSTITUTE

Keith Lawson
SENIOR COUNSEL – TAX LAW

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By Electronic Delivery

April 13, 2012

Mr. Byung-Cheol Kim, Director
Corporation Tax Division
Ministry of Strategy and Finance
Government Complex II, 88 Gwanmoonro
Gwacheon City, Gyeonggi Province, 427-725
Korea

RE: *Clarification of Form U.S. Funds Should Use to Claim Treaty Relief*

Dear Sir:

The Investment Company Institute ("ICI")[1] requests guidance clarifying that regulated investment companies ("RICs") should claim at-source treaty relief by filing the form (No. 72-2[2]) used by other foreign corporations. RICs, as discussed in detail in the attachment, are organized in the United States and treated as corporations for U.S. tax purposes. Form No. 72-2 is the appropriate form because RICs are persons, liable to tax in the United States as residents, and the beneficial owners of their income. As such, RICs are entitled to treaty relief in their own right.

We request this clarification because of conflicting advice regarding which types of investment funds are to file Form No. 72-2 rather than Form No. 29-13 (Report of Overseas Investment Vehicle). A fund that is entitled to treaty relief in its own right, we submit, should file Form No. 72-2. A fund that may claim relief only to the extent that its investors are treaty-eligible, in contrast, should file Form No. 29-13. Because RICs are treaty-entitled, they should file Form No. 72-2.

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[1] The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds ("ETFs"), and unit investment trusts ("UITs"). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $13.3 trillion and serve over 90 million shareholders.

[2] Form No. 72-2, Application for Entitlement to Reduced Tax Rate on Domestic Sourced Income (for Foreign Corporation)

The Need for Administrable Rules for Claiming Treaty Relief

The ICI supports administrable rules that allow publicly offered, regulated collective investment vehicles ("CIVs") to receive the applicable withholding tax relief provided by Korea's double tax treaties. The letter we submitted to you in January identified several clarifications that we believed would ensure that restrictions proposed would not be applied in ways that did not appear to be intended.[3]

Administrable rules are necessary for several reasons. Two of the most significant reasons are discussed below. First, CIVs generally have many thousands (often tens or hundreds or thousands) of investors; these investors may buy or sell CIV units on a daily basis. The most common type of CIV, known in the U.S. as a "mutual fund," does not have a fixed number of units. Instead, an investor may purchase or redeem as many CIV units as the investor chooses from the CIV (either directly or through a nominee, such as a securities broker or a bank). Because both the number of CIV units held by a single investor, and the total number of CIV units outstanding, can change on a daily basis, the tracking of investor interests is challenging and, as discussed below, frequently is not handled at the CIV level.

Second, shareholder information in most markets, including in the United States, often is not available to the CIV itself. Specifically, CIV investors very often acquire their CIV interests through intermediaries, such as banks or securities brokers, rather than directly from the CIV. In many cases, intermediaries may purchase and redeem CIV units through other (typically far larger) intermediaries that, in turn, are in direct contact with the CIV. This tiered-distribution structure adds to the complexity of acquiring customer-specific information about a CIV's many thousands of investors.

While, in a few countries, all customer information must be provided by these intermediaries to the CIV, the far more typical approach is for customer information to remain with the intermediary. The intermediary has a very strong commercial reason to keep confidential the identity of its customers; if its competitors, including the CIV and its manager, knew the customers' identities, they could seek to deal directly with the customer (and effectively "take" the business from the intermediary).

The Organization for Economic Cooperation and Development ("OECD") has studied at length this need for administrable treaty-relief rules in the CIV context. Its findings have been published in two documents. First, the OECD's Committee on Fiscal Affairs in April 2010 approved a report entitled "The Granting of Treaty Benefits with Respect to the Income of Collective Investment Vehicles" (the "CIV Report").[4] Second, later that year, the OECD released its 2010

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[3] *See* January 20, 2012 letter from ICI and ICI Global regarding Korean Treaty Relief for Offshore Investment Vehicles.

[4] http://www.oecd.org/dataoecd/59/7/45359261.pdf.

Update to the Commentary on Article 1 of the Model Convention.[5] This update included recommendations based upon the CIV Report. Both the CIV Report and the Update to the Commentary discuss factors that support providing certain types of CIVs with treaty benefits in their own right. RICs clearly satisfy the factors discussed in the CIV Report and the updated Commentary.

The Draft Presidential Decree

The draft Presidential Decree regarding Article 98-6 of the Korean Income Tax Law ("CITL")[6] appeared to provide the administrable rules we requested. Specifically, Paragraph 3 of Article 138-7 of the draft Presidential Decree provides that an offshore investment vehicle ("OIV") that (1) satisfies the requirements for qualifying offshore collective investment vehicle ("OCIV") status, (2) submits a "Confirmation report of OIV," and (3) meets certain conditions, would not be required to file beneficial owner details.

Form No. 29-13 Requires Considerable Details

Form No. 29-13 (Report of Overseas Investment Vehicles) requires extensive information about a CIV's investors. Specifically, Boxes 11-15 of the Form No. 29-13 require the following information about a CIV's investors:

- residence countries of its investors (Box 11);
- amount (in units) of CIV held by residents of each country (Box 12);
- percentage of total units held by the residents of each country (Box 13);
- number of beneficial owners resident in each country (Box 14); and
- the tax rate applied by type of income to the residents of each country (Box 15).

Just about the only details not required by Form No. 29-13 are the names of the CIV's investors.

Form No. 29-13 also requires that this information be provided on a quarterly basis. Those CIVs with a large number of intermediaries (many of which may transact CIV share purchases and redemptions through tiered-distribution structures) will have a far more difficult time acquiring this information on a quarterly basis than they would have acquiring it on an annual basis.

When a CIV can claim treaty benefits only on behalf of its investors – rather than in its own right – a government's interest in having some information about the CIV's investors is appropriate.

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[5] http://www.oecd.org/dataoecd/23/43/45689328.pdf.

[6] This Decree was issued by MOSF Public Notice No. 2012-3 (January 6, 2012).

In these situations, information like that required by Form No. 29-13 can provide the government with comfort that only the appropriate level of benefit is being claimed. It is essential, however, that the procedures for collecting the required information– including the specificity of the information collected, the frequency of collection, and the procedures for updating information that might not be collected with sufficient promptness – be administrable. Without administrable procedures, the benefits of bilaterally-negotiated tax treaties effectively will be denied to the residents of the treaty partners.

RICs Should File Form No. 72-2 as a Foreign Corporation

RICs, as discussed above and in the detailed attachment, are both treated as corporations for U.S. tax purposes and entitled to treaty relief in their own right. RICs are persons, liable to tax in the United States as residents, and the beneficial owners of their income. RICs, consequently, should claim treaty relief by filing Form No. 72-2.

The detailed investor information required by Form No. 29-3 is not relevant to a RIC's claim for treaty relief. Were a RIC required to collect that information, it could establish that the overwhelming portion of all RIC shares (generally over 99 percent) are held by U.S. persons. The administrative burden of collecting this information, however, is both considerable and unnecessary. RICs are foreign corporations that satisfy, in their own right, every requirement for treaty relief. Consequently, a RIC should file Form No. 72-2 as a foreign corporation and represent that it is an overseas investment vehicle that is recognized, under the Korea-U.S. treaty, as the beneficial owner of its income.

* * *

We respectfully request that the guidance we seek be issued promptly. RICs, their advisers, and their custodians will appreciate greatly the clarification that they are to file Form No. 72-2. Please feel free to contact me (at lawson@ici.org or 001-202-326-5832) if I can provide you with any additional information.

Sincerely,

Keith Lawson
Senior Counsel – Tax Law

Attachment

22 October 2012

By Electronic Delivery

Mr. Seunghee Han
Assistant Commissioner for
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86, Jongno 5-gil, Jongno-gu
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Mr. Byung-Sik Jung, Director
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Ministry of Strategy and Finance
Government Complex II, 88 Gwanmoonro
Gwacheon City, Gyeonggi Province, 427-725
Republic of Korea

RE: *Administrative Obstacles Effectively Preventing CIVs from Receiving Tax Treaty Relief*

Dear Mr. Han and Mr. Jung:

The asset management and banking associations signing this letter are writing to express our profound concerns with the administrative requirements now being imposed on non-Korean collective investment vehicles ("CIVs") seeking to claim treaty benefits. Considerable confusion regarding these requirements has arisen as well; the lack of clear administrative guidance regarding the requirements' application has resulted in CIVs receiving inconsistent information from different Korean subcustodians. The new requirements (and the resulting confusion) are so burdensome, we submit, that CIVs effectively are being denied the ability to claim treaty benefits (1) that they are entitled to receive directly or (2) for which they are making claims on behalf of their investors; these "indirect" claims are made only when the CIV is not treaty-entitled and the only practical approach for investors to receive benefits is indirectly, through the CIV.

This letter describes our concerns and suggests possible approaches for addressing them. We would be pleased to follow up with you at your convenience.

Background – OECD Report on Granting Treaty Benefits with Respect to Income of CIVs

The difficulties faced by CIVs in receiving treaty benefits to which they or their investors are entitled were considered closely during an extensive consultation between governments (including the Korean government) and business at the Organization for Economic Cooperation and Development ("OECD"). The result of this extensive consultation was a report "The Granting of Treaty Benefits with Respect to the Income of Collective Investment Vehicles" (the "CIV Report")[1] that was approved by the OECD's Committee on Fiscal Affairs in April 2010. The CIV Report's recommendations then

[1] http://www.oecd.org/dataoecd/59/7/45359261.pdf.

were included in the 2010 Update to the Commentary on Article 1 of the Model Convention (the "Model Convention Commentary").[2] This Report and the Model Convention Commentary inform our views regarding the paramount need for certainty regarding treaty eligibility and administrable rules for receiving treaty benefits to which the CIVs or their investors are entitled.

CIV Background

Before discussing the difficulties faced by CIVs in claiming treaty relief, it is useful first to review how CIVs operate, how they are distributed, who are their investors, and what are their investors' rights with respect to CIVs' income and assets. The CIVs with which we are concerned, and which are the subject of the CIV Report, are those funds that are widely held, hold a diversified portfolio of securities, and are subject to investor-protection laws in the country in which they are organized.

CIVs typically are offered publicly through distributors with a local clientele. Many CIVs are registered for sale, and distributed, only in the country in which they are organized; these CIVs generally have essentially 100 percent "home-country" investors.[3] Other CIVs are offered either regionally (such as throughout Europe) or globally; while these CIVs may have extensive distribution networks, the distributors of publicly-offered CIVs that operate within each country typically also have a local clientele.

CIVs generally have many thousands (often tens or hundreds of thousands) of investors; these investors often buy or sell CIV interests either directly from the CIV sponsor or, more likely, from an unaffiliated distributor. CIV units acquired through unaffiliated distributors often are held in a nominee (or "street name") account in the name of the distributor. As noted in the CIV Report, because the individual investor's identity is proprietary information belonging to the distributor, CIVs often do not know the identity of the underlying owners of the CIV units.[4] Nevertheless, as noted above, they often have very strong indications of the underlying owners' tax residency because of the identity of the distributor through which the investment was made.

A CIV's investor base typically changes every day. In some cases, investor turnover can be high. In the case of a globally-distributed CIV, where the CIV units are more likely to be held both by treaty-

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[2] http://www.oecd.org/dataoecd/23/43/45689328.pdf

[3] Paragraph 15 of the CIV Report explains the reasons why, in many cases, "essentially all of [a domestic CIV's] investors are located in the same country."

[4] *See* Paragraph 18 of the CIV Report.

entitled persons and non-treaty-entitled persons, the portion of treaty-entitled investors is likely to change relatively slowly.[5]

A CIV does know precisely how many CIV units are outstanding on each day. Among other reasons, this information is necessary for a CIV to compute its daily "net asset value" (or "NAV") – which is the price at which a single unit of the CIV will be purchased or sold. The NAV is calculated by determining the CIV's gross assets, subtracting gross liabilities, and dividing by the number of shares outstanding. Because withholding taxes and treaty relief affect NAV, CIVs have a keen interest in certainty regarding their eligibility for treaty relief.

A CIV investor typically has an undivided interest in the CIV's assets. Because of the daily changes in a CIV's investor base, however, income streams (such as a dividend received on 15 June) are not tracked to particular investors (such as those owning interests in the CIV on 15 June). Instead, when a CIV makes a distribution, the distribution is allocated pro rata to all of the investors in the CIV (based on the number of units owned as of the date of the distribution).[6]

Difficulties Faced by CIVs in Claiming Treaty Relief

The CIV Report describes in detail the difficulties faced by CIVs claiming treaty relief. The difficulties are of two kinds. First, difficulties arise if a CIV is required to determine the tax residency of its investors too frequently or with too much precision. The reasons for these difficulties involve the daily changes in a CIV's investor base and the intermediated structure through which CIV interests are distributed.

Second, difficulties arise because of uncertainty regarding the extent to which certain CIVs may claim treaty benefits in their own right and when they must claim on behalf of their investors. The CIV Report discusses at length the specific requirements that a CIV must meet to claim treaty relief in its own right. These requirements – that the CIV be a person, that it be a resident of a contracting state, and that it be the beneficial owner of its income – are met by many CIVs.[7] If a CIV does not satisfy these requirements, the only practical manner in which the CIV's investors may receive treaty benefits is if the CIV makes a claim on their behalf.

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[5] *See* Paragraph 6.31 of the Commentary.

[6] *See* Paragraph 20 of the CIV Report.

[7] *See* Paragraph 36 of the CIV Report.

CIV-Specific Changes to the Model Convention Commentary

To address these difficulties, the CIV Report proposes several changes, since adopted, to the Model Convention Commentary. Among other things, the Commentary suggests mutual agreements between countries regarding the treatment of a country's CIVs. The Commentary also notes the difficulties in identifying investors on a frequent basis and suggests that "practical and reliable approaches" be accepted.[8] Where a CIV industry is largely domestic, such as because tax rules provide strong disincentives for non-resident investment, the Commentary states that it may be appropriate to assume that the CIV is owned by the residents of the country in which it is established.[9] Where a CIV is distributed globally, the Commentary suggests that investor information be required annually; if market conditions suggest high ownership turnover, this information could be required more frequently – although no more often than quarterly.[10]

The Present Situation in Korea is Extremely Problematic and Should Be Resolved Promptly

Certainty and Administrable Rules are Essential

Certainty regarding treaty eligibility and administrable rules for claiming relief, as discussed in the CIV Report, are of paramount importance to CIVs. Without this certainty, as noted above, a CIV may mis-price its units – resulting in purchasers and sellers paying or receiving too much or too little for their units.

The present situation with Korean tax relief, at best, is uncertain. At worst, CIVs that may claim treaty benefits in their own right, and treaty-eligible investors in CIVs that must claim on behalf of their investors, effectively are being denied their bilaterally-negotiated treaty benefits.

We encourage the Korean Ministry of Strategy and Finance ("MOSF") and National Tax Service ("NTS") to adopt the recommendations we make below. These recommendations are consistent with the OECD guidance that was developed with the participation of the Korean representatives to the OECD.

[8] *See* Paragraph 6.29 of the Commentary.

[9] *See* Paragraph 6.30 of the Commentary.

[10] *See* Paragraph 6.31 of the Commentary.

The Presidential Decree and Form No. 29-13

The Presidential Decree regarding Article 98-6 of the Korean Income Tax Law ("CITL")[11] appeared to provide the administrable rules that CIVs need. Specifically, Paragraph 3 of Article 138-7 of the Presidential Decree provides that an offshore investment vehicle ("OIV") that (1) satisfies the requirements for qualifying offshore collective investment vehicle ("OCIV") status, (2) submits a "Confirmation report of OIV," and (3) meets certain conditions, would not be required to file beneficial owner details.

Despite the Presidential Decree's helpful guidance, and contrary to the OECD's Model Convention Commentary, we understand that no CIV may claim treaty benefits in its own right by filing Form No. 72-2 (Application for Entitlement to Reduced Tax Rate on Domestic Sourced Income (for Foreign Corporation)). Moreover, the form that all CIVs reportedly must use – Form No. 29-13 (Report of Overseas Investment Vehicles) – requires quarterly reporting of exhaustive information about a CIV's investors, sparing a CIV with 100 or more investors only from having to directly name its investors. This quarterly reporting is inconsistent with the OECD recommendation that quarterly reporting be required only when investor turnover is high. Additionally, even if a fund has access to the detailed information required by Form No. 29-13, the requirement to provide reporting based on the end of the preceding quarter does not give such fund adequate time to compile data and prepare the Form.

Proliferating Uncertainty

Compounding the uncertainty surrounding claims for treaty benefits in Korea, our members now report that Korean brokers expect that CIVs selling shares of Korean companies to other non-residents file the overseas investment vehicle report on capital gain transactions. These forms are being requested based upon a misunderstanding of Korean law – under which these transactions are exempt from tax.

In the absence of coherent guidance clarifying the law, forms are being requested when they are not needed and properly-filed forms (when required) are being rejected. The Korean market, we believe, is trending dangerously toward unnecessary and unadministrable tax reporting. The proliferating uncertainty is causing some investors to forego their treaty-entitled benefits; foreign investment in Korea may be affected negatively.

[11] This Decree was issued by MOSF Public Notice No. 2012-3 (January 6, 2012).

Lack of Reclaim Procedure

Further aggravating the situation, we understand that no market level procedure exists for CIVs, that are withheld upon at the statutory rates, to certify their treaty eligibility and subsequently apply for a reclaim or refund of the withheld taxes. The local custodians, in their capacity as withholding agents, are not authorized to file tax reclaims on behalf of non-resident investors. Pursuant to an existing procedure only the beneficial owners are able to file requisite Form Appendix VI 72-3 (Tax Refund Application by Foreign Corporation) or Form 29-14 (Tax Refund Application by Nonresident Individual) directly with the NTS. The lack of Tax Refund form designated for CIVs leaves them with the only recourse of filing a suit against the NTS for the overwithheld amounts. Both beneficial owners and CIVs are also required to engage Korean tax counsel in order to pursue the tax reclaim filing, thereby further increasing the cost and administrative burden of availing of treaty relief.

If no refund procedure is available, the present situation is contrary to accepted international tax norms and exacerbates greatly the problems posed by the Presidential Decree and Form No. 29-13. Combined, these issues result in the effective denial of treaty benefits Korea owes to residents of a Contracting State.

Recommendations

1. All CIVs treated as both Persons and Residents by the country in which they are organized (*e.g.*, all CIVs treated as corporations for tax purposes and other non-fiscally-transparent CIVs) should file Form No. 72-2 to claim treaty benefits in their own right.

2. Any CIV that cannot claim treaty benefits in its own right (under our first recommendation above) should file Form No. 29-13 on an annual, rather than quarterly, basis. Additionally, to allow adequate time for gathering data and preparing the Form, such annual reporting should be due no sooner than one calendar quarter from the close of the year.

3. For purposes of the 100-investor rule for filing as a public CIV, another OIV investing in a CIV should not be treated as a single investor. Rather, the OIV should provide details regarding the number of its investors; the CIV should be permitted to rely upon these representations and any other information available to it, Under this proposal, the 100-investor rule would require detailed reporting only if there are fewer than 100 actual investors throughout the intermediated distribution structure.[12]

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[12] These issues were addressed in detail in a letter submitted by the Investment Company Institute and ICI Global (attached) on 20 January 2012. In the context of an OIV that offers its shares to insurance companies that in turn make the OIV available to individual investors through variable insurance products, for example, the OIV should be permitted to satisfy the 100-person requirement based upon the number of investors in the variable insurance products offered by the insurance companies that are invested in that OIV.

4. Guidance should be provided that the tax exemption for capital gain transactions between non-residents applies regardless of whether any of the non-residents is a CIV. Such guidance is needed promptly to reassure brokers that their foreign investors can trade their positions without incurring tax or reporting obligations.

5. A "quick refund" procedure should be reestablished. This procedure would allow treaty-entitled investors a grace period to provide documentation and would reduce unnecessary administrative burdens that would be placed on investors, custodians, and the Korean tax authorities by a lengthy reclaim process.

6. A tax reclaim process should be established for treaty-entitled investors that cannot provide required tax documentation before the income event (or the end of the grace period provided by our fifth recommendation).

Conclusion

Investor confidence in receiving tax treaty benefits that were understood to be available in Korea is eroding across the global funds industry. We believe that Korea's present tax treaty administration issues must be addressed by positive guidance in short order to remedy the investor concerns regarding the tax treatment of their Korean capital markets investments.

* * *

Please feel free to contact the representatives at the associations signing this letter, at your convenience, for additional information.

Sincerely,

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Attachment

ANNUAL REPORT

December 31, 2012

RPIBX

PAIBX

T. ROWE PRICE

International Bond Fund

International Bond Fund–Advisor Class

The fund primarily invests in high-quality, nondollar-denominated fixed income securities for high current income and capital appreciation.

T. Rowe Price

INVEST WITH CONFIDENCE

T. Rowe Price International Bond Fund

HIGHLIGHTS

- International bond markets delivered modest overall gains for the year ended December 31, 2012, against a backdrop of accommodative central bank actions and gradual global economic improvement.
- The International Bond Fund outpaced the Barclays Global Aggregate ex USD Bond Index but trailed its Lipper peer group average.
- The low yields currently available in developed market debt appear expensive, and we prefer exposure to the more appealing valuations in developing markets.
- We expect favorable returns over the coming months amid signs of stabilization in Europe, modest improvement in the U.S. and Japan, and better-than-expected economic data from China.

Fellow Shareholders

International bonds generated sizable gains amid signs of stabilization in the eurozone, moderate economic growth in the U.S., and incremental improvements in China and other key emerging markets. Accommodative monetary policies from many of the world's central banks and heightened investor appetite for higher-yielding assets also helped to support emerging markets debt. Government bonds in non-U.S. developed markets generated decent gains but underperformed emerging markets debt, which surged as investors sought more attractive yields.

The International Bond Fund gained 4.67% and 6.10% for the 6- and 12-month periods ended December 31, 2012, respectively. (Returns for the fund's Advisor Class varied slightly due to its different fee structure.) The fund outperformed the Barclays Global Aggregate ex USD Bond Index over both periods but lagged the Lipper International Income Funds Average. In aggregate, the fund's currency selection, country selection, duration exposure, allocation to below investment-grade bonds, and sector and security selection helped results versus the Barclays benchmark for the year. Underweight allocations to peripheral European sovereign debt and underweight exposure to the British pound and Australian dollar weighed on returns.

Performance Comparison

Periods Ended 12/31/12	Total Return 6 Months	12 Months
International Bond Fund	4.67%	6.10%
International Bond Fund–Advisor Class	4.53	5.90
Barclays Global Aggregate ex USD Bond Index	3.29	4.09
Lipper International Income Funds Average	4.95	7.38

MARKET ENVIRONMENT

Buoyed by positive economic and political developments, investor sentiment was decidedly upbeat through the first three months of 2012. The U.S. economic recovery was progressing nicely amid unexpected strength in manufacturing and employment, the European Central Bank's two long-term refinancing operations signaled progress on the eurozone debt crisis, and China's economy seemed to be cooling in an orderly manner to more sustainable growth. Risk aversion returned in the spring, however, as signs of a weakening global economy sapped investor confidence. Much of Europe was mired in recession, and election results in Greece and France revealed widespread discontent over fiscal austerity measures. Mixed economic data in the U.S., including persistently high unemployment, indicated that the previously resilient recovery was starting to falter, and the Chinese economic slowdown was sharper than expected.

Developed Market Performance

Total Return for Periods Ended 12/31/12	6 Months In Local Currency	6 Months In U.S. Dollars	12 Months In Local Currency	12 Months In U.S. Dollars
Barclays Global Aggregate ex USD Bond Index	–	3.29%	–	4.09%
Japan	0.41%	-7.35	1.74%	-9.46
Germany	2.42	6.41	4.58	6.21
United Kingdom	0.77	4.43	2.91	7.63
Italy	11.03	15.34	20.52	22.40
United States	0.48	0.48	1.99	1.99
Spain	9.72	13.99	5.46	7.11
France	5.79	9.90	10.14	11.86

Source: Barclays.

Investor sentiment rose again over the summer as central banks around the world took action to stimulate economic growth and suppress interest rates. In July, the European Central Bank pledged to do "whatever it takes" to save the euro, following up in September with a plan to purchase short-term government debt from troubled eurozone members. Key emerging markets, including China, South Africa, and Brazil, cut interest rates, and the U.S. Federal Reserve announced a third round of quantitative easing, bolstering demand for higher-yielding assets such as emerging markets debt. Optimism persisted over the year's closing months amid stabilization in the eurozone, a continuation of accommodative monetary policies from the world's central banks, and incremental improvements in key emerging economies.

Government bonds in developed non-U.S. markets generated modest gains for the year in U.S. dollars, helped by the performance of European bonds and by a weaker dollar versus most developed markets currencies. Japanese bonds, however, declined in value as an expansion of the Bank of Japan's asset purchase program helped to weaken the yen. Late in the year, Japan's new prime minister pressured the central bank to agree to a higher inflation target and to implement a policy of unlimited monetary easing to stimulate the economy and weaken the currency.

Emerging Markets Performance

Periods Ended 12/31/12	Total Return for 6 Months	Total Return for 12 Months
J.P. Morgan Emerging Markets Bond Index Global	10.32%	18.54%
Mexico	5.66	11.72
Brazil	6.72	12.54
Poland	7.88	17.92
Malaysia	5.81	10.54
Russia	10.56	18.53

Source: J.P. Morgan. In U.S. dollars.

Faced with low nominal yields and, in many cases, negative real yields (nominal yields adjusted for inflation) on bonds in many developed markets, investors increasingly turned to the attractive yields available in emerging markets debt. In addition, money flows into the asset class continue to benefit from a long-term, structural transition as investors diversify their portfolios into the expanding emerging debt market. Emerging markets debt significantly outpaced bonds in the U.S. and other developed markets for the year. U.S. dollar-denominated debt marginally outperformed bonds denominated in local currencies, and emerging markets corporate debt lagged with smaller, though still strong, gains.

PORTFOLIO REVIEW AND POSITIONING

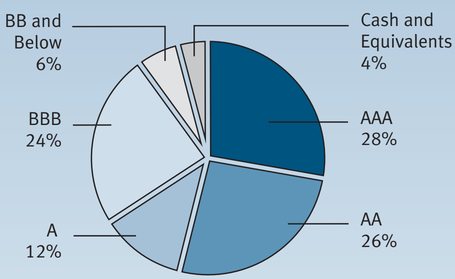
Currency selection boosted the fund's annual performance for the year. A broad allocation to a number of emerging markets currencies, which are not included in the benchmark index, benefited results as many of these currencies strengthened against the U.S. dollar. An underweight allocation to the Japanese yen throughout the year also helped performance versus the benchmark as the currency weakened significantly toward the end of the year. Underweight allocations to the British pound and the Australian dollar proved to be a slight drag on performance as these currencies unexpectedly strengthened against the U.S. dollar. Except for an overweight to the Norwegian krone, we maintain underweight allocations to most developed market currencies in favor of emerging markets currencies. Within emerging markets currencies, we decreased our non-benchmark exposure to the Indian rupee and have overweight allocations to the South Korean won and the Russian ruble.

Portfolio Characteristics

Periods Ended	6/30/12	12/31/12
Weighted Average Maturity (years)	8.3	8.5
Weighted Average Effective Duration (years)	6.3	6.3

Source: T. Rowe Price.

Quality Diversification



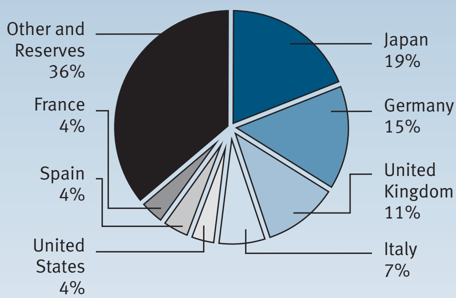
Based on net assets as of 12/31/12.

Source: Moody's Investors Service; if Moody's does not rate a security, then Standard & Poor's (S&P) is used as a secondary source. When available, T. Rowe Price will use Fitch for securities that are not rated by Moody's or S&P. Unrated securities totaled 0.44% of the portfolio at the end of the reporting period.

Country selection and duration positioning also benefited the fund's annual results versus its benchmark. Bonds denominated in local currencies were strong contributors as lower inflation, stimulative monetary policies, credit quality upgrades, and large investor inflows supported returns. Local currency bonds from Mexico, Brazil, South Africa, and Poland were notable contributors. Cautious underweight positioning in peripheral European sovereign debt in the early part of the year detracted from annual results, particularly in the first quarter as the European Central

Bank's long-term refinancing operations resulted in lower yields and higher prices for bonds in these markets. As a result of stabilization in the eurozone crisis, we brought our exposure to peripheral European debt in line with the benchmark during the third quarter, bringing our positioning in Europe to neutral versus the benchmark. We still see the current low nominal yields in developed markets and in some cases, negative real yields, as being overly rich. As a result, we generally have underweight allocations within developed markets bonds and prefer exposure to the more appealing valuations in developing markets.

Geographic Diversification



Based on net assets as of 12/31/12. Percentages reflect the issuing country of the fund's securities and exclude the effect of forward currency contracts.

Net Currency Exposure:	
Euro	38%
Japanese Yen	27
British Pound Sterling	9
Canadian Dollar	5
Mexican Peso	3
Malaysian Ringgit	2
Norwegian Krone	2
South Korean Won	2

Exposure to below investment-grade bonds, which are not included in our benchmark, helped results. U.S. dollar-denominated emerging markets corporate bonds provided the largest single contributor to returns over the year, as risk assets saw steady, strong demand from yield-hungry investors. European high yield bonds also performed well in 2012. We maintained our allocation to European high yield bonds and slightly reduced our exposure to U.S. dollar-denominated emerging markets corporate bonds.

Overall sector and security selection was positive for the year. A focus on investment-grade European corporate bonds generated very robust returns, while off-benchmark exposure to investment-grade U.S. dollar- and euro-denominated emerging markets sovereign and quasi-sovereign debt also added to returns. Our overweight allocation to European investment-grade corporate debt held steady, and we modestly reduced our exposure to investment-grade emerging markets sovereign and quasi-sovereign bonds.

OUTLOOK

Market volatility decreased markedly in the closing months of 2012, and we expect this to remain the case for the next few months. Several factors are contributing to this relative calm in markets, including the stabilization of European economic data, a politically favorable leadership transition in Japan, a partial resolution of the U.S. fiscal cliff challenge, and better-than-expected data from China. These improvements should continue to drive down bond yields in the higher-yielding peripheral regions of Europe.

EMERGING MARKETS CURRENCIES CONTINUE TO BENEFIT FROM HEALTHY INFLOWS FROM FOREIGN INVESTORS SEEKING BETTER GROWTH PROSPECTS AND HIGHER YIELDS.

We expect that a continuation of loose monetary policy by the Federal Reserve should keep the dollar weak to the benefit of non-U.S. dollar currencies. The potential for inflationary policies by the newly elected government in Japan has already weakened the yen, and we anticipate that any further weakening will be at a slower pace. Emerging markets currencies continue to benefit from healthy inflows from foreign investors seeking better growth prospects and higher yields.

In the absence of significant negative news, European corporate bonds across the investment- and sub-investment-grade spectrum should continue to see yields drifting down, and the yield spread relative to high-quality government bonds is likely to narrow. Below investment-grade corporate bonds in emerging markets offer a good level of interest with the potential for steady price appreciation as demand for higher-yielding assets remains high.

In closing, we are pleased to announce that Chris Rothery was named co-portfolio manager of the International Bond Fund effective November 1, 2012. We are confident that Chris will continue to work hard to maximize opportunities for our shareholders, just as he has for the past 25 years.

Respectfully submitted,

Ian Kelson
President of the International Fixed Income Division, co-portfolio manager, and cochairman of the fund's Investment Advisory Committee

Christopher J. Rothery
Co-portfolio manager and cochairman of the fund's Investment Advisory Committee

January 28, 2013

The committee chairmen have day-to-day responsibility for the portfolio and work with committee members in developing and executing the fund's investment program.

Risk of International Bond Investing

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets, including unpredictable changes in currency values. Investments in emerging markets are subject to abrupt and severe price declines and should be regarded as speculative. The economic and political structures of developing nations, in most cases, do not compare favorably with the U.S. or other developed countries in terms of wealth and stability, and their financial markets often lack liquidity. Some countries also have legacies of hyperinflation, currency devaluations, and governmental interference in markets.

International investments are subject to currency risk, a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency. The overall impact on a fund's holdings can be significant and long-lasting depending on the currencies represented in the portfolio, how each one appreciates or depreciates in relation to the U.S. dollar, and whether currency positions are hedged. Further, exchange rate movements are unpredictable, and it is not possible to effectively hedge the currency risks of many developing countries.

Bonds are also subject to interest rate risk, the decline in bond prices that usually accompanies a rise in interest rates, and **credit risk**, the chance that any fund holding could have its credit rating downgraded or that a bond issuer will default (fail to make timely payments of interest or principal), potentially reducing the fund's income level and share price.

Glossary

Barclays Global Aggregate ex USD Bond Index: An unmanaged index that tracks an international basket of bonds that contains government, corporate, agency, and mortgage-related bonds.

Duration: A measure of a bond's or bond fund's sensitivity to changes in interest rates. For example, a fund with a duration of six years would fall about 6% in response to a one-percentage-point rise in rates, and vice versa.

J.P. Morgan Emerging Markets Bond Index Global: Tracks U.S. dollar government bonds of 31 foreign countries.

Quasi-sovereign debt: Debt issued by a corporation and backed by the respective government, typically offering the higher yields of corporate debt with the added benefit of government support.

Weighted average effective duration (years): A measure of a portfolio's price sensitivity to changes in interest rates. Portfolios with longer weighted average effective durations are more sensitive to changes in interest rates than securities of shorter durations.

Glossary (continued)

Weighted average maturity: A measure of a fund's sensitivity to interest rates. In general, the longer the average maturity, the greater the fund's sensitivity to interest rate changes. The weighted average maturity may take into account the interest rate readjustment dates for certain securities. Money funds must maintain a weighted average maturity of less than 60 days.

Portfolio Highlights

PRICE AND YIELD

Periods Ended **International Bond Fund**	6/30/12	12/31/12
Price Per Share	$9.76	$10.10
Dividends Per Share		
For 6 months	0.11	0.12
For 12 months	0.25	0.23
SEC Yield (30-Day)	1.76%	1.53%
International Bond Fund–Advisor Class		
Price Per Share	$9.77	$10.11
Dividends Per Share		
For 6 months	0.10	0.10
For 12 months	0.21	0.20
SEC Yield (30-Day)	1.37%	1.24%

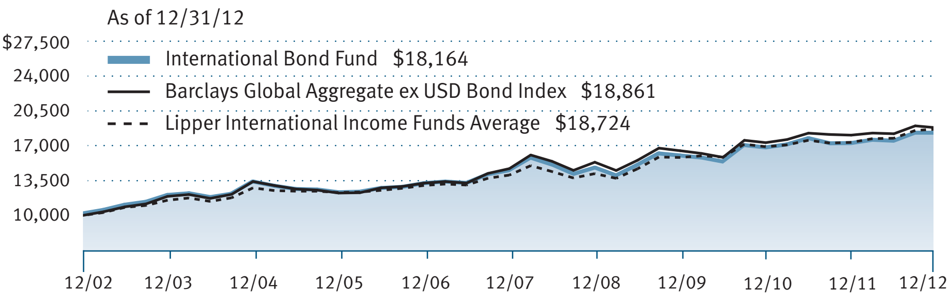
12-month dividends may not equal the combined 6-month figures due to rounding. Yields will vary and are not guaranteed.

Performance and Expenses

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the fund over the past 10 fiscal year periods or since inception (for funds lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from fund returns as well as mutual fund averages and indexes.

INTERNATIONAL BOND FUND



Note: Performance for the Advisor Class will vary due to its differing fee structure. See returns table below.

Average Annual Compound Total Return

Periods Ended 12/31/12	1 Year	5 Years	10 Years
International Bond Fund	6.10%	4.78%	6.15%
International Bond Fund–Advisor Class	5.90	4.52	5.92

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-225-5132 or, for Advisor Class shares, 1-800-638-8790. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held for 90 days or less; if it did, the performance would be lower.

This table shows how the fund would have performed each year if its actual (or cumulative) returns had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. When assessing performance, investors should consider both short- and long-term returns.

Expense Ratio

International Bond Fund	*0.83%*
International Bond Fund–Advisor Class	*1.16*

The expense ratio shown is as of the fund's fiscal year ended 12/31/11. This number may vary from the expense ratio shown elsewhere in this report because it is based on a different time period and, if applicable, does not include fee or expense waivers.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Please note that the International Bond Fund has two share classes: The original share class (Investor Class) charges no distribution and service (12b-1) fee, and the Advisor Class shares are offered only through unaffiliated brokers and other financial intermediaries and charge a 0.25% 12b-1 fee. Each share class is presented separately in the table.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and expenses based on the fund's actual returns. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Fund Expense Example (continued)

Note: T. Rowe Price charges an annual account service fee of $20, generally for accounts with less than $10,000. The fee is waived for any investor whose T. Rowe Price mutual fund accounts total $50,000 or more; accounts electing to receive electronic delivery of account statements, transaction confirmations, prospectuses, and shareholder reports; or accounts of an investor who is a T. Rowe Price Preferred Services, Personal Services, or Enhanced Personal Services client (enrollment in these programs generally requires T. Rowe Price assets of at least $100,000). This fee is not included in the accompanying table. If you are subject to the fee, keep it in mind when you are estimating the ongoing expenses of investing in the fund and when comparing the expenses of this fund with other funds.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

International Bond Fund

	Beginning Account Value 7/1/12	Ending Account Value 12/31/12	Expenses Paid During Period* 7/1/12 to 12/31/12
Investor Class			
Actual	$1,000.00	$1,046.70	$4.27
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.96	4.22
Advisor Class			
Actual	1,000.00	1,045.30	5.60
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.66	5.53

*Expenses are equal to the fund's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.83%, and the Advisor Class was 1.09%.

Financial Highlights

For a share outstanding throughout each period

Investor Class

	Year Ended 12/31/12	12/31/11	12/31/10	12/31/09	12/31/08
NET ASSET VALUE					
Beginning of period	$ 9.74	$ 9.95	$ 9.87	$ 9.57	$ 10.09
Investment activities					
Net investment income[1]	0.23	0.26	0.25	0.27	0.37
Net realized and unrealized gain (loss)	0.36	–	0.25	0.49	(0.19)
Total from investment activities	0.59	0.26	0.50	0.76	0.18
Distributions					
Net investment income	(0.23)	(0.26)	(0.25)	(0.27)	(0.37)
Net realized gain	–	(0.21)	(0.17)	(0.19)	(0.33)
Total distributions	(0.23)	(0.47)	(0.42)	(0.46)	(0.70)
NET ASSET VALUE					
End of period	**$ 10.10**	**$ 9.74**	**$ 9.95**	**$ 9.87**	**$ 9.57**

Ratios/Supplemental Data					
Total return[2]	**6.10%**	**2.63%**	**5.17%**	**8.38%**	**1.77%**
Ratio of total expenses to average net assets	0.84%	0.83%	0.82%	0.82%	0.81%
Ratio of net investment income to average net assets	2.31%	2.59%	2.50%	2.82%	3.70%
Portfolio turnover rate	52.2%	35.7%	61.5%	57.6%	69.2%
Net assets, end of period (in millions)	$ 4,972	$ 4,776	$ 4,402	$ 3,423	$ 2,142

(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 and payment of no redemption or account fees.

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

Financial Highlights

For a share outstanding throughout each period

Advisor Class

	Year Ended 12/31/12	12/31/11	12/31/10	12/31/09	12/31/08
NET ASSET VALUE					
Beginning of period	$ 9.74	$ 9.93	$ 9.85	$ 9.56	$ 10.07
Investment activities					
Net investment income[1]	0.20	0.23	0.21	0.24	0.34
Net realized and unrealized gain (loss)	0.36	0.02	0.25	0.48	(0.18)
Total from investment activities	0.56	0.25	0.46	0.72	0.16
Distributions					
Net investment income	(0.20)	(0.23)	(0.21)	(0.24)	(0.34)
Net realized gain	–	(0.21)	(0.17)	(0.19)	(0.33)
Total distributions	(0.20)	(0.44)	(0.38)	(0.43)	(0.67)
Redemption fees added to paid-in capital	0.01	–	–	–	–
NET ASSET VALUE					
End of period	**$ 10.11**	**$ 9.74**	**$ 9.93**	**$ 9.85**	**$ 9.56**

Ratios/Supplemental Data					
Total return[2]	**5.90%**	**2.50%**	**4.85%**	**7.93%**	**1.57%**
Ratio of total expenses to average net assets	1.13%	1.16%	1.13%	1.15%	1.13%
Ratio of net investment income to average net assets	2.02%	2.26%	2.19%	2.53%	3.40%
Portfolio turnover rate	52.2%	35.7%	61.5%	57.6%	69.2%
Net assets, end of period (in thousands)	$ 283,273	$ 404,634	$ 529,400	$ 485,163	$ 431,987

(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 and payment of no redemption or account fees.

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

December 31, 2012

Portfolio of Investments ‡

(Cost and value in $000s)

	Par/Shares	Value
ARGENTINA 0.1%		
Corporate Bonds 0.1%		
Banco Galicia y Buenos Aires, 8.75%, 5/4/18 (USD) (1)	2,000,000	1,665
IRSA Inversiones y Representaciones 11.50%, 7/20/20 (USD) (1)	1,700,000	1,547
Total Argentina (Cost $3,958)		3,212
AUSTRALIA 0.8%		
Corporate Bonds 0.5%		
Australia & New Zealand Banking, 5.125%, 9/10/19 (EUR)	3,000,000	4,602
Australia & New Zealand Banking, FRN, 4.75%, 12/7/18 (GBP)	695,000	1,143
Commonwealth Bank of Australia, 3.625%, 10/14/14 (CAD)	1,250,000	1,291
Commonwealth Bank of Australia, 3.875%, 12/14/15 (GBP)	1,000,000	1,739
Commonwealth Bank of Australia, 5.50%, 8/6/19 (EUR)	2,050,000	3,190
National Australia Bank, 4.75%, 7/15/16 (EUR)	3,000,000	4,485
National Australia Bank, 5.375%, 12/8/14 (GBP)	1,000,000	1,748
St. George Bank, 6.50%, 6/24/13 (EUR)	200,000	272
Telstra, 6.125%, 8/6/14 (GBP)	400,000	698
Wesfarmers, 2.75%, 8/2/22 (EUR)	2,000,000	2,716
Westfield Financial, 5.50%, 6/27/17 (GBP)	450,000	828
Westpac Banking, 4.25%, 9/22/16 (EUR)	2,000,000	2,958
Westpac Banking, 5.00%, 10/21/19 (GBP)	1,000,000	1,879
		27,549
Government Bonds 0.3%		
New South Wales Treasury, 6.00%, 3/1/22	13,804,000	16,515
		16,515
Total Australia (Cost $41,348)		44,064
AUSTRIA 1.6%		
Government Bonds 1.6%		
Republic of Austria, 3.40%, 11/22/22 (1)	17,925,000	27,126
Republic of Austria, 4.85%, 3/15/26 (1)	15,367,000	26,703

(Cost and value in $000s)	Par/Shares	Value
Republic of Austria, 6.25%, 7/15/27 (1)	15,052,000	30,026
Total Austria (Cost $77,146)		83,855
BELGIUM 1.2%		
Corporate Bonds 0.2%		
Anheuser-Busch InBev, 6.50%, 6/23/17 (GBP)	1,394,000	2,729
Ontex, 7.50%, 4/15/18 (1)	3,342,000	4,698
Ontex, 7.50%, 4/15/18	325,000	457
		7,884
Government Bonds 1.0%		
Kingdom of Belgium, 4.25%, 9/28/21	24,048,000	37,914
Kingdom of Belgium, 5.00%, 3/28/35	8,617,000	15,097
		53,011
Total Belgium (Cost $54,534)		60,895
BERMUDA 0.1%		
Corporate Bonds 0.1%		
Bacardi, 7.75%, 4/9/14 (EUR)	3,500,000	5,014
Holcim Finance, 8.75%, 4/24/17 (GBP)	800,000	1,620
Total Bermuda (Cost $6,541)		6,634
BRAZIL 2.1%		
Corporate Bonds 1.0%		
Banco do Estado do Rio Grande do Sul 7.375%, 2/2/22 (USD) (1)	4,300,000	4,730
BFF International, 7.25%, 1/28/20 (USD) (1)	1,600,000	1,920
BFF International, Brasil Foods, 7.25%, 1/28/20 (USD)	1,000,000	1,200
BR Malls International Finance, 9.75%, 11/29/49 (USD)	3,050,000	3,081
Brasil Foods, 5.875%, 6/6/22 (USD) (1)	1,275,000	1,409
Centrais Electricas Brasileiras, 5.75%, 10/27/21 (USD) (1)	2,500,000	2,700

(Cost and value in $000s)	Par/Shares	Value
Cia de Saneamento Basico, 6.25%, 12/16/20 (USD) (1)	2,900,000	3,190
Gerdau Trade, 5.75%, 1/30/21 (USD)	3,000,000	3,315
Itau Unibanco, 5.65%, 3/19/22 (USD) (1)	3,000,000	3,161
Minerva Luxembourg, 12.25%, 2/10/22 (USD) (1)	2,100,000	2,525
Odebrecht Finance, 7.125%, 6/26/42 (USD) (1)	2,000,000	2,330
Petrobras International Finance, 4.25%, 10/2/23 (EUR)	3,000,000	4,183
Petrobras International Finance, 4.875%, 3/7/18 (EUR)	10,200,000	15,064
Voto-Votorantim, 5.25%, 4/28/17 (EUR) (1)	2,000,000	2,891
Votorantim Cimentos, 7.25%, 4/5/41 (USD) (1)	1,800,000	2,034
		53,733
Government Bonds 1.1%		
Brazil Notas do Tesouro Nacional, 10.00%, 1/1/14	28,235,000	14,147
Brazil Notas do Tesouro Nacional, 10.00%, 1/1/21	8,466,000	4,361
Brazil Notas do Tesouro Nacional, 10.00%, 1/1/23	16,966,000	8,719
Brazil Notas do Tesouro Nacional, Inflation-Indexed 6.00%, 8/15/20	5,220,000	6,748
Brazil Notas do Tesouro Nacional, Inflation-Indexed 6.00%, 5/15/45	6,060,000	8,993
Brazil Notas do Tesouro Nacional, Inflation-Indexed 6.00%, 8/15/50	7,761,000	11,717
		54,685
Total Brazil (Cost $102,739)		108,418
CANADA 3.7%		
Corporate Bonds 1.1%		
Bank of Montreal, FRN, 6.17%, 3/28/23	1,444,000	1,707
Bank of Nova Scotia, 2.74%, 12/1/16	1,105,000	1,135
Bell Canada, 5.00%, 2/15/17 (1)	1,494,000	1,652
Canadian Imperial Bank of Commerce, 2.65%, 11/8/16	1,155,000	1,182
Canadian Natural Resources, 4.95%, 6/1/15	1,494,000	1,607
Enbridge, 4.26%, 2/1/21	2,295,000	2,508
EnCana, 5.80%, 1/18/18 (1)	1,439,000	1,636
Greater Toronto Airport, 6.47%, 2/2/34 (1)	1,414,000	1,951

(Cost and value in $000s)	Par/Shares	Value
Hydro One, 5.36%, 5/20/36	1,170,000	1,451
Loblaw, 5.22%, 6/18/20	1,494,000	1,710
Rogers Communications, 5.38%, 11/4/19	2,088,000	2,400
Royal Bank of Canada, 4.35%, 6/15/20	1,990,000	2,109
Royal Bank of Canada, 4.625%, 1/22/19 (EUR)	17,025,000	26,636
Suncor Energy, 5.39%, 3/26/37 (1)	1,533,000	1,798
TELUS, 4.95%, 3/15/17	1,494,000	1,655
TELUS, 5.05%, 7/23/20	1,000,000	1,146
Thomson Reuters, 5.20%, 12/1/14	1,439,000	1,537
Toronto-Dominion Bank, FRN, 5.69%, 6/3/18	2,335,000	2,383
Transcanada Pipelines, 4.65%, 10/3/16	1,494,000	1,637
Wells Fargo Financial Canada, 2.774%, 2/9/17	3,040,000	3,106
		60,946
Government Bonds 2.6%		
Government of Canada, 3.50%, 6/1/13	15,529,000	15,772
Government of Canada, 3.75%, 6/1/19	6,025,000	6,862
Government of Canada, 4.00%, 6/1/17	16,858,000	18,844
Government of Canada, 4.50%, 6/1/15	20,382,000	22,104
Province of British Columbia, 3.70%, 12/18/20	39,870,000	43,950
Province of Quebec, 5.00%, 12/1/38	22,647,000	28,157
		135,689
Total Canada (Cost $184,759)		196,635
CHILE 0.1%		
Corporate Bonds 0.1%		
Banco del Estado - Chile, 3.875%, 2/8/22 (USD) (1)	2,500,000	2,663
Total Chile (Cost $2,461)		2,663
CHINA 0.3%		
Corporate Bonds 0.3%		
Central China Real Estate, 12.25%, 10/20/15 (USD)	1,500,000	1,673

(Cost and value in $000s)	Par/Shares	Value
China Shansui Cement, 8.50%, 5/25/16 (USD) (1)	3,000,000	3,255
Country Garden Holdings, 11.125%, 2/23/18 (USD) (1)	1,500,000	1,747
Country Garden Holdings, 11.125%, 2/23/18 (USD)	1,500,000	1,748
ENN Energy Holdings, 6.00%, 5/13/21 (USD)	2,000,000	2,309
KWG Property Holdings, 12.50%, 8/18/17 (USD)	1,000,000	1,155
KWG Property Holdings, 12.75%, 3/30/16 (USD)	1,000,000	1,140
Mega Advance Investments, 5.00%, 5/12/21 (USD) (1)	3,000,000	3,397
Tencent Holdings, 4.625%, 12/12/16 (USD)	1,500,000	1,619
Total China (Cost $15,475)		18,043
COLOMBIA 0.0%		
Corporate Bonds 0.0%		
BanColombia, 4.25%, 1/12/16 (USD)	1,500,000	1,575
Total Colombia (Cost $1,492)		1,575
CZECH REPUBLIC 0.6%		
Corporate Bonds 0.1%		
CEZ, 5.00%, 10/19/21 (EUR)	1,900,000	3,072
CEZ, 5.75%, 5/26/15 (EUR)	900,000	1,327
		4,399
Government Bonds 0.5%		
Czech Republic, 3.625%, 4/14/21 (EUR)	19,955,000	29,693
		29,693
Total Czech Republic (Cost $30,491)		34,092
DENMARK 0.7%		
Corporate Bonds 0.2%		
Carlsberg Breweries, 7.25%, 11/28/16 (GBP)	1,400,000	2,719
Danske Bank, 4.75%, 6/4/14 (EUR)	2,725,000	3,791
TDC, 3.50%, 2/23/15 (EUR)	2,500,000	3,478

(Cost and value in $000s)	Par/Shares	Value
TDC, 5.625%, 2/23/23 (GBP)	500,000	948
		10,936
Government Bonds 0.5%		
Kingdom of Denmark, 3.00%, 11/15/21	123,670,000	25,457
Kingdom of Denmark, 7.00%, 11/10/24	11,236,000	3,240
		28,697
Total Denmark (Cost $35,820)		39,633
FINLAND 0.2%		
Government Bonds 0.2%		
Republic of Finland, 3.375%, 4/15/20	8,776,000	13,446
Total Finland (Cost $12,155)		13,446
FRANCE 3.8%		
Corporate Bonds 3.4%		
Autoroutes du Sud de la France, 7.375%, 3/20/19	2,900,000	5,039
AXA, FRN, 5.25%, 4/16/40	3,200,000	4,414
BNP Paribas, 2.875%, 11/27/17	3,000,000	4,235
BNP Paribas, 3.75%, 11/25/20	2,500,000	3,702
BNP Paribas Home Loan, 3.75%, 4/20/20	3,600,000	5,478
Caisse d'Amortissement De La Dette Sociale, 2.50%, 10/25/22	20,360,000	27,916
Carrefour, 5.375%, 6/12/15	3,000,000	4,350
Casino Guichard Perrachon & Cie, 4.379%, 2/8/17	1,200,000	1,747
Casino Guichard Perrachon & Cie, 4.875%, 4/10/14	750,000	1,038
Electricite de France, 2.75%, 3/10/23	2,300,000	3,084
Electricite de France, 6.25%, 1/25/21	2,000,000	3,424
Electricite de France, 6.875%, 12/12/22 (GBP)	1,200,000	2,499
Eutelsat, 4.125%, 3/27/17	3,000,000	4,403
France Telecom, 8.00%, 12/20/17 (GBP)	697,000	1,417
GDF Suez, 2.625%, 7/20/22	4,000,000	5,409
GDF Suez, 6.125%, 2/11/21 (GBP)	800,000	1,595

(Cost and value in $000s)	Par/Shares	Value
HSBC Covered Bonds (France), 3.375%, 1/20/17	9,650,000	14,031
Lafarge, FRN, 6.75%, 12/16/19	3,500,000	5,231
Legrand, 4.25%, 2/24/17	3,000,000	4,431
Pernod-Ricard, 5.00%, 3/15/17	3,400,000	5,135
Pinault Printemps Redoute, 8.625%, 4/3/14	2,232,000	3,228
RCI Banque, 4.375%, 1/27/15	4,665,000	6,500
Rhodia, 7.00%, 5/15/18	2,500,000	3,671
Societe de Financement de l'Economie, 3.25%, 1/16/14	24,797,000	33,757
Societe Generale, 5.40%, 1/30/18 (GBP)	996,000	1,682
Societe Generale, 6.125%, 8/20/18	2,600,000	3,919
Total Capital, 3.875%, 12/14/18 (GBP)	398,000	720
Veolia Environnement, 5.125%, 5/24/22	1,866,000	2,937
Veolia Environnement, 5.375%, 5/28/18	1,619,000	2,519
Veolia Environnement, 6.75%, 4/24/19	595,000	998
VINCI, 3.375%, 3/30/20	2,000,000	2,840
Vivendi, 4.875%, 12/2/19	4,500,000	6,901
		178,250
Government Bonds 0.4%		
Government of France, 4.00%, 10/25/38	13,302,000	20,888
		20,888
Total France (Cost $188,423)		199,138
GEORGIA 0.0%		
Corporate Bonds 0.0%		
Bank of Georgia, 7.75%, 7/5/17 (USD)	600,000	612
Total Georgia (Cost $614)		612
GERMANY 14.7%		
Corporate Bonds 4.7%		
Allianz Finance II, FRN, 5.75%, 7/8/41	3,000,000	4,534
Allianz Finance II, FRN, 6.50%, 1/13/25	3,949,000	5,722

(Cost and value in $000s)	Par/Shares	Value
BASF, 5.875%, 3/31/17 (GBP)	800,000	1,527
Bayer, 5.625%, 5/23/18 (GBP)	1,000,000	1,929
BMW U.K. Capital, 5.00%, 10/2/17 (GBP)	498,000	918
Daimler International Finance, 3.50%, 6/6/19 (GBP)	500,000	852
Deutsche Telekom International Finance, 4.25%, 3/16/20	1,500,000	2,291
Deutsche Telekom International Finance, 6.00%, 1/20/17	2,237,000	3,501
Deutsche Telekom International Finance 7.375%, 12/4/19 (GBP)	400,000	839
E.ON International Finance, 5.50%, 1/19/16	3,080,000	4,621
E.ON International Finance, 6.00%, 10/30/19 (GBP)	2,100,000	4,175
Eurohypo, 3.875%, 11/21/13	7,545,000	10,272
Eurohypo, 3.875%, 11/21/16	11,066,000	16,310
HeidelbergCement Finance, 7.50%, 4/3/20	3,250,000	5,052
KfW, 4.375%, 7/4/18	21,084,000	33,242
KfW, 4.70%, 6/2/37 (CAD)	7,206,000	8,372
KfW, 5.50%, 12/7/15 (GBP)	18,747,000	34,611
KfW, 5.55%, 6/7/21 (GBP)	6,500,000	13,538
KfW International Finance, 6.00%, 8/20/20 (AUD)	58,463,000	68,186
Linde Finance, 6.50%, 1/29/16 (GBP)	1,000,000	1,872
MAN, 7.25%, 5/20/16	496,000	787
Merck Financial Services, 3.375%, 3/24/15	2,480,000	3,443
Merck Financial Services, 4.875%, 9/27/13	595,000	811
Schaeffler Finance, 8.75%, 2/15/19 (1)	2,425,000	3,697
Techem, 6.125%, 10/1/19 (1)	750,000	1,062
Unitymedia, 9.625%, 12/1/19 (1)	1,952,000	2,892
Unitymedia, 9.625%, 12/1/19	1,700,000	2,519
Volkswagen Leasing, 3.25%, 5/10/18	5,000,000	7,202
		244,777
Government Bonds 10.0%		
Federal Republic of Germany, 1.75%, 7/4/22	29,100,000	40,089
Federal Republic of Germany, 2.50%, 1/4/21	12,674,000	18,686
Federal Republic of Germany, 3.50%, 1/4/16	20,748,000	30,252
Federal Republic of Germany, 3.75%, 1/4/15	21,448,000	30,450

(Cost and value in $000s)	Par/Shares	Value
Federal Republic of Germany, 4.00%, 1/4/37	87,529,000	157,069
Federal Republic of Germany, 4.50%, 1/4/13	189,700,000	250,402
		526,948
Total Germany (Cost $733,564)		771,725
HONG KONG 0.2%		
Corporate Bonds 0.2%		
Hutchison Whampoa, 5.625%, 11/24/26 (GBP)	500,000	979
LS Finance 2017, 5.25%, 1/26/17 (USD)	2,000,000	2,164
Standard Chartered Bank, 5.875%, 9/26/17 (EUR)	3,400,000	5,251
Total Hong Kong (Cost $7,833)		8,394
HUNGARY 0.3%		
Government Bonds 0.3%		
Republic of Hungary, 6.50%, 6/24/19	2,508,210,000	11,765
Republic of Hungary, 6.75%, 2/24/17	730,480,000	3,427
Total Hungary (Cost $14,311)		15,192
ICELAND 0.3%		
Government Bonds 0.3%		
Republic of Iceland, 5.875%, 5/11/22 (USD) (1)	12,936,000	14,421
Total Iceland (Cost $12,880)		14,421
INDIA 0.1%		
Corporate Bonds 0.1%		
Reliance Holdings, 6.25%, 10/19/40 (USD) (1)	4,000,000	4,602
Total India (Cost $3,962)		4,602

(Cost and value in $000s)	Par/Shares	Value
INDONESIA 0.6%		
Corporate Bonds 0.1%		
PT Adaro Indonesia, 7.625%, 10/22/19 (USD)	2,500,000	2,800
		2,800
Government Bonds 0.5%		
Republic of Indonesia, 7.00%, 5/15/22	48,748,000,000	5,748
Republic of Indonesia, 8.25%, 7/15/21	152,414,000,000	19,163
Republic of Indonesia, 8.25%, 6/15/32	15,457,000,000	1,962
		26,873
Total Indonesia (Cost $28,125)		29,673
IRELAND 0.7%		
Corporate Bonds 0.2%		
Ardagh Packing Finance, 7.375%, 10/15/17	3,500,000	5,082
Rottapharm, 6.125%, 11/15/19 (1)	3,000,000	4,099
WPP 2008, 6.00%, 4/4/17 (GBP)	600,000	1,115
		10,296
Government Bonds 0.5%		
Republic of Ireland, 5.50%, 10/18/17	19,166,000	27,608
		27,608
Total Ireland (Cost $33,827)		37,904
ISRAEL 0.2%		
Government Bonds 0.2%		
Israel Fixed Bond, 5.50%, 2/28/17	33,448,000	10,052
Total Israel (Cost $9,437)		10,052

(Cost and value in $000s)	Par/Shares	Value
ITALY 6.6%		
Corporate Bonds 1.6%		
Atlantia, 4.50%, 2/8/19	2,500,000	3,584
Enel, 5.25%, 1/14/15	2,419,000	3,387
Enel, 6.25%, 6/20/19 (GBP)	900,000	1,591
Enel Finance International, 4.00%, 9/14/16	2,000,000	2,779
ENI, 3.50%, 1/29/18	4,000,000	5,766
ENI Finance International, 5.00%, 1/27/19 (GBP)	600,000	1,072
Fiat Industrial Finance Europe, 6.25%, 3/9/18	3,500,000	5,174
Finmeccanica Finance, 8.125%, 12/3/13	2,700,000	3,780
Intesa Sanpaolo, 4.00%, 11/8/18	8,600,000	11,597
Intesa Sanpaolo, 4.125%, 1/14/16	3,000,000	4,116
Lottomatica, 5.375%, 12/5/16	4,100,000	5,940
Snam, 5.00%, 1/18/19	3,500,000	5,236
Telecom Italia, 7.375%, 12/15/17 (GBP)	750,000	1,378
Telecom Italia, 8.25%, 3/21/16	2,200,000	3,431
UniCredit, 4.25%, 7/29/16	9,427,000	13,440
UniCredit, 4.375%, 9/11/15	4,500,000	6,234
Wind Acquisition, 11.75%, 7/15/17 (1)	1,900,000	2,627
Wind Acquisition, 11.75%, 7/15/17	2,000,000	2,765
		83,897
Government Bonds 5.0%		
Italy Buoni Poliennali del Tesoro, 3.75%, 3/1/21	41,902,000	54,359
Italy Buoni Poliennali del Tesoro, 4.00%, 2/1/17	11,539,000	15,839
Italy Buoni Poliennali del Tesoro, 4.00%, 2/1/37	7,481,000	8,572
Italy Buoni Poliennali del Tesoro, 4.25%, 2/1/15	40,084,000	55,146
Italy Buoni Poliennali del Tesoro, 4.50%, 2/1/18	31,967,000	44,430
Italy Buoni Poliennali del Tesoro, 4.75%, 6/1/17	26,839,000	37,720
Italy Buoni Poliennali del Tesoro, 5.00%, 9/1/40	33,383,000	43,961

(Cost and value in $000s)	Par/Shares	Value
Italy Buoni Poliennali del Tesoro, 6.00%, 5/1/31	2,279,000	3,347
		263,374
Total Italy (Cost $330,330)		347,271
JAMAICA 0.1%		
Corporate Bonds 0.1%		
Digicel Group, 8.25%, 9/30/20 (USD) (1)	1,800,000	1,989
Digicel Group, 10.50%, 4/15/18 (USD) (1)	1,350,000	1,515
Total Jamaica (Cost $3,268)		3,504
JAPAN 18.8%		
Government Bonds 18.8%		
Government of Japan, 1.00%, 12/20/21	6,305,050,000	74,687
Government of Japan, 1.10%, 6/20/21	10,278,650,000	123,250
Government of Japan, 1.30%, 9/20/19	4,891,800,000	59,849
Government of Japan, 1.30%, 6/20/20	8,335,950,000	101,847
Government of Japan, 1.40%, 3/20/18	3,700,550,000	45,373
Government of Japan, 1.50%, 3/20/19	3,839,900,000	47,522
Government of Japan, 1.50%, 6/20/19	1,075,350,000	13,314
Government of Japan, 1.70%, 3/20/17	4,114,500,000	50,569
Government of Japan, 1.70%, 9/20/17	8,813,950,000	109,025
Government of Japan, 1.70%, 6/20/32	1,053,900,000	12,110
Government of Japan, 2.00%, 12/20/33	2,377,350,000	28,489
Government of Japan, 2.30%, 6/20/28	19,444,250,000	252,179
Government of Japan, 2.30%, 3/20/40	5,485,550,000	68,369
Total Japan (Cost $1,011,578)		986,583

(Cost and value in $000s)	Par/Shares	Value
KAZAKHSTAN 0.0%		
Corporate Bonds 0.0%		
HSBK Europe, 7.25%, 5/3/17 (USD)	1,000,000	1,099
Total Kazakhstan (Cost $1,002)		1,099
LUXEMBOURG 0.5%		
Corporate Bonds 0.5%		
Altice Financing, 8.00%, 12/15/19 (1)	1,500,000	2,094
Cirsa Finance Luxembourg, 8.75%, 5/15/18	5,500,000	7,160
Gategroup Finance, 6.75%, 3/1/19 (1)	1,200,000	1,679
Numericable Finance, 8.75%, 2/15/19 (1)	325,000	457
OXEA Finance, 9.625%, 7/15/17	3,000,813	4,372
Sunrise Communications, 7.00%, 12/31/17 (1)	3,500,000	5,012
Sunrise Communications, 7.00%, 12/31/17	500,000	716
Telenet Finance, 6.75%, 8/15/24	3,500,000	4,932
Total Luxembourg (Cost $25,556)		26,422
MALAYSIA 1.6%		
Government Bonds 1.6%		
Government of Malaysia, 3.70%, 5/15/13	28,550,000	9,358
Government of Malaysia, 4.16%, 7/15/21	58,966,000	20,160
Government of Malaysia, 4.232%, 6/30/31	7,860,000	2,697
Government of Malaysia, 4.378%, 11/29/19	129,719,000	44,942
Government of Malaysia, 4.498%, 4/15/30	22,162,000	7,879
Total Malaysia (Cost $83,694)		85,036
MEXICO 2.8%		
Corporate Bonds 0.8%		
America Movil, 4.125%, 10/25/19 (EUR)	3,580,000	5,454
CEMEX Finance, 9.50%, 12/14/16 (USD) (1)	3,500,000	3,824

(Cost and value in $000s)	Par/Shares	Value
CEMEX Finance, 9.625%, 12/14/17 (EUR)	4,000,000	5,729
Controladora Mabe, 7.875%, 10/28/19 (USD) (1)	2,500,000	2,906
Pemex Project Funding Master Trust, 5.50%, 2/24/25 (EUR)	8,782,000	13,371
Pemex Project Funding Master Trust, 6.375%, 8/5/16 (EUR)	2,479,000	3,804
Petroleos Mexicanos, 5.50%, 1/9/17 (EUR)	2,500,000	3,755
Petroleos Mexicanos, 7.50%, 12/18/13 (GBP)	1,573,000	2,705
Satelites Mexicanos, 9.50%, 5/15/17 (USD)	3,000,000	3,180
		44,728
Government Bonds 2.0%		
Mexican Udibonos, Inflation-Indexed, 2.50%, 12/10/20	114,285,560	9,634
United Mexican States, 5.50%, 2/17/20 (EUR)	8,417,000	13,443
United Mexican States, 6.50%, 6/10/21	101,930,000	8,561
United Mexican States, 7.50%, 6/3/27	217,500,000	19,617
United Mexican States, 8.50%, 11/18/38	542,481,000	53,244
		104,499
Total Mexico (Cost $141,037)		149,227
NETHERLANDS 1.7%		
Corporate Bonds 1.7%		
ABN Amro Bank, 6.375%, 4/27/21	3,500,000	5,239
Ahold Finance USA, 6.50%, 3/14/17 (GBP)	1,800,000	3,398
Akzo Nobel, 8.00%, 4/6/16 (GBP)	850,000	1,633
Bank Nederlandse Gemeenten, 2.50%, 1/18/16	8,031,000	11,250
Heineken, 3.50%, 3/19/24	2,425,000	3,480
Heineken, 7.125%, 4/7/14	3,081,000	4,389
Heineken, 7.25%, 3/10/15 (GBP)	1,489,000	2,705
Iberdola Finanzas, 4.625%, 4/7/17	2,500,000	3,595
ING Verzekering, 4.00%, 9/18/13	1,950,000	2,625
KBC Ifima, 3.875%, 3/31/15	4,150,000	5,782
Koninklijke, 5.75%, 3/18/16 (GBP)	2,420,000	4,360
Koninklijke, 7.50%, 2/4/19	2,500,000	4,193
Rabobank International, 4.00%, 1/11/22	2,000,000	3,022

(Cost and value in $000s)	Par/Shares	Value
Rabobank Nederland, 4.125%, 1/14/20	2,987,000	4,536
Rabobank Nederland, 4.25%, 1/16/17	3,457,000	5,121
RWE Finance, 6.375%, 6/3/13 (GBP)	595,000	986
RWE Finance, 6.50%, 4/20/21 (GBP)	1,250,000	2,539
RWE Finance, 6.625%, 1/31/19	5,200,000	8,852
UPCB Finance, 7.625%, 1/15/20	3,500,000	5,082
Ziggo Bond, 8.00%, 5/15/18 (1)	3,432,000	4,984
Total Netherlands (Cost $82,868)		87,771
NORWAY 0.5%		
Corporate Bonds 0.3%		
DnB NOR Bank, 3.875%, 6/29/20 (EUR)	2,100,000	3,164
DnB NOR Bank, 4.375%, 2/24/21 (EUR)	500,000	776
Nordea Hypotek, 3.50%, 1/18/17 (EUR)	6,080,000	8,909
		12,849
Government Bonds 0.2%		
Kingdom of Norway, 4.25%, 5/19/17	59,524,000	11,952
		11,952
Total Norway (Cost $23,335)		24,801
PERU 0.3%		
Corporate Bonds 0.2%		
Banco Credito del Peru, 5.375%, 9/16/20 (USD) (1)	3,750,000	4,190
Corp Lindley, 6.75%, 11/23/21 (USD) (1)	3,000,000	3,480
		7,670
Government Bonds 0.1%		
Republic of Peru, 7.84%, 8/12/20 (1)	13,407,000	6,633
		6,633
Total Peru (Cost $12,266)		14,303

(Cost and value in $000s)	Par/Shares	Value
PHILIPPINES 0.0%		
Government Bonds 0.0%		
Republic of Philippines, 3.90%, 11/26/22	65,000,000	1,644
Total Philippines (Cost $1,583)		1,644
POLAND 2.0%		
Corporate Bonds 0.3%		
Ciech Group Financing, 9.50%, 11/30/19 (EUR) (1)	2,100,000	3,046
Cyfrowy Polsat, 7.125%, 5/20/18 (EUR)	2,500,000	3,646
Eileme, 11.75%, 1/31/20 (EUR) (1)	1,700,000	2,636
TPSA Euro Finance, 6.00%, 5/22/14 (EUR)	3,000,000	4,234
TVN Finance, 10.75%, 11/15/17 (EUR)	3,250,000	4,762
		18,324
Government Bonds 1.7%		
Republic of Poland, 3.75%, 1/19/23 (EUR)	9,586,000	13,678
Republic of Poland, 4.75%, 4/25/17	24,524,000	8,420
Republic of Poland, 5.00%, 10/24/13	55,906,000	18,342
Republic of Poland, 5.00%, 4/25/16	22,740,000	7,784
Republic of Poland, 5.50%, 4/25/15	46,865,000	15,942
Republic of Poland, 5.50%, 10/25/19	27,018,000	9,879
Republic of Poland, 5.75%, 9/23/22	33,552,000	12,717
		86,762
Total Poland (Cost $97,978)		105,086
RUSSIA 1.1%		
Corporate Bonds 0.5%		
Alfa Bank, 7.875%, 9/25/17 (USD)	2,900,000	3,248
Alrosa Finance, 7.75%, 11/3/20 (USD)	2,800,000	3,262
GAZ Capital, 6.605%, 2/13/18 (EUR)	4,000,000	6,305
Metalloinvest Finance, 6.50%, 7/21/16 (USD) (1)	3,000,000	3,161

(Cost and value in $000s)	Par/Shares	Value
Rosneft International Finance, 4.199%, 3/6/22 (USD) (1)	415,000	423
Sberbank Capital, 5.717%, 6/16/21 (USD)	2,500,000	2,805
Severstal, 5.90%, 10/17/22 (USD) (1)	1,400,000	1,419
Severstal, 6.70%, 10/25/17 (USD)	100,000	110
TMK Capital, 7.75%, 1/27/18 (USD)	2,000,000	2,110
VimpelCom, 7.504%, 3/1/22 (USD)	2,300,000	2,642
VimpelCom, 7.748%, 2/2/21 (USD)	200,000	232
VTB Bank, 6.551%, 10/13/20 (USD)	3,000,000	3,345
		29,062
Government Bonds 0.6%		
Russian Federation, 7.85%, 3/10/18	510,000,000	18,237
Russian Federation, FRN, 7.50%, 3/31/30 (USD)	10,365,625	13,334
		31,571
Total Russia (Cost $55,749)		60,633
SOUTH AFRICA 1.2%		
Corporate Bonds 0.1%		
Sappi Papier, 6.625%, 4/15/18 (EUR)	3,500,000	4,990
		4,990
Government Bonds 1.1%		
Republic of South Africa, 6.75%, 3/31/21	187,956,000	22,712
Republic of South Africa, 8.00%, 12/21/18	152,549,000	19,776
Republic of South Africa, 10.50%, 12/21/26	29,940,000	4,531
Republic of South Africa, 13.50%, 9/15/15	76,961,000	10,924
		57,943
Total South Africa (Cost $61,450)		62,933
SOUTH KOREA 1.8%		
Corporate Bonds 0.1%		
Export-Import Bank of Korea, 4.625%, 2/20/17 (EUR)	1,236,000	1,831

(Cost and value in $000s)	Par/Shares	Value
Hyundai Capital Services, 3.50%, 9/13/17 (USD) (1)	1,530,000	1,617
		3,448
Government Bonds 1.7%		
Korea Treasury Bond, 4.25%, 6/10/21	16,901,100,000	17,112
Korea Treasury Bond, 4.50%, 3/10/15	49,239,360,000	47,655
Korea Treasury Bond, 5.00%, 6/10/20	23,009,050,000	24,242
		89,009
Total South Korea (Cost $80,426)		92,457
SPAIN 4.3%		
Corporate Bonds 2.1%		
Banco Bilbao Vizcaya Argentaria, 4.25%, 1/18/17	9,500,000	13,064
Banco Bilbao Vizcaya Argentaria, 4.875%, 1/23/14	3,000,000	4,058
Banco Santander, 4.625%, 1/20/16	19,500,000	27,071
Gas Natural Capital Markets, 4.125%, 1/26/18	2,700,000	3,778
Gas Natural Capital Markets, 5.25%, 7/9/14	1,800,000	2,504
Instituto de Credito Oficial, 4.375%, 5/20/19	10,660,000	13,600
Instituto de Credito Oficial, 4.625%, 1/31/17	3,500,000	4,652
Instituto de Credito Oficial, 6.00%, 3/8/21	9,992,000	13,552
Repsol International Finance, 4.75%, 2/16/17	3,200,000	4,610
Santander International Debt, 3.381%, 12/1/15	1,400,000	1,863
Santander International Debt, 3.50%, 3/10/15	4,450,000	5,944
Telefonica Emisiones, 3.661%, 9/18/17	3,500,000	4,814
Telefonica Emisiones, 4.75%, 2/7/17	3,500,000	5,017
Telefonica Emisiones, 5.375%, 2/2/18 (GBP)	1,900,000	3,261
		107,788
Government Bonds 2.2%		
Kingdom of Spain, 4.10%, 7/30/18	21,314,000	27,597
Kingdom of Spain, 4.40%, 1/31/15	18,319,000	24,680
Kingdom of Spain, 4.60%, 7/30/19	33,593,000	44,254

(Cost and value in $000s)	Par/Shares	Value
Kingdom of Spain, 5.75%, 7/30/32	15,382,000	20,441
		116,972
Total Spain (Cost $222,682)		224,760
SUPRANATIONAL 1.1%		
Corporate Bonds 1.1%		
European Investment Bank, 8.75%, 8/25/17 (GBP)	13,208,000	28,620
Inter-American Development Bank, 4.40%, 1/26/26 (CAD)	11,649,000	13,196
International Bank for Reconstruction & Development 3.875%, 5/20/19 (EUR)	12,023,000	18,824
Total Supranational (Cost $54,932)		60,640
SWEDEN 1.0%		
Corporate Bonds 0.8%		
Nordea Bank, 3.75%, 2/24/17 (EUR)	4,300,000	6,282
Nordea Bank, 3.875%, 12/15/15 (GBP)	1,000,000	1,738
Skandinaviska Enskilda Banken, 3.75%, 5/19/16 (EUR)	2,750,000	3,962
Skandinaviska Enskilda Banken, 6.625%, 7/9/14 (GBP)	1,000,000	1,748
Svenska Handelsbanken, 4.875%, 3/25/14 (EUR)	2,950,000	4,104
Svenska Handelsbanken, 5.50%, 5/26/16 (GBP)	2,800,000	5,130
Swedish Export Credit, 3.625%, 5/27/14 (EUR)	13,760,000	18,970
Verisure Holding, 8.75%, 9/1/18 (EUR) (1)	1,075,000	1,541
		43,475
Government Bonds 0.2%		
Kingdom of Sweden, 3.75%, 8/12/17	45,945,000	7,946
		7,946
Total Sweden (Cost $49,715)		51,421

(Cost and value in $000s)	Par/Shares	Value
SWITZERLAND 0.5%		
Corporate Bonds 0.5%		
Adecco, 4.75%, 4/13/18 (EUR)	3,000,000	4,399
Cloverie (Zurich), FRN, 7.50%, 7/24/39 (EUR)	4,200,000	6,788
Credit Suisse First Boston (London), 5.125%, 9/18/17 (EUR)	5,500,000	8,553
Matterhorn Mobile Holdings, 8.25%, 2/15/20 (EUR)	3,300,000	4,748
UBS (London), 6.00%, 4/18/18 (EUR)	1,500,000	2,443
UBS (London), 6.375%, 7/20/16 (GBP)	993,000	1,866
Total Switzerland (Cost $27,922)		28,797
TURKEY 0.9%		
Corporate Bonds 0.2%		
AkBank, 5.125%, 7/22/15 (USD) (1)	4,000,000	4,240
Anadolu Efes, 3.375%, 11/1/22 (USD) (1)	1,925,000	1,906
Eldorado Gold, 6.125%, 12/15/20 (USD) (1)	1,375,000	1,406
Turkiye Garanti Bankasi, 6.25%, 4/20/21 (USD) (1)	4,000,000	4,606
		12,158
Government Bonds 0.7%		
Republic of Turkey, 6.25%, 9/26/22 (USD)	10,700,000	13,364
Republic of Turkey, 10.00%, 6/17/15	27,064,000	16,539
Republic of Turkey, Inflation-Indexed, 3.00%, 2/23/22	10,859,000	7,475
		37,378
Total Turkey (Cost $48,807)		49,536
UKRAINE 0.2%		
Corporate Bonds 0.2%		
DTEK Finance, 9.50%, 4/28/15 (USD)	3,000,000	3,037
MHP, 10.25%, 4/29/15 (USD)	3,550,000	3,772

(Cost and value in $000s)	Par/Shares	Value
Mriya Agro Holding, 10.95%, 3/30/16 (USD)	3,000,000	3,060
Total Ukraine (Cost $9,625)		9,869
UNITED ARAB EMIRATES 0.3%		
Corporate Bonds 0.3%		
Atlantic Finance, STEP, 10.75%, 5/27/14 (USD)	1,400,000	1,533
DP World Sukuk, 6.25%, 7/2/17 (USD)	2,000,000	2,252
Dubai Electricity & Water, 7.375%, 10/21/20 (USD) (1)	4,000,000	4,940
IPIC, 5.875%, 3/14/21 (EUR)	3,000,000	4,829
Total United Arab Emirates (Cost $11,251)		13,554
UNITED KINGDOM 10.6%		
Corporate Bonds 5.4%		
Algeco Scotsman Global Finance, 9.00%, 10/15/18 (EUR) (1)	3,500,000	4,770
Anglo American Capital, 2.75%, 6/7/19 (EUR)	3,000,000	4,063
Aviva, 9.50%, 6/20/16	700,000	1,394
Aviva, FRN, 6.875%, 5/22/38 (EUR)	4,000,000	5,751
B.A.T. International Finance, 5.375%, 6/29/17 (EUR)	3,450,000	5,383
B.A.T. International Finance, 6.375%, 12/12/19	1,680,000	3,410
BAE Systems, 4.125%, 6/8/22	600,000	1,014
Barclays Bank, 4.00%, 10/7/19 (EUR)	18,450,000	28,603
Barclays Bank, 5.25%, 5/27/14 (EUR)	3,700,000	5,188
Barclays Bank, 5.75%, 8/17/21	1,200,000	2,346
Barclays Bank, 6.625%, 3/30/22 (EUR)	2,200,000	3,401
BG Energy Capital, 5.125%, 12/7/17	1,000,000	1,865
BP Capital Markets, 3.83%, 10/6/17 (EUR)	4,000,000	5,938
British Sky Broadcasting Finance, 5.75%, 10/20/17	2,100,000	3,961
British Telecommunications, 6.50%, 7/7/15 (EUR)	1,700,000	2,549
British Telecommunications, 8.625%, 3/26/20	1,700,000	3,746
Centrica, 5.125%, 12/10/14	1,000,000	1,740
Centrica, 7.00%, 9/19/18	600,000	1,221

(Cost and value in $000s)	Par/Shares	Value
Crown Newco, 7.00%, 2/15/18	1,800,000	3,099
Crown Newco 3, 7.00%, 2/15/18 (1)	1,700,000	2,927
Eastern Power Networks, 4.75%, 9/30/21	1,400,000	2,533
Experian Finance, 4.75%, 11/23/18	1,200,000	2,181
Experian Finance, 4.75%, 2/4/20 (EUR)	3,000,000	4,683
FCE Bank, 4.75%, 1/19/15 (EUR)	3,600,000	5,049
FCE Bank, 5.125%, 11/16/15	550,000	962
G4S, 7.75%, 5/13/19	1,200,000	2,396
Heathrow Funding, 4.60%, 2/15/20 (EUR)	3,500,000	5,239
Heathrow Funding, 5.225%, 2/15/25	2,600,000	4,869
HSBC Bank, 3.875%, 10/24/18 (EUR)	5,500,000	8,261
HSBC Bank Canada, 3.558%, 10/4/17 (CAD)	1,120,000	1,187
HSBC Holdings, 6.25%, 3/19/18 (EUR)	2,500,000	3,954
HSBC Holdings, FRN, 9.875%, 4/8/18	2,300,000	3,820
Imperial Tobacco Finance, 4.50%, 7/5/18 (EUR)	4,000,000	6,034
Imperial Tobacco Finance, 6.25%, 12/4/18	250,000	485
Imperial Tobacco Finance, 7.75%, 6/24/19	1,200,000	2,504
Intercontinental Hotels, 6.00%, 12/9/16	1,100,000	2,021
Kingfisher, 5.625%, 12/15/14	1,290,000	2,232
Legal & General Group, FRN, 4.00%, 6/8/25 (EUR)	3,800,000	4,990
Lloyds TSB Bank, 6.375%, 6/17/16 (EUR)	5,950,000	9,208
Lloyds TSB Bank, 6.50%, 3/24/20 (EUR)	2,600,000	3,910
Lloyds TSB Bank, 7.50%, 4/15/24	1,000,000	2,158
Lloyds TSB Bank, 7.625%, 4/22/25	1,000,000	1,875
Marks & Spencer, 5.625%, 3/24/14	1,389,000	2,355
MU Finance, 8.75%, 2/1/17 (1)	2,500,000	4,427
MU Finance, 8.75%, 2/1/17	500,000	885
National Express Group, 6.25%, 1/13/17	1,500,000	2,713
National Grid, 5.00%, 7/2/18 (EUR)	3,933,000	6,166
National Grid, 6.125%, 4/15/14	1,100,000	1,893
National Grid, 6.50%, 4/22/14 (EUR)	1,700,000	2,408
National Grid Gas, 6.00%, 6/7/17	350,000	671
Nationwide Building Society, 3.75%, 1/20/15 (EUR)	3,000,000	4,186
Nationwide Building Society, 4.375%, 2/28/22 (EUR)	9,300,000	15,003

(Cost and value in $000s)	Par/Shares	Value
Nationwide Building Society, 5.625%, 9/9/19	1,300,000	2,482
Nationwide Building Society, 6.75%, 7/22/20 (EUR)	3,000,000	4,622
Next, 5.875%, 10/12/16	1,200,000	2,197
Northumbrian Water Finance, 6.00%, 10/11/17	700,000	1,330
Odeon & UCI Finco, 9.00%, 8/1/18	5,700,000	9,599
R&R Ice Cream, 8.375%, 11/15/17 (EUR)	3,500,000	5,064
Reed Elsevier Investment, 5.625%, 10/20/16	500,000	917
Rentokil Initial, 5.75%, 3/31/16	1,500,000	2,640
Rolls-Royce, 6.75%, 4/30/19	1,000,000	2,033
Royal Bank of Scotland, 4.75%, 5/18/16 (EUR)	2,500,000	3,669
Royal Bank of Scotland, 5.375%, 9/30/19 (EUR)	3,500,000	5,512
Royal Bank of Scotland, 5.75%, 5/21/14 (EUR)	3,000,000	4,215
Royal Bank of Scotland, 6.375%, 4/29/14	1,000,000	1,725
Scottish Power U.K., 6.75%, 5/29/23	400,000	813
Scottish Power U.K., 8.375%, 2/20/17	794,000	1,567
Severn Trent Water Utilities, 5.25%, 3/11/16 (EUR)	2,435,000	3,638
Severn Trent Water Utilities, 6.00%, 1/22/18	900,000	1,719
Standard Chartered, 3.875%, 10/20/16 (EUR)	3,000,000	4,355
Standard Chartered, 6.50%, 4/28/14	800,000	1,389
Tesco, 6.125%, 2/24/22	2,500,000	4,921
The Co-operative Bank, 5.125%, 9/20/17	300,000	523
Vodafone Group, 8.125%, 11/26/18	1,700,000	3,648
		282,205
Government Bonds 5.2%		
Government of the United Kingdom, 3.75%, 9/7/21	21,225,000	40,454
Government of the United Kingdom, 4.25%, 6/7/32	43,197,000	86,526
Government of the United Kingdom, 4.25%, 9/7/39	45,150,000	89,450
Government of the United Kingdom, 4.50%, 3/7/13	8,717,000	14,264
Government of the United Kingdom, 4.50%, 12/7/42	20,763,000	42,935
		273,629
Total United Kingdom (Cost $503,288)		555,834

(Cost and value in $000s)	Par/Shares	Value
UNITED STATES 3.7%		
Corporate Bonds 3.7%		
American International Group, 6.797%, 11/15/17 (EUR)	2,500,000	3,940
AON Financial Services Luxembourg, 6.25%, 7/1/14 (EUR)	2,300,000	3,259
AT&T, 5.875%, 4/28/17 (GBP)	1,000,000	1,885
Bank of America, 4.625%, 2/18/14 (EUR)	1,587,000	2,177
Bank of America, 4.625%, 8/7/17 (EUR)	4,000,000	5,949
Bank of America, 4.75%, 4/3/17 (EUR)	3,500,000	5,203
Bank of America, 5.50%, 12/4/19 (GBP)	1,750,000	3,235
Caterpillar Financial Services, 2.63%, 6/1/17 (CAD)	1,000,000	1,022
Citigroup, 3.50%, 8/5/15 (EUR)	3,535,000	4,951
Citigroup, 5.00%, 8/2/19 (EUR)	2,688,000	4,173
Citigroup, 6.25%, 9/2/19 (GBP)	1,888,000	3,637
Citigroup, FRN, 0.851%, 5/31/17 (EUR)	1,750,000	2,142
Citigroup, FRN, 4.75%, 2/10/19 (EUR)	1,587,000	2,026
Citigroup Finance Canada, 6.75%, 9/22/14 (CAD)	996,000	1,078
CRH Finance U.K., 7.375%, 5/28/14 (EUR)	3,600,000	5,177
GE Capital Canada Funding, 5.73%, 10/22/37 (CAD)	1,693,000	2,104
GE Capital Euro Funding, 4.625%, 2/22/27 (EUR)	3,750,000	5,924
GE Capital Euro Funding, 5.25%, 5/18/15 (EUR)	5,554,000	8,075
GE Capital Euro Funding, 5.375%, 1/16/18 (EUR)	3,373,000	5,298
GE Capital Trust IV, FRN, 4.625%, 9/15/66 (EUR)	3,000,000	3,875
GE Capital UK Funding, 4.375%, 7/31/19 (GBP)	1,200,000	2,117
GE Capital UK Funding, 5.625%, 12/12/14 (GBP)	2,286,000	4,012
GE Capital UK. Funding, 5.625%, 4/25/19 (GBP)	1,300,000	2,438
GMAC International Finance, 7.50%, 4/21/15 (EUR)	3,600,000	5,204
Goldman Sachs, 4.50%, 1/30/17 (EUR)	6,000,000	8,691
Goldman Sachs, 5.125%, 10/16/14 (EUR)	4,150,000	5,851
Goldman Sachs, 6.125%, 2/14/17 (GBP)	1,195,000	2,193
Goldman Sachs, 6.375%, 5/2/18 (EUR)	591,000	939
IBM, 6.625%, 1/30/14 (EUR)	650,000	914
JPMorgan Chase, 4.25%, 1/25/17 (GBP)	1,000,000	1,760
JPMorgan Chase, 5.25%, 1/14/15 (EUR)	3,000,000	4,312

(Cost and value in $000s)	Par/Shares	Value
JPMorgan Chase, FRN, 4.375%, 11/12/19 (EUR)	2,800,000	3,696
Manpower, 4.50%, 6/22/18 (EUR)	2,000,000	2,914
Merrill Lynch, 4.45%, 1/31/14 (EUR)	3,081,000	4,209
MetLife, 5.25%, 6/29/20 (GBP)	1,000,000	1,882
MetLife Global Funding I, 4.625%, 5/16/17 (EUR)	2,300,000	3,478
Molson Coors International, 3.95%, 10/6/17 (CAD)	2,235,000	2,365
Mondelez International, 6.25%, 3/20/15 (EUR)	2,700,000	3,961
Mondelez International, 7.25%, 7/18/18 (GBP)	1,400,000	2,836
Morgan Stanley, 4.90%, 2/23/17 (CAD)	2,375,000	2,497
Morgan Stanley, 5.00%, 5/2/19 (EUR)	3,000,000	4,412
Morgan Stanley, 5.125%, 11/30/15 (GBP)	2,000,000	3,466
Morgan Stanley Dean Witter, 5.375%, 8/10/20 (EUR)	1,500,000	2,244
Morgan Stanley Dean Witter, 5.50%, 10/2/17 (EUR)	6,000,000	9,037
New York Life Funding, 5.125%, 2/3/15 (GBP)	1,500,000	2,624
New York Life Global Funding, 4.375%, 1/19/17 (EUR)	2,300,000	3,401
Pacific Life Funding, 5.125%, 1/20/15 (GBP)	2,683,000	4,597
PepsiCo, 2.50%, 11/1/22 (GBP)	150,000	242
Philip Morris International, 5.875%, 9/4/15 (EUR)	800,000	1,200
Principal Financial Global Funding II, 4.50%, 1/26/17 (EUR)	3,500,000	5,172
SLM Corporation, 4.75%, 3/17/14 (EUR)	4,000,000	5,412
Toyota Motor Credit, 4.00%, 12/7/17 (GBP)	500,000	898
Unitymedia, 7.50%, 3/15/19 (EUR) (1)	4,175,000	6,048
Wells Fargo, 2.625%, 8/16/22 (EUR)	1,500,000	2,050
Total United States (Cost $182,251)		192,202
SHORT-TERM INVESTMENTS 5.4%		
Money Market Funds 4.7%		
T. Rowe Price Reserve Investment Fund, 0.12% (2)(3)	249,146,219	249,146
		249,146

(Cost and value in $000s)	Par/Shares	Value
U.S. Treasury Obligations 0.7%		
U.S. Treasury Notes, 0.625%, 2/28/13 (4)	36,374,000	36,402
		36,402
Total Short-Term Investments (Cost $285,548)		285,548
Total Investments in Securities		
99.4% of Net Assets (Cost $5,010,036)		**$ 5,225,809**

‡ Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; securities are denominated in the currency of the country presented unless otherwise noted.

(1) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to $258,030 and represents 4.9% of net assets.

(2) Seven-day yield

(3) Affiliated Companies

(4) At December 31, 2012, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.

AUD Australian Dollar
BRL Brazilian Real
CAD Canadian Dollar
CHF Swiss Franc
CLP Chilean Peso
CNY China Renminbi
CZK Czech Koruna
DKK Danish Krone
EUR Euro
FRN Floating-Rate Note
GBP British Pound
HUF Hungarian Forint
INR Indian Rupee
JPY Japanese Yen
KRW South Korean Won
MXN Mexican Peso
MYR Malaysian Ringgit
NOK Norwegian Krone
NZD New Zealand Dollar
PLN Polish Zloty
RUB Russian Ruble
SEK Swedish Krona

SGD	Singapore Dollar
STEP	Stepped coupon bond for which the coupon rate of interest will adjust on specified future date(s)
THB	Thai Baht
TRY	Turkish Lira
USD	U.S. Dollar
ZAR	South African Rand

(Cost and value in $000s)

	Notional Amount	Market Value	Upfront Premiums Paid/(Received)	Unrealized Gain (Loss)
Swaps 0.0%				
Credit Default Swaps, Protection Bought 0.0%				
United Kingdom 0.0%				
JPMorgan Chase, Protection Bought (Relevant Credit: United Utilities, 6.875%, 8/15/28) Pay 1.00%, Receive upon credit default 6/20/17 (EUR)	4,000	(30)	(49)	19
Total Credit Default Swaps, Protection Bought			(49)	19
Total Swaps			(49)	19

Forward Currency Exchange Contracts

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
Bank of America Merrill Lynch	2/15/13	CZK	195,639	USD	9,797	500
Bank of America Merrill Lynch	2/15/13	JPY	4,728,942	USD	57,788	(3,186)
Bank of America Merrill Lynch	2/15/13	NOK	147,526	USD	26,218	284
Bank of America Merrill Lynch	2/15/13	NZD	14,764	USD	11,911	257
Bank of America Merrill Lynch	2/15/13	PLN	101,188	USD	30,746	1,801
Bank of America Merrill Lynch	2/15/13	USD	28,795	BRL	59,634	(170)
Bank of America Merrill Lynch	2/15/13	USD	332,419	EUR	260,887	(12,066)
Bank of America Merrill Lynch	2/15/13	USD	47,628	GBP	30,063	(1,203)
Bank of America Merrill Lynch	2/15/13	USD	26,683	SEK	178,539	(744)
Barclays Bank	2/15/13	USD	26,058	GBP	16,149	(172)
Citibank	1/22/13	USD	25,359	INR	1,388,152	120
Citibank	2/15/13	CHF	60,277	USD	63,892	2,064
Citibank	2/15/13	MXN	863,212	USD	64,658	1,864
Credit Suisse	2/15/13	CLP	6,090,081	USD	12,525	122
Credit Suisse	2/15/13	TRY	5,287	USD	2,893	53
Credit Suisse	2/15/13	USD	9,162	JPY	750,546	495
Credit Suisse	2/15/13	USD	4,792	ZAR	43,171	(270)
Deutsche Bank	1/17/13	USD	5,409	KRW	6,053,342	(240)
Deutsche Bank	2/15/13	JPY	531,313	USD	6,468	(333)
Deutsche Bank	2/15/13	USD	8,220	EUR	6,459	(309)
Deutsche Bank	2/15/13	USD	5,213	JPY	413,323	440
Deutsche Bank	2/15/13	USD	52,042	PLN	172,203	(3,347)
Deutsche Bank	3/18/13	INR	1,417,923	USD	25,212	308
Deutsche Bank	3/18/13	INR	1,402,439	USD	25,308	(67)

Forward Currency Exchange Contracts (continued)

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
Goldman Sachs	1/22/13	INR	710,211	USD	13,029	(116)
Goldman Sachs	2/15/13	EUR	36,602	USD	48,229	101
Goldman Sachs	2/15/13	JPY	1,966,264	USD	23,583	(880)
Goldman Sachs	2/15/13	SEK	474,101	USD	69,703	3,127
Goldman Sachs	2/15/13	USD	66,684	AUD	64,385	36
Goldman Sachs	2/15/13	USD	3,321	EUR	2,610	(125)
Goldman Sachs	3/18/13	USD	26,584	INR	1,429,953	848
HSBC Bank	1/17/13	USD	2,512	KRW	2,801,634	(102)
HSBC Bank	1/22/13	INR	749,474	USD	13,895	(268)
HSBC Bank	2/8/13	USD	26,574	CNY	167,175	(193)
HSBC Bank	2/15/13	RUB	2,781,098	USD	86,839	3,521
HSBC Bank	2/15/13	USD	41,979	EUR	32,919	(1,489)
HSBC Bank	2/15/13	USD	27,338	JPY	2,226,860	1,626
HSBC Bank	2/19/13	MYR	82,491	USD	26,774	113
JPMorgan Chase	1/17/13	KRW	2,850,221	USD	2,592	68
JPMorgan Chase	2/15/13	CAD	1,242	USD	1,246	1
JPMorgan Chase	2/15/13	DKK	3,710	USD	661	(4)
JPMorgan Chase	2/15/13	EUR	14,696	USD	19,269	137
JPMorgan Chase	2/15/13	GBP	877	USD	1,403	21
JPMorgan Chase	2/15/13	GBP	768	USD	1,249	(1)
JPMorgan Chase	2/15/13	HUF	180,946	USD	798	18
JPMorgan Chase	2/15/13	USD	1,820	AUD	1,759	-
JPMorgan Chase	2/15/13	USD	12,888	EUR	10,103	(453)
JPMorgan Chase	2/15/13	USD	5,692	GBP	3,578	(118)
JPMorgan Chase	2/15/13	USD	17,232	JPY	1,486,031	73
JPMorgan Chase	2/15/13	USD	3,814	MXN	49,727	(18)
JPMorgan Chase	2/15/13	USD	1,122	NOK	6,395	(27)
JPMorgan Chase	2/15/13	USD	2,003	RUB	61,588	2
JPMorgan Chase	2/15/13	USD	3,898	ZAR	34,095	(100)
JPMorgan Chase	3/18/13	USD	1,573	KRW	1,685,627	5
Morgan Stanley	2/15/13	CAD	41,033	USD	40,912	303
Morgan Stanley	2/15/13	JPY	16,526,077	USD	208,187	(17,371)
Morgan Stanley	2/15/13	USD	10,048	EUR	7,597	17
Morgan Stanley	2/20/13	CNY	165,673	USD	26,366	132
Royal Bank of Canada	2/15/13	CAD	5,542	USD	5,530	36
Royal Bank of Canada	2/15/13	CAD	2,144	USD	2,169	(15)
Royal Bank of Canada	2/15/13	USD	24,215	GBP	15,268	(585)

Forward Currency Exchange Contracts (continued)

(Amounts in 000s)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
Royal Bank of Scotland	2/15/13	AUD	26,141	USD	27,457	(397)
Royal Bank of Scotland	2/20/13	USD	26,342	CNY	165,673	(157)
Standard Chartered	1/17/13	KRW	2,908,816	USD	2,681	33
Standard Chartered	2/8/13	CNY	167,175	USD	26,548	218
Standard Chartered	2/15/13	JPY	15,763,405	USD	197,072	(15,062)
Standard Chartered	2/15/13	SGD	18,110	USD	14,799	25
Standard Chartered	2/15/13	THB	1,257,624	USD	40,802	209
Standard Chartered	3/18/13	KRW	28,685,943	USD	26,588	90
Standard Chartered	3/21/13	MYR	30,985	USD	10,086	(7)
State Street	2/15/13	BRL	1,985	USD	932	32
State Street	2/15/13	DKK	33,775	USD	5,780	200
State Street	2/15/13	GBP	3,194	USD	5,153	36
State Street	2/15/13	JPY	3,123,982	USD	38,954	(2,883)
State Street	2/15/13	USD	2,376	CAD	2,359	7
State Street	2/15/13	USD	5,598	CAD	5,586	(13)
State Street	2/15/13	USD	3,815	DKK	21,849	(53)
State Street	2/15/13	USD	2,953	EUR	2,269	(43)
State Street	2/15/13	USD	3,189	GBP	1,990	(43)
State Street	2/15/13	USD	2,698	JPY	222,253	132
State Street	2/15/13	USD	22,730	MXN	291,949	232
State Street	2/15/13	USD	1,313	MXN	17,068	(3)
State Street	2/15/13	USD	2,455	RUB	76,808	(41)
State Street	2/15/13	USD	882	TRY	1,590	(4)
UBS Investment Bank	2/15/13	NOK	465,073	USD	80,567	2,982
Net unrealized gain (loss) on open forward currency exchange contracts						$ (39,989)

Futures Contracts

($000s)

	Expiration	Contract Value	Unrealized Gain (Loss)
Short, 390 Government of Canada ten year contracts	3/13	$ (52,861)	$ 113
Short, 968 U.S. Treasury ten year contracts	3/13	(128,532)	768
Short, 376 U.S. Treasury five year contracts	3/13	(46,780)	93
Net payments (receipts) of variation margin to date			0
Unrealized gain (loss) on futures contracts			$ 974

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 which is under common ownership or control. Based on the fund's relative ownership, the following securities were considered affiliated companies for all or some portion of the year ended December 31, 2012. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 12/31/12	Value 12/31/11
T. Rowe Price Reserve Investment Fund, 0.12%	¤	¤	$ 173	$ 249,146	$ 43,881
Totals			$ 173	$ 249,146	$ 43,881

¤ Purchase and sale information not shown for cash management funds.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 249,146
Dividend income	173
Interest income	-
Investment income	$ 173
Realized gain (loss) on securities	$ -
Capital gain distributions from mutual funds	$ -

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

December 31, 2012

Statement of Assets and Liabilities

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

Assets	
Investments in securities, at value (cost $5,010,036)	$ 5,225,809
Interest receivable	83,734
Unrealized gain on forward currency exchange contracts	22,689
Foreign currency (cost $16,891)	16,785
Receivable for shares sold	6,839
Cash and currency deposits on futures contracts (including $976 of restricted cash)	1,628
Unrealized gain on futures contracts	974
Cash	20
Unrealized gain on swaps	19
Other assets	881
Total assets	5,359,378
Liabilities	
Unrealized loss on forward currency exchange contracts	62,678
Payable for shares redeemed	21,539
Payable for investment securities purchased	16,095
Investment management fees payable	2,908
Due to affiliates	350
Swap premiums received	49
Other liabilities	913
Total liabilities	104,532
NET ASSETS	**$ 5,254,846**
Net Assets Consist of:	
Accumulated undistributed net realized gain	$ 8,326
Net unrealized gain	178,384
Paid-in capital applicable to 520,297,668 shares of $0.01 par value capital stock outstanding; 4,500,000,000 shares of the Corporation authorized	5,068,136
NET ASSETS	**$ 5,254,846**

December 31, 2012

Statement of Assets and Liabilities

NET ASSET VALUE PER SHARE

Investor Class		
($4,971,573,454 / 492,280,948 shares outstanding)	**$**	**10.10**
Advisor Class		
($283,272,986 / 28,016,720 shares outstanding)	**$**	**10.11**

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

Statement of Operations

($000s)

		Year Ended 12/31/12
Investment Income (Loss)		
Income		
Interest		$ 161,207
Dividend		173
Other		324
Total income		161,704
Expenses		
Investment management		33,327
Shareholder servicing		
Investor Class	$ 6,980	
Advisor Class	565	7,545
Rule 12b-1 fees		
Advisor Class		831
Prospectus and shareholder reports		
Investor Class	664	
Advisor Class	93	757
Custody and accounting		1,290
Registration		112
Legal and audit		57
Directors		38
Miscellaneous		31
Total expenses		43,988
Net investment income		117,716

Statement of Operations

($000s)

	Year Ended 12/31/12
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Securities	28,703
Futures	(12,161)
Swaps	1,115
Foreign currency transactions	23,034
Net realized gain	40,691
Change in net unrealized gain (loss)	
Securities	194,663
Futures	3,091
Swaps	(989)
Other assets and liabilities denominated in foreign currencies	(58,638)
Change in net unrealized gain (loss)	138,127
Net realized and unrealized gain (loss)	178,818
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 296,534**

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

Statement of Changes in Net Assets

($000s)

	Year Ended 12/31/12	12/31/11
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 117,716	$ 136,613
Net realized gain	40,691	66,331
Change in net unrealized gain (loss)	138,127	(56,868)
Increase in net assets from operations	296,534	146,076
Distributions to shareholders		
Net investment income		
Investor Class	(111,036)	(124,637)
Advisor Class	(6,725)	(12,163)
Net realized gain		
Investor Class	–	(100,972)
Advisor Class	–	(8,716)
Decrease in net assets from distributions	(117,761)	(246,488)
Capital share transactions*		
Shares sold		
Investor Class	1,095,480	1,366,094
Advisor Class	125,944	235,892
Distributions reinvested		
Investor Class	103,945	207,940
Advisor Class	6,379	19,695
Shares redeemed		
Investor Class	(1,171,136)	(1,106,204)
Advisor Class	(265,737)	(374,736)
Redemption fees received	590	870
Increase (decrease) in net assets from capital share transactions	(104,535)	349,551
Net Assets		
Increase during period	74,238	249,139
Beginning of period	5,180,608	4,931,469
End of period	**$ 5,254,846**	**$ 5,180,608**
Undistributed net investment income	–	–

Statement of Changes in Net Assets

(000s)

	Year Ended 12/31/12	12/31/11
*Share information		
Shares sold		
Investor Class	109,898	134,558
Advisor Class	12,730	23,313
Distributions reinvested		
Investor Class	10,429	20,865
Advisor Class	640	1,972
Shares redeemed		
Investor Class	(118,349)	(107,732)
Advisor Class	(26,884)	(37,042)
Increase (decrease) in shares outstanding	(11,536)	35,934

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

Notes to Financial Statements

T. Rowe Price International Funds, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The International Bond Fund (the fund) is a nondiversified, open-end management investment company established by the corporation. The fund seeks to provide high current income and capital appreciation by investing primarily in high-quality, nondollar-denominated bonds outside the U.S. The fund has two classes of shares: the International Bond Fund original share class, referred to in this report as the Investor Class, offered since September 10, 1986, and the International Bond Fund–Advisor Class (Advisor Class), offered since March 31, 2000. Advisor Class shares are sold only through unaffiliated brokers and other unaffiliated financial intermediaries that are compensated by the class for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the use of estimates made by management. Management believes that estimates and valuations 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 or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Paydown gains and losses are recorded as an adjustment to interest income. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as interest income. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared by each class daily and paid monthly. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting The Advisor Class pays distribution, shareholder servicing, and/or certain administrative expenses in the form of Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets. Shareholder servicing, prospectus, and shareholder report expenses incurred by each class are charged directly to the class to which they relate. Expenses common to both classes and investment income are allocated to the classes based upon the relative daily net assets of each class's settled shares; realized and unrealized gains and losses are allocated based upon the relative daily net assets of each class's outstanding shares.

Credits The fund earns credits on temporarily uninvested cash balances held at the custodian, which reduce the fund's custody charges. Custody expense in the accompanying financial statements is presented before reduction for credits.

Redemption Fees A 2% fee is assessed on redemptions of fund shares held for 90 days or less to deter short-term trading and to protect the interests of long-term shareholders. Redemption fees are withheld from proceeds that shareholders receive from the sale or exchange of fund shares. The fees are paid to the fund and are recorded as an increase to paid-in capital. The fees may cause the redemption price per share to differ from the net asset value per share.

In-Kind Redemptions In accordance with guidelines described in the fund's prospectus, the fund may distribute portfolio securities 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 securities on the date of redemption exceeds the cost of those securities; the fund recognizes a loss if cost exceeds value. 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 year ended December 31, 2012, the fund realized $750,000 of net loss on $10,784,000 of in-kind redemptions.

New Accounting Pronouncements In December 2011, the FASB issued amended guidance to enhance disclosure for offsetting assets and liabilities. The guidance is effective for fiscal years and interim periods beginning on or after January 1, 2013. Adoption will have no effect on the fund's net assets or results of operations.

NOTE 2 - VALUATION

The fund's financial instruments are reported at fair value as defined by GAAP. The fund determines the values of its assets and liabilities and computes each class's net asset value per share at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day that the NYSE is open for business.

Valuation Methods Debt securities are generally traded in the over-the-counter (OTC) market. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation. Financial futures contracts are valued at closing settlement prices. Forward currency exchange contracts are valued using the prevailing forward exchange rate. Swaps are valued at prices furnished by independent swap dealers or by an independent pricing service.

Other investments, including restricted securities and private placements, and those financial instruments for which the above valuation procedures are inappropriate or are deemed not to reflect fair value, are stated at fair value as determined in good faith by the T. Rowe Price Valuation Committee, established by the fund's Board of Directors (the Board). Subject to oversight by the Board, the Valuation Committee develops pricing-related policies and procedures and approves all fair-value determinations. The Valuation Committee regularly makes good faith judgments, using a wide variety of sources and information, to establish and adjust valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of private-equity instruments, the Valuation Committee considers a variety of factors, including the company's business prospects, its financial performance, strategic events impacting the company, relevant valuations of similar companies, new rounds of financing, and any negotiated transactions of significant size between other investors in the company. Because any fair-value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions.

Valuation Inputs Various inputs are used to determine the value of the fund's financial instruments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical financial instruments

Level 2 – observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar financial instruments, interest rates, prepayment speeds, and credit risk)

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level. The following table summarizes the fund's financial instruments, based on the inputs used to determine their values on December 31, 2012:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities, except:	$ —	$ 4,940,261	$ —	$ 4,940,261
Short-Term Investments	249,146	36,402	—	285,548
Total Securities	249,146	4,976,663	—	5,225,809
Futures Contracts	974	—	—	974
Forward Currency Exchange Contracts	—	22,689	—	22,689
Total	$ 250,120	$ 4,999,352	$ —	$ 5,249,472
Liabilities				
Swaps	$ —	$ 30	$ —	$ 30
Forward Currency Exchange Contracts	—	62,678	—	62,678
Total	$ —	$ 62,708	$ —	$ 62,708

NOTE 3 - DERIVATIVE INSTRUMENTS

During the year ended December 31, 2012, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust portfolio duration and credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. Investments in derivatives can magnify returns positively or negatively; however, the fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover the settlement obligations under its open derivative contracts.

The fund values its derivatives at fair value, as described below and in Note 2, and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. The fund does not offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral. The following table summarizes the fair value of the fund's derivative instruments held as of December 31, 2012, and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

($000s)	Location on Statement of Assets and Liabilities	Fair Value
Assets		
Interest rate derivatives	Futures*	$ 974
Foreign exchange derivatives	Forwards	22,689
Total		$ 23,663
Liabilities		
Foreign exchange derivatives	Forwards	$ 62,678
Credit derivatives	Swaps	30
Total		$ 62,708

*The fair value presented includes cumulative gain (loss) on open futures contracts; however, the value reflected on the accompanying Statement of Assets and Liabilities is only the unsettled variation margin receivable (payable) at that date.

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the year ended December 31, 2012, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

($000s)	Location of Gain (Loss) on Statement of Operations			
	Futures	Foreign Currency Transactions	Swaps	Total
Realized Gain (Loss)				
Interest rate derivatives	$ (12,161)	$ —	$ 1,160	$ (11,001)
Foreign exchange derivatives	—	25,350	—	25,350
Credit derivatives	—	—	(45)	(45)
Total	$ (12,161)	$ 25,350	$ 1,115	$ 14,304
Change in Unrealized Gain (Loss)				
Interest rate derivatives	$ 3,091	$ –	$ (1,008)	$ 2,083
Foreign exchange derivatives	—	(65,288)	—	(65,288)
Credit derivatives	—	—	19	19
Total	$ 3,091	$ (65,288)	$ (989)	$ (63,186)

Forward Currency Exchange Contracts The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. It uses forward currency exchange contracts (forwards) primarily to protect its non-U.S. dollar-denominated securities from adverse currency movements and to gain exposure to currencies for the purposes of risk management or enhanced return. A forward involves an obligation to purchase or sell a fixed amount of a specific currency on a future date at a price set at the time of the contract. Although certain forwards may be settled by exchanging only the net gain or loss on the contract, most forwards are settled with the exchange of the underlying currencies in accordance with the specified terms. Forwards are valued at the unrealized gain or loss on the contract, which reflects the net amount the fund either is entitled to receive or obligated to deliver, as measured by the difference between the forward exchange rates at the date of entry into the contract and the forward rates at the reporting date. Appreciated forwards are reflected as assets, and depreciated forwards are reflected as liabilities on the accompanying Statement of Assets and Liabilities. Risks related to the use of forwards include the possible failure of counterparties to meet the terms of the agreements; that anticipated currency movements will not occur, thereby reducing the fund's total return; and the potential for losses in excess of the fund's initial investment. During the year ended December 31, 2012, the fund's exposure to forwards, based on underlying notional amounts, was generally between 28% and 35% of net assets.

Futures Contracts The fund is subject to interest rate risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rate and yield curve movements, security prices, foreign currencies, credit quality, and mortgage prepayments; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; and/or to adjust portfolio duration and credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a particular underlying financial instrument at an agreed-upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. The fund is required to deposit collateral with the broker in the form of cash or securities in an amount sufficient to cause the value of its account to equal a specified percentage of the aggregate value of the fund's futures contracts with that broker (margin requirement). The margin requirement must then be maintained at the established level over the life of the contract and is restricted from withdrawal by the fund; however, any amounts in excess of the margin requirement may be withdrawn at the fund's election. Fluctuations in the value of a futures contract reflect changes in the value of the underlying financial instrument and are recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the cumulative amount of unrealized gain or loss; appreciated contracts are reflected as assets and depreciated contracts are reflected as liabilities on the accompanying Statement of Assets and Liabilities. In addition, cash and currencies held by the broker are reflected as deposits on futures contracts. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates, and potential losses in excess of the fund's initial investment. During the year ended December 31, 2012, the fund's exposure to futures, based on underlying notional amounts, was generally between 3% and 5% of net assets.

Swaps The fund is subject to interest rate risk, and credit risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risks. The fund may use swaps in an effort to manage exposure to changes in interest rates, inflation rates, and credit quality; to adjust overall exposure to certain markets; to enhance total return or protect the value of portfolio securities; to serve as a cash management tool; and/or to adjust portfolio duration and credit exposure. The value of a swap included in net assets is the unrealized gain or loss on the contract plus or minus any unamortized premiums paid or received, respectively. Appreciated swaps and premiums paid are reflected as assets, and depreciated swaps and premiums received are reflected as liabilities on the accompanying Statement of Assets and Liabilities. Net periodic receipts or payments required by swaps are accrued daily and are recorded as realized gain or loss for financial reporting purposes when settled; fluctuations in the fair value of swaps are reflected in the change in net unrealized gain or loss and are reclassified to realized gain or loss upon termination prior to maturity or cash settlement.

Interest rate swaps are agreements to exchange cash flows based on the difference between specified interest rates applied to a notional principal amount for a specified period of time. Risks related to the use of interest rate swaps include the potential for unanticipated movements in interest and/or currency rates, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

Credit default swaps are agreements where one party (the protection buyer) agrees to make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as certain defaults and bankruptcies related to an underlying credit instrument, or issuer or index of such instruments. Upon occurrence of a specified credit event, the protection seller is required to pay the buyer the difference between the notional amount of the swap and the value of the underlying credit, either in the form of a net cash settlement or by paying the gross notional amount and accepting delivery of the relevant underlying credit. For credit default swaps where the underlying credit is an index, a specified credit event may affect all or individual underlying securities included in the index and will be settled based upon the relative weighting of the affected underlying security(s) within the index. Risks related to the use of credit default swaps include the possible inability of the fund to accurately assess the current and future creditworthiness of underlying issuers, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment. During the year ended December 31, 2012, the fund's exposure to swaps, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging Markets At December 31, 2012, approximately 19% of the fund's net assets were invested, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in emerging markets, securities issued by governments of emerging market countries, and/or securities denominated in or linked to the currencies of emerging market countries. Emerging market securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities. In addition, emerging markets may be subject to greater political, economic, and social uncertainty, and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Counterparty Risk and Collateral The fund has entered into collateral agreements with certain counterparties to mitigate counterparty risk associated with certain over-the-counter (OTC) financial instruments, including swaps, forward currency exchange contracts, TBA purchase commitments, and OTC options (collectively, covered OTC instruments). Subject to certain minimum exposure requirements (which typically range from $100,000 to $500,000), collateral requirements generally are determined and transfers made based on the net aggregate unrealized gain or loss on all OTC instruments covered by a particular collateral agreement with a specified counterparty. At any point in time, the fund's risk of loss from counterparty credit risk on covered OTC instruments is the aggregate unrealized gain on appreciated covered OTC instruments in excess of collateral, if any, pledged by the counterparty to the fund. Further, in accordance with the terms of the relevant agreements, counterparties to certain OTC instruments may be able to terminate the contracts prior to maturity upon the occurrence of certain stated events, such as a decline in net assets above a certain percentage or a failure by the fund to perform its obligations under the contract. Upon termination, all transactions would typically be liquidated and a net amount would be owed by or payable to the fund.

Counterparty risk related to exchange-traded futures and options contracts is minimal because the exchange's clearinghouse provides protection against counterparty defaults. Generally, for exchange-traded derivatives such as futures and options, each broker, in its sole discretion, may change margin requirements applicable to the fund.

Collateral can be in the form of cash or debt securities issued by the U.S. government or related agencies. For OTC instruments, collateral both pledged by the fund to a counterparty and pledged by a counterparty to the fund, is held in a segregated account by a third-party agent. For exchange-traded instruments, margin posted by the fund is held by the broker. Cash posted by the fund as collateral or to meet margin requirements is reflected as restricted cash in the accompanying financial statements and securities posted by the fund are so noted in the accompanying Portfolio of Investments; both remain in the fund's assets. Collateral pledged by counterparties is not included in the fund's assets because the fund does not obtain effective control over those assets. As of December 31, 2012, securities valued at $34,234,000 had been posted by the fund to counterparties for covered OTC instruments. As of December 31, 2012, collateral pledged by counterparties to the fund for covered OTC instruments consisted of securities valued at $11,219,000. As of December 31, 2012, cash of $1,628,000 had been posted by the fund to the broker for exchange-traded derivatives.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $2,531,980,000 and $2,775,617,000, respectively, for the year ended December 31, 2012.

NOTE 5 - 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 fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Reclassifications to paid-in capital relate primarily to redemptions in kind. Reclassifications between income and gain relate primarily to per-share rounding of distributions. For the year ended December 31, 2012, the following reclassifications were recorded to reflect tax character (there was no impact on results of operations or net assets):

($000s)	
Undistributed net investment income	$ 45
Undistributed net realized gain	756
Paid-in capital	(801)

Distributions during the years ended December 31, 2012 and December 31, 2011, totaled $117,761,000 and $246,488,000, respectively, and were characterized as ordinary income for tax purposes. At December 31, 2012, the tax-basis cost of investments and components of net assets were as follows:

($000s)	
Cost of investments	$ 5,027,675
Unrealized appreciation	$ 296,508
Unrealized depreciation	(95,227)
Net unrealized appreciation (depreciation)	201,281
Undistributed long-term capital gain	15,027
Late-year ordinary loss deferrals	(29,598)
Paid-in capital	5,068,136
Net assets	$ 5,254,846

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales and certain derivative contracts, and the realization of gains/losses on certain open derivative contracts for tax purposes. The fund intends to retain realized gains to the extent of available capital loss carryforwards. Net realized capital losses may be carried forward indefinitely to offset future realized capital gains. During the year ended December 31, 2012, the fund utilized $28,378,000 of capital loss carryforwards. In accordance with federal tax laws applicable to investment companies, specified net losses realized between November 1 and December 31, are not recognized for tax purposes until the subsequent year (late-year ordinary loss deferrals); however, such losses are recognized for financial reporting purposes in the year realized.

NOTE 6 - 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 has entered into a subadvisory agreement with T. Rowe Price International Ltd, a wholly owned subsidiary of Price Associates, to provide investment advisory services to the fund; the subadvisory agreement provides that Price Associates may pay the subadvisor up to 60% of the management fee that Price Associates receives from the fund. The investment management agreement between the fund and Price Associates provides for an annual investment management fee, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.35% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first $1 billion of assets to 0.28% for assets in excess of $300 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At December 31, 2012, the effective annual group fee rate was 0.30%.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates (collectively, Price). Price Associates computes the daily share prices and provides certain other administrative services to the fund. T. Rowe Price Services, Inc., provides shareholder and administrative services in its capacity as the fund's transfer and dividend disbursing agent. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the Investor Class. For the year ended December 31, 2012, expenses incurred pursuant to these service agreements were $173,000 for Price Associates; $793,000 for T. Rowe Price Services, Inc.; and $54,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

The fund is also one of several mutual funds sponsored by Price Associates (underlying Price funds) in which the T. Rowe Price Spectrum Funds (Spectrum Funds) and T. Rowe Price Retirement Funds (Retirement Funds) may invest. Neither the Spectrum Funds nor the Retirement Funds invest in the underlying Price funds for the purpose of exercising management or control. Pursuant to separate special servicing agreements, expenses associated with the operation of the Spectrum and Retirement Funds 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 Spectrum and Retirement Funds, respectively. Expenses allocated under these agreements are reflected as shareholder servicing expenses in the accompanying financial statements. For the year ended December 31, 2012, the fund was allocated $981,000 of Spectrum Funds' expenses and $2,227,000 of Retirement Funds' expenses. Of these amounts, $1,919,000 related to services provided by Price. The amount payable at period-end pursuant to this agreement is reflected as Due to Affiliates in the accompanying financial statements. At December 31, 2012, approximately 15% of the outstanding shares of the Investor Class were held by the Spectrum Funds and 29% were held by the Retirement Funds.

The fund may invest in the T. Rowe Price Reserve Investment Fund and the T. Rowe Price Government Reserve Investment Fund (collectively, the T. Rowe Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The T. Rowe Price Reserve Investment Funds are offered as cash management options to mutual funds, trusts, and other accounts managed by Price Associates and/or its affiliates and are not available for direct purchase by members of the public. The T. Rowe Price Reserve Investment Funds pay no investment management fees.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price International Funds, Inc. and Shareholders of T. Rowe Price International Bond Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of T. Rowe Price International Bond Fund (one of the portfolios comprising T. Rowe Price International Funds, Inc., hereafter referred to as the “Fund”) at December 31, 2012, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2012 by correspondence with the custodian and brokers, and confirmation of the underlying funds by correspondence with the transfer agent, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
February 15, 2013

Tax Information (Unaudited) for the Tax Year Ended 12/31/12

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

The fund's distributions to shareholders included $45,000 from short-term capital gains.

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, which you may request 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 website, troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through our website, follow the directions above, then click on the words "Proxy Voting Records" on the right side of the Proxy Voting Policies page.

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.

About the Fund's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and other business affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
William R. Brody (1944) 2009 [142]	President and Trustee, Salk Institute for Biological Studies (2009 to present); Director, Novartis, Inc. (2009 to present); Director, IBM (2007 to present); President and Trustee, Johns Hopkins University (1996 to 2009); Chairman of Executive Committee and Trustee, Johns Hopkins Health System (1996 to 2009)
Anthony W. Deering (1945) 1991 [142]	Chairman, Exeter Capital, LLC, a private investment firm (2004 to present); Director, Under Armour (2008 to present); Director, Vornado Real Estate Investment Trust (2004 to present); Director and Member of the Advisory Board, Deutsche Bank North America (2004 to present); Director, Mercantile Bankshares (2002 to 2007)
Donald W. Dick, Jr. (1943) 1988 [142]	Principal, EuroCapital Partners, LLC, an acquisition and management advisory firm (1995 to present)
Robert J. Gerrard, Jr. (1952) 2012 [90]	Chairman of Compensation Committee and Director, Syniverse Holdings, Inc. (2008 to 2011); Executive Vice President and General Counsel, Scripps Networks, LLC (1997 to 2009); Advisory Board Member, Pipeline Crisis/Winning Strategies (1997 to present)
Karen N. Horn (1943) 2003 [142]	Senior Managing Director, Brock Capital Group, an advisory and investment banking firm (2004 to present); Director, Eli Lilly and Company (1987 to present); Director, Simon Property Group (2004 to present); Director, Norfolk Southern (2008 to present); Director, Fannie Mae (2006 to 2008)

*Each independent director serves until retirement, resignation, or election of a successor.

Independent Directors (continued)

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Theo C. Rodgers (1941) 2006 [142]	President, A&R Development Corporation (1977 to present)
Cecilia E. Rouse, Ph.D. (1963) 2012 [90]	Professor and Researcher, Princeton University (1992 to present); Director, MDRC (2011 to present); Member, National Academy of Education (2010 to present); Research Associate, National Bureau of Economic Research's Labor Studies Program (1998 to 2009 and 2011 to present); Member, President's Council of Economic Advisors (2009 to 2011); Member, The MacArthur Foundation Network on the Transition to Adulthood and Public Policy (2000 to 2008); Member, National Advisory Committee for the Robert Wood Johnson Foundation's Scholars in Health Policy Research Program (2008); Director and Member, National Economic Association (2006 to 2008); Member, Association of Public Policy Analysis and Management Policy Council (2006 to 2008); Member, Hamilton Project's Advisory Board at The Brookings Institute (2006 to 2008); Chair of Committee on the Status of Minority Groups in the Economic Profession, American Economic Association (2006 to 2008)
John G. Schreiber (1946) 2001 [142]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder and Partner, Blackstone Real Estate Advisors, L.P. (1992 to present); Director, General Growth Properties, Inc. (2010 to present)
Mark R. Tercek (1957) 2009 [142]	President and Chief Executive Officer, The Nature Conservancy (2008 to present); Managing Director, The Goldman Sachs Group, Inc. (1984 to 2008)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [142]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and President, T. Rowe Price Investment Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Savings Bank, and T. Rowe Price Services, Inc.; Chairman of the Board, Chief Executive Officer, and Director, T. Rowe Price International; Chief Executive Officer, Chairman of the Board, Director, and President, T. Rowe Price Trust Company; Chairman of the Board, all funds
Brian C. Rogers, CFA, CIC (1955) 2006 [75]	Chief Investment Officer, Director, and Vice President, T. Rowe Price; Chairman of the Board, Chief Investment Officer, Director, and Vice President, T. Rowe Price Group, Inc.; Vice President, T. Rowe Price Trust Company

*Each inside director serves until retirement, resignation, or election of a successor.

Officers

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Ulle Adamson, CFA (1979) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Roy H. Adkins (1970) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.; formerly employee, African Development Bank (to 2008)
Christopher D. Alderson (1962) President	Director and President–International Equity, T. Rowe Price International; Company's Representative, Director, and Vice President, Price Hong Kong; Director and Vice President, Price Singapore; Vice President, T. Rowe Price Group, Inc.
Syed H. Ali (1970) Vice President	Vice President, Price Singapore and T. Rowe Price Group, Inc.; formerly Research Analyst, Credit Suisse Securities (to 2010)

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Paulina Amieva (1981) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly student, Harvard Business School (to 2008)
Sheena L. Barbosa (1983) Vice President	Employee, T. Rowe Price
Peter J. Bates, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Oliver D.M. Bell, IMC (1969) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Head of Global Emerging Markets Research, Pictet Asset Management Ltd. (to 2011), and Portfolio Manager of Africa and Middle East portfolios and other emerging markets strategies, Pictet Asset Management Ltd. (to 2009)
R. Scott Berg, CFA (1972) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Brian J. Brennan, CFA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Ryan N. Burgess, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Sheldon Chan (1981) Vice President	Vice President, Price Hong Kong; formerly Associate Director, HSBC (Hong Kong) (to 2011)
Tak Yiu Cheng, CFA, CPA (1974) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.; formerly Analyst, CLS, BNP Paribas, and Deutsche Bank (to 2008)
Carolyn Hoi Che Chu (1974) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.; formerly Director, Bank of America Merrill Lynch and Co-head of credit and convertibles research team in Hong Kong (to 2010)
Archibald Ciganer Albeniz, CFA (1976) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Richard N. Clattenburg, CFA (1979) Executive Vice President	Vice President, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
Michael J. Conelius, CFA (1964) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Jose Costa Buck (1972) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Richard de los Reyes (1975) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Michael Della Vedova (1969) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Cofounder and Partner, Four Quarter Capital (to 2009)
Jessie Q. Ding (1981) Vice President	Vice President, Price Hong Kong; formerly associate, TPG Capital (to 2008)
Shawn T. Driscoll (1975) Vice President	Vice President, T. Rowe Price Group, Inc.
Bridget A. Ebner (1970) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Mark J.T. Edwards (1957) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
David J. Eiswert, CFA (1972) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
Henry M. Ellenbogen (1973) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Roger L. Fiery III, CPA (1959) Vice President	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Mark S. Finn, CFA, CPA (1963) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Melissa C. Gallagher (1974) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly European Pharmaceuticals and Biotech Analyst, Bear Stearns International Ltd. (to 2008)

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Gregory S. Golczewski (1966) Vice President	Vice President, T. Rowe Price and T. Rowe Price Trust Company
Vishnu Vardhan Gopal (1979) Vice President	Vice President, Price Hong Kong
Benjamin Griffiths, CFA (1977) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
M. Campbell Gunn (1956) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Gregory K. Hinkle, CPA (1958) Treasurer	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Leigh Innes, CFA (1976) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Randal S. Jenneke (1971) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Senior Portfolio Manager, Australian Equities (to 2010)
Kris H. Jenner, M.D., D.Phil. (1962) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
Yoichiro Kai (1973) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Japanese Financial/Real Estate Sector Analyst/Portfolio Manager, Citadel Investment Group, Asia Limited (to 2009)
Jai Kapadia (1982) Vice President	Employee, T. Rowe Price; formerly student, MIT Sloan School of Management (to 2011); Associate Analyst, Sirios Capital Management (to 2009)
Andrew J. Keirle (1974) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Ian D. Kelson (1956) Executive Vice President	President–International Fixed Income, T. Rowe Price International; Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Christopher J. Kushlis, CFA (1976) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Mark J. Lawrence (1970) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Equity Fund Manager, Citi (London) (to 2008)
David M. Lee, CFA (1962) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Patricia B. Lippert (1953) Secretary	Assistant Vice President, T. Rowe Price and T. Rowe Price Investment Services, Inc.
Christopher C. Loop, CFA (1966) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
Anh Lu (1968) Executive Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Sebastien Mallet (1974) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Daniel Martino, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Jonathan H.W. Matthews, CFA (1975) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Analyst, Pioneer Investments (to 2008)
Susanta Mazumdar (1968) Executive Vice President	Vice President, Price Singapore and T. Rowe Price Group, Inc.
Raymond A. Mills, Ph.D., CFA (1960) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Eric C. Moffett (1974) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Samy B. Muaddi, CFA (1984) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Joshua Nelson (1977) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Philip A. Nestico (1976) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Sridhar Nishtala (1975) Vice President	Vice President, Price Singapore and T. Rowe Price Group, Inc.
Jason Nogueira, CFA (1974) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Vice President and Secretary, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore
Michael D. Oh, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Kenneth A. Orchard (1975) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Vice President, Moody's Investors Service (to 2010)
Paul T. O'Sullivan (1973) Vice President	Vice President, T. Rowe Price International
Hiroaki Owaki, CFA (1962) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Gonzalo Pángaro, CFA (1968) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Timothy E. Parker, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Craig J. Pennington, CFA (1971) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Global Energy Analyst, Insight Investment (to 2010); Senior Trader, Brevan Howard (to 2008)
Austin Powell, CFA (1969) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Frederick A. Rizzo (1969) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Christopher J. Rothery (1963) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Naoto Saito (1980) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Analyst, HBK Capital Management (to 2008)
Federico Santilli, CFA (1974) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Sebastian Schrott (1977) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Deborah D. Seidel (1962) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Francisco Sersale (1980) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Amitabh Shah (1980) Vice President	Vice President, T. Rowe Price International
Jeneiv Shah, CFA (1980) Vice President	Employee, T. Rowe Price; formerly Analyst, Mirae Asset Global Investments (to 2010)
Robert W. Sharps, CFA, CPA (1971) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John C.A. Sherman (1969) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Robert W. Smith (1961) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Eunbin Song, CFA (1980) Vice President	Vice President, Price Singapore; formerly Equity Research Analyst, Samsung Securities (to 2008); student, Columbia Business School (to 2010)
David A. Stanley (1963) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Jonty Starbuck, Ph.D. (1975) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Miki Takeyama (1970) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Ju Yen Tan (1972) Vice President	Vice President, T. Rowe Price Group, Inc. and T. Rowe Price International

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Sin Dee Tan, CFA (1979) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly student, London Business School (to 2008)
Dean Tenerelli (1964) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Jean Pierre Thibaud (1982) Vice President	Employee, T. Rowe Price; formerly student, Harvard Business School (to 2011); Senior Associate, MBA Lazard (to 2009)
Siby Thomas (1979) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.; formerly student, University of Chicago Graduate School of Business (to 2009)
Justin Thomson (1968) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Mitchell J.K. Todd (1974) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Eric L. Veiel, CFA (1972) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Verena E. Wachnitz, CFA (1978) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
David J. Wallack (1960) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Julie L. Waples (1970) Vice President	Vice President, T. Rowe Price
Hiroshi Watanabe, CFA (1975) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Christopher S. Whitehouse (1972) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Clive M. Williams (1966) Vice President	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
J. Howard Woodward, CFA (1974) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Marta Yago (1977) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Ernest C. Yeung, CFA (1979) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Alison Mei Ling Yip (1966) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Christopher Yip, CFA (1975) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Wenli Zheng (1979) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.; formerly student, University of Chicago Graduate School of Business (to 2008)

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By Phone at 1-800-225-5132. Available Monday through Friday from 8 a.m. until 10 p.m. ET and Saturday from 8:30 a.m. until 5 p.m. ET.

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T. Rowe Price Report. Quarterly investment newsletter.

T. Rowe Price Investor. Quarterly publication of insightful financial articles.

Investment Guides. International Investing Guide, Guide to Bond Funds, Investors Portfolio Review, Retirement Savings Guide, and Retirement Readiness Guide.

FINANCIAL INTERMEDIARIES AND ADVISORS

By Phone at 1-877-804-2315. Contact us Monday through Friday from 8:30 a.m. until 6 p.m. ET.

By Mail: T. Rowe Price, Financial Institution Services, P.O. Box 89000, Baltimore, MD 21289-4232.

CUSTOMERS WHO TRADE THROUGH A FINANCIAL INTERMEDIARY

Please contact your intermediary or financial professional for assistance.

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INVESTMENT ACCOUNTS

Rollover IRAs. Whether you've changed jobs, experienced a job loss, or retired, it's important to make a smart decision regarding your old 401(k). Call toll-free 1-800-IRA-5000. Our rollover specialists can open your account over the phone and handle most of the paperwork for you. They'll even contact your former employer to help move your money.

Roth IRAs. A Roth IRA offers tax-free withdrawals and a flexible distribution schedule. Open your account at troweprice.com/ira or call 1-800-IRA-5000.

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INVESTMENT GUIDANCE

T. Rowe Price Advisory Planning Services offers a wide range of services that provide expert advice based on your individual needs and financial goals, including consultations with an advisory counselor. Please contact one of our specialists at **1-888-744-0270** to determine the most appropriate service to fit your needs.*

*Services offered by T. Rowe Price Advisory Services, Inc., a federally registered investment adviser. There may be costs associated with these services.

College Planning

With the costs of college steadily increasing, it's critical to plan early. Our college planning information and college savings products can help you meet your educational investment goals. For more information, visit our website at **troweprice.com/college**, where you will find the **College Investment Calculator**, an interactive tool that can help you determine how much you should save, estimate future tuition costs, and review college savings options. In a few easy steps, the calculator provides you with information and a plan of action. To speak with a college planning specialist, please call **1-800-638-5660**.

College Savings Plans (529 Plans). To help families prepare for college education costs, T. Rowe Price manages three 529 plans that are open to all U.S. residents. Any earnings on contributions are tax-deferred, and distributions are exempt from federal income taxes when used for qualified educational expenses. Also, these plans offer high contribution limits and affordable systematic investing.

T. Rowe Price manages the T. Rowe Price College Savings Plan, a national 529 plan offered by the Education Trust of Alaska; the Maryland College Investment Plan; and the University of Alaska College Savings Plan. The Maryland College Investment Plan offers certain potential benefits for Maryland residents, and the University of Alaska College Savings Plan offers potential benefits for Alaska residents.

Earnings on a distribution not used for qualified expenses may be subject to income taxes and a 10% federal penalty. Please note that the availability of tax or other benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of distributions, or other factors, as applicable.

Please visit our website or call 1-800-638-5660 to obtain the applicable plan disclosure document, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. Please consider, before investing, whether your or your beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's plan. T. Rowe Price Investment Services, Inc., Distributor/Underwriter.

T. Rowe Price Mutual Funds

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STOCK FUNDS

Domestic

Blue Chip Growth*
Capital Appreciation*
Capital Opportunity*
Diversified Mid-Cap Growth
Diversified Small-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
Real Estate*
Science & Technology*
Small-Cap Stock*
Small-Cap Value*
Spectrum Growth
Tax-Efficient Equity
Total Equity Market Index
U.S. Large-Cap Core*
Value*

ASSET ALLOCATION FUNDS

Balanced
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Real Assets
Retirement Funds*^

BOND FUNDS

Domestic Taxable

Corporate Income
Floating Rate*
GNMA
High Yield*§
Inflation Protected Bond
New Income*
Short-Term Bond*
Spectrum Income
Strategic Income*
Summit GNMA
Ultra Short-Term Bond
U.S. Bond Enhanced Index
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-Free

California Tax-Free Bond
Georgia Tax-Free Bond
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

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

MONEY MARKET FUNDS (CONT.)

Tax-Free

California Tax-Free Money
Maryland Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

INTERNATIONAL/GLOBAL FUNDS

Stock

Africa & Middle East
Emerging Europe
Emerging Markets Stock
European Stock
Global Infrastructure*
Global Large-Cap Stock*
Global Real Estate*
Global Stock*
Global Technology
International Discovery
International Equity Index
International Growth & Income*
International Stock*
Japan
Latin America
New Asia
Overseas Stock
Spectrum International

Bond

Emerging Markets Bond
Emerging Markets Corporate Bond*
Emerging Markets Local Currency Bond*
International Bond*

For more information about T. Rowe Price funds or services, please contact us directly at 1-800-225-5132. 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.

Investments in the money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds.

*T. Rowe Price Advisor and R Classes may be available for these funds. T. Rowe Price Advisor and R Classes are offered only through financial intermediaries. For more information about T. Rowe Price Advisor and R Classes, contact your financial professional or call T. Rowe Price at 1-877-804-2315.

‡Closed to new investors except for a direct rollover from a retirement plan into a T. Rowe Price IRA invested in this fund.

^The Retirement Funds are inclusive of the Retirement 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, and Income Funds.

§Subject to certain exceptions, the fund will be closed to new investors effective April 30, 2012.

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INVEST WITH CONFIDENCE

T. Rowe Price Investment Services, Inc.
100 East Pratt Street
Baltimore, MD 21202

PROSPECTUS

T. Rowe Price

PREMX
Emerging Markets Bond Fund

TRECX
Emerging Markets Corporate Bond Fund

PRELX
Emerging Markets Local Currency Bond Fund

RPIBX
International Bond Fund

May 1, 2013

A choice of four different international bond funds for investors seeking to diversify beyond U.S. borders.

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Mutual fund shares are not deposits or obligations of, or guaranteed by, any depository institution. Shares are not insured by the Federal Deposit Insurance Corporation, Federal Reserve, or any other government agency, and are subject to investment risks, including possible loss of the principal amount invested.

SUMMARY

T. Rowe Price Emerging Markets Bond Fund

Investment Objective

The fund seeks to provide high income and capital appreciation.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.75%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.19%
Total annual fund operating expenses	**0.94%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$96	$300	$520	$1,155

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the

most recent fiscal year, the fund's portfolio turnover rate was 40.7% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% (and potentially all) of its net assets (including any borrowings for investment purposes) in debt securities of emerging market governments or companies located in emerging market countries. Fund holdings may be denominated in U.S. dollars or non-U.S. dollar currencies, including emerging market currencies. The extent, if any, to which the fund attempts to cushion the impact of foreign currency fluctuations on the dollar depends on market conditions. Fund holdings may include the lowest-rated bonds, including those in default, and there are no overall limits on the fund's investments that are rated below investment-grade (BB or lower, or an equivalent rating), also known as "junk" bonds).

Although the fund expects to maintain an intermediate- to long-term weighted average maturity, there are no maturity restrictions on the overall portfolio or on individual securities. Security selection relies heavily on research, which analyzes political and economic trends as well as creditworthiness. The fund tends to favor bonds it expects will be upgraded. The fund sells holdings for a variety of reasons, such as to adjust its average maturity or credit quality, to shift assets into and out of higher-yielding securities, or to alter geographic or currency exposure.

The fund is "nondiversified," meaning it may invest a greater portion of its assets in fewer issuers than is permissible for a "diversified" fund.

While most assets will be invested in bonds, the fund may enter into forward currency exchange contracts in keeping with the fund's objectives. Forward currency exchange contracts would primarily be used to help protect the fund's holdings from unfavorable changes in foreign currency exchange rates, although other currency hedging techniques may be used from time to time.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

International investing risk Investing in the securities of non-U.S. issuers involves special risks not typically associated with investing in U.S. securities. International securities tend to be more volatile and less liquid than investments in U.S. securities and may lose value because of adverse political, social, or economic developments overseas. In addition, international investments may be subject to regulatory and accounting standards that differ from those of the U.S.

Emerging markets risk The risks of international investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in international developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Currency risk Because the fund may invest in securities issued in foreign currencies, the fund is subject to the risk that it could experience losses based solely on the weakness of foreign currencies versus the U.S. dollar and changes in the exchange rates between such currencies and the U.S. dollar. Any attempts at currency hedging may not be successful and could cause the fund to lose money.

Credit risk This is the risk that an issuer of a debt security could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation. The risk of default is much greater for emerging market bonds and securities rated as below investment-grade ("junk" bonds). The fund is exposed to greater credit risk than other bond funds because companies and governments in emerging markets are usually not as strong financially and are more susceptible to economic downturns. Junk bonds should be considered speculative as they carry greater risks of default and erratic price swings due to real or perceived changes in the credit quality of the issuer.

Interest rate risk This risk refers to the chance that interest rates will increase, causing a decline in bond prices. (Bond prices and interest rates usually move in opposite directions.) Generally, securities with longer maturities and funds with longer weighted average maturities carry greater interest rate risk.

Liquidity risk This is the risk that the fund may not be able to sell a holding in a timely manner at a desired price.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

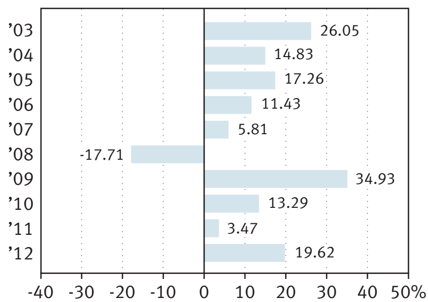
Derivatives risk To the extent the fund uses forward currency exchange contracts, it is exposed to greater volatility and losses in comparison to investing directly in foreign bonds. Forward currency exchange contracts are also subject to the risks that anticipated currency movements will not be accurately predicted, a counterparty will fail to perform in accordance with the terms of the agreement, and the chance that potential government regulation could negatively affect the fund's investments in such instruments.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

Emerging Markets Bond Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	13.89%
Worst Quarter	12/31/08	-11.39%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
Emerging Markets Bond Fund			
Returns before taxes	19.62 %	9.26 %	12.03 %
Returns after taxes on distributions	17.07	6.64	9.47
Returns after taxes on distributions and sale of fund shares	12.94	6.37	9.13
J.P. Morgan Emerging Markets Bond Index Global (reflects no deduction for fees, expenses, or taxes)	18.54	10.47	11.56
Lipper Emerging Markets Debt Funds Average	18.56	9.42	11.60

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Michael J. Conelius	Chairman of Investment Advisory Committee	1994	1988

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

The fund declares dividends daily and pays them on the first business day of each month. Any capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

SUMMARY

T. Rowe Price Emerging Markets Corporate Bond Fund

Investment Objective

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

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.80%
Distribution and service (12b-1) fees	0.00%
Other expenses	1.54%
Total annual fund operating expenses	2.34%
Fee waiver/expense reimbursement	1.19%[b]
Total annual fund operating expenses after fee waiver/expense reimbursement	**1.15%**[b]

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

[b] T. Rowe Price Associates, Inc. has agreed (through April 30, 2015) to waive its fees and/or bear any expenses (excluding interest, taxes, brokerage, extraordinary expenses, and acquired fund fees) that would cause the fund's ratio of expenses to average daily net assets to exceed 1.15%. Termination of the agreement would require approval by the fund's Board of Directors. Fees waived and expenses paid under this agreement are subject to reimbursement to T. Rowe Price Associates, Inc. by the fund whenever the fund's expense ratio is below 1.15%. However, no reimbursement will be made more than three years after the waiver or payment, or if it would result in the expense ratio exceeding 1.15% (excluding interest, taxes, brokerage, extraordinary expenses, and acquired fund fees).

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year, the fund's operating expenses remain the same, and the expense limitation currently in place is not renewed. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$117	$495	$1,027	$2,486

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. For the period of May 24, 2012, through December 31, 2012, the fund's portfolio turnover rate was 26.5% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in bonds that are issued by companies that are located or listed in, or conduct the predominant part of their business activities in, the emerging market countries of Latin America, Asia, Europe, Africa, and the Middle East.

While it is expected that the securities held by the fund will primarily be U.S. dollar-denominated, the fund may also hold securities denominated in emerging market currencies and other non-U.S. currencies. The fund does not generally attempt to cushion the impact of non-U.S. currency fluctuations against the U.S. dollar. Although the fund expects to generally maintain an intermediate-term weighted average maturity (between three and ten years), there are no maturity restrictions on the overall portfolio or on individual securities purchased by the fund.

Most of the fund's investments are expected to be rated below investment-grade (BB or lower, or an equivalent rating) by a major credit rating agency or by T. Rowe Price. However, the fund may purchase bonds of any credit quality and there are no overall limits on the fund's holdings that are unrated or rated below investment-grade. Investments in below investment-grade corporate bonds, also known as "junk" bonds, should be considered speculative.

The fund may sell holdings for a variety of reasons, such as to alter geographic or currency exposure, to adjust its average maturity, duration, or credit quality, or to shift assets into or out of higher-yielding securities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

International investing risk Investing in the securities of non-U.S. issuers involves special risks not typically associated with investing in U.S. securities. International securities tend to be more volatile and less liquid than investments in U.S. securities and may lose value because of adverse political, social, or economic developments overseas. In addition, international investments may be subject to regulatory and accounting standards that differ from those of the U.S.

Emerging markets risk The risks of international investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in international developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Currency risk Although the fund primarily invests in U.S. dollar-denominated bonds of emerging markets issuers, the fund may invest in securities issued in foreign currencies and is therefore subject to the risk that it could experience losses based solely on the weakness of those foreign currencies versus the U.S. dollar and changes in the exchange rates between such currencies and the U.S. dollar.

Credit risk This is the risk that an issuer of a debt security could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation. The risk of default is much greater for emerging market bonds and securities rated as below investment-grade ("junk" bonds). The fund is exposed to greater credit risk than other bond funds because companies and governments in emerging markets are usually not as strong financially and are more susceptible to economic downturns. Junk bonds should be considered speculative as they carry greater risks of default and erratic price swings due to real or perceived changes in the credit quality of the issuer.

Interest rate risk This risk refers to the chance that interest rates will increase, causing a decline in bond prices. (Bond prices and interest rates usually move in opposite directions.) Generally, securities with longer maturities and funds with longer weighted average maturities carry greater interest rate risk.

Liquidity risk This is the risk that the fund may not be able to sell a holding in a timely manner at a desired price.

Performance Because the fund commenced operations in 2012, there is no historical performance information shown here. Performance history will be presented after the fund has been in operation for one full calendar year.

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Michael J. Conelius	Chairman of Investment Advisory Committee	2012	1988

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

The fund declares dividends daily and pays them on the first business day of each month. Any capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

SUMMARY

T. Rowe Price Emerging Markets Local Currency Bond Fund

Investment Objective

The fund seeks to provide high income and capital appreciation.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.75%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.90%
Total annual fund operating expenses	1.65%
Fee waiver/expense reimbursement	0.55%[b]
Total annual fund operating expenses after fee waiver/expense reimbursement	**1.10%**[b]

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

[b] T. Rowe Price Associates, Inc. has agreed (through April 30, 2014) to waive its fees and/or bear any expenses (excluding interest, taxes, brokerage, extraordinary expenses, and acquired fund fees) that would cause the fund's ratio of expenses to average daily net assets to exceed 1.10%. Termination of the agreement would require approval by the fund's Board of Directors. Fees waived and expenses paid under this agreement are subject to reimbursement to T. Rowe Price Associates, Inc. by the fund whenever the fund's expense ratio is below 1.10%. However, no reimbursement will be made more than three years after the waiver or payment, or if it would result in the expense ratio exceeding 1.10% (excluding interest, taxes, brokerage, extraordinary expenses, and acquired fund fees).

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year, the fund's operating expenses remain the same, and the expense limitation currently in place is not renewed. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	3 years	5 years	10 years
$112	$467	$845	$1,908

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 82.3% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies Under normal conditions, at least 80% of the fund's net assets (including any borrowings for investment purposes) will be invested in bonds that are denominated in emerging markets currencies, and in derivative instruments that provide investment exposure to such securities. Emerging market bonds include fixed rate and floating rate bonds that are issued by governments, government agencies, and supranational organizations of, and corporate issuers located in or conducting the predominant part of their business activities in, the emerging market countries of Latin America, Asia, Europe, Africa, and the Middle East.

Investment decisions are based on fundamental research as well as market factors, such as yield and credit quality differences among bonds as well as supply and demand trends and currency values. The fund generally invests in securities where the combination of fixed-income returns and currency exchange rates appears attractive or, if the currency trend is unfavorable, where we believe the currency risk can be minimized through hedging. The fund may purchase bonds of any credit quality and there are no overall limits on the fund's investments in bonds that are unrated or rated below investment-grade (also known as "junk" bonds). While the fund expects normally to maintain a weighted average maturity of at least 3 years, there are no maturity restrictions on the overall portfolio or on individual securities purchased by the fund.

Through the use of currency derivative instruments such as forward currency exchange contracts, currency swaps, foreign currency options, and currency futures, the fund has wide flexibility to purchase and sell currencies independently of whether the fund owns bonds in those currencies and to engage in currency hedging transactions. The fund's currency positions will vary with its outlook on the strength or weakness of the U.S. dollar compared to foreign currencies and the relative value of various foreign currencies to one another. Currency hedging into the U.S. dollar is permitted, but not required, and the fund will be heavily exposed to foreign currencies. The fund's overall net short positions in currencies (including the U.S. dollar) are limited to 10% of its net assets. A short position in a currency allows the fund to sell a currency in excess of the value of its holdings denominated in that currency or sell a currency even if it does not hold any assets denominated in the currency. In addition, the fund may use interest rate swaps and futures in order to take long or short positions with respect to its exposure to a particular country, subject to the investment restrictions applicable to futures and swaps.

The fund is "nondiversified," meaning it may invest a greater portion of its assets in fewer issuers than is permissible for a "diversified" fund.

The fund may sell holdings for a variety of reasons, such as to alter geographic or currency exposure, to adjust its average maturity, duration, or credit quality, or to shift assets into or out of higher-yielding securities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

International investing risk Investing in the securities of non-U.S. issuers involves special risks not typically associated with investing in U.S. securities. International securities tend to be more volatile and less liquid than investments in U.S. securities and may lose value because of adverse political, social, or economic developments overseas. In addition, international investments may be subject to regulatory and accounting standards that differ from those of the U.S.

Emerging markets risk The risks of international investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in international developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Currency risk Because the fund's emphasis is on investing in securities denominated in the currencies of emerging market countries, the fund is subject to the significant risk that it could experience losses based solely on the weakness of foreign currencies versus the U.S. dollar and changes in the exchange rates between such currencies and the U.S. dollar.

Hedging risk The fund's attempts at hedging and taking long and short positions in currencies may not be successful and could cause the fund to lose money or fail to get the benefit of a gain on a hedged position. If currency values and exchange rates do not move in the anticipated direction, the fund could be in a worse position than if it had not entered into such transactions.

Credit risk This is the risk that an issuer of a debt security could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation. The risk of default is much greater for emerging market bonds and securities rated as below investment-grade ("junk" bonds). The fund is exposed to greater credit risk than other bond funds because companies and governments in emerging markets are usually not as strong financially and are more susceptible to economic downturns. Junk bonds should be considered speculative as they carry greater risks of default and erratic price swings due to real or perceived changes in the credit quality of the issuer.

Interest rate risk This risk refers to the chance that interest rates will increase, causing a decline in bond prices. (Bond prices and interest rates usually move in opposite directions.) Generally, securities with longer maturities and funds with longer weighted average maturities carry greater interest rate risk. The monetary policies of emerging markets countries tend to make the impact and likelihood of local interest rate changes more difficult to predict.

Liquidity risk This is the risk that the fund may not be able to sell a holding in a timely manner at a desired price.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

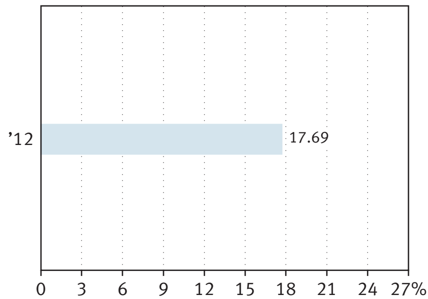
Derivatives risk To the extent the fund uses forward currency exchange contracts, swaps, options, or futures, it is exposed to additional volatility in comparison to investing directly in bonds and other debt securities. These instruments can be illiquid and difficult to value, may involve leverage so that small changes produce disproportionate losses for the fund, and instruments not traded on an exchange are subject to the risk that a counterparty to the transaction will fail to meet its obligations under the derivatives contract. The fund's principal use of derivatives involves the risk that anticipated changes in currency values, currency exchange rates, or interest rate movements will not be accurately predicted, which could significantly harm the fund's performance, and the chance that regulatory developments could negatively affect the fund's investments in such instruments. Taking a short position in a particular currency could cause the fund to lose money if the currency appreciates in value.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the year depicted.

Emerging Markets Local Currency Bond Fund

Calendar Year Return



	Quarter Ended	*Total Return*
Best Quarter	3/31/12	8.92%
Worst Quarter	6/30/12	-1.34%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012	
	1 Year	***Since inception (5/26/11)***
Emerging Markets Local Currency Bond Fund		
Returns before taxes	17.69 %	4.83 %
Returns after taxes on distributions	16.39	3.74
Returns after taxes on distributions and sale of fund shares	11.46	3.44
J.P. Morgan GBI - EM Global Diversified (reflects no deduction for fees, expenses, or taxes)	16.76	5.88
Lipper Emerging Markets Local Debt Funds Average	16.13	4.06 *

* Since 5/31/11.

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Andrew J. Keirle	Chairman of Investment Advisory Committee	2011	2005

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

The fund declares dividends daily and pays them on the first business day of each month. Any capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

SUMMARY

T. Rowe Price International Bond Fund

Investment Objective

The fund seeks to provide high current income and capital appreciation by investing primarily in high-quality, nondollar-denominated bonds outside the U.S.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.65%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.19%
Total annual fund operating expenses	**0.84%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$86	$268	$466	$1,037

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual

fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 52.2% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies Normally, the fund will invest at least 80% of its net assets (including any borrowings for investment purposes) in foreign bonds and 65% of its net assets in foreign bonds that are rated within the three highest credit categories (i.e., A- or equivalent, or better), as determined by at least one major credit rating agency or, if unrated, deemed to be of comparable quality by T. Rowe Price. If a bond is split-rated (i.e., assigned different ratings by different credit rating agencies), the higher rating will be used. The fund may invest up to 20% of its total assets in "junk" bonds that have received a below investment-grade rating (i.e., BB or equivalent, or lower) from each of the rating agencies that has assigned a rating to the bond (or, if unrated, deemed to be below investment-grade quality by T. Rowe Price), including those in default or with the lowest rating. Up to 20% of total assets may be invested in U.S. dollar-denominated foreign bonds, such as Brady bonds and other emerging markets bonds.

Although the fund expects to maintain an intermediate- to long-term weighted average maturity, there are no maturity restrictions on the overall portfolio or on individual securities. The fund has wide flexibility to purchase and sell currencies and engage in hedging transactions. However, we normally do not attempt to cushion the impact of foreign currency fluctuations on the U.S. dollar. Therefore, the fund is likely to be heavily exposed to the risk of bonds denominated in foreign currencies.

Investment decisions are based on fundamental market factors, such as yield and credit quality differences among bonds as well as supply and demand trends and currency values. The fund generally invests in securities where the combination of fixed-income returns and currency exchange rates appears attractive or, if the currency trend is unfavorable, where we believe the currency risk can be minimized through hedging. The fund sells holdings for a variety of reasons, such as to adjust the portfolio's average maturity or credit quality, to shift assets into and out of higher-yielding securities, or to alter geographic or currency exposure.

The fund is "nondiversified," meaning it may invest a greater portion of its assets in fewer issuers than is permissible for a "diversified" fund.

While most assets will be invested in bonds, the fund may enter into forward currency exchange contracts in keeping with the fund's objectives. Forward currency exchange contracts would primarily be used to help protect the fund's holdings from unfavorable changes in foreign currency exchange rates, although other currency hedging techniques may be used from time to time.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

International investing risk Investing in the securities of non-U.S. issuers involves special risks not typically associated with investing in U.S. securities. International securities tend to be more volatile and less liquid than investments in U.S. securities and may lose value because of adverse political, social, or economic developments overseas. In addition, international investments may be subject to regulatory and accounting standards that differ from those of the U.S.

Emerging markets risk The risks of international investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in international developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Currency risk Because the fund generally invests in securities issued in foreign currencies, the fund is subject to the risk that it could experience losses based solely on the weakness of foreign currencies versus the U.S. dollar and changes in the exchange rates between such currencies and the U.S. dollar. Any attempts at currency hedging may not be successful and could cause the fund to lose money.

Credit risk This is the risk that an issuer of a debt security could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation. The fund's overall credit risk is increased to the extent the fund invests in emerging markets bonds or bonds rated below investment-grade. Such investments carry a higher risk of default and should be considered speculative.

Interest rate risk This risk refers to the chance that interest rates will increase, causing a decline in bond prices. (Bond prices and interest rates usually move in opposite directions.) Generally, securities with longer maturities and funds with longer weighted average maturities carry greater interest rate risk.

Liquidity risk This is the risk that the fund may not be able to sell a holding in a timely manner at a desired price.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

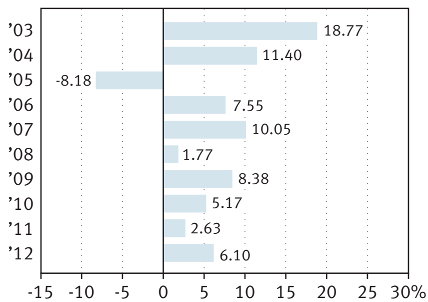
Derivatives risk To the extent the fund uses forward currency exchange contracts, it is exposed to greater volatility and losses in comparison to investing directly in foreign bonds. Forward currency exchange contracts are also subject to the risks that anticipated currency movements will not be accurately predicted, a counterparty will fail to perform in accordance with the terms of the agreement, and the chance that potential government regulation could negatively affect the fund's investments in such instruments.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

International Bond Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	9/30/10	10.91%
Worst Quarter	9/30/08	-6.30%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
International Bond Fund			
Returns before taxes	6.10 %	4.78 %	6.15 %
Returns after taxes on distributions	5.26	3.10	4.44
Returns after taxes on distributions and sale of fund shares	3.95	3.08	4.34
Barclays Global Aggregate ex USD Bond Index (reflects no deduction for fees, expenses, or taxes)	4.09	5.06	6.55
Lipper International Income Funds Average	7.38	5.99	6.33

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Ian D. Kelson	Co-Chairman of Investment Advisory Committee	2001	2000
Christopher J. Rothery	Co-Chairman of Investment Advisory Committee	2012	1994

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	***Minimum initial purchase***	***Minimum subsequent purchase***
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

The fund declares dividends daily and pays them on the first business day of each month. Any capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

Information About Accounts in T. Rowe Price Funds

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As a T. Rowe Price shareholder, you will want to know about the following policies and procedures that apply to the T. Rowe Price family of funds.

PRICING SHARES AND RECEIVING SALE PROCEEDS

How and When Shares Are Priced

The share price, also called the "net asset value," for the funds is calculated at the close of the New York Stock Exchange (normally 4 p.m. ET) each day that the exchange is open for business. To calculate the net asset value, the fund's assets are valued and totaled; liabilities are subtracted; and the balance, called net assets, is divided by the number of shares outstanding. Market values are used to price portfolio holdings for which market quotations are readily available. Market values represent the prices at which securities actually trade or evaluations based on the judgment of the fund's pricing services. If a market value for a security is not available or normal valuation procedures are deemed to be inappropriate, the fund will make a good faith effort to assign a fair value to the security by taking into account various factors that have been approved by the fund's Board of Directors/Trustees. This value may differ from the value the fund receives upon sale of the securities. Amortized cost is used to price securities held by money funds and certain other debt securities held by a fund. Investments in other mutual funds are valued at the closing net asset value per share of the mutual fund on the day of valuation.

Non-U.S. equity securities are valued on the basis of their most recent closing market prices at 4 p.m. ET except under the circumstances described below. Most foreign markets close before 4 p.m. ET. For securities primarily traded in the Far East, for example, the most recent closing prices may be as much as 15 hours old at 4 p.m. ET. If a fund determines that developments between the close of a foreign market and the close of the New York Stock Exchange will, in its judgment, materially affect the value of some or all of the fund's securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of 4 p.m. ET. In deciding whether to make these adjustments, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value certain securities or a group of securities in other situations—for example, when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing market prices and information used for adjusting those prices and to value most fixed income securities. The fund cannot predict how often it will use closing prices and how often it will adjust those prices.

As a means of evaluating its fair value process, the fund routinely compares closing market prices, the next day's opening prices in the same markets, and adjusted prices. The fund also evaluates a variety of factors when assigning fair values to private placements and other restricted securities. Other mutual funds may adjust the prices of their securities by different amounts or assign different fair values than the fair value that the fund assigns to the same security.

The various ways you can buy, sell, and exchange shares are explained at the end of this prospectus and on the New Account form. These procedures may differ for institutional and employer-sponsored retirement accounts or if you hold your account through an intermediary.

How Your Purchase, Sale, or Exchange Price Is Determined

If your request is received by T. Rowe Price in correct form by the close of the New York Stock Exchange (normally 4 p.m. ET), your transaction will be priced at that business day's net asset value. If your request is received by T. Rowe Price after the close of the New York Stock Exchange, your transaction will be priced at the next business day's net asset value.

The funds generally do not accept orders that request a particular day or price for a transaction or any other special conditions.

Fund shares may be purchased through various third-party intermediaries, including banks, brokers, and investment advisers. Where authorized by a fund, orders will be priced at the net asset value next computed after receipt by the intermediary. Contact your intermediary for trade deadlines and the applicable policies for purchasing, selling, or exchanging your shares, as well as initial and subsequent investment minimums. The intermediary may charge a fee for its services.

When authorized by the fund, certain financial institutions or retirement plans purchasing fund shares on behalf of customers or plan participants through T. Rowe Price Financial Institution Services or T. Rowe Price Retirement Plan Services may place a purchase order unaccompanied by payment. Payment for these shares must be received by the time designated by the fund (not to exceed the period established for settlement under applicable regulations). If payment is not received by this time, the order may be canceled. The financial institution or retirement plan is responsible for any costs or losses incurred by the fund or T. Rowe Price if payment is delayed or not received.

Note: The time at which transactions and shares are priced and the time until which orders are accepted may be changed in case of an emergency or if the New York Stock Exchange closes at a time other than 4 p.m. ET. In the event of an emergency closing, a fund's shareholders will receive the next share price calculated by the fund. There may be times when you are unable to contact us by telephone or access your account online due to extreme market activity, the unavailability of the T. Rowe Price website, or other circumstances. Should this occur, your order must still be placed and accepted by T. Rowe Price prior to the time the New York Stock Exchange closes to be priced at that business day's net asset value. Under certain conditions, a money fund may accept and process purchase and redemption orders beyond the close of the New York Stock Exchange on days that the New York Stock Exchange closes early and does not reopen, and may accept orders on a business day that the New York Stock Exchange is unexpectedly closed.

How You Can Receive the Proceeds From a Sale

When filling out the New Account form, you may wish to give yourself the widest range of options for receiving proceeds from a sale.

If your request is received in correct form by T. Rowe Price on a business day prior to the close of the New York Stock Exchange, proceeds are usually sent on the next business day. Proceeds can be mailed to you by check or sent electronically to your bank account by Automated Clearing House transfer or bank wire. Automated Clearing House is an automated method of initiating payments from, and receiving payments in, your financial institution account. Proceeds sent by Automated Clearing House transfer are usually credited to your account the second business day after the sale and there are typically no fees associated with such payments. Proceeds sent by bank wire are usually credited to your account the next business day after the sale, although your financial institution may charge an incoming wire fee.

Exception Under certain circumstances, and when deemed to be in a fund's best interest, your proceeds may not be sent for up to seven calendar days after we receive your redemption request. Under certain limited circumstances, the Board of Directors/Trustees of a money fund may elect to suspend redemptions and postpone payment of redemption proceeds in order to facilitate an orderly liquidation of the money fund.

If for some reason we cannot accept your request to sell shares, we will contact you.

Contingent Redemption Fee

Short-term trading can disrupt a fund's investment program and create additional costs for long-term shareholders. For these reasons, certain T. Rowe Price funds, listed in the following table, assess a fee on redemptions (including exchanges out of a fund), which reduces the proceeds from such redemptions by the amounts indicated:

T. Rowe Price Funds With Redemption Fees		
Fund	***Redemption fee***	***Holding period***
Africa & Middle East	2%	90 days or less
Diversified Small-Cap Growth	1%	90 days or less
Emerging Europe	2%	90 days or less
Emerging Markets Bond	2%	90 days or less

T. Rowe Price Funds With Redemption Fees		
Fund	**Redemption fee**	**Holding period**
Emerging Markets Corporate Bond	2%	90 days or less
Emerging Markets Local Currency Bond	2%	90 days or less
Emerging Markets Stock	2%	90 days or less
Equity Index 500	0.5%	90 days or less
European Stock	2%	90 days or less
Extended Equity Market Index	0.5%	90 days or less
Floating Rate	2%	90 days or less
Global Infrastructure	2%	90 days or less
Global Large-Cap Stock	2%	90 days or less
Global Real Estate	2%	90 days or less
Global Stock	2%	90 days or less
High Yield	2%	90 days or less
International Bond	2%	90 days or less
International Discovery	2%	90 days or less
International Equity Index	2%	90 days or less
International Growth & Income	2%	90 days or less
International Stock	2%	90 days or less
Japan	2%	90 days or less
Latin America	2%	90 days or less
New Asia	2%	90 days or less
Overseas Stock	2%	90 days or less
Real Assets	2%	90 days or less
Real Estate	1%	90 days or less
Small-Cap Value	1%	90 days or less
Spectrum International	2%	90 days or less
Tax-Efficient Equity	1%	less than 365 days
Tax-Free High Yield	2%	90 days or less
Total Equity Market Index	0.5%	90 days or less
U.S. Bond Enhanced Index	0.5%	90 days or less

Redemption fees are paid to a fund to deter short-term trading, offset costs, and protect the fund's long-term shareholders. Subject to the exceptions described on the following pages, all persons holding shares of a T. Rowe Price fund that imposes a redemption fee are subject to the fee, whether the person is holding shares directly with a T. Rowe Price fund; through a retirement plan for which T. Rowe Price serves as recordkeeper; or indirectly through an intermediary (such as a broker, bank, or investment adviser), recordkeeper for retirement plan participants, or other third party.

Computation of Holding Period

When an investor sells shares of a fund that assesses a redemption fee, T. Rowe Price will use the “first-in, first-out” method to determine the holding period for the shares sold. Under this method, the date of redemption or exchange will be compared with the earliest purchase date of shares held in the account. The day after the date of your purchase is considered Day 1 for purposes of computing the holding period. For a fund with a 365-day holding period, a redemption fee will be charged on shares sold **before** the end of the required holding period. For funds with a 90-day holding period, a redemption fee will be charged on shares sold **on or before** the end of the required holding period. For example, if you redeem your shares on or before the 90th day from the date of purchase, you will be assessed the redemption fee. If you purchase shares through an intermediary, consult your intermediary to determine how the holding period will be applied.

Transactions Not Subject to Redemption Fees

The T. Rowe Price funds will not assess a redemption fee with respect to certain transactions. As of the date of this prospectus, the following shares of T. Rowe Price funds will not be subject to redemption fees:

- Shares redeemed through an automated, systematic withdrawal plan;
- Shares redeemed through or used to establish certain rebalancing, asset allocation, wrap, and advisory programs, as well as non-T. Rowe Price fund-of-funds products, if approved in writing by T. Rowe Price;
- Shares purchased through the reinvestment of dividends or capital gain distributions;*
- Shares converted from one share class to another share class of the same fund;*
- Shares redeemed automatically by a fund to pay fund fees or shareholder account fees (e.g., for failure to meet account minimums);
- Shares purchased by rollover or changes of account registration within the same fund;*
- Shares redeemed to return an excess contribution from a retirement account;
- Shares of T. Rowe Price funds purchased by another T. Rowe Price fund and shares purchased by discretionary accounts managed by T. Rowe Price or one of its affiliates (please note that other shareholders of the investing T. Rowe Price fund are still subject to the policy);
- Shares that are redeemed in-kind;
- Shares transferred to T. Rowe Price or a third-party intermediary acting as a service provider when the age of the shares cannot be determined systematically;* and
- Shares redeemed in retirement plans or other products that restrict trading to no more frequently than once per quarter, if approved in writing by T. Rowe Price.

* Subsequent exchanges of these shares into funds that assess redemption fees will subject such shares to the fee.

Redemption Fees on Shares Held in Retirement Plans

If shares are held in a retirement plan, redemption fees generally will be assessed on shares redeemed by exchange only if they were originally purchased by exchange. However, redemption fees may apply to transactions other than exchanges depending on how shares of the plan are held at T. Rowe Price or how the fees are applied by your plan's recordkeeper. To determine which of your transactions are subject to redemption fees, you should contact T. Rowe Price or your plan recordkeeper.

Omnibus Accounts

If your shares are held through an intermediary in an omnibus account, T. Rowe Price relies on the intermediary to assess the redemption fee on underlying shareholder accounts. T. Rowe Price seeks to identify intermediaries establishing omnibus accounts and to enter into agreements requiring the intermediary to assess the redemption fees. There are no assurances that T. Rowe Price will be successful in identifying all intermediaries or that the intermediaries will properly assess the fees.

Certain intermediaries may not apply the exemptions previously listed to the redemption fee policy; all redemptions by persons trading through such intermediaries may be subject to the fee. Certain intermediaries may exempt transactions not listed from redemption fees, if approved by T. Rowe Price. Persons redeeming shares through an intermediary should check with their respective intermediary to determine which transactions are subject to the fees.

USEFUL INFORMATION ON DISTRIBUTIONS AND TAXES

Each fund intends to qualify to be treated each year as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. In order to qualify, a fund must satisfy certain income, diversification, and distribution requirements. A regulated investment company is not subject to U.S. federal income tax at the portfolio level on income and gains from investments that are distributed to shareholders. However, if a fund were to fail to qualify as a regulated investment company and was ineligible to or otherwise did not cure such failure, the result would be fund-level taxation and, consequently, a reduction in income available for distribution to the fund's shareholders.

To the extent possible, all net investment income and realized capital gains are distributed to shareholders.

Dividends and Other Distributions

Dividend and capital gain distributions are reinvested in additional fund shares in your account unless you select another option. Reinvesting distributions results in compounding, which allows you to receive dividends and capital gain distributions on an increasing number of shares.

Distributions not reinvested are paid by check or transmitted to your bank account via Automated Clearing House. If the U.S. Postal Service cannot deliver your check, or if your check remains uncashed for six months, the fund reserves the right to reinvest your distribution check in your account at the net asset value on the day of the reinvestment and to reinvest all subsequent distributions in shares of the fund. Interest will not accrue on amounts represented by uncashed distributions or redemption checks.

The following table provides details on dividend payments:

Dividend Payment Schedule

Fund	***Dividends***
Money funds	• Purchases received by T. Rowe Price by noon ET via wire begin to earn dividends on that day. Other shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price. • Declared daily and paid on the first business day of each month.
Bond funds	• Shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price. • Declared daily and paid on the first business day of each month.
These stock funds only: • Balanced • Dividend Growth • Equity Income • Equity Index 500 • Global Real Estate • Growth & Income • Personal Strategy Balanced • Personal Strategy Income • Real Estate	• Declared and paid quarterly, if any, in March, June, September, and December. • Must be a shareholder on the dividend record date.
Other stock funds	• Declared and paid annually, if any, generally in December. • Must be a shareholder on the dividend record date.
Retirement and Spectrum Funds: • Retirement Income and Spectrum Income	• Shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price. • Declared daily and paid on the first business day of each month.
• All others	• Declared and paid annually, if any, generally in December. • Must be a shareholder on the dividend record date.

Bond and money fund shares earn dividends through the date of redemption (except for wire redemptions from money funds prior to noon ET, which earn dividends through the calendar day prior to the date of redemption). Shares redeemed on a Friday or prior to a holiday will continue to earn dividends until the next business day. Generally, if you redeem all of your bond or money fund shares at any time during the month, you will also receive all dividends earned through the date of redemption in the same check. When you redeem only a portion of your bond or money fund shares, all dividends accrued on those shares will be reinvested, or paid in cash, on the next dividend payment date. The funds do not pay dividends in fractional cents. Any dividend amount earned for a particular day on all shares held that is one-half of one cent or greater (for example, $0.016) will be rounded up to the next whole cent ($0.02), and any amount that is less than one-half of one cent (for example, $0.014) will be rounded down to the nearest whole cent ($0.01). Please note that if the dividend payable on all shares held is less than one-half of one cent for a particular day, no dividend will be earned for that day.

If you purchase and sell your shares through an intermediary, consult your intermediary to determine when your shares begin and stop accruing dividends; the information previously described may vary.

Capital Gain Payments

A capital gain or loss is the difference between the purchase and sale price of a security. If a fund has net capital gains for the year (after subtracting any capital losses), they are usually declared and paid in December to shareholders of record on a specified date that month. If a second distribution is necessary, it is paid the following year.

Capital gain payments are not expected from money funds, which are managed to maintain a constant share price.

Tax Information

In most cases, you will be provided information for your tax filing needs no later than mid-February.

If you invest in the fund through a tax-deferred account, such as an individual retirement account, you will not be subject to tax on dividends and distributions from the fund or the sale of fund shares if those amounts remain in the tax-deferred account. You may receive a Form 1099-R or other Internal Revenue Service forms, as applicable, if any portion of the account is distributed to you.

If you invest in the fund through a taxable account, you generally will be subject to tax when:

- You sell fund shares, including an exchange from one fund to another.
- The fund makes dividend or capital gain distributions.

Additional information about the taxation of dividends for certain T. Rowe Price funds is listed below:

Tax-Free and Municipal Funds
• Regular monthly dividends (including those from the state-specific tax-free funds) are expected to be exempt from federal income taxes.

Tax-Free and Municipal Funds
• Exemption is not guaranteed, since the fund has the right under certain conditions to invest in nonexempt securities. • A fund may hold Build America Bonds or other qualified tax credit bonds. Investments in these bonds will result in taxable interest income, although the federal income tax on such interest income may be fully or partially offset by the specified tax credits that are available to the bondholders. A fund may elect to pass through to the shareholders taxable interest income and any corresponding tax credits. Any available tax credits—which are also included in federal taxable income—generally can be used to offset federal regular income tax and alternative minimum tax, but those tax credits generally are not refundable. • Tax-exempt dividends paid to Social Security recipients may increase the portion of benefits that is subject to tax. • For state-specific funds, the monthly dividends you receive are expected to be exempt from state and local income tax of that particular state. For other funds, a small portion of your income dividend may be exempt from state and local income taxes. • If a fund invests in certain “private activity” bonds that are not exempt from the alternative minimum tax, shareholders who are subject to the alternative minimum tax must include income generated by those bonds in their alternative minimum tax calculation. Private activity bonds issued in 2009 and 2010, and refunding bonds issued in 2009 and 2010 to refund private activity bonds that were issued from the beginning of 2004 to the end of 2008, are exempt from the alternative minimum tax. The portion of a fund’s income dividend that should be included in your alternative minimum tax calculation, if any, will be reported to you in January on Form 1099-DIV.

For individual shareholders, a portion of ordinary dividends representing “qualified dividend income” received by the fund may be subject to tax at the lower rates applicable to long-term capital gains rather than ordinary income. You may report it as “qualified dividend income” in computing your taxes, provided you have held the fund shares on which the dividend was paid for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Ordinary dividends that do not qualify for this lower rate are generally taxable at the investor’s marginal income tax rate. This includes the portion of ordinary dividends derived from interest, short-term capital gains, distributions from nonqualified foreign corporations, and dividends received by the fund from stocks that were on loan. Little, if any, of the ordinary dividends paid by the Global Real Estate Fund, Real Estate Fund, or the bond and money funds is expected to qualify for this lower rate.

For corporate shareholders, a portion of ordinary dividends may be eligible for the 70% deduction for dividends received by corporations to the extent the fund’s income consists of dividends paid by U.S. corporations. Little, if any, of the ordinary dividends paid by the international stock funds or the bond and money funds is expected to qualify for this deduction.

Beginning in 2013, a 3.8% net investment income tax is imposed on net investment income, including interest, dividends, and capital gains, of U.S. individuals with income exceeding $200,000 (or $250,000 if married filing jointly) and of estates and trusts.

Taxes on Fund Redemptions

When you sell shares in any fund, you may realize a gain or loss. An exchange from one fund to another in a taxable account is also a sale for tax purposes.

T. Rowe Price will make available to you Form 1099-B, if applicable, no later than mid-February, indicating the date and amount of each sale you made in the fund during the prior year. This information will also be reported to the Internal Revenue Service. For most new accounts or those opened by exchange in 1984 or later, we will provide you with the gain or loss on the shares you sold during the year based on the average cost single category method. You may calculate the cost basis using other methods acceptable to the Internal Revenue Service, such as specific identification.

If you hold your fund through an intermediary, the intermediary is responsible for providing you with any necessary tax forms. You should contact your intermediary for the tax information that will be sent to you and reported to the Internal Revenue Service.

For mutual fund shares acquired after 2011, new tax regulations require us to report the cost basis information to you and the Internal Revenue Service on Form 1099-B using a cost basis method selected by you or, in the absence of such selected method, our default method if you acquire your shares directly from us. Our default method is average cost. If you acquire your fund shares through an intermediary after 2011, you should check with your intermediary regarding the applicable cost basis method. You should, however, note that the cost basis information reported to you may not always be the same as what you should report on your tax return because the rules applicable to the determination of cost basis on Form 1099-B may be different from the rules applicable to the determination of cost basis for reporting on your tax return. Therefore, you should save your transaction records to make sure the information reported on your tax return is accurate. To help you maintain accurate records, T. Rowe Price will make available to you a confirmation promptly following each transaction you make (except for systematic purchases and systematic redemptions) and a year-end statement detailing all of your transactions in each fund account during the year. If you hold your fund through an intermediary, the intermediary is responsible for providing you with transaction confirmations and statements.

Taxes on Fund Distributions

T. Rowe Price (or your intermediary) will make available to you, as applicable, no later than mid-February, a Form 1099-DIV, or other Internal Revenue Service forms, as required, indicating the tax status of any income dividends, dividends exempt from federal income taxes, and capital gain distributions made to you. This information will be reported to the Internal Revenue Service. Taxable distributions are generally taxable to you in the year in which they are paid. Your bond or money fund dividends for each calendar year will include dividends accrued up to the first business day of the next calendar year. You will be sent any additional information you need to determine your taxes on fund distributions, such as the portion of your dividends, if any, that may be exempt from state and local income taxes. Dividends from tax-free funds are generally expected to be tax-exempt.

The tax treatment of a capital gain distribution is determined by how long the fund held the portfolio securities, not how long you held the shares in the fund. Short-term (one year or less) capital gain distributions are taxable at the same rate as ordinary income, and gains on securities held for more than one year are taxed at the lower rates applicable to long-term capital gains. If you realized a loss on the sale or exchange of fund shares that you held for six months or less, your short-term capital loss must be reclassified as a long-term capital loss to the extent of any long-term capital gain distributions received during the period you held the shares. For funds investing in foreign securities, distributions resulting from the sale of certain foreign currencies, currency contracts, and the foreign currency portion of gains on debt securities are taxed as ordinary income. Net foreign currency losses may cause monthly or quarterly dividends to be reclassified as returns of capital.

If the fund qualifies and elects to pass through nonrefundable foreign income taxes paid to foreign governments during the year, your portion of such taxes will be reported to you as taxable income. However, you may be able to claim an offsetting credit or deduction on your tax return for those amounts. There can be no assurance that a fund will meet the requirements to pass through foreign income taxes paid.

Taxable distributions are subject to tax whether reinvested in additional shares or received in cash.

If a fund holds Build America Bonds or other qualified tax credit bonds and elects to pass through the corresponding interest income and any available tax credits, you will need to report both the interest income and any such tax credits as taxable income. You may be able to claim the tax credits on your federal tax return as an offset to your income tax (including alternative minimum tax) liability, but the tax credits generally are not refundable. There is no assurance, however, that a fund will elect to pass through the income and credits.

The following table provides additional details on distributions for certain funds:

Taxes on Fund Distributions

Tax-Free and Municipal Funds
• Gains realized on the sale of market discount bonds with maturities beyond one year may be treated as ordinary income and cannot be offset by other capital losses. • Payments received or gains realized on certain derivative transactions may result in taxable ordinary income or capital gains. • To the extent the fund makes such investments, the likelihood of a taxable distribution will be increased.

Taxes on Fund Distributions

Inflation Protected Bond Fund
• Inflation adjustments on Treasury inflation-protected securities that exceed deflation adjustments for the year will be distributed as a short-term capital gain resulting in ordinary income. • In computing the distribution amount, the fund cannot reduce inflation adjustments by short- or long-term capital losses from the sales of securities. • Net deflation adjustments for a year may result in all or a portion of dividends paid earlier in the year being treated as a return of capital.
Retirement and Spectrum Funds
• Distributions by the underlying funds and changes in asset allocations may result in taxable distributions of ordinary income or capital gains.

Tax Consequences of Hedging

Entering into certain transactions involving options, futures, swaps, and forward currency exchange contracts may result in the application of the mark-to-market and straddle provisions of the Internal Revenue Code. These provisions could result in a fund being required to distribute gains on such transactions even though it did not close the contracts during the year or receive cash to pay such distributions. The fund may not be able to reduce its distributions for losses on such transactions to the extent of unrealized gains in offsetting positions.

Tax Effect of Buying Shares Before an Income Dividend or Capital Gain Distribution

If you buy shares shortly before or on the record date—the date that establishes you as the person to receive the upcoming distribution—you may receive a portion of the money you just invested in the form of a taxable distribution. Therefore, you may wish to find out a fund’s record date before investing. In addition, a fund’s share price may, at any time, reflect undistributed capital gains or income and unrealized appreciation, which may result in future taxable distributions. Such distributions can occur even in a year when the fund has a negative return.

TRANSACTION PROCEDURES AND SPECIAL REQUIREMENTS

Following these procedures helps assure timely and accurate transactions.

Purchase Conditions

Nonpayment If you pay with a check or Automated Clearing House transfer that does not clear or if your payment is not received in a timely manner, your purchase may be canceled. You will be responsible for any losses or expenses incurred by the fund or transfer agent, and the fund can redeem shares you own in this or another identically registered T. Rowe Price account as reimbursement. The funds and their agents have the right to reject or cancel any purchase, exchange, or redemption due to nonpayment.

U.S. Dollars All purchases must be paid for in U.S. dollars; checks must be drawn on U.S. banks.

Sale (Redemption) Conditions

Holds on Immediate Redemptions: 10-Day Hold If you sell shares that you just purchased and paid for by check or Automated Clearing House transfer, the fund will process your redemption but generally will delay sending you the proceeds for up to 10 calendar days to allow the check or transfer to clear. If, during the clearing period, we receive a check drawn against your newly purchased shares, it will be returned marked "uncollected." (The 10-day hold does not apply to purchases paid for by bank wire or automatic purchases through your paycheck.)

Telephone and Online Account Transactions You may access your account and conduct transactions using the telephone or the T. Rowe Price website. The T. Rowe Price funds and their agents use reasonable procedures to verify the identity of the shareholder. If these procedures are followed, the funds and their agents are not liable for any losses that may occur from acting on unauthorized instructions. A confirmation is sent promptly after a transaction. Please review it carefully and contact T. Rowe Price immediately about any transaction you believe to be unauthorized. Telephone conversations are recorded.

Large Redemptions Large redemptions can adversely affect a portfolio manager's ability to implement a fund's investment strategy by causing the premature sale of securities. Therefore, the fund reserves the right (without prior notice) to pay all or part of redemption proceeds with securities from the fund's portfolio rather than in cash ("redemption in-kind"). If this occurs, the securities will be selected by the fund in its absolute discretion, and the redeeming shareholder or account will be responsible for disposing of the securities and bearing any associated costs.

Excessive and Short-Term Trading Policy

Excessive transactions and short-term trading can be harmful to fund shareholders in various ways, such as disrupting a fund's portfolio management strategies, increasing a fund's trading costs, and negatively affecting its performance. Short-term traders in funds that invest in foreign securities may seek to take advantage of developments overseas that could lead to an anticipated difference between the price of the funds' shares and price movements in foreign markets. While there is no assurance that T. Rowe Price can prevent all excessive and short-term trading, the Boards of Directors/Trustees of the T. Rowe Price funds have adopted the following trading limits that are designed to deter such activity and protect the funds' shareholders. The funds may revise their trading limits and procedures at any time as the Boards of Directors/Trustees deem necessary or appropriate to better detect short-term trading that may adversely affect the funds, to comply with applicable regulatory requirements, or to impose additional or alternative restrictions.

Subject to certain exceptions, each T. Rowe Price fund restricts a shareholder's purchases (including through exchanges) into a fund account for a period of

30 calendar days after the shareholder has redeemed or exchanged out of that same fund account (the “30-Day Purchase Block”). The calendar day after the date of redemption is considered Day 1 for purposes of computing the period before another purchase may be made.

General Exceptions As of the date of this prospectus, the following types of transactions generally are not subject to the 30-Day Purchase Block:

- Shares purchased or redeemed in money funds and ultra short-term bond funds;
- Shares purchased or redeemed through a systematic purchase or withdrawal plan;
- Checkwriting redemptions from bond and money funds;
- Shares purchased through the reinvestment of dividends or capital gain distributions;
- Shares redeemed automatically by a fund to pay fund fees or shareholder account fees;
- Transfers and changes of account registration within the same fund;
- Shares purchased by asset transfer or direct rollover;
- Shares purchased or redeemed through IRA conversions and recharacterizations;
- Shares redeemed to return an excess contribution from a retirement account;
- Transactions in Section 529 college savings plans;
- Shares converted from one share class to another share class in the same fund; and
- Shares of T. Rowe Price funds that are purchased by another T. Rowe Price fund, including shares purchased by T. Rowe Price fund-of-funds products, and shares purchased by discretionary accounts managed by T. Rowe Price or one of its affiliates (please note that shareholders of the investing T. Rowe Price fund are still subject to the policy).

Transactions in certain rebalancing, asset allocation, wrap programs, and other advisory programs, as well as non-T. Rowe Price fund-of-funds products, may also be exempt from the 30-Day Purchase Block, subject to prior written approval by T. Rowe Price.

In addition to restricting transactions in accordance with the 30-Day Purchase Block, T. Rowe Price may, in its discretion, reject (or instruct an intermediary to reject) any purchase or exchange into a fund from a person (which includes individuals and entities) whose trading activity could disrupt the management of the fund or dilute the value of the fund’s shares, including trading by persons acting collectively (e.g., following the advice of a newsletter). Such persons may be barred, without prior notice, from further purchases of T. Rowe Price funds for a period longer than 30 calendar days or permanently.

Intermediary Accounts If you invest in T. Rowe Price funds through an intermediary, you should review the intermediary’s materials carefully or consult with the intermediary directly to determine the trading policy that will apply to your trades in the funds as well as any other rules or conditions on transactions that may apply. If

T. Rowe Price is unable to identify a transaction placed through an intermediary as exempt from the excessive trading policy, the 30-Day Purchase Block may apply.

Intermediaries may maintain their underlying accounts directly with the fund, although they often establish an omnibus account (one account with the fund that represents multiple underlying shareholder accounts) on behalf of their customers. When intermediaries establish omnibus accounts in the T. Rowe Price funds, T. Rowe Price is not able to monitor the trading activity of the underlying shareholders. However, T. Rowe Price monitors aggregate trading activity at the intermediary (omnibus account) level in an attempt to identify activity that indicates potential excessive or short-term trading. If it detects suspicious trading activity, T. Rowe Price contacts the intermediary and may request personal identifying information and transaction histories for some or all underlying shareholders (including plan participants, if applicable). If T. Rowe Price believes that excessive or short-term trading has occurred, it will instruct the intermediary to impose restrictions to discourage such practices and take appropriate action with respect to the underlying shareholder, including restricting purchases for 30 calendar days or longer. There is no assurance that T. Rowe Price will be able to properly enforce its excessive trading policies for omnibus accounts. Because T. Rowe Price generally relies on intermediaries to provide information and impose restrictions for omnibus accounts, its ability to monitor and deter excessive trading will be dependent upon the intermediaries' timely performance of their responsibilities.

T. Rowe Price may allow an intermediary or other third party to maintain restrictions on trading in the T. Rowe Price funds that differ from the 30-Day Purchase Block. An alternative excessive trading policy would be acceptable to T. Rowe Price if it believes that the policy would provide sufficient protection to the T. Rowe Price funds and their shareholders that is consistent with the excessive trading policy adopted by the funds' Boards of Directors/Trustees.

Retirement Plan Accounts If shares are held in a retirement plan, generally the 30-Day Purchase Block applies only to shares redeemed by a participant-directed exchange to another fund. However, the 30-Day Purchase Block may apply to transactions other than exchanges depending on how shares of the plan are held at T. Rowe Price or the excessive trading policy applied by your plan's recordkeeper. An alternative excessive trading policy may apply to the T. Rowe Price funds where a retirement plan has its own policy deemed acceptable to T. Rowe Price. You should contact T. Rowe Price or your plan recordkeeper to determine which of your transactions are subject to the funds' 30-Day Purchase Block or an alternative policy.

There is no guarantee that T. Rowe Price will be able to identify or prevent all excessive or short-term trades or trading practices.

Keeping Your Account Open

Due to the relatively high cost to a fund of maintaining small accounts, we ask you to maintain an account balance of at least $1,000 ($10,000 for Summit Funds). If, for any reason, your balance is below this amount for three months or longer, we have the right to redeem your account at the then-current net asset value after giving you 60 days to increase your balance. This could result in a taxable gain.

Signature Guarantees

A Medallion signature guarantee is designed to protect you and the T. Rowe Price funds from fraud by verifying your signature.

You may need to have your signature guaranteed in certain situations, such as:

- Written requests: (1) to redeem over $100,000 or (2) to wire redemption proceeds when prior bank account authorization is not on file.
- Remitting redemption proceeds to any person, address, or bank account not on record.
- Transferring redemption proceeds to a T. Rowe Price fund account with a different registration (name or ownership) from yours.
- Establishing certain services after the account is opened.

The signature guarantee must be obtained from a financial institution that is a participant in a Medallion signature guarantee program. You can obtain a Medallion signature guarantee from most banks, savings institutions, broker-dealers, and other guarantors acceptable to T. Rowe Price. When obtaining a Medallion signature guarantee, please discuss with the guarantor the dollar amount of your proposed transaction. It is important that the level of coverage provided by the guarantor's stamp covers the dollar amount of the transaction or it may be rejected. We cannot accept guarantees from notaries public or organizations that do not provide reimbursement in the case of fraud.

ACCOUNT SERVICE FEE

In an effort to help offset the disproportionately high costs incurred by the funds in connection with servicing lower-balance accounts, an annual $20 account service fee (paid to T. Rowe Price Services, Inc., or one of its affiliates) is charged to certain fund accounts with a balance below $10,000. The determination of whether a fund account is subject to the account service fee is based on account balances and services selected for accounts as of the last business day of August. The fee will be charged to an account with a balance below $10,000 for any reason, including market fluctuation and recent redemptions. The fee, which is automatically deducted from an account by redeeming fund shares, is typically charged to accounts in early September each calendar year.

The account service fee generally does not apply to fund accounts that are held through an intermediary, participant accounts in employer-sponsored retirement plans for which T. Rowe Price Retirement Plan Services provides recordkeeping services, or money funds that are used as a T. Rowe Price Brokerage sweep account. Regardless of a particular fund account's balance on the last business day of August, the account service fee is automatically waived for accounts that satisfy any of the following conditions:

- Any accounts for which the shareholder has elected to receive electronic delivery of all of the following: account statements, transaction confirmations, and prospectuses and shareholder reports;
- Any accounts of a shareholder with at least $50,000 in total assets with T. Rowe Price (for this purpose, total assets includes investments in T. Rowe Price mutual funds, except for those held through a retirement plan for which T. Rowe Price Retirement Plan Services provides recordkeeping services; T. Rowe Price Brokerage; and T. Rowe Price variable annuities); or
- Any accounts of a shareholder who is a T. Rowe Price Preferred Services, Personal Services, or Enhanced Personal Services client (enrollment in these programs generally requires T. Rowe Price assets of at least $100,000—visit troweprice.com or call 1-800-537-1098 for more information).

T. Rowe Price reserves the right to authorize additional waivers for other types of accounts or to modify the conditions for assessment of the account service fee. Fund shares held in a T. Rowe Price individual retirement account, Education Savings Account, or small business retirement plan account (including certain 403(b) plan accounts) are subject to the account service fee and may be subject to additional administrative fees when distributing all fund shares from such accounts.

ORGANIZATION AND MANAGEMENT

How are the funds organized?

T. Rowe Price International Funds, Inc. (the “corporation”) was incorporated in Maryland in 1979. Currently, the corporation consists of 18 series, each representing a separate pool of assets with different objectives and investment policies. Each is an “open-end management investment company,” or mutual fund. Mutual funds pool money received from shareholders and invest it to try to achieve specified objectives.

Shareholders have benefitted from T. Rowe Price’s investment management experience since 1937.

What is meant by “shares”?

As with all mutual funds, investors purchase shares when they put money in a fund. These shares are part of a fund’s authorized capital stock, but share certificates are not issued.

Each share and fractional share entitles the shareholder to:

- Receive a proportional interest in income and capital gain distributions.
- Cast one vote per share on certain fund matters, including the election of fund directors/trustees, changes in fundamental policies, or approval of changes in the fund’s management contract.

Do T. Rowe Price funds have annual shareholder meetings?

The funds are not required to hold annual meetings and, to avoid unnecessary costs to fund shareholders, do not do so except when certain matters, such as a change in fundamental policies, must be decided. In addition, shareholders representing at least 10% of all eligible votes may call a special meeting for the purpose of voting on the removal of any fund director or trustee. If a meeting is held and you cannot attend, you can vote by proxy. Before the meeting, the fund will send or make available to you proxy materials that explain the issues to be decided and include instructions on voting by mail or telephone or on the Internet.

Who runs the funds?

General Oversight

Each fund is governed by a Board of Directors that meets regularly to review fund investments, performance, expenses, and other business affairs. The Board elects the funds’ officers. At least 75% of Board members are independent of T. Rowe Price and its affiliates (the “Firm”).

All decisions regarding the purchase and sale of fund investments are made by T. Rowe Price or an affiliated investment adviser–specifically by the funds' portfolio managers.

Investment Adviser

T. Rowe Price is each fund's investment adviser and oversees the selection of each fund's investments and management of each fund's portfolio. T. Rowe Price is a SEC-registered investment adviser that provides investment management services to individual and institutional investors, and sponsors and serves as adviser and sub-adviser to registered investment companies, institutional separate accounts, and common trust funds. The address for T. Rowe Price is 100 East Pratt Street, Baltimore, Maryland 21202. As of December 31, 2012, the Firm managed approximately $577 billion for more than 10 million individual and institutional investor accounts.

With respect to the Emerging Markets Local Currency Bond Fund and International Bond Fund, T. Rowe Price has entered into a sub-advisory agreement with T. Rowe Price International under which T. Rowe Price International is authorized to trade securities and make discretionary investment decisions on behalf of the fund. T. Rowe Price International is an investment adviser registered or licensed with the SEC, United Kingdom Financial Conduct Authority, Financial Services Agency of Japan, and other non-U.S. regulatory authorities. T. Rowe Price International sponsors and serves as adviser to foreign collective investment schemes and provides investment management services to investment companies and other institutional investors. T. Rowe Price International is headquartered in London and has several branch offices around the world. T. Rowe Price International is a direct subsidiary of T. Rowe Price and its address is 60 Queen Victoria Street, London EC4N 4TZ, United Kingdom.

Portfolio Management

T. Rowe Price has established an Investment Advisory Committee with respect to each fund. The committee chairman has day-to-day responsibility for managing the fund's portfolio and works with the committee in developing and executing each fund's investment program. The members of each advisory committee are listed below, along with information that provides the year that the chairman first joined the Firm and the chairman's specific business experience during the past five years (although the chairman may have had portfolio management responsibilities for a longer period). The Statement of Additional Information provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of fund shares.

Emerging Markets Bond Fund Michael J. Conelius, Chairman, Roy Adkins, Peter I. Botoucharov, Carolyn Hoi Che Chu, Bridget A. Ebner, Richard Hall, Andrew J. Keirle, Ian D. Kelson, Christopher J. Kushlis, Christopher C. Loop, Michael D. Oh, Kenneth A. Orchard, and Christopher J. Rothery. Mr. Conelius has been chairman of the committee since 2001, but has been managing the fund since the fund's inception in 1994. He joined the Firm in 1988 and his investment experience dates from that time. He has served as a portfolio manager with the Firm throughout the past five years.

Emerging Markets Corporate Bond Fund Michael J. Conelius, Chairman, Roy H. Adkins, Peter I. Botoucharov, Sheldon Chan, Carolyn Hoi Che Chu, Bridget A. Ebner, Richard Hall, Andrew J. Keirle, Ian D. Kelson, Christopher J. Kushlis, Christopher C. Loop, Samy B Muaddi, Michael D. Oh, Kenneth A. Orchard, and Siby Thomas. Mr. Conelius has been chairman of the committee since the fund's inception in 2012. He joined the Firm in 1988 and his investment experience dates from that time. He has served as a portfolio manager with the Firm throughout the past five years.

Emerging Markets Local Currency Bond Fund Andrew J. Keirle, Chairman, Roy H. Adkins, Peter I. Botoucharov, Michael J. Conelius, Richard Hall, Ian D. Kelson, Christopher J. Kushlis, Michael D. Oh, Kenneth A. Orchard, Christopher J. Rothery, and Ju Yen Tan. Mr. Keirle was appointed co-chairman of the committee when the fund incepted in 2011 and became sole chairman in 2012. Mr. Keirle joined the Firm in 2005 and his investment experience dates from 1996. During the past five years, he has served as a portfolio manager for various global fixed income strategies managed by the Firm.

International Bond Fund Ian D. Kelson and Christopher J. Rothery, Co-chairmen, Brian J. Brennan, Michael J. Conelius, Michael Della Vedova, Andrew J. Keirle, Kenneth A. Orchard, David Stanley, Ju Yen Tan, and J. Howard Woodward. Mr. Kelson has been chairman of the committee since 2001. He joined the Firm in 2000 and his investment experience dates from 1981. He has served as a portfolio manager with the Firm throughout the past five years. Mr. Rothery became co-chairman of the committee in 2012. Mr. Rothery joined the Firm in 1994 and his investment experience dates from 1986. During the past five years, he has served as a portfolio manager for various global fixed income strategies managed by the Firm.

The Management Fee

This fee has two parts–an "individual fund fee," which reflects a fund's particular characteristics, and a "group fee." The group fee, which is designed to reflect the benefits of the shared resources of the T. Rowe Price investment management complex, is calculated daily based on the combined net assets of all T. Rowe Price funds (except the Spectrum Funds, Retirement Funds, TRP Reserve Investment Funds, and any index or private label mutual funds). The group fee schedule (in the following table) is graduated, declining as the asset total rises, so shareholders benefit from the overall growth in mutual fund assets.

Group Fee Schedule

0.334%*	First $50 billion
0.305%	Next $30 billion
0.300%	Next $40 billion
0.295%	Next $40 billion
0.290%	Next $60 billion
0.285%	Next $80 billion
0.280%	Next $100 billion
0.275%	Thereafter

* Represents a blended group fee rate containing various breakpoints.

Each fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. On December 31, 2012, the annual group fee rate was 0.30%. The individual fund fees, also applied to the funds' average daily net assets, are as follows: Emerging Markets Bond Fund and Emerging Markets Local Currency Bond Fund, 0.45%; Emerging Markets Corporate Bond Fund, 0.50%, and International Bond Fund, 0.35%.

The expenses shown in the fee table in Section 1 are generally based on a fund's prior fiscal year. In periods of market volatility, assets may decline significantly, causing total annual fund operating expenses to become higher than the numbers shown in the fee table.

A discussion about the factors considered by the Board and its conclusions in approving each fund's investment management contract with T. Rowe Price appears in each fund's semiannual report to shareholders for the period ended June 30.

Fund Operations and Shareholder Services

T. Rowe Price provides accounting services to the T. Rowe Price funds. T. Rowe Price Services, Inc. acts as the transfer and dividend disbursing agent and provides shareholder and administrative services to the funds. T. Rowe Price Retirement Plan Services, Inc., provides recordkeeping, sub-transfer agency, and administrative services for certain types of retirement plans investing in the funds. These companies receive compensation from the funds for their services. The funds may also pay third-party intermediaries for performing shareholder and administrative services for underlying shareholders in omnibus accounts. Certain funds also serve as underlying funds in which certain fund-of-funds products, the T. Rowe Price Spectrum and/or Retirement Funds, invest. Subject to approval by each fund's Board of Directors, each fund bears a proportional share of the operating expenses of the fund-of-funds products. All of the fees discussed above are included in the fees and expenses table under "Other expenses" and in the funds' financial statements.

MORE INFORMATION ABOUT THE FUNDS AND THEIR INVESTMENT RISKS

Consider your investment goals, your time horizon for achieving them, and your tolerance for risk. The funds are more suitable for investors with long-term financial goals. The funds may be appropriate if you seek diversification for your equity or domestic fixed income investments and can accept the risks that accompany foreign bond investing, including the potentially greater volatility associated with emerging markets. Your decision should take into account whether you have any other foreign bond investments. If not, you may want to consider the International Bond Fund to gain broader exposure to opportunities abroad. The Emerging Markets Bond Fund, Emerging Markets Corporate Bond Fund, or Emerging Markets Local Currency Bond Fund may be an appropriate part of your overall investment strategy if you are supplementing existing holdings that focus on developed foreign markets and can accept the potentially greater volatility of investing in emerging markets, including the increased currency risk associated with the Emerging Markets Local Currency Bond Fund.

The fund or funds you select should not represent your complete investment program or be used for short-term purposes.

Buying foreign bonds can be difficult and costly for the individual investor, and gaining access to many foreign markets can be complicated. Few investors have the time, the expertise, or the resources to evaluate foreign markets effectively on their own. The professional management, broad diversification, and relative simplicity of mutual funds make them an attractive, low-cost vehicle for this type of investing.

Interest rates vary from country to country depending on local economic conditions and monetary and fiscal policies. By investing in foreign bond markets, investors can benefit from potentially higher yields than U.S. bond markets provide. Therefore, diversifying internationally across various countries can help reduce portfolio volatility and smooth out returns.

The funds' security selection relies heavily on in-depth research that analyzes various factors such as the creditworthiness of particular issuers, shifts in country fundamentals, political and economic trends, anticipated currency movements, and the risk adjusted attractiveness of various countries. While the International Bond Fund focuses its investments in non-U.S. dollar-denominated, investment-grade bonds of issuers in developed markets, the Emerging Markets Bond Fund, Emerging Markets Corporate Bond Fund, and Emerging Markets Local Currency Bond Fund focus their investments on issuers in emerging markets. The Emerging Markets Bond Fund has wide flexibility to choose among bonds issued in local currencies or the U.S. dollar, and to choose among corporate and sovereign issuers. The Emerging Markets Local Currency Bond Fund may diversify its investments between corporate and sovereign issuers but tends to invest more in sovereign bonds, whereas the Emerging Markets Corporate Bond Fund focuses its investments almost entirely on corporate issuers. Furthermore, the Emerging Markets Local Currency Bond Fund focuses its investments on bonds and other debt instruments that are denominated in the local currency of the issuer, which enables investors to get exposure both to local interest rates and to the currencies of emerging markets. Investments in bonds issued in foreign currencies may afford investors a potential hedge against weakness in the U.S. dollar, although investments by the Emerging Markets Local Currency Bond Fund and International Bond Fund will be significantly affected by changes in the exchange rates between the U.S. dollar and the currencies in which the funds' holdings are denominated and traded.

The funds ordinarily invest in the securities of at least three countries; however, they may invest in the securities of one country, including the U.S., for temporary defensive purposes.

While the use of forward currency exchange contracts is not a principal investment strategy of the Emerging Markets Corporate Bond Fund, each of the funds may enter into forward currency exchange contracts in an effort to hedge against an expected decline in the value of currencies in which its portfolio holdings are denominated, to increase exposure to a particular foreign currency or to shift the fund's foreign currency exposure from one country to another, or to enhance the fund's returns. In an effort to achieve these same goals, the Emerging Markets Local Currency Bond Fund may also enter into currency swaps, purchase and write options on currencies, and purchase and sell currency futures contracts and related options thereon, as well as use interest rate swaps and futures contracts to adjust its country exposure.

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. The risk profiles of foreign bond funds vary with the types of bonds they purchase, their degree of currency exposure, and whether they invest in developed markets, emerging markets, or both. Of the funds, the emerging markets funds tend to be more risky, with the Emerging Markets Local Currency Bond Fund having the higher potential for share price volatility resulting from currency fluctuations.

As with any mutual fund, there is no guarantee the funds will achieve their objectives. The funds' share price fluctuates, which means you could lose money when you sell your shares of the funds. Some particular risks affecting the funds include the following:

Currency risk This is the risk of a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that foreign currency. The overall impact on a fund's holdings can be significant and long-lasting depending on the currencies represented in the portfolio, how each currency appreciates or depreciates in relation to the U.S. dollar, and whether currency positions are hedged. Foreign currency exchange rates may fluctuate significantly over short periods of time, particularly with respect to emerging markets currencies. Currency exchange rates can also be affected unpredictably by intervention by U.S. or foreign governments or central banks, or by currency controls or political developments. Because the Emerging Markets Local Currency Bond Fund and International Bond Fund are normally heavily exposed to foreign currencies and do not attempt to hedge the impact of these currencies on the U.S. dollar, changes in currency exchange rates are likely to have a significant impact on the funds' performance. Many bonds held in the Emerging Markets Bond Fund and Emerging Markets Corporate Bond Fund may be denominated in U.S. dollars to improve their marketability, but this does not protect them from substantial price declines in the face of political and economic turmoil. Currency trends are unpredictable, and to the extent each fund purchases and sells currencies, it will also be subject to the risk that its trading strategies, including efforts at hedging, will not succeed. Furthermore, hedging and trading costs can be significant and reduce fund net asset value, and many emerging market currencies cannot be effectively hedged.

Other risks of foreign investing Risks can result from varying stages of economic and political development, differing regulatory environments, trading days and accounting standards, uncertain tax laws, and higher transaction costs of non-U.S. markets. Investments outside the U.S. could be subject to governmental actions such as capital or currency controls, nationalization of a company or industry, expropriation of assets, or imposition of high taxes. A trading market may close without warning for extended time periods, preventing a fund from buying or selling securities in that market.

Emerging market risk Investments in emerging markets, which generally include Africa, parts of Europe and much of Asia, the Middle East, and Central and South America, are subject to the risk of abrupt and severe price declines. The economic and political structures of emerging market countries, in most cases, do not compare favorably with the U.S. or other developed countries in terms of wealth and stability, and their financial markets often lack liquidity. These economies are less developed and can be overly reliant on particular industries and more vulnerable to the ebb and flow of international trade, trade barriers, and other protectionist or retaliatory measures. Certain countries have legacies and periodic episodes of hyperinflation and currency devaluations, particularly Russia and many Latin American nations, and more recently many Asian countries. Governments in many emerging market countries participate to a significant degree in their economies and securities markets. Foreign investments may be restricted and subject to greater government control, including repatriation of sales proceeds. Some countries have histories of instability and upheaval that could cause their governments to act in a detrimental or hostile manner toward private enterprise or foreign investment. Investments in countries or regions that have recently begun moving away from central planning and state-owned industries toward free markets should be regarded as speculative.

While some countries have made progress in economic growth, liberalization, fiscal discipline, and political and social stability, there is no assurance these trends will continue. Significant risks, such as war and terrorism, currently affect some emerging market countries. Fund performance will likely be hurt by exposure to nations in the midst of hyperinflation, currency devaluation, trade disagreements, sudden political upheaval, or interventionist government policies. The volatility of emerging markets may be heightened by the actions (such as significant buying or selling) of a few major investors. For example, substantial decreases in cash flows of mutual funds investing in these markets could significantly affect local securities prices and, therefore, cause fund share prices to decline.

All of these factors make investing in such countries significantly riskier than in other countries and any one of these could cause a fund's share price to decline.

Credit risk This is the risk that an issuer of a debt security or counterparty to an over-the-counter derivative held by a fund will default (fail to make scheduled payments), potentially reducing the fund's income and share price. This risk is increased when a portfolio security is downgraded or the perceived creditworthiness of an issuer or counterparty deteriorates. The risk of default is much greater for emerging market bonds and securities rated as below investment-grade.

Companies and governments issuing lower-rated bonds are not as strong financially as those with higher credit ratings, and their bonds are often viewed as speculative investments. Such issuers are more vulnerable to real or perceived business setbacks and to changes in the economy, such as a recession, that might impair their ability to make timely interest and principal payments. Certain emerging markets governments and corporations have in the past defaulted on payment of interest and principal on debt they have issued. As a result, your portfolio managers rely heavily on proprietary T. Rowe Price and T. Rowe Price International research when selecting these investments.

Liquidity risk This is the risk that a fund may not be able to sell a holding in a timely manner at a desired price. Sectors of the bond market can experience sudden downturns in trading activity. During periods of reduced market liquidity, the spread between the price at which a security can be bought and the price at which it can be sold can widen, and the fund may not be able to sell a holding readily at a price that reflects what the fund believes it should be worth. Less liquid securities can also become more difficult to value.

Emerging market bonds are generally less liquid than higher-quality bonds issued by companies and governments in developed countries. Consequently, large purchases or sales of certain high-yield, emerging market debt issues may cause significant changes in their prices. Because many of these bonds do not trade frequently, when they do trade, their prices may be substantially higher or lower than had been expected. A lack of liquidity also means that more subjectivity will be used in establishing the fair value of the securities.

Interest rate risk This is the risk that interest rates will increase, causing a decline in bond prices. (Bond prices and interest rates usually move in opposite directions.) Prices fall because the bonds and notes in the fund's portfolio become less attractive to other investors when securities with higher yields become available. Generally, the longer the maturity of a security or the longer a bond fund's weighted average maturity, the greater its interest rate risk. Because the Emerging Markets Bond Fund, Emerging Markets Corporate Bond Fund, and International Bond Fund expect to maintain an intermediate- or long-term weighted average maturity, they should carry more interest rate risk than the Emerging Markets Local Currency Bond Fund and other funds that invest in shorter-term securities, although changes in the local interest rates of emerging market countries tend to be more erratic than changes in interest rates of the U.S. and developed market countries.

Other factors The major factor influencing prices of high-quality bonds is changes in interest rate levels; but this is only one of several factors affecting prices of lower-quality bonds. Because the credit quality of the issuer is lower, such bonds are more sensitive to developments affecting the issuer's underlying fundamentals (for example, changes in financial condition or a particular country's general economy). In addition, the entire bond market in an emerging market can experience sudden and sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large or sustained sales by institutional investors, a high-profile default, a political upheaval of some kind, or just a change in the market's psychology. This type of volatility is usually associated more with stocks than bonds, but investors in lower-quality bonds should also anticipate it.

Since mutual funds can be a major source of demand in certain markets, substantial cash flows into and out of these funds can affect high-yield and emerging market bond prices. If, for example, a significant number of funds were to sell bonds to meet shareholder redemptions, both bond prices and a fund's share price could fall more than underlying fundamentals might justify.

Nondiversification risk Because each fund (other than Emerging Markets Corporate Bond Fund) is nondiversified, the fund can invest more of its assets in a smaller number of issuers than diversified funds. Concentrating investments could result in greater potential losses than for funds investing in a broader variety of issuers.

Derivatives risk To the extent a fund enters into forward currency exchange contracts, it is exposed to additional volatility and losses in excess of the fund's initial investment, the risk that anticipated currency movements will not be accurately predicted, and the risk that the other party to the transaction will not fulfill its contractual obligation. If currency values and exchange rates move in a direction not predicted by the investment adviser, the fund could be in a worse position than if it had not entered into such transactions. Any attempts at hedging currencies may not be successful and could cause the fund to lose money or fail to get the benefit of a gain on a hedged position. To the extent the Emerging Markets Local Currency Bond Fund also uses swaps, options, and futures involving currencies, it is similarly exposed to additional volatility and losses greater than direct investments in the contract's underlying assets and the risk that anticipated currency movements will not be accurately predicted. These instruments may be less liquid and difficult to price.

Any efforts at buying or selling currencies could result in significant losses for a fund and, if the fund takes a short position in a particular currency, it will lose money if the currency appreciates in value. Further, if the fund's foreign currency transactions are intended to hedge the currency risk associated with investing in foreign securities and minimize the risk of loss that would result from a decline in the value of the hedged currency, these transactions also may limit any potential gain that might result should the value of such currency increase.

The Emerging Markets Local Currency Bond Fund's use of interest rate swaps and futures involve the risk that interest rate movements will not be accurately predicted. Interest rates and yield curves vary from country to country depending on local economic conditions and monetary and fiscal policies, and interest rate changes and their impact tend to be more difficult to predict for emerging market countries.

Efforts to reduce risk Consistent with each fund's objective, the portfolio manager uses various tools to try to reduce risk and increase total return, including:

- Thorough credit research by our own analysts.
- Analysis of industry, country, and regional fundamentals.
- Adjusting fund duration to try to reduce the drop in the fund's price when interest rates rise or to benefit from the rise in price when rates fall.
- Management of the impact of foreign currency changes on the fund's portfolio.

Other strategies may be employed that are not considered part of a fund's principal investment strategies. For instance, the Emerging Markets Bond Fund, Emerging Markets Corporate Bond Fund, and International Bond Fund may also use futures and swaps, although these funds would primarily use such instruments to manage interest rate exposure, adjust portfolio duration, or as a tool to help manage cash flows into and out of the fund. Each fund may also use credit default swaps in an effort to manage overall credit quality or to protect the value of certain portfolio holdings. For the Emerging Markets Corporate Bond Fund, any forward currency exchange contracts would typically be used to settle trades in a foreign currency, although they could be used to help protect the fund's holdings from unfavorable changes in currency exchange rates. To the extent a fund invests in futures, swaps, or credit default swaps, it could be exposed to additional volatility and the risk that anticipated changes in interest rates or the creditworthiness of an issuer, or the likelihood of a particular credit event, will not be accurately predicted. From time to time, the funds may use other derivatives that are consistent with their investment program.

A derivative involves risks different from, and possibly greater than, the risks associated with investing directly in the assets on which the derivative is based. Derivatives can be highly volatile, illiquid, and difficult to value, and changes in the value of a derivative may not properly correlate with changes in the value of the underlying asset, reference rate, or index. A fund could be exposed to significant losses if it is unable to close a derivatives position due to the lack of a liquid secondary trading market. Derivatives involve the risk that a counterparty to the derivatives agreement will fail to make required payments or comply with the terms of the agreement. There is also the possibility that limitations or trading restrictions may be imposed by an exchange or government regulation, which could adversely impact the value and liquidity of a derivatives contract subject to such regulation.

Recent legislation calls for a new regulatory framework for the derivatives markets. The full extent and impact of new regulations are not certain at this time. New regulations have made the use of derivatives by funds more costly, may limit the availability of certain types of derivatives, and may otherwise adversely affect the value or performance of derivatives used by funds.

The Statement of Additional Information contains more detailed information about each fund and its investments, operations, and expenses.

INVESTMENT POLICIES AND PRACTICES

This section takes a detailed look at some of the types of fund securities and the various kinds of investment practices that may be used in day-to-day portfolio management. Fund investments are subject to further restrictions and risks described in the Statement of Additional Information.

Shareholder approval is required to substantively change fund objectives. Shareholder approval is also required to change certain investment restrictions noted in the following section as “fundamental policies.” Portfolio managers also follow certain “operating policies” that can be changed without shareholder approval. Shareholders will receive at least 60 days’ prior notice of a change in a fund’s policy requiring it to normally invest at least 80% of net assets in 1) bonds of issuers in emerging markets countries (Emerging Markets Bond); 2) corporate bonds of issuers in emerging market countries (Emerging Markets Corporate Bond); 3) bonds denominated in emerging markets currencies (Emerging Markets Local Currency Bond); and 4) foreign bonds (International Bond).

Fund holdings of certain kinds of investments cannot exceed maximum percentages of total assets, which are set forth in this prospectus. For instance, fund investments in certain derivatives are limited to 10% of total assets. While these restrictions provide a useful level of detail about fund investments, investors should not view them as an accurate gauge of the potential risk of such investments. For example, in a given period, a 5% investment in derivatives could have significantly more of an impact on a fund’s share price than its weighting in the portfolio. The net effect of a particular investment depends on its volatility and the size of its overall return in relation to the performance of all other fund investments.

Certain investment restrictions, such as a required minimum or maximum investment in a particular type of security, are measured at the time a fund purchases a security. The status, market value, maturity, credit quality, or other characteristics of a fund's securities may change after they are purchased, and this may cause the amount of a fund's assets invested in such securities to exceed the stated maximum restriction or fall below the stated minimum restriction. If any of these changes occur, it would not be considered a violation of the investment restriction and will not require the sale of an investment if it was proper at the time it was made (this exception does not apply to a fund's borrowing policy). However, purchases by a fund during the time it is above or below the stated percentage restriction would be made in compliance with applicable restrictions.

For purposes of determining whether a particular country is considered a developed market or an emerging market, the funds consider a country to be an emerging market if it is either included in a JP Morgan emerging market bond index or not included in the International Monetary Fund's listing of advanced economies. For purposes of determining whether a fund invests at least 80% of its net assets in a particular type of security, the funds use the country assigned to a security by Bloomberg or another unaffiliated third-party data provider.

Changes in fund holdings, fund performance, and the contribution of various investments to fund performance are discussed in the shareholder reports.

Portfolio managers have considerable discretion in choosing investment strategies and selecting securities they believe will help achieve fund objectives.

Types of Portfolio Securities

In seeking to meet their investment objectives, fund investments may be made in any type of security or instrument (including certain potentially high-risk derivatives described in this section) whose investment characteristics are consistent with their investment programs. The following pages describe various types of fund holdings and investment management practices.

Diversification As a fundamental policy, the Emerging Markets Corporate Bond Fund will not purchase a security if, as a result, with respect to 75% of its total assets, more than 5% of the fund's total assets would be invested in securities of a single issuer or more than 10% of the outstanding voting securities of the issuer would be held by the fund. These limitations do not apply to the fund's purchase of securities issued or guaranteed by the U.S. government, its agencies, or instrumentalities.

Nondiversified Status–Emerging Markets Bond, Emerging Markets Local Currency Bond, and International Bond Funds

Each fund is registered as a nondiversified mutual fund. Therefore, each fund is able to invest more than 5% of its assets in the securities of individual foreign governments and may invest a greater portion of its assets in a single issuer than a diversified fund. Since each fund is a nondiversified investment company and is permitted to invest a greater proportion of its assets in the securities of a smaller number of issuers, the funds may be subject to greater credit risk with respect to their portfolio securities and greater volatility with respect to their share prices than an investment company that is more broadly diversified.

However, each fund intends to qualify as a regulated investment company for purposes of the Internal Revenue Code. This requires each fund to limit its investments so that, at the end of each fiscal quarter, with respect to 50% of its total assets, no more than 5% of its assets is invested in the securities of a single issuer, and not more than 10% of the voting securities of any issuer are held by each fund. With respect to the remaining 50% of fund assets, no more than 25% may be invested in a single issuer.

Debt Securities

The funds' investments may be in fixed-rate and floating rate debt securities and may include, but shall not be limited to: (1) debt obligations issued or guaranteed by: (a) a foreign sovereign government or one of its agencies, authorities, instrumentalities, or political subdivisions, including a foreign state, province, or municipality, and (b) supranational organizations such as the World Bank, Asian Development Bank, European Investment Bank, and European Economic Community; (2) debt obligations: (a) of foreign banks and bank holding companies, and (b) of domestic banks and corporations issued in non-U.S. dollar denominations; and (3) foreign corporate debt securities, asset-backed securities, and commercial paper. Such securities may take a variety of forms including those issued in the local currency of the issuer, U.S. dollar-denominated bonds, Eurobonds, and Euro-denominated bonds. Normally, the Emerging Markets Corporate Bond Fund will invest substantially all of its assets in bonds issued by emerging markets corporations, the Emerging Markets Local Currency Bond Fund will invest substantially all of its assets in bonds denominated in the local currency of the issuer, and the International Bond Fund will only purchase non-U.S. dollardenominated bonds (other than Brady and other emerging market bonds). The funds may from time to time purchase securities on a when-issued basis, invest in repurchase agreements, and purchase bonds convertible into equities.

The Emerging Markets Bond Fund and International Bond Fund generally will not invest more than 5% of its assets in any individual corporate issuer, provided that (1) a fund may place assets in bank deposits or other short-term bank instruments with a maturity of up to 30 days provided that (a) the bank has a short-term credit rating of A1+ (or, if unrated, the equivalent as determined by T. Rowe Price or T. Rowe Price International) and (b) a fund will not maintain more than 10% of its total assets with any single bank; and (2) a fund may maintain more than 5% of its total assets, including cash and currencies, in custodial accounts or deposits of the fund's custodian or sub-custodians.

The Emerging Markets Bond Fund may also invest in: such dollar-denominated fixed-income securities as (1) debt obligations issued or guaranteed by the U.S. government or its agencies or instrumentalities; (2) domestic corporate debt securities; (3) domestic commercial paper, including commercial paper indexed to certain specific foreign currency exchange rates; (4) debt obligations of domestic banks and bank holding companies; and (5) collateralized mortgage obligations or asset-backed bonds.

Concentration of Investments ***(Emerging Markets Bond Fund and Emerging Markets Local Currency Bond Fund)*** From time to time, each fund may invest more than 25% of its total assets in the securities of foreign governmental and corporate entities located in the same country. However, the fund will not invest more than 25% of its total assets in the securities of any single foreign governmental issuer or in two or more such issuers subject to a common, explicit guarantee.

Brady Bonds Brady bonds, named after former U.S. Secretary of the Treasury Nicholas Brady, are used as a means of restructuring the external debt burden of a government in certain emerging markets. A Brady bond is created when an outstanding commercial bank loan to a government or private entity is exchanged for a new bond in connection with a debt restructuring plan. Brady bonds may be collateralized or uncollateralized and issued in various currencies (although typically in the U.S. dollar). They are often fully collateralized as to principal in U.S. Treasury zero coupon bonds. However, even with this collateralization feature, Brady bonds are often considered speculative, below investment-grade investments because the timely payment of interest is the responsibility of the issuing party (for example, a Latin American country) and the value of the bonds can fluctuate significantly based on the issuer's ability or perceived ability to make these payments. Finally, some Brady bonds may be structured with floating rate or low fixed-rate coupons.

Below Investment-Grade Bonds The price and yield of lower-quality (high yield, high-risk) bonds, commonly referred to as "junk" bonds and below investment-grade emerging market bonds, can be expected to fluctuate more than the price and yield of higher-quality bonds. Investment-grade bonds are those rated from the highest quality (AAA or equivalent) to medium quality (BBB or equivalent), and below investment-grade bonds are those rated BB (or equivalent) and lower. Below investment-grade bonds are considered speculative with respect to the issuer's continuing ability to meet principal and interest payments since their issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers. Even BBB rated bonds may have speculative elements as well. The values of below investment-grade bonds often fluctuate more in response to political, regulatory, or economic developments than higher quality bonds. Successful investment in lower-medium- and low-quality bonds involves greater investment risk and is highly dependent on careful credit analysis.

Operating policies The International Bond Fund may invest up to 20% of total assets in below investment-grade ("junk") bonds. For the Emerging Markets Bond Fund, Emerging Markets Corporate Bond, and Emerging Markets Local Currency Bond Fund, there is no limit on the fund's investments in securities that are rated below investment grade.

While each fund intends to invest primarily in debt securities, it may invest in convertible bonds or equity securities. While some countries or companies may be regarded as favorable investments, pure bond opportunities may be unattractive or limited due to insufficient supply, or legal or technical restrictions. In such cases, the fund may consider equity securities or convertible bonds to gain exposure to such markets.

Preferred Stocks

Stocks represent shares of ownership in a company. Generally, preferred stock has a specified dividend and ranks after bonds and before common stocks in its claim on income for dividend payments and on assets should the company be liquidated. After other claims are satisfied, common stockholders participate in company profits on a pro-rata basis; profits may be paid out in dividends or reinvested in the company to help it grow. Increases and decreases in earnings are usually reflected in a company's stock price, so common stocks generally have the greatest appreciation and depreciation potential of all corporate securities. Unlike common stock, preferred stock does not ordinarily carry voting rights. While most preferred stocks pay a dividend, a fund may decide to purchase preferred stock where the issuer has omitted, or is in danger of omitting, payment of its dividend.

Convertible Securities and Warrants

Investments may be made in debt or preferred equity securities that are convertible into, or exchangeable for, equity securities at specified times in the future and according to a certain exchange ratio. Convertible bonds are typically callable by the issuer, which could in effect force conversion before the holder would otherwise choose. Traditionally, convertible securities have paid dividends or interest at rates higher than common stocks but lower than nonconvertible securities. They generally participate in the appreciation or depreciation of the underlying stock into which they are convertible, but to a lesser degree than common stock. Some convertible securities combine higher or lower current income with options and other features. Warrants are options to buy, directly from the issuer, a stated number of shares of common stock at a specified price anytime during the life of the warrants (generally, two or more years). Warrants can be highly volatile, have no voting rights, and pay no dividends.

Operating policies The Emerging Markets Corporate Bond Fund and International Bond Fund may invest up to 5% of total assets, and the Emerging Markets Bond Fund and Emerging Markets Local Currency Bond Fund may invest up to 10% of total assets, in preferred stocks and securities that are convertible into, or which carry warrants for common stocks or other equity securities. Under normal conditions, the funds do not expect to directly purchase common stocks. Any shares of common stock that are received through a reorganization, restructuring, exercise, exchange, conversion, or similar action will be sold within a reasonable timeframe taking into consideration market conditions and any legal restrictions.

Loan Participations and Assignments

Large loans to corporations or governments, including governments of less developed countries, may be shared or syndicated among several lenders, usually banks. Each fund could participate in such syndicates, or could buy part of a loan, becoming a direct lender. Each fund may acquire loans as an assignment from another lender that holds a direct interest in the loan or as a participation interest in another lender's portion of the loan. Participations and assignments involve special types of risk, including limited marketability and the risks of being considered a lender. If a fund purchases a participation, it may only be able to enforce its rights through the lender, and it may assume the credit risk of the lender in addition to the borrower. With assignments, the fund's rights against the borrower may be more limited than those held by the original lender. The funds may also make investments in a company through the purchase or execution of a privately negotiated note representing the equivalent of a loan.

Operating policies The Emerging Markets Bond Fund and Emerging Markets Local Currency Bond Fund may not invest more than 20% of total assets, and the Emerging Markets Corporate Bond Fund and International Bond Fund may not invest more than 5% of total assets, in loan participations and assignments.

Derivatives and Leverage

A derivative is a financial instrument whose value is derived from an underlying security such as a stock or bond or from a market benchmark, such as an interest rate index. Many types of investments representing a wide range of risks and potential rewards may be considered derivatives, including conventional instruments such as futures and options, as well as other potentially more complex investments such as swaps and structured notes. The use of derivatives can involve leverage. Leverage has the effect of magnifying returns, positively or negatively. The effect on returns will depend on the extent to which an investment is leveraged. For example, an investment of $1, leveraged at 2 to 1, would have the effect of an investment of $2. Leverage ratios can be higher or lower with a corresponding effect on returns. The funds may use derivatives in certain situations to help accomplish any or all of the following: to hedge against a decline in principal value, to increase yield, to manage exposure to changes in interest or currency exchange rates, to invest in eligible asset classes with greater efficiency and at a lower cost than is possible through direct investment, or to adjust portfolio duration or credit risk exposure.

Operating policy The Emerging Markets Local Currency Bond Fund's overall net short positions in bond markets will not exceed 10% of the fund's net assets.

Derivatives that may be used include the following as well as others that combine the risk characteristics and features of futures, options, and swaps:

Futures and Options Futures, a type of potentially high-risk derivative, are often used to manage or hedge risk because they enable the investor to buy or sell an asset in the future at an agreed-upon price. Options, another type of potentially high-risk derivative, give the investor the right (when the investor purchases the option), or the obligation (when the investor "writes" or sells the option), to buy or sell an asset at a predetermined price in the future. Futures and options contracts may be bought or sold for any number of reasons, including to manage exposure to changes in interest rates, bond prices, foreign currencies, and credit quality; as an efficient means of increasing or decreasing a fund's exposure to certain markets; in an effort to enhance income; to protect the value of portfolio securities; and to serve as a cash management tool. Call or put options may be purchased or sold on securities, futures, financial indexes, and foreign currencies.

Futures contracts and options may not always be successful hedges; their prices can be highly volatile; using them could lower a fund's total return; and the potential loss from the use of futures can exceed a fund's initial investment in such contracts.

Operating policies Initial margin deposits on futures and premiums on options used for non-hedging purposes will not exceed 5% of a fund's net asset value. The total market value of securities covering call or put options may not exceed 25% of total assets. No more than 5% of total assets will be committed to premiums when purchasing call or put options.

Swaps Fund investments may be made in interest rate, index, total return, credit default, and other types of swap agreements, as well as options on swaps, commonly referred to as "swaptions," and interest rate swap futures, which are instruments that provide a way to gain swap exposure and the benefits of futures in one contract. All of these agreements are considered derivatives and, in certain cases, high-risk derivatives. Interest rate, index, and total return swaps are two-party contracts under which a fund and a counterparty, such as a broker or dealer, agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or indexes. Credit default swaps are agreements where one party (the protection buyer) will make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as defaults and bankruptcies related to an issuer or underlying credit instrument. Swap futures are futures contracts on interest rate swaps that enable purchasers to cash settle at a future date at the price determined by a specific benchmark rate at the end of a fixed period. Swaps, swaptions, and swap futures can be used for a variety of purposes, including to manage a fund's overall exposure to changes in interest or foreign currency exchange rates and credit quality; as an efficient means of adjusting a fund's exposure to certain markets; in an effort to enhance income or total return or protect the value of portfolio securities; to serve as a cash management tool; and to adjust portfolio duration or credit risk exposure.

There are risks in the use of swaps and related instruments. Swaps could result in losses if interest or foreign currency exchange rates or credit quality changes are not correctly anticipated by a fund. Total return swaps could result in losses if the reference index, security, or investments do not perform as anticipated. Credit default swaps can increase a fund's exposure to credit risk and could result in losses if evaluation of the creditworthiness of the counterparty, or of the company or government on which the credit default swap is based, is incorrect. The use of swaps, swaptions, and swap futures may not always be successful. Using them could lower a fund's total return, their prices can be highly volatile, and the potential loss from the use of swaps can exceed a fund's initial investment in such instruments. Also, the other party to a swap agreement could default on its obligations or refuse to cash out a fund's investment at a reasonable price, which could turn an expected gain into a loss. Although there should not be any counterparty risk associated with investments in interest rate swap futures, a fund could experience delays and/or losses associated with the bankruptcy of a broker through which the fund engaged in the transaction.

Operating policies A swap agreement with any single counterparty will not be entered into if the net amount owed or to be received under existing contracts with that party would exceed 5% of total assets or if the net amount owed or to be received by a fund under all outstanding swap agreements will exceed 10% of total assets. For swaptions, the total market value of securities covering call or put options may not exceed 25% of total assets. No more than 5% of total assets will be committed to premiums when purchasing call or put swaptions.

Hybrid Instruments These instruments (a type of potentially high-risk derivative) can combine the characteristics of securities, futures, and options. For example, the principal amount or interest rate of a hybrid could be tied (positively or negatively) to the price of some commodity, currency, security, or securities index or another interest rate (each a "benchmark"). Hybrids can be used as an efficient means of pursuing a variety of investment goals, including currency hedging, and increased total return. Hybrids may or may not bear interest or pay dividends. The value of a hybrid or its interest rate may be a multiple of a benchmark and, as a result, may be leveraged and move (up or down) more steeply and rapidly than the benchmark. These benchmarks may be sensitive to economic and political events, such as commodity shortages and currency devaluations, which cannot be readily foreseen by the purchaser of a hybrid. Under certain conditions, the redemption value of a hybrid could be zero. Thus, an investment in a hybrid may entail significant market risks that are not associated with a similar investment in a traditional, U.S. dollar-denominated bond that has a fixed principal amount and pays a fixed rate or floating rate of interest. The purchase of hybrids also exposes the fund to the credit risk of the issuer of the hybrid. These risks may cause significant fluctuations in the net asset value of the fund.

Hybrids can have volatile prices and limited liquidity, and their use may not be successful.

Operating policy Fund investments in hybrid instruments are limited to 10% of total assets.

Currency Derivatives Each fund may engage in foreign currency transactions either on a spot (cash) basis at the rate prevailing in the currency exchange market at the time or through forward currency exchange contracts, which are contracts between two counterparties to exchange one currency for another on a future date at a specified exchange rate. In addition to foreign currency forwards, futures, swaps, and options on foreign currencies may also be used to protect a fund's foreign securities from adverse currency movements relative to the U.S. dollar, as well as to gain exposure to currencies and markets expected to increase or decrease in value relative to other currencies or securities.

Each fund may attempt to hedge its exposure to potentially unfavorable currency changes. Forward currency contracts will be used primarily to adjust the foreign exchange exposure of the fund with a view to protecting the portfolio from adverse currency movements, based on T. Rowe Price's outlook. However, forward currency contracts can also be used in an effort to benefit from a currency believed to be appreciating in value versus other currencies. The funds may invest in foreign currencies directly without holding any foreign securities denominated in those currencies.

Forward currency contracts involve special risks, including, but not limited to, the potential for significant volatility in currency markets, and the risk that in certain markets, particularly emerging markets, it is not possible to engage in effective foreign currency hedging. In addition, such transactions involve the risk that currency movements will not occur as anticipated by T. Rowe Price, which could reduce a fund's total return. The funds might enter into foreign currency transactions under the following circumstances:

Lock In When the fund desires to lock in the U.S. dollar price on the purchase or sale of a security denominated in a foreign currency.

Cross Hedge If a particular currency is expected to decrease in value relative to another currency, the fund may sell the currency expected to decrease and purchase a currency that is expected to increase against the currency sold. The fund's cross hedging transactions may involve currencies in which the fund's holdings are denominated. However, the fund is not required to own securities in the particular currency being purchased or sold.

Operating policy The International Bond Fund does not normally commit more than 50% of its assets to cross-hedging.

Direct Hedge If the fund seeks to eliminate substantially all of the risk of owning a particular currency or believes the portfolio could benefit from price appreciation in a given country's bonds but did not want to hold the currency, it could employ a direct hedge back into the U.S. dollar. In either case, a fund would enter into a forward contract to sell the currency in which a portfolio security is denominated and purchase U.S. dollars at an exchange rate established at the time it initiated the contract. The cost of the direct hedge transaction may offset most, if not all, of the yield advantage offered by the foreign security, but the fund would hope to benefit from an increase (if any) in the value of the bond.

Proxy Hedge In certain circumstances, a different currency may be substituted for the currency in which the investment is denominated, as part of a strategy known as proxy hedging. In this case, the fund, having purchased a security, will sell a currency whose value is believed to be closely linked to the currency in which the security is denominated. This type of hedging entails greater risk than a direct hedge because it is dependent on a stable relationship between the two currencies paired as proxies, and that relationship may not always be maintained. The fund may also use these instruments to create a synthetic bond, which is issued in one currency with the currency component transformed into another currency.

Generally, the Emerging Markets Local Currency Bond Fund and International Bond Fund seek to maintain little net exposure to the U.S. dollar. Thus, any U.S. dollar investments, including any hedges into the U.S. dollar, will normally be offset by hedges out of the U.S. dollar.

Operating policy The Emerging Markets Local Currency Bond Fund's overall net short positions in currencies will not exceed 10% of the fund's net assets.

Costs of Hedging When the fund purchases a foreign bond with a higher interest rate than is available on U.S. bonds of a similar maturity, the additional yield on the foreign bond could be substantially lessened if the fund were to enter into a direct hedge by selling the foreign currency and purchasing the U.S. dollar. This is what is known as the "cost" of hedging. A proxy hedge, which is less costly than a direct hedge, may attempt to reduce this cost through an indirect hedge back to the U.S. dollar.

It is important to note that hedging costs are treated as capital transactions and are not, therefore, deducted from a fund's dividend distribution and are not reflected in its yield. Instead, such costs will, over time, be reflected in a fund's net asset value per share and total return. Hedging may result in the application of the mark-to-market and straddle provisions of the Internal Revenue Code. These provisions could result in an increase (or decrease) in the amount of taxable dividends paid by the funds and could affect whether dividends paid by the funds are classified as capital gains or ordinary income.

Investments in Other Investment Companies

A fund may invest in other investment companies, including open-end funds, closed-end funds, and exchange-traded funds.

A fund may purchase the securities of another investment company to temporarily gain exposure to a portion of the market while awaiting purchase of securities or as an efficient means of gaining exposure to a particular asset class. The fund might also purchase shares of another investment company to gain exposure to the securities in the investment company's portfolio at times when the fund may not be able to buy those securities directly. Any investment in another investment company would be consistent with the fund's objective and investment program.

The risks of owning another investment company are generally similar to the risks of investing directly in the securities in which that investment company invests. However, an investment company may not achieve its investment objective or execute its investment strategy effectively, which may adversely affect the fund's performance. In addition, because closed-end funds and exchange-traded funds trade on a secondary market, their shares may trade at a premium or discount to the actual net asset value of their portfolio securities and their shares may have greater volatility because of the potential lack of liquidity.

As a shareholder of an investment company not sponsored by T. Rowe Price, the fund must pay its pro-rata share of that investment company's fees and expenses. The fund's investments in non-T. Rowe Price investment companies are subject to the limits that apply to investments in other funds under the Investment Company Act of 1940 or under any applicable exemptive order.

A fund may also invest in certain other T. Rowe Price funds as a means of gaining efficient and cost-effective exposure to certain asset classes, provided the investment is consistent with the fund's investment program and policies. Such an investment could allow the fund to obtain the benefits of a more diversified portfolio than might otherwise be available through direct investments in the asset class, and will subject the fund to the risks associated with the particular asset class. Examples of asset classes in which other T. Rowe Price mutual funds concentrate their investments include high yield bonds, floating rate loans, international bonds, emerging market bonds, and emerging market stocks. If the fund invests in another T. Rowe Price fund, the management fee paid by the fund will be reduced to ensure that the fund does not incur duplicate management fees as a result of its investment.

Illiquid Securities

Some fund holdings may be considered illiquid because they are subject to legal or contractual restrictions on resale or because they cannot be sold in the ordinary course of business within seven days at approximately the prices at which they are valued. The determination of liquidity involves a variety of factors. Illiquid securities may include private placements that are sold directly to a small number of investors, usually institutions. Unlike public offerings, such securities are not registered with the SEC. Although certain of these securities may be readily sold, for example under Rule 144A of the Securities Act of 1933, others may have resale restrictions and can be illiquid. The sale of illiquid securities may involve substantial delays and additional costs, and a fund may only be able to sell such securities at prices substantially less than what it believes they are worth.

Operating policy Fund investments in illiquid securities are limited to 15% of net assets.

Types of Investment Management Practices

Reserve Position

A certain portion of fund assets will be held in reserves. Fund reserve positions can consist of: 1) shares of a T. Rowe Price internal money fund or short-term bond fund; 2) short-term, high-quality U.S. and foreign dollar-denominated money market securities, including repurchase agreements; and 3) U.S. dollar or non-U.S. dollar currencies. For temporary, defensive purposes, there is no limit on a fund's holdings in reserves. If a fund has significant holdings in reserves, it could compromise the fund's ability to achieve its objectives. The reserve position provides flexibility in meeting redemptions, paying expenses and managing cash flows into a fund, and can serve as a short-term defense during periods of unusual market volatility. Non-U.S. dollar reserves are subject to currency risk.

When-Issued Securities and Forwards

A fund may purchase securities on a when-issued or delayed delivery basis or may purchase or sell securities on a forward commitment basis. The price of these securities is fixed at the time of the commitment to buy, but delivery and payment take place after the customary settlement period for that type of security (often a month or more later). During the interim period, the price and yield of the securities can fluctuate, and typically no interest accrues to the purchaser. At the time of delivery, the market value of the securities may be more or less than the purchase or sale price. To the extent the fund remains fully or almost fully invested (in securities with a remaining maturity of more than one year) at the same time it purchases these securities, there will be greater fluctuations in the fund's net asset value than if the fund did not purchase them.

Borrowing Money and Transferring Assets

A fund may borrow from banks, other persons, and other T. Rowe Price funds for temporary emergency purposes to facilitate redemption requests, or for other purposes consistent with fund policies as set forth in this prospectus. Such borrowings may be collateralized with fund assets, subject to restrictions.

Fundamental policy Borrowings may not exceed 33 1/3% of total assets.

Operating policy A fund will not transfer portfolio securities as collateral except as necessary in connection with permissible borrowings or investments, and then such transfers may not exceed 33 1/3% of total assets. A fund will not purchase additional securities when borrowings exceed 5% of total assets.

Lending of Portfolio Securities

A fund may lend its securities to broker-dealers, other institutions, or other persons to earn additional income. Risks include the potential insolvency of the broker-dealer or other borrower that could result in delays in recovering securities and capital losses. Additionally, losses could result from the reinvestment of collateral received on loaned securities in investments that default or do not perform as well as expected.

Fundamental policy The value of loaned securities may not exceed $33\frac{1}{3}$% of total assets.

Credit Quality Considerations

The credit quality of many fund holdings is evaluated by rating agencies such as Moody's Investors Service, Inc. (Moody's), Standard & Poor's Corporation (S&P), and Fitch Ratings (Fitch) on the basis of the issuer's ability to meet all required interest and principal payments. The highest ratings are assigned to issuers perceived to have the lowest credit risks. T. Rowe Price research analysts also evaluate fund holdings, including those rated by outside agencies. Other things being equal, lower-rated bonds and other debt obligations have higher yields due to greater credit risk. High-yield bonds, also called "junk" bonds, are those rated below BBB.

Credit quality ratings are not guarantees. They are estimates of an issuer's financial strength and ability to make interest and principal payments as they come due. Ratings can change at any time due to real or perceived changes in an issuer's credit or financial fundamentals.

The following table shows the rating scale used by the major rating agencies. T. Rowe Price considers publicly available ratings but emphasizes its own credit analysis when selecting investments.

Ratings of Corporate Debt Securities

	Moody's	S & P	Fitch	Definition
Long Term	Aaa	AAA	AAA	Highest quality
	Aa	AA	AA	High quality
	A	A	A	Upper-medium grade
	Baa	BBB	BBB	Medium grade
	Ba	BB	BB	Speculative
	B	B	B	Highly speculative
	Caa	CCC	CCC	Vulnerable to default
	Ca	CC	CC	Default is imminent
	C	C	C	Probably in default

	Moody's		S&P		Fitch	
Commercial Paper	P-1	Superior quality	A-1+	Extremely strong quality	F-1+	Exceptionally strong quality
			A-1	Strong quality	F-1	Very strong quality
	P-2	Strong quality	A-2	Satisfactory quality	F-2	Good credit quality
	P-3	Acceptable quality	A-3	Adequate quality	F-3	Fair credit quality
			B	Speculative quality		
			C	Doubtful quality		

Portfolio Turnover

Turnover is an indication of frequency of trading. A fund will not generally trade in securities for short-term profits, but when circumstances warrant, securities may be purchased and sold without regard to the length of time held. Each time a fund purchases or sells a security, it incurs a cost. This cost is reflected in its net asset value but not in its operating expenses. The higher the turnover rate, the higher the transaction costs and the greater the impact on a fund's total return. Higher turnover can also increase the possibility of taxable capital gain distributions. The funds' portfolio turnover rates are shown in the Financial Highlights table.

DISCLOSURE OF FUND PORTFOLIO INFORMATION

Each T. Rowe Price fund's portfolio holdings are disclosed on a regular basis in its semiannual and annual shareholder reports, and on Form N-Q, which is filed with the SEC within 60 days of the fund's first and third fiscal quarter-end. The money funds also file detailed month-end portfolio holdings information with the SEC each month. Such information will be made available to the public 60 days after the end of the month to which the information pertains. In addition, the funds disclose their calendar quarter-end portfolio holdings on troweprice.com 15 calendar days after each quarter. Under certain conditions, up to 5% of a fund's holdings may be included in this portfolio list without being individually identified. Generally, securities would not be individually identified if they are being actively bought or sold and it is determined that the quarter-end disclosure of the holding could be harmful to the fund. A security will not be excluded for these purposes from a fund's quarter-end holdings disclosure for more than one year. Money funds also disclose their month-end portfolio holdings on troweprice.com five business days after each month. The quarter-end portfolio holdings will remain on the website for one year and the month-end money fund portfolio holdings will remain on the website for six months. Each fund also discloses its 10 largest holdings on troweprice.com on the seventh business day after each month-end. These holdings are listed in alphabetical order along with the aggregate percentage of the fund's total assets that these 10 holdings represent. Each monthly top 10 list will remain on the website for six months. A description of T. Rowe Price's policies and procedures with respect to the disclosure of portfolio information is in the Statement of Additional Information.

FINANCIAL HIGHLIGHTS

The Financial Highlights table, which provides information about each fund's financial history, is based on a single share outstanding throughout the periods shown. Each fund's section of the table is part of the fund's financial statements, which are included in its annual report and are incorporated by reference into the Statement of Additional Information (available upon request). The total returns in the table represent the rate that an investor would have earned or lost on an investment in the fund (assuming reinvestment of all dividends and distributions and no payment of any applicable account or redemption fees). The financial statements in the annual reports were audited by the funds' independent registered public accounting firm, PricewaterhouseCoopers LLP.

Financial Highlights

	Year ended December 31				
Emerging Markets Bond Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$13.46	$10.11	$12.54	$13.28	$12.74
Income From Investment Operations					
Net investment income*	1.02	0.93	0.88	0.88	0.79
Net gains or losses on securities (both realized and unrealized)	(3.26)	2.46	0.74	(0.43)	1.65
Total from investment operations	(2.24)	3.39	1.62	0.45	2.44
Less Distributions					
Dividends (from net investment income)	(1.04)	(0.67)	(0.86)	(0.89)	(0.77)
Distributions (from capital gains)	(0.07)	—	(0.02)	(0.10)	(0.19)
Returns of capital	—	(0.29)	—	—	—
Total distributions	(1.11)	(0.96)	(0.88)	(0.99)	(0.96)
Net asset value, end of period	**$10.11**	**$12.54**	**$13.28**	**$12.74**	**$14.22**
Total return	**(17.71)%**	**34.93%**	**13.29%**	**3.47%**	**19.62%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$544	$1,833	$2,658	$3,087	$4,024
Ratio of expenses to average net assets	0.98%	0.97%	0.95%	0.94%	0.94%
Ratio of net income to average net assets	8.33%	7.95%	6.73%	6.72%	5.83%
Portfolio turnover rate	57.1%	37.0%	35.3%	50.1%	40.7%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

Emerging Markets Corporate Bond Fund	***5/24/12* through 12/31/12***
Net asset value, beginning of period	$10.00
Income From Investment Operations	
Net investment income[a]	0.28[b]
Net gains or losses on securities (both realized and unrealized)	0.93
Total from investment operations	1.21
Less Distributions	
Dividends (from net investment income)	(0.28)
Distributions (from capital gains)	(0.02)
Total distributions	(0.30)
Net asset value, end of period	**$10.91**
Total return	**12.20%[b]**
Ratios/Supplemental Data	
Net assets, end of period (in thousands)	$34,726
Ratio of expenses to average net assets	1.15%[b,c]
Ratio of net income to average net assets	4.37%[b,c]
Portfolio turnover rate	26.5%

* Inception date.

[a] Per share amounts calculated using average shares outstanding method.

[b] Excludes expenses in excess of a 1.15% contractual expense limitation in effect through April 30, 2015.

[c] Annualized.

Financial Highlights

Emerging Markets Local Currency Bond Fund	*5/26/11* through 12/31/11*	*Year ended December 31* 2012
Net asset value, beginning of period	$10.00	$8.89
Income From Investment Operations		
Net investment income[a]	0.30[b]	0.49[b]
Net gains or losses on securities (both realized and unrealized)	(1.12)	1.05
Total from investment operations	(0.82)	1.54
Less Distributions		
Dividends (from net investment income)	(0.15)	(0.30)
Distributions (from capital gains)	—	(0.01)
Returns of capital	(0.14)	(0.18)
Total distributions	(0.29)	(0.49)
Net asset value, end of period	**$8.89**	**$9.94**
Total return	**(8.36)%[b]**	**17.69%[b]**
Ratios/Supplemental Data		
Net assets, end of period (in millions)	$40,498	$58,0362
Ratio of expenses to average net assets	1.10%[b,c]	1.10%[b]
Ratio of net income to average net assets	5.13%[b,c]	5.17%[b]
Portfolio turnover rate	49.6%	82.3%

* Inception date.

[a] Per share amounts calculated using average shares outstanding method.

[b] Excludes expenses in excess of a 1.10% contractual expense limitation in effect through April 30, 2014.

[c] Annualized.

Financial Highlights

	Year ended December 31				
International Bond Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$10.09	$9.57	$9.87	$9.95	$9.74
Income From Investment Operations					
Net investment income*	0.37	0.27	0.25	0.26	0.23
Net gains or losses on securities (both realized and unrealized)	(0.19)	0.49	0.25	—	0.36
Total from investment operations	0.18	0.76	0.50	0.26	0.59
Less Distributions					
Dividends (from net investment income)	(0.37)	(0.27)	(0.25)	(0.26)	(0.23)
Distributions (from capital gains)	(0.33)	(0.19)	(0.17)	(0.21)	—
Returns of capital	—	—	—	—	—
Total distributions	(0.70)	(0.46)	(0.42)	(0.47)	(0.23)
Net asset value, end of period	**$9.57**	**$9.87**	**$9.95**	**$9.74**	**$10.10**
Total return	**1.77%**	**8.38%**	**5.17%**	**2.63%**	**6.10%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$2,142	$3,423	$4,402	$4,776	$4,972
Ratio of expenses to average net assets	0.81%	0.82%	0.82%	0.83%	0.84%
Ratio of net income to average net assets	3.70%	2.82%	2.50%	2.59%	2.31%
Portfolio turnover rate	69.2%	57.6%	61.5%	35.7%	52.2%

* Per share amounts calculated using average shares outstanding method.

ACCOUNT REQUIREMENTS AND TRANSACTION INFORMATION

If you are purchasing fund shares through a third-party intermediary, contact the intermediary for information regarding its policies on purchasing, exchanging, and redeeming fund shares, as well as initial and subsequent investment minimums.

Tax Identification Number

We must have your correct Social Security number or employer identification number on a signed New Account form or W-9 Form. Otherwise, federal law requires the funds to withhold a percentage of your dividends, capital gain distributions, and redemptions and may subject you to an Internal Revenue Service fine. If this information is not received within 60 days after your account is established, your account may be redeemed at the fund's then-current net asset value.

Transaction Confirmations

We send immediate confirmations for most of your fund transactions. However, certain transactions, such as systematic purchases, dividend reinvestments, checkwriting redemptions for money funds, and transactions in money funds used as a T. Rowe Price Brokerage sweep account, do not receive an immediate transaction confirmation but are reported on your account statement. Please review transaction confirmations and account statements as soon as you receive them and promptly report any discrepancies to Shareholder Services by calling 1-800-225-5132.

Employer-Sponsored Retirement Plans and Institutional Accounts

Transaction procedures in the following sections may not apply to employer-sponsored retirement plans and institutional accounts. For procedures regarding employer-sponsored retirement plans, please call T. Rowe Price Trust Company or consult your plan administrator. For institutional account procedures, please call your designated account manager or service representative.

T. Rowe Price Trust Company
1-800-492-7670

We do not accept third-party checks for initial purchases; however, we do accept third-party checks for subsequent purchases. In addition, T. Rowe Price does not accept purchases by cash, traveler's checks, or credit card checks.

OPENING A NEW ACCOUNT

$2,500 minimum initial investment; $1,000 for retirement accounts and Uniform Gifts to Minors Act/Uniform Transfers to Minors Act accounts ($25,000 minimum initial investment for Summit Funds only)

Important Information About Opening an Account

Pursuant to federal law, all financial institutions must obtain, verify, and record information that identifies each person or entity that opens an account. This information is needed not only for the account owner and any other person who opens the account, but also for any person who has authority to act on behalf of the account.

When you open an account, you will be asked for the name, residential street address, date of birth, and Social Security number or employer identification number for each account owner and person(s) opening an account on behalf of others, such as custodians, agents, trustees, or other authorized signers. Corporate and other institutional accounts require documents showing the existence of the entity (such as articles of incorporation or partnership agreements) to open an account. Certain other fiduciary accounts (such as trusts or power of attorney arrangements) require documentation, which may include an original or certified copy of the trust agreement or power of attorney to open an account. For more information, call Investor Services at 1-800-638-5660.

We will use this information to verify the identity of the person(s)/entity opening the account. We will not be able to open your account until we receive all of this information. If we are unable to verify your identity, we are authorized to take any action permitted by law. (See Rights Reserved by the Funds.)

The funds are generally available only to investors residing in the United States. In addition, purchases in state tax-free funds are limited to investors living in states where the fund is available for sale. The address of record on your account must be located in one of these states, or you will be restricted from purchasing fund shares. Contact Investor Services for more information.

Account Registration

If you own other T. Rowe Price funds, you should consider registering any new account identically to your existing accounts so you can exchange shares among them easily. (The name(s) of the account owner(s) and the account type must be identical.)

For joint accounts or other types of accounts owned or controlled by more than one party, either owner/party has complete authority to act on behalf of all and give instructions concerning the account without notice to the other party. T. Rowe Price may, in its sole discretion, require written authorization from all owners/parties to act on the account for certain transactions (for example, to transfer ownership).

By Mail

Please make your check payable to T. Rowe Price Funds (otherwise it may be returned), and send your check, together with the New Account form, to the appropriate address below:

via U.S. Postal Service
T. Rowe Price Account Services
P.O. Box 17300
Baltimore, MD 21297-1300

via private carriers/overnight services
T. Rowe Price Account Services
Mail Code 17300
4515 Painters Mill Road
Owings Mills, MD 21117-4903

Note: Please use the correct address to avoid a delay in opening your new account.

By Wire

Visit us online at **troweprice.com** or call Investor Services for an account number and wire transfer instructions.

In order to obtain an account number, you must supply the name, date of birth, Social Security number or employer identification number, and residential or business street address for each owner on the account.

Complete a New Account form and mail it to one of the appropriate T. Rowe Price addresses listed under By Mail.

Note: Although the purchase will be made, services may not be established and Internal Revenue Service penalty withholding may occur until we receive a signed New Account form.

Online You can open a new mutual fund account online. Go to **troweprice.com/newaccount** to choose the type of account you wish to open.

To open an account electronically, you must be a U.S. citizen residing in the U.S. or a resident alien and not subject to Internal Revenue Service backup withholding. Additionally, you must provide consent to receive certain documents electronically.

You will have the option of providing your bank account information that will enable you to make electronic funds transfers to and from your bank account. To set up this banking service online, additional steps will be taken to verify your identity.

By Exchange Visit us online at **troweprice.com** (see Automated Services under Information About Your Services) or call Shareholder Services. The new account will have the same registration as the account from which you are exchanging. Services for the new account may be carried over by telephone request if they are preauthorized on the existing account. For limitations on exchanging, please see Transaction Procedures and Special Requirements—Excessive and Short-Term Trading.

In Person Drop off your New Account form at any Investor Center location listed on the back cover and obtain a receipt.

PURCHASING ADDITIONAL SHARES

$100 minimum per fund account for all additional purchases, including those made through Automatic Asset Builder (all funds except Summit Funds); $100 minimum per fund account for additional purchases through Automatic Asset Builder and $1,000 for all other additional purchases (Summit Funds)

By Automated Clearing House

Visit us online at **troweprice.com** or call Shareholder Services if you have established electronic transfers using the Automated Clearing House system.

By Wire

Go to **troweprice.com** or call Shareholder Services for wire transfer instructions. T. Rowe Price must receive the wire by the close of the New York Stock Exchange (normally 4 p.m. ET) to receive that day's share price. There is no assurance that you will receive the share price for the same day you initiated the wire from your financial institution.

By Mail

1. Make your check payable to T. Rowe Price Funds (otherwise it may be returned).
2. Mail the check to us at the following address with either a fund reinvestment slip or a note indicating the fund you want to purchase and your fund account number.
3. Please use the correct address to avoid a delay in processing your transaction and remember to provide your account number and the fund name on the memo line of your check.

via U.S. Postal Service
T. Rowe Price Account Services
P.O. Box 17300
Baltimore, MD 21297-1300

(To send mail directly to T. Rowe Price via private carriers and overnight services, see previous section.)

Your transaction will receive the share price for the business day that the request is received by T. Rowe Price prior to the close of the New York Stock Exchange (normally 4 p.m. ET) (not the day the request is received at the P.O. box).

By Automatic Asset Builder

Fill out the Automatic Asset Builder section on the New Account form or Shareholder Services form.

EXCHANGING AND REDEEMING SHARES

Exchange Service

You can move money from one account to an existing, identically registered account or open a new identically registered account. For taxable accounts, an exchange from one fund to another is considered a sale and purchase for tax purposes. (Exchanges into a state tax-free fund are limited to investors living in states where the fund is available.) For exchange policies, please see Transaction Procedures and Special Requirements—Excessive and Short-Term Trading Policy.

Redemptions

Redemption proceeds can be mailed to your account address, sent by Automated Clearing House transfer to your bank, or wired to your bank (provided your bank information is already on file). Redemption proceeds of less than $5,000 sent by wire are subject to a $5 fee paid to the fund. Please note that large purchase and redemption requests initiated through automated services, including the National Securities Clearing Corporation, may be rejected and, in such instances, the transaction must be placed by contacting a service representative.

If you request to redeem a specific dollar amount, and the market value of your account is less than the amount of your request, your redemption will not be processed, and you will need to submit a new redemption request in proper form. If you change your address on an account, proceeds will not be mailed to the new address for 15 calendar days after the address change, unless we receive a signature guaranteed letter of instruction.

Some of the T. Rowe Price funds may impose a redemption fee. Check the fund’s prospectus under Contingent Redemption Fee in Pricing Shares and Receiving Sale Proceeds. The fee is paid to the fund.

For redemptions by check or electronic transfer, please see Information About Your Services.

Online Visit us online at **troweprice.com**. Customers with Account Access (our secure self-service Web platform for individual investors) can electronically exchange shares between identically registered T. Rowe Price accounts and electronically redeem shares from their mutual fund accounts.

By Phone You can call Shareholder Services at 1-800-225-5132 to place your transaction. If you find our phones busy during unusually volatile markets, please consider placing your order online through **troweprice.com**.

By Mail For each account involved, provide the account name and number, fund name, and exchange or redemption amount. For exchanges, be sure to specify any fund you are exchanging out of and the fund or funds you are exchanging into. T. Rowe Price may require a signature guarantee of all registered owners (see Transaction Procedures and Special Requirements—Signature Guarantees). Please use one of the following addresses:

For nonretirement and individual retirement accounts:
via U.S. Postal Service
T. Rowe Price Account Services
P.O. Box 17302
Baltimore, MD 21297-1302

via private carriers/overnight services
T. Rowe Price Account Services
Mail Code 17302
4515 Painters Mill Road
Owings Mills, MD 21117-4903

For employer-sponsored retirement accounts:
via U.S. Postal Service
T. Rowe Price Trust Company
P.O. Box 17479
Baltimore, MD 21297-1479

via private carriers/overnight services
T. Rowe Price Trust Company
Mail Code 17479
4515 Painters Mill Road
Owings Mills, MD 21117-4903

For requests that are not sent via private carriers or overnight services, your transaction will receive the share price for the business day that the request is received by T. Rowe Price prior to the close of the New York Stock Exchange (normally 4 p.m. ET) (not the day the request is received at the P.O. box).

Requests for redemptions from employer-sponsored retirement accounts may be required to be in writing; please call T. Rowe Price Trust Company or your plan administrator for instructions. Individual retirement account distributions may be requested in writing or by telephone; please call Shareholder Services to obtain an Individual Retirement Account Distribution form or an Individual Retirement Account Shareholder Services form to authorize the telephone redemption service.

RIGHTS RESERVED BY THE FUNDS

T. Rowe Price funds and their agents, in their sole discretion, reserve the following rights: (1) to waive or lower investment minimums; (2) to accept initial purchases by telephone; (3) to refuse any purchase or exchange order; (4) to cancel or rescind any purchase or exchange order placed through an intermediary, no later than the business day after the order is received by the intermediary (including, but not limited to, orders deemed to result in excessive trading, market timing, or 5% ownership); (5) to cease offering fund shares at any time to all or certain groups of investors; (6) to freeze any account and suspend account services when notice has been received of a dispute regarding the ownership of the account or a legal claim against an account or if there is reason to believe a fraudulent transaction may occur; (7) to otherwise modify the conditions of purchase and modify or terminate any services at any time; (8) to waive any wire, small account, maintenance, or fiduciary fees charged to a group of shareholders; (9) to act on instructions reasonably believed to be genuine; (10) to involuntarily redeem an account at the net asset value calculated the day the account is redeemed, in cases of threatening conduct, suspected fraudulent or illegal activity, or if the fund or its agent is unable, through its procedures, to verify the identity of the person(s) or entity opening an account; and (11) for money funds, to suspend redemptions and postpone the payment of proceeds to facilitate an orderly liquidation of the fund.

INFORMATION ABOUT YOUR SERVICES

Shareholder Services
1-800-225-5132

Investor Services
1-800-638-5660

Many services are available to you as a shareholder; some you receive automatically, and others you must authorize or request on the New Account form. By signing up for services on the New Account form, you avoid having to complete a separate form at a later time and obtain a signature guarantee. This section discusses some of the services currently offered.

Retirement Plans

We offer a wide range of plans for individuals, institutions, and large and small businesses: Traditional IRAs, Roth IRAs, SIMPLE IRAs, SEP-IRAs, 401(k)s, and 403(b)(7)s. For information on individual retirement accounts or our no-load variable annuity (for existing variable annuity contract holders), call Investor Services. For information on all other retirement plans, please call 1-800-492-7670.

Investing for College Expenses

We can help you save for future college expenses on a tax-advantaged basis.

529 Plans

T. Rowe Price manages three 529 plans that are available directly to investors: the T. Rowe Price College Savings Plan (a national plan sponsored by the Education Trust of Alaska), the Maryland College Investment Plan, and the University of Alaska College Savings Plan. Account earnings are federal income tax-free when used for qualified expenses. For more information on the T. Rowe Price College Savings Plan (national plan), call 1-800-369-3641; Maryland College Investment Plan, call 1-888-4-MD-GRAD; and University of Alaska College Savings Plan, call 1-866-277-1005.

Automated Services

Online Account Access
You can sign up online to conduct account transactions through our website at **troweprice.com**.

Tele*Access℠
1-800-638-2587
24-hour service via a toll-free number enables you to access information on fund performance, prices, distributions, account balances, and your latest transactions.

Plan Account Line
1-800-401-3279
This 24-hour service is similar to Tele*Access℠ but is designed specifically to meet the needs of retirement plan investors.

By Telephone and In Person

Purchase, redeem, or exchange shares by calling one of our service representatives or by visiting one of our Investor Center locations listed on the back cover.

Electronic Transfers

By Automated Clearing House
This free service allows you to move as little as $100 or as much as $250,000 between your bank account and fund account using the Automated Clearing House system. Enter instructions via your personal computer or call Shareholder Services.

By Wire
Electronic transfers can be conducted via bank wire. There is a $5 fee for wire redemptions under $5,000, and your bank may charge for incoming or outgoing wire transfers regardless of size.

Checkwriting

(Not available for equity funds or the Emerging Markets Bond, Emerging Markets Corporate Bond, Emerging Markets Local Currency Bond, Floating Rate, High Yield, International Bond, or U.S. Bond Enhanced Index Funds.) You may write an unlimited number of free checks on any money fund and most bond funds, with a minimum of $500 per check. Keep in mind, however, that a check results in a redemption; a check written on a bond fund will create a taxable event that you and we must report to the Internal Revenue Service.

Automatic Investing

Automatic Asset Builder

You can instruct us to automatically transfer money from your bank account, or you can instruct your employer to send all or a portion of your paycheck to the fund or funds you designate. Each systematic purchase must be at least $100 per fund account to be eligible for the Automatic Asset Builder service. Minimum initial purchase requirements will still apply.

Automatic Exchange

You can set up systematic investments from one fund account into another, such as from a money fund into a stock fund.

T. ROWE PRICE BROKERAGE

To Open an Account
1-800-638-5660

For Existing Brokerage Customers
1-800-225-7720

Investments available through our Brokerage service include stocks, options, bonds, and other securities at commission savings over full-service brokers.* We also provide a wide range of services, including:

Automated Telephone and Computer Services

You can enter stock and option orders, access quotes, and review account information around the clock by phone with Tele-Trader or via the Internet with Account Access-Brokerage.

Investor Information

A variety of informative reports, such as our Brokerage Insights series, as well as access to online research tools, can help you better evaluate economic trends and investment opportunities.

Dividend Reinvestment Service

If you elect to participate in this service, the cash dividends from the eligible securities held in your account will automatically be reinvested in additional shares of the same securities free of charge. Most securities listed on national securities exchanges or NASDAQ are eligible for this service.

*Services vary by firm.

T. Rowe Price Brokerage is a division of T. Rowe Price Investment Services, Inc., Member FINRA/SIPC.

INVESTMENT INFORMATION

To help you monitor your investments and make decisions that accurately reflect your financial goals, T. Rowe Price offers a wide variety of information in addition to account statements. Most of this information is also available on our website at **troweprice.com**.

If your account has no activity in it for a certain period of time, T. Rowe Price may be required to transfer your account to the appropriate state under its abandoned property laws.

A note on mailing procedures: If two or more members of a household own the same fund, we economize on fund expenses by sending only one fund report and prospectus. If you need additional copies or do not want your mailings to be "householded," please call Shareholder Services at 1-800-225-5132 or write to us at P.O. Box 17630, Baltimore, MD 21297-1630.

Shareholder Reports

Fund managers' annual and semiannual reviews of their strategies and performance.

The T. Rowe Price Report

A quarterly investment newsletter discussing markets and financial strategies and including the Performance Update, a review of all T. Rowe Price fund results.

Insights

Educational reports on investment strategies and financial markets.

Investment Guides

Funds Guide, International Investing Guide, Required Minimum Distribution (RMD) Guide, and Retirement Savings Guide.

T. ROWE PRICE PRIVACY POLICY

In the course of doing business with T. Rowe Price, you share personal and financial information with us. We treat this information as confidential and recognize the importance of protecting access to it.

You may provide information when communicating or transacting business with us in writing, electronically, or by phone. For instance, information may come from applications, requests for forms or literature, and your transactions and account positions with us. On occasion, such information may come from consumer reporting agencies and those providing services to us.

We do not sell information about current or former customers to any third parties, and we do not disclose it to third parties unless necessary to process a transaction, service an account, or as otherwise permitted by law. We may share information within the T. Rowe Price family of companies in the course of providing or offering products and services to best meet your investing needs. We may also share that information with companies that perform administrative or marketing services for T. Rowe Price, with a research firm we have hired, or with a business partner, such as a bank or insurance company with which we are developing or offering investment products. When we enter into such a relationship, our contracts restrict the companies' use of our customer information, prohibiting them from sharing or using it for any purposes other than those for which they were hired.

We maintain physical, electronic, and procedural safeguards to protect your personal information. Within T. Rowe Price, access to such information is limited to those who need it to perform their jobs, such as servicing your accounts, resolving problems, or informing you of new products or services. Finally, our Code of Ethics, which applies to all employees, restricts the use of customer information and requires that it be held in strict confidence.

This Privacy Policy applies to the following T. Rowe Price family of companies: T. Rowe Price Associates, Inc.; T. Rowe Price Advisory Services, Inc.; T. Rowe Price Investment Services, Inc.; T. Rowe Price Savings Bank; T. Rowe Price Trust Company; and the T. Rowe Price Funds.

To help you achieve your financial goals, T. Rowe Price offers a wide range of stock, bond, and money market investments, as well as convenient services and informative reports.

For mutual fund or T. Rowe Price Brokerage information

Investor Services
1-800-638-5660

For existing accounts

Shareholder Services
1-800-225-5132

For the hearing impaired

1-800-367-0763

For performance, prices, or account information

Tele*Access[SM]
24 hours, 7 days
1-800-638-2587

Internet address

troweprice.com

Plan Account Line

For retirement plan investors: The appropriate 800 number appears on your retirement account statement.

Investor Centers

For directions, call 1-800-225-5132 or visit our website

Baltimore Area

Downtown

105 East Lombard Street

Owings Mills

Three Financial Center
4515 Painters Mill Road

Colorado Springs

2260 Briargate Parkway

Tampa

4211 W. Boy Scout Boulevard
8th Floor

Washington, D.C. Area

Downtown

1000 Connecticut Avenue, N.W.
Suite A-100

Tysons Corner

1600 Tysons Boulevard
Suite 150
McLean, Virginia

A Statement of Additional Information for the T. Rowe Price family of funds, which includes additional information about the funds, has been filed with the SEC and is incorporated by reference into this prospectus. Further information about fund investments, including a review of market conditions and the manager's recent investment strategies and their impact on performance during the past fiscal year, is available in the annual and semiannual shareholder reports. To obtain free copies of any of these documents, or for shareholder inquiries, call 1-800-638-5660. These documents and updated performance information are available through troweprice.com.

Fund information and Statements of Additional Information are also available from the Public Reference Room of the SEC. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-551-8090. Fund reports and other fund information are available on the EDGAR Database on the SEC's Internet site at http://www.sec.gov. Copies of this information may be obtained, after paying a duplicating fee, by electronic request at publicinfo@sec.gov, or by writing the Public Reference Room, Washington, D.C. 20549-1520.

T. Rowe Price Associates, Inc.
100 East Pratt Street
Baltimore, MD 21202

T.RowePrice® INVEST WITH CONFIDENCE

1940 Act File No. 811-2958

C02-040 5/1/13

SEMIANNUAL REPORT

June 30, 2012

RPIBX

PAIBX

T. ROWE PRICE

International Bond Fund

International Bond Fund–Advisor Class

The fund primarily invests in high-quality, nondollar-denominated fixed income securities for high current income and capital appreciation.

T. Rowe Price

INVEST WITH CONFIDENCE

T. Rowe Price International Bond Fund

HIGHLIGHTS

- International bond markets delivered modestly positive returns in a volatile six-month period ended June 30, 2012.
- The International Bond Fund outpaced the Barclays Global Aggregate ex USD Bond Index but trailed its Lipper peer group average.
- The fund's below investment-grade bonds, currency selection, and sector and security selection all aided performance, but country and duration positioning detracted.
- Developed markets will continue to struggle with burdensome debt issues and sluggish economic growth, but healthy fiscal positions and solid growth should continue to support demand for emerging markets bonds.

Manager's Letter

Fellow Shareholders

Investors' appetite for risk seemed to wax and wane with each news cycle over the past six months, reflecting concerns about the European debt crisis, a slowing recovery in the U.S., and the pace of China's economic slowdown. Government bonds in developed non-U.S. markets generated modest gains but underperformed emerging market debt as investors sought more attractive yields.

The International Bond Fund returned 1.36% for the six months ended June 30, 2012, outpacing the Barclays Global Aggregate ex USD Bond Index but trailing its Lipper peer group average. (Returns for the fund's Advisor Class shares varied slightly due to their different fee structure.) The fund's below investment-grade bonds, currency selection, and sector and security selection all aided performance, but country and duration positioning detracted from results.

Performance Comparison

Six-Month Period Ended 6/30/12	Total Return
International Bond Fund	1.36%
International Bond Fund–Advisor Class	1.31
Barclays Global Aggregate ex USD Bond Index	0.77
Lipper International Income Funds Average	2.27

MARKET ENVIRONMENT

The first half of 2012 was a tale of two periods. Investor sentiment was decidedly upbeat through the first three months of the year, buoyed by positive economic and political developments. The U.S. economic recovery was progressing nicely amid unexpected strength in manufacturing and employment. The European Central Bank's two long-term refinancing operations (LTROs) signaled that Continental policymakers were making progress in addressing the eurozone's long-running debt crisis, while China's economy seemed to be cooling to more sustainable growth rates in an orderly slowdown.

Developed Markets Performance

Six-Month Period Ended 6/30/12	Total Return In Local Currency	Total Return In U.S. Dollars
Barclays Global Aggregate ex USD Bond Index	–	0.77%
Japan	1.33%	-2.29
Germany	2.10	-0.19
United Kingdom	2.12	3.07
Canada	1.77	1.65
United States	1.51	1.51
France	4.11	1.78
Italy	8.56	6.12

Source: Barclays.

Risk aversion returned in the second quarter, however, amid signs of a weakening global economy. Much of Europe remained mired in recession, and election results in Greece and France revealed widespread discontent over fiscal austerity measures that further weakened many of the region's economies. Mixed economic data in the U.S., including persistently high unemployment, indicated that the previously resilient recovery was starting to falter. China's economy slowed more than expected, with commodity-intensive fixed-asset investment lagging last year's growth and consumer spending starting to struggle.

Government bonds in developed non-U.S. markets generated modest gains in U.S. dollar terms in the last six months. Peripheral European markets performed exceptionally well in the first quarter, helped by bank purchases of sovereign debt using LTRO funds. Some of the gains were eroded during the second quarter amid rising government bond yields, especially in Italy and Spain. European investment-grade corporate bonds produced strong returns thanks to one of the best first quarters on record. While Germany and other highly rated bond markets produced solid returns in local currency terms, returns in dollar terms were trimmed by a stronger dollar versus the euro and other major currencies.

Bonds in emerging markets fared considerably better than government bonds in developed markets as yield-hungry investors sought opportunities. Lower global growth prospects have eased inflationary concerns in emerging markets, and the favorable fiscal positioning of many emerging market sovereign issuers stands in contrast to the budget and funding challenges faced by a number of developed market governments. U.S. dollar-denominated bonds performed somewhat better than local currency bonds, as weakness among emerging markets currencies reduced local bond returns in dollar terms.

Emerging Markets Performance	
Six-Month Period Ended 6/30/12	Total Return
J.P. Morgan Emerging Markets Bond Index Global	7.45%
Mexico	5.74
Poland	9.31
South Africa	6.93
Brazil	5.46
Malaysia	4.47

Source: JPMorgan. In U.S. dollars.

The U.S. dollar strengthened against most currencies over the period as investors sought higher-quality assets. The euro weakened amid the ongoing eurozone sovereign debt crisis, losing value against the dollar and the yen. A correction in commodity prices, which was driven by China's slowing economy and reduced global demand, contributed to the depreciation of currencies like the Brazilian real and the South African rand. Within Asia, the currencies of high-quality sovereign issuers such as South Korea and Malaysia managed to stem the pressure of depreciation, while the Indian rupee declined.

PORTFOLIO REVIEW AND POSITIONING

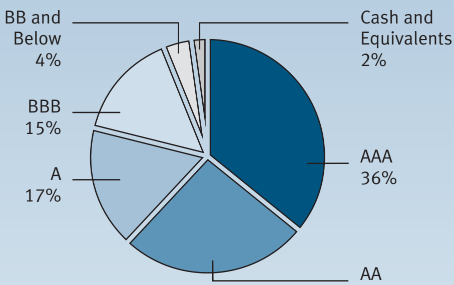
Portfolio Characteristics		
Periods Ended	12/31/11	6/30/12
Weighted Average Maturity (years)	8.1	8.3
Weighted Average Effective Duration (years)	6.2	6.3

Source: T. Rowe Price.

Allocations to below investment-grade bonds were the fund's largest performance contributors over the period. Positions in European high yield and U.S. dollar-denominated emerging markets corporate bonds were particularly beneficial, due primarily to improved investor sentiment in the first quarter of the year. Given our expectations for continued volatility within European markets, we reduced overall portfolio risk by decreasing our allocation to European high yield bonds but maintained our exposure to U.S. dollar-denominated below investment-grade emerging markets corporate bonds.

Currency selection also boosted performance over the six-month period. A broad allocation to a basket of emerging markets currencies and an overweight allocation to the Mexican peso were the largest contributors. Underweight exposure to the euro, which depreciated significantly over the period, also helped performance. An underweight allocation to the British pound relative to the euro and overweight allocations to the Brazilian real also weighed modestly on results. In general, we have underweight or neutral allocations to most developed market currencies in favor of emerging markets, except for overweight allocations to the Canadian dollar and Norwegian krone. We decreased exposure to several developed market currencies, including the euro, the Australian dollar, the British pound, and the Japanese yen. We continue to favor southeast Asian and Latin American currencies, specifically the South Korean won, Malaysian ringgit, and Mexican peso. We reduced our allocations to the Brazilian real and Russian ruble, moving from overweight to neutral positions, and reduced an overweight allocation to the won. We increased our existing overweight exposure to the Chinese renminbi and moved to an overweight position in the Hong Kong dollar.

Quality Diversification



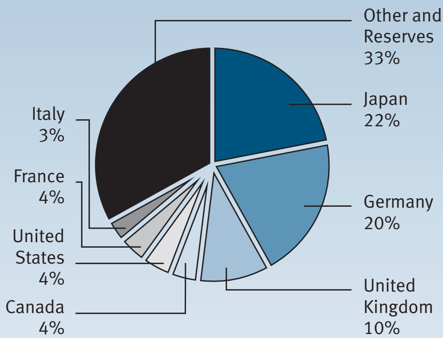
Based on net assets as of 6/30/12.

Source: Moody's Investors Service; if Moody's does not rate a security, then Standard & Poor's (S&P) is used as a secondary source. When available, T. Rowe Price will use Fitch for securities that are not rated by Moody's or S&P. Unrated securities totaled 0.44% of the portfolio at the end of the reporting period.

Sector and security selection also benefited returns. Our overweight allocation to European investment-grade corporate bonds added strongly to relative returns on the heels of exceptional first-quarter performance. Allocations to investment-grade U.S. dollar-denominated emerging markets sovereign and quasi-sovereign bonds, which are not included in the benchmark, also contributed to results. We made no significant changes to our allocation here and still believe that these bonds are supported by positive fundamentals. We reduced our overweight allocation to European investment-grade corporate bonds on strength.

Country selection and duration positioning detracted modestly from returns versus the benchmark. Our underweight allocations to peripheral European bonds, particularly those from Spain and Italy, detracted after strong performance in the first quarter of the year and

Geographic Diversification



Based on net assets as of 6/30/12. Percentages reflect the issuing country of the fund's securities and exclude the effect of forward currency contracts.

Net Currency Exposure:	
Euro	34%
Japanese Yen	33
British Pound Sterling	9
Canadian Dollar	7
Mexican Peso	3
Malaysian Ringgit	2
Korean Won	2
Chinese Renminbi	1

again in June. Overweight allocations to Mexican, Brazilian, and South African government bonds were positive and helped to offset some of the negative impact. Off-benchmark allocations to emerging markets bonds denominated in local currencies also helped. We believe that low nominal yields and, in some regions, negative real (inflation-adjusted) yields are likely to persist for some time. As a result, we are maintaining an overall underweight duration position relative to the benchmark, which means that the fund is less sensitive to interest rate fluctuations versus the benchmark. We opened an overweight position in Polish and South African government bonds and trimmed our Mexican overweight exposure. We remain underweight to peripheral European countries, with no exposure to Ireland and significant underweight allocations to Italy and Spain.

OUTLOOK

The European debt crisis should continue to dominate headlines in the near future. Plans to create greater fiscal unity and centralized banking regulation, which were unveiled at the last European Union policy summit in late June, were greeted with optimism by investors. Although these latest measures were clearly seen as significant steps toward eventual resolution of the crisis, what remains to be seen is exactly how these plans will be implemented. A full resolution of the Continent's profound debt troubles will be a slow process accompanied by significant market volatility, and investors and markets will be monitoring the situation closely.

> THE EUROPEAN DEBT CRISIS SHOULD CONTINUE TO DOMINATE HEADLINES IN THE NEAR FUTURE.

We expect little change in yields on European investment-grade corporate bonds, and returns are likely to be driven by attractive coupon rates. Below investment-grade debt continues to offer attractive valuations and will likely remain stable at current yield levels for some time. Yields on emerging markets sovereign bonds are somewhat lower than in previous periods due to robust foreign demand and muted inflation expectations, which have resulted in lower interest rates. Developed market currencies are likely to move closely with the U.S. dollar, perhaps with the exception of the Japanese yen. We continue to hold emerging markets local bonds and currencies as portfolio diversifiers, offering the potential for significant appreciation as investors move capital from slower-growing, lower-yielding developed market debt into markets that offer better growth prospects and higher yields.

Effective security selection is becoming increasingly important as the international bond market grows in size, complexity, and maturity. We believe that the extended reach of T. Rowe Price's global credit and equity research platforms, combined with our emphasis on cross-functional collaboration, gives our portfolio managers a critical edge in evaluating opportunities and risks in the global bond market.

Respectfully submitted,

Ian Kelson
President of the International Fixed Income Division, portfolio manager of the International Bond Fund, and chairman of the fund's Investment Advisory Committee

July 23, 2012

The committee chairman has day-to-day responsibility for the portfolio and works with committee members in developing and executing the fund's investment program.

Risk of International Bond Investing

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets, including unpredictable changes in currency values. Investments in emerging markets are subject to abrupt and severe price declines and should be regarded as speculative. The economic and political structures of developing nations, in most cases, do not compare favorably with the U.S. or other developed countries in terms of wealth and stability, and their financial markets often lack liquidity. Some countries also have legacies of hyperinflation, currency devaluations, and governmental interference in markets.

International investments are subject to currency risk, a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency. The overall impact on a fund's holdings can be significant and long-lasting depending on the currencies represented in the portfolio, how each one appreciates or depreciates in relation to the U.S. dollar, and whether currency positions are hedged. Further, exchange rate movements are unpredictable and it is not possible to effectively hedge the currency risks of many developing countries.

Bonds are also subject to interest rate risk, the decline in bond prices that usually accompanies a rise in interest rates, and **credit risk**, the chance that any fund holding could have its credit rating downgraded or that a bond issuer will default (fail to make timely payments of interest or principal), potentially reducing the fund's income level and share price.

Glossary

Barclays Global Aggregate ex USD Bond Index: An unmanaged index that tracks an international basket of bonds that contains government, corporate, agency, and mortgage-related bonds.

Duration: A measure of a bond fund's sensitivity to changes in interest rates. For example, a fund with a duration of five years would fall about 5% in response to a one-percentage-point rise in rates, and vice versa.

J.P. Morgan Emerging Markets Bond Index Global: Tracks U.S. dollar government bonds of 31 foreign countries.

Quasi-sovereign debt: Debt issued by a corporation and backed by the respective government, typically offering the higher yields of corporate debt with the added benefit of government support.

Glossary (continued)

Weighted average effective duration (years): A measure of a portfolio's price sensitivity to changes in interest rates. Portfolios with longer weighted average effective durations are more sensitive to changes in interest rates than securities of shorter durations.

Weighted average maturity: A measure of a fund's sensitivity to interest rates. In general, the longer the average maturity, the greater the fund's sensitivity to interest rate changes. The weighted average maturity may take into account the interest rate readjustment dates for certain securities. Money funds must maintain a weighted average maturity of less than 60 days.

Portfolio Highlights

PRICE AND YIELD

Periods Ended	12/31/11	6/30/12
International Bond Fund		
Price Per Share	$9.74	$9.76
Dividends Per Share		
For 6 months	0.13	0.11
For 12 months	0.26	0.25
SEC Yield (30-Day)	2.16%	1.76%
International Bond Fund–Advisor Class		
Price Per Share	$9.74	$9.77
Dividends Per Share		
For 6 months	0.12	0.10
For 12 months	0.23	0.21
SEC Yield (30-Day)	1.82%	1.37%

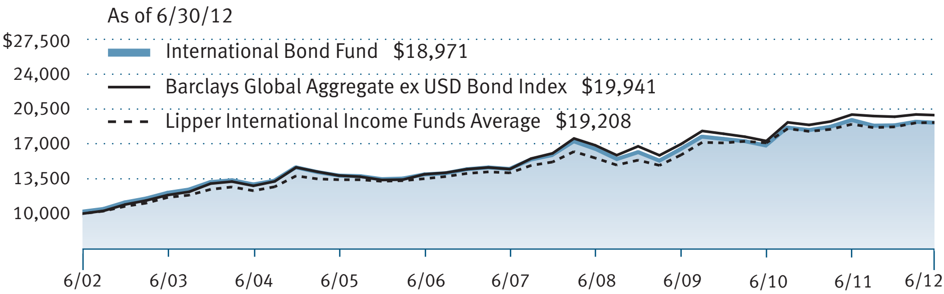
12-month dividends may not equal the combined 6-month figures due to rounding. Yields will vary and are not guaranteed.

Performance and Expenses

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the fund over the past 10 fiscal year periods or since inception (for funds lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from fund returns as well as mutual fund averages and indexes.

INTERNATIONAL BOND FUND



Note: Performance for the Advisor Class will vary due to its differing fee structure. See returns table below.

Average Annual Compound Total Return

Periods Ended 6/30/12	1 Year	5 Years	10 Years
International Bond Fund	-1.45%	5.80%	6.61%
International Bond Fund–Advisor Class	-1.59	5.54	6.39

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please contact a T. Rowe Price representative at 1-800-225-5132 or, for Advisor Class shares, 1-800-638-8790. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held for 90 days or less; if it did, the performance would be lower.

This table shows how the fund would have performed each year if its actual (or cumulative) returns had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. When assessing performance, investors should consider both short- and long-term returns.

Expense Ratio

International Bond Fund	*0.83%*
International Bond Fund–Advisor Class	*1.16*

The expense ratio shown is as of the fund's fiscal year ended 12/31/11. This number may vary from the expense ratio shown elsewhere in this report because it is based on a different time period and, if applicable, does not include fee or expense waivers.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Please note that the International Bond Fund has two share classes: The original share class (Investor Class) charges no distribution and service (12b-1) fee, and the Advisor Class shares are offered only through unaffiliated brokers and other financial intermediaries and charge a 0.25% 12b-1 fee. Each share class is presented separately in the table.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and expenses based on the fund's actual returns. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Fund Expense Example (continued)

Note: T. Rowe Price charges an annual account service fee of $20, generally for accounts with less than $10,000. The fee is waived for any investor whose T. Rowe Price mutual fund accounts total $50,000 or more; accounts electing to receive electronic delivery of account statements, transaction confirmations, prospectuses, and shareholder reports; or accounts of an investor who is a T. Rowe Price Preferred Services, Personal Services, or Enhanced Personal Services client (enrollment in these programs generally requires T. Rowe Price assets of at least $100,000). This fee is not included in the accompanying table. If you are subject to the fee, keep it in mind when you are estimating the ongoing expenses of investing in the fund and when comparing the expenses of this fund with other funds.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

International Bond Fund

	Beginning Account Value 1/1/12	Ending Account Value 6/30/12	Expenses Paid During Period* 1/1/12 to 6/30/12
Investor Class			
Actual	$1,000.00	$1,013.60	$4.26
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.64	4.27
Advisor Class			
Actual	1,000.00	1,013.10	5.81
Hypothetical (assumes 5% return before expenses)	1,000.00	1,019.10	5.82

*Expenses are equal to the fund's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period. The annualized expense ratio of the Investor Class was 0.85%, and the Advisor Class was 1.16%.

Unaudited

Financial Highlights

For a share outstanding throughout each period

Investor Class

	6 Months Ended 6/30/12	Year Ended 12/31/11	12/31/10	12/31/09	12/31/08	12/31/07
NET ASSET VALUE						
Beginning of period	$ 9.74	$ 9.95	$ 9.87	$ 9.57	$ 10.09	$ 9.69
Investment activities						
Net investment income[1]	0.11	0.26	0.25	0.27	0.37	0.35
Net realized and unrealized gain (loss)	0.02	–	0.25	0.49	(0.19)	0.60
Total from investment activities	0.13	0.26	0.50	0.76	0.18	0.95
Distributions						
Net investment income	(0.11)	(0.26)	(0.25)	(0.27)	(0.37)	(0.35)
Net realized gain	–	(0.21)	(0.17)	(0.19)	(0.33)	(0.20)
Total distributions	(0.11)	(0.47)	(0.42)	(0.46)	(0.70)	(0.55)
NET ASSET VALUE						
End of period	**$ 9.76**	**$ 9.74**	**$ 9.95**	**$ 9.87**	**$ 9.57**	**$ 10.09**

Ratios/Supplemental Data

	6 Months Ended 6/30/12	Year Ended 12/31/11	12/31/10	12/31/09	12/31/08	12/31/07
Total return[2]	**1.36%**	**2.63%**	**5.17%**	**8.38%**	**1.77%**	**10.05%**
Ratio of total expenses to average net assets	0.85%[3]	0.83%	0.82%	0.82%	0.81%	0.82%
Ratio of net investment income to average net assets	2.34%[3]	2.59%	2.50%	2.82%	3.70%	3.57%
Portfolio turnover rate	25.6%	35.7%	61.5%	57.6%	69.2%	78.4%
Net assets, end of period (in millions)	$ 4,636	$ 4,776	$ 4,402	$ 3,423	$ 2,142	$ 2,366

(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 and payment of no redemption or account fees. Total return is not annualized for periods less than one year.

(3) Annualized

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

Unaudited

Financial Highlights

For a share outstanding throughout each period

Advisor Class

	6 Months Ended 6/30/12	Year Ended 12/31/11	12/31/10	12/31/09	12/31/08	12/31/07
NET ASSET VALUE						
Beginning of period	$ 9.74	$ 9.93	$ 9.85	$ 9.56	$ 10.07	$ 9.67
Investment activities						
Net investment income[1]	0.10	0.23	0.21	0.24	0.34	0.32
Net realized and unrealized gain (loss)	0.03	0.02	0.25	0.48	(0.18)	0.61
Total from investment activities	0.13	0.25	0.46	0.72	0.16	0.93
Distributions						
Net investment income	(0.10)	(0.23)	(0.21)	(0.24)	(0.34)	(0.33)
Net realized gain	–	(0.21)	(0.17)	(0.19)	(0.33)	(0.20)
Total distributions	(0.10)	(0.44)	(0.38)	(0.43)	(0.67)	(0.53)
NET ASSET VALUE						
End of period	**$ 9.77**	**$ 9.74**	**$ 9.93**	**$ 9.85**	**$ 9.56**	**$ 10.07**

Ratios/Supplemental Data

Total return[2]	**1.31%**	**2.50%**	**4.85%**	**7.93%**	**1.57%**	**9.82%**
Ratio of total expenses to average net assets	1.16%[3]	1.16%	1.13%	1.15%	1.13%	1.09%
Ratio of net investment income to average net assets	2.02%[3]	2.26%	2.19%	2.53%	3.40%	3.33%
Portfolio turnover rate	25.6%	35.7%	61.5%	57.6%	69.2%	78.4%
Net assets, end of period (in thousands)	$ 310,577	$ 404,634	$ 529,400	$ 485,163	$ 431,963	$ 461,694

(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 and payment of no redemption or account fees. Total return is not annualized for periods less than one year.

(3) Annualized

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

Portfolio of Investments ‡

(Cost and value in $000s)

	Par/Shares	Value
ARGENTINA 0.1%		
Corporate Bonds 0.1%		
Banco Galicia y Buenos Air, 8.75%, 5/4/18 (USD) (1)	2,000,000	1,450
IRSA Inversiones y Representaciones 11.50%, 7/20/20 (USD) (1)	1,700,000	1,354
Total Argentina (Cost $3,970)		2,804
AUSTRALIA 0.6%		
Corporate Bonds 0.4%		
Australia & New Zealand Banking, FRN, 4.75%, 12/7/18 (GBP)	695,000	1,086
Commonwealth Bank of Australia, 3.625%, 10/14/14 (CAD)	1,250,000	1,252
Commonwealth Bank of Australia, 3.875%, 12/14/15 (GBP)	1,000,000	1,673
Commonwealth Bank of Australia, 5.50%, 8/6/19 (EUR)	2,050,000	2,788
National Australia Bank, 4.75%, 7/15/16 (EUR)	3,000,000	4,198
National Australia Bank, 5.375%, 12/8/14 (GBP)	1,000,000	1,699
St. George Bank, 6.50%, 6/24/13 (EUR)	200,000	266
Telstra, 6.125%, 8/6/14 (GBP)	400,000	681
Westfield Financial, 5.50%, 6/27/17 (GBP)	450,000	774
Westpac Banking, 4.25%, 9/22/16 (EUR)	2,000,000	2,762
Westpac Banking, 5.00%, 10/21/19 (GBP)	1,000,000	1,717
		18,896
Government Bonds 0.2%		
New South Wales Treasury, 6.00%, 3/1/22	9,068,000	10,649
		10,649
Total Australia (Cost $28,830)		29,545
AUSTRIA 0.6%		
Corporate Bonds 0.1%		
Telekom Finanzmanagement, 6.375%, 1/29/16	1,469,000	2,106
		2,106

(Cost and value in $000s)	Par/Shares	Value
Government Bonds 0.5%		
Republic of Austria, 6.25%, 7/15/27	15,052,000	26,748
		26,748
Total Austria (Cost $28,414)		28,854
BELGIUM 0.6%		
Corporate Bonds 0.1%		
Anheuser-Busch InBev, 6.50%, 6/23/17 (GBP)	1,394,000	2,593
Ontex, 7.50%, 4/15/18 (1)	3,342,000	4,060
Ontex, 7.50%, 4/15/18	325,000	395
		7,048
Government Bonds 0.5%		
Kingdom of Belgium, 4.25%, 9/28/21	9,495,000	13,169
Kingdom of Belgium, 5.00%, 9/28/12	7,417,000	9,489
		22,658
Total Belgium (Cost $31,715)		29,706
BERMUDA 0.1%		
Corporate Bonds 0.1%		
Bacardi, 7.75%, 4/9/14 (EUR)	3,500,000	4,903
Holcim Finance, 8.75%, 4/24/17 (GBP)	800,000	1,500
Total Bermuda (Cost $6,631)		6,403
BRAZIL 1.7%		
Corporate Bonds 0.7%		
Banco do Estado do Rio Grande do Sul 7.375%, 2/2/22 (USD) (1)	4,300,000	4,429
BFF International, 7.25%, 1/28/20 (USD) (1)	1,600,000	1,820
BFF International, Brasil Foods, 7.25%, 1/28/20 (USD)	1,000,000	1,138

(Cost and value in $000s)	Par/Shares	Value
BR Malls International Finance, 9.75%, 11/29/49 (USD)	3,050,000	3,111
BRF - Brasil Foods, 5.875%, 6/6/22 (USD) (1)	1,275,000	1,316
Centrais Electricas Brasileiras, 5.75%, 10/27/21 (USD) (1)	2,500,000	2,745
Cia de Saneamento Basico do Estado de Sao Paulo 6.25%, 12/16/20 (USD) (1)	2,900,000	3,088
Itau Unibanco, 5.65%, 3/19/22 (USD) (1)	3,000,000	3,019
Minerva Luxembourg, 12.25%, 2/10/22 (USD) (1)	2,100,000	2,194
Odebrecht Finance, 6.00%, 4/5/23 (USD) (1)	2,000,000	2,117
Telemar Norte Leste, 5.125%, 12/15/17 (EUR)	3,520,000	4,587
Voto-Votorantim, 5.25%, 4/28/17 (EUR) (1)	2,000,000	2,670
Votorantim Cimentos, 7.25%, 4/5/41 (USD) (1)	1,800,000	1,818
		34,052
Government Bonds 1.0%		
Brazil Notas do Tesouro Nacional, 6.00%, 8/15/20	5,220,000	6,127
Brazil Notas do Tesouro Nacional, 6.00%, 5/15/45	6,060,000	7,833
Brazil Notas do Tesouro Nacional, 6.00%, 8/15/50	7,761,000	10,053
Brazil Notas do Tesouro Nacional, 10.00%, 1/1/21	17,524,000	8,751
Brazil Notas do Tesouro Nacional, 10.00%, 1/1/23	32,966,000	16,243
		49,007
Total Brazil (Cost $84,017)		83,059
CANADA 3.8%		
Corporate Bonds 1.1%		
Bank of Montreal, FRN, 6.17%, 3/28/23	1,444,000	1,657
Bank of Nova Scotia, 2.74%, 12/1/16	1,105,000	1,097
Bell Canada, 5.00%, 2/15/17 (1)	1,494,000	1,599
Canadian Imperial Bank of Commerce, 2.65%, 11/8/16	1,155,000	1,144
Canadian Natural Resources, 4.95%, 6/1/15	1,494,000	1,585
Enbridge, 4.26%, 2/1/21	2,295,000	2,458
EnCana, 5.80%, 1/18/18 (1)	1,439,000	1,578

(Cost and value in $000s)	Par/Shares	Value
Greater Toronto Airport, 6.47%, 2/2/34 (1)	1,414,000	1,893
Hydro One, 5.36%, 5/20/36	1,170,000	1,419
Loblaw, 5.22%, 6/18/20	1,494,000	1,656
Rogers Communications, 5.38%, 11/4/19	1,588,000	1,758
Royal Bank of Canada, 4.35%, 6/15/20	1,990,000	2,049
Royal Bank of Canada, 4.625%, 1/22/18 (EUR)	17,025,000	24,775
Suncor Energy, 5.39%, 3/26/37 (1)	1,533,000	1,730
Telus, 4.95%, 3/15/17	1,494,000	1,608
Thomson Reuters, 5.20%, 12/1/14	1,439,000	1,522
Toronto-Dominion Bank, FRN, 5.69%, 6/3/18	2,335,000	2,372
Transcanada Pipelines, 4.65%, 10/3/16	1,494,000	1,612
Wells Fargo Financial Canada, 2.774%, 2/9/17	3,040,000	2,982
		56,494
Government Bonds 2.7%		
Government of Canada, 3.50%, 6/1/13	15,529,000	15,593
Government of Canada, 4.00%, 6/1/17	10,142,000	11,214
Government of Canada, 4.50%, 6/1/15	20,382,000	21,910
Government of Canada, 5.00%, 6/1/37	13,989,000	20,524
Province of British Columbia, 3.70%, 12/18/20	33,821,000	36,467
Province of Quebec, 5.00%, 12/1/38	22,114,000	26,725
		132,433
Total Canada (Cost $179,305)		188,927
CAYMAN ISLANDS 0.1%		
Corporate Bonds 0.1%		
New York Life Funding, 5.125%, 2/3/15 (GBP)	1,500,000	2,537
Total Cayman Islands (Cost $2,442)		2,537

(Cost and value in $000s)

	Par/Shares	Value
CHILE 0.1%		
Corporate Bonds 0.1%		
Banco del Estado - Chile, 3.875%, 2/8/22 (USD) (1)	2,500,000	2,557
Total Chile (Cost $2,459)		2,557
CHINA 0.5%		
Corporate Bonds 0.5%		
Central China Real Estate, 12.25%, 10/20/15 (USD)	1,500,000	1,569
China Shansui Cement, 8.50%, 5/25/16 (USD) (1)	3,000,000	2,962
CNOOC Finance, 3.875%, 5/2/22 (USD) (1)	1,325,000	1,374
Country Garden Holdings, 11.125%, 2/23/18 (USD) (1)	1,500,000	1,534
Country Garden Holdings, 11.125%, 2/23/18 (USD)	1,500,000	1,534
ENN Energy Holdings, 6.00%, 5/13/21 (USD)	2,000,000	2,016
KWG Property Holding, 12.50%, 8/18/17 (USD)	1,000,000	974
KWG Property Holding, 12.75%, 3/30/16 (USD)	1,000,000	996
Mega Advance Investments, 5.00%, 5/12/21 (USD) (1)	3,000,000	3,217
Tencent Holdings, 4.625%, 12/12/16 (USD) (1)	4,000,000	4,140
Tencent Holdings, 4.625%, 12/12/16 (USD)	1,500,000	1,552
West China Cement, 7.50%, 1/25/16 (USD)	1,900,000	1,719
Total China (Cost $22,400)		23,587
COLOMBIA 0.0%		
Corporate Bonds 0.0%		
BanColombia, 4.25%, 1/12/16 (USD)	1,500,000	1,564
Total Colombia (Cost $1,491)		1,564
CZECH REPUBLIC 0.7%		
Corporate Bonds 0.2%		
CEZ, 5.00%, 10/19/21 (EUR)	1,900,000	2,758

(Cost and value in $000s)	Par/Shares	Value
CEZ, 5.75%, 5/26/15 (EUR)	900,000	1,273
New World Resources, 7.875%, 5/1/18 (EUR)	900,000	1,091
New World Resources, 7.875%, 5/1/18 (EUR) (1)	3,132,000	3,795
		8,917
Government Bonds 0.5%		
Czech Republic, 3.625%, 4/14/21 (EUR)	19,955,000	26,700
		26,700
Total Czech Republic (Cost $35,629)		35,617
DENMARK 0.6%		
Corporate Bonds 0.2%		
Carlsberg Breweries, 7.25%, 11/28/16 (GBP)	1,400,000	2,586
Danske Bank, 4.75%, 6/4/14 (EUR)	2,725,000	3,624
TDC, 3.50%, 2/23/15 (EUR)	2,500,000	3,327
TDC, 5.625%, 2/23/23 (GBP)	500,000	892
		10,429
Government Bonds 0.4%		
Kingdom of Denmark, 5.00%, 11/15/13	83,050,000	15,125
Kingdom of Denmark, 7.00%, 11/10/24	11,236,000	3,032
		18,157
Total Denmark (Cost $26,478)		28,586
FINLAND 0.3%		
Government Bonds 0.3%		
Republic of Finland, 3.375%, 4/15/20	8,776,000	12,383
Total Finland (Cost $12,202)		12,383

(Cost and value in $000s)

	Par/Shares	Value
FRANCE 3.5%		
Corporate Bonds 2.7%		
Alcatel-Lucent, 6.375%, 4/7/14	3,500,000	4,496
Autoroutes du Sud de la France, 7.375%, 3/20/19	2,900,000	4,581
AXA, FRN, 5.25%, 4/16/40	3,200,000	3,239
BNP Paribas Home Loan, 3.75%, 4/20/20	3,600,000	4,937
Carrefour, 5.375%, 6/12/15	3,000,000	4,116
Casino Guichard Perrachon & Cie, 4.379%, 2/8/17	1,200,000	1,590
Casino Guichard Perrachon & Cie, 4.875%, 4/10/14	750,000	996
Casino Guichard Perrachon & Cie, 6.375%, 4/4/13	1,900,000	2,490
Compagnie de Saint-Gobain, 4.00%, 10/8/18	3,500,000	4,628
Electricite de France, 6.25%, 1/25/21	2,000,000	3,116
Electricite de France, 6.875%, 12/12/22 (GBP)	1,200,000	2,315
Eutelsat, 4.125%, 3/27/17	3,000,000	4,029
France Telecom, 8.00%, 12/20/17 (GBP)	697,000	1,359
GDF Suez, 5.625%, 1/18/16	2,934,000	4,244
GDF Suez, 6.125%, 2/11/21 (GBP)	400,000	744
HSBC Covered Bonds (France), 3.375%, 1/20/17	9,650,000	13,018
Legrand, 4.25%, 2/24/17	3,000,000	4,107
Pernod-Ricard, 5.00%, 3/15/17	3,400,000	4,698
Pinault Printemps Redoute, 8.625%, 4/3/14	2,232,000	3,167
RCI Banque, 4.375%, 1/27/15	4,665,000	6,040
Rhodia, 7.00%, 5/15/18	2,500,000	3,528
Societe de Financement de l'Economie, 3.25%, 1/16/14 (2)	24,797,000	32,601
Societe Generale, 5.25%, 3/28/13	2,900,000	3,772
Societe Generale, 5.40%, 1/30/18 (GBP)	996,000	1,421
Societe Generale, 6.125%, 8/20/18	2,600,000	3,238
Total Capital, 3.875%, 12/14/18 (GBP)	398,000	685
Veolia Environnement, 5.125%, 5/24/22	1,866,000	2,631
Veolia Environnement, 5.375%, 5/28/18	1,619,000	2,327

(Cost and value in $000s)	Par/Shares	Value
Veolia Environnement, 6.75%, 4/24/19	595,000	916
Vivendi, 4.875%, 12/2/19	4,500,000	6,105
		135,134
Government Bonds 0.8%		
Republic of France, 4.00%, 10/25/38	13,184,000	17,927
Republic of France, 5.50%, 4/25/29	9,312,000	15,033
Republic of France, 5.75%, 10/25/32	4,161,000	7,031
		39,991
Total France (Cost $181,183)		175,125
GERMANY 19.8%		
Corporate Bonds 4.3%		
Allianz Finance, FRN, 6.50%, 1/13/25	3,949,000	5,196
BASF, 5.875%, 3/31/17 (GBP)	800,000	1,473
Bayer, 5.625%, 5/23/18 (GBP)	1,000,000	1,839
BMW U.K. Capital, 5.00%, 10/2/17 (GBP)	498,000	874
Daimler, 3.50%, 6/6/19 (GBP)	500,000	804
Deutsche Bank, 5.125%, 1/31/13	2,240,000	2,880
Deutsche Telekom International Finance, 6.00%, 1/20/17	2,237,000	3,316
Deutsche Telekom International Finance 7.125%, 9/26/12 (GBP)	1,494,000	2,369
E.ON International Finance, 5.50%, 1/19/16	3,080,000	4,433
E.ON International Finance, 6.00%, 10/30/19 (GBP)	2,100,000	3,969
Eurohypo, 3.875%, 11/21/13	7,545,000	9,956
Eurohypo, 3.875%, 11/21/16	11,066,000	15,171
KFW, 4.375%, 7/4/18	21,084,000	31,226
KFW, 4.70%, 6/2/37 (CAD)	7,206,000	8,069
KFW, 5.50%, 12/7/15 (GBP)	18,747,000	33,629
KFW, 6.00%, 8/20/20 (AUD)	58,463,000	66,147
Linde Finance, 6.50%, 1/29/16 (GBP)	1,000,000	1,833

(Cost and value in $000s)	Par/Shares	Value
MAN, 7.25%, 5/20/16	496,000	757
Merck Financial Services, 3.375%, 3/24/15	2,480,000	3,311
Merck Financial Services, 4.875%, 9/27/13	595,000	789
Schaeffler Finance, 8.75%, 2/15/19 (1)	2,425,000	3,226
UnityMedia, 9.625%, 12/1/19	1,700,000	2,342
UnityMedia, 9.625%, 12/1/19 (1)	1,952,000	2,688
Volkswagen Leasing, 3.25%, 5/10/18	5,000,000	6,689
		212,986
Government Bonds 15.5%		
Bundesobligation, 4.25%, 10/12/12	47,634,000	60,970
Federal Republic of Germany, 1.75%, 7/4/22	9,952,000	12,785
Federal Republic of Germany, 2.50%, 1/4/21	31,877,000	44,130
Federal Republic of Germany, 3.50%, 1/4/16	121,529,000	170,870
Federal Republic of Germany, 3.75%, 1/4/15	31,000,000	42,729
Federal Republic of Germany, 4.00%, 1/4/37	74,861,000	124,412
Federal Republic of Germany, 4.50%, 1/4/13	189,700,000	245,484
Federal Republic of Germany, 5.00%, 7/4/12	49,782,000	63,005
		764,385
Total Germany (Cost $995,423)		977,371
HONG KONG 0.3%		
Corporate Bonds 0.3%		
LS Finance, 5.25%, 1/26/17 (USD)	2,000,000	2,066
Standard Chartered, 3.875%, 10/20/16 (EUR)	3,000,000	4,063
Standard Chartered, 5.875%, 9/26/17 (EUR)	4,300,000	5,886
Standard Chartered Bank, 6.50%, 4/28/14 (GBP)	800,000	1,361
Total Hong Kong (Cost $13,727)		13,376

(Cost and value in $000s)	Par/Shares	Value
HUNGARY 0.3%		
Government Bonds 0.3%		
Republic of Hungary, 6.50%, 6/24/19	2,508,210,000	10,458
Republic of Hungary, 6.75%, 2/24/17	730,480,000	3,129
Total Hungary (Cost $14,239)		13,587
ICELAND 0.3%		
Government Bonds 0.3%		
Republic of Iceland, 5.875%, 5/11/22 (USD) (1)	12,936,000	12,632
Total Iceland (Cost $12,878)		12,632
INDIA 0.1%		
Corporate Bonds 0.1%		
Reliance Holdings, 6.25%, 10/19/40 (USD) (1)	4,000,000	3,764
Total India (Cost $3,962)		3,764
INDONESIA 0.5%		
Corporate Bonds 0.1%		
PT Adaro Indonesia, 7.625%, 10/22/19 (USD)	2,500,000	2,675
		2,675
Government Bonds 0.4%		
Republic of Indonesia, 7.00%, 5/15/22	26,503,000,000	3,006
Republic of Indonesia, 8.25%, 7/15/21	152,414,000,000	18,576
		21,582
Total Indonesia (Cost $23,753)		24,257
IRELAND 0.1%		
Corporate Bonds 0.1%		
GE Capital UK Funding, 5.625%, 12/12/14 (GBP)	2,286,000	3,887

(Cost and value in $000s)	Par/Shares	Value
GE Capital UK Funding, 5.625%, 4/25/19 (GBP)	1,300,000	2,278
WPP 2008, 6.00%, 4/4/17 (GBP)	400,000	706
Total Ireland (Cost $7,161)		6,871
ISRAEL 0.2%		
Government Bonds 0.2%		
Israel Fixed Bond, 5.50%, 2/28/17	32,728,000	9,237
Total Israel (Cost $9,305)		9,237
ITALY 3.1%		
Corporate Bonds 1.0%		
Enel, 5.25%, 1/14/15	2,419,000	3,122
ENI, 3.50%, 1/29/18	2,500,000	3,167
ENI Finance International, 5.00%, 1/27/19 (GBP)	600,000	999
Finmeccanica Finance, 8.125%, 12/3/13	2,700,000	3,616
Intesa Sanpaolo, 4.00%, 11/8/18	8,600,000	9,881
Lottomatica, 5.375%, 12/5/16	4,100,000	5,276
Telecom Italia, 7.375%, 12/15/17 (GBP)	750,000	1,159
Telecom Italia, 7.875%, 1/22/14	2,500,000	3,339
Telecom Italia, 8.25%, 3/21/16	2,200,000	3,047
UniCredito, 4.25%, 7/29/16	9,025,000	11,465
Wind Acquisition, 11.75%, 7/15/17	2,000,000	2,037
Wind Acquisition, 11.75%, 7/15/17 (1)	1,900,000	1,936
		49,044
Government Bonds 2.1%		
Italy Buoni Poliennali del Tesoro, 3.75%, 3/1/21	39,031,000	43,810
Italy Buoni Poliennali del Tesoro, 4.00%, 2/1/37	7,481,000	7,246
Italy Buoni Poliennali del Tesoro, 4.50%, 2/1/18	19,137,000	23,395

(Cost and value in $000s)	Par/Shares	Value
Italy Buoni Poliennali del Tesoro, 5.00%, 9/1/40	30,102,000	32,220
		106,671
Total Italy (Cost $177,049)		155,715
JAMAICA 0.1%		
Corporate Bonds 0.1%		
Digicel, 8.875%, 1/15/15 (USD)	2,600,000	2,639
Digicel, 10.50%, 4/15/18 (USD) (1)	1,850,000	1,931
Total Jamaica (Cost $4,570)		4,570
JAPAN 22.0%		
Government Bonds 22.0%		
Government of Japan, 0.50%, 12/20/15	6,922,300,000	87,763
Government of Japan, 1.00%, 12/20/21	3,732,250,000	47,632
Government of Japan, 1.10%, 6/20/21	10,278,650,000	132,922
Government of Japan, 1.30%, 6/20/20	11,198,000,000	148,056
Government of Japan, 1.40%, 3/20/18	3,700,550,000	49,229
Government of Japan, 1.50%, 3/20/19	3,839,900,000	51,561
Government of Japan, 1.50%, 6/20/19	1,075,350,000	14,445
Government of Japan, 1.70%, 9/20/16	1,101,000,000	14,667
Government of Japan, 1.70%, 3/20/17	3,327,000,000	44,558
Government of Japan, 1.70%, 9/20/17	8,404,800,000	113,138
Government of Japan, 1.90%, 3/20/25	702,800,000	9,607
Government of Japan, 2.00%, 12/20/33	2,174,050,000	28,542
Government of Japan, 2.30%, 6/20/28	19,966,850,000	281,462
Government of Japan, 2.30%, 3/20/40	4,815,000,000	65,673
Total Japan (Cost $1,016,528)		1,089,255

(Cost and value in $000s)	Par/Shares	Value
KAZAKHSTAN 0.1%		
Corporate Bonds 0.1%		
HSBK Europe, 7.25%, 5/3/17 (USD)	1,000,000	1,000
Kazkommertsbank, 8.50%, 5/11/18 (USD) (1)	2,000,000	1,710
Total Kazakhstan (Cost $2,991)		2,710
LITHUANIA 0.3%		
Government Bonds 0.3%		
Republic of Lithuania, 5.125%, 9/14/17 (USD) (1)	6,967,000	7,385
Republic of Lithuania, 6.75%, 1/15/15 (USD)	5,112,000	5,547
Total Lithuania (Cost $12,100)		12,932
LUXEMBOURG 0.3%		
Corporate Bonds 0.3%		
Arcelormittal, 9.375%, 6/3/16	2,100,000	3,094
Cirsa Finance Luxembourg, 8.75%, 5/15/18	5,500,000	5,673
Gategroup Finance, 6.75%, 3/1/19 (1)	1,200,000	1,515
Sunrise Communications, 7.00%, 12/31/17	500,000	677
Sunrise Communications, 7.00%, 12/31/17 (1)	3,500,000	4,739
Total Luxembourg (Cost $17,621)		15,698
MACAU 0.0%		
Corporate Bonds 0.0%		
MCE Finance, 10.25%, 5/15/18 (USD)	2,000,000	2,275
Total Macau (Cost $2,262)		2,275
MALAYSIA 1.4%		
Government Bonds 1.4%		
Malaysian Government, 3.70%, 5/15/13	28,550,000	9,047

(Cost and value in $000s)	Par/Shares	Value
Malaysian Government, 4.16%, 7/15/21	37,999,000	12,590
Malaysian Government, 4.378%, 11/29/19	129,719,000	43,381
Malaysian Government, 4.498%, 4/15/30	14,640,000	4,959
Total Malaysia (Cost $71,376)		69,977
MEXICO 2.8%		
Corporate Bonds 0.9%		
America Movil, 4.125%, 10/25/19 (EUR)	3,580,000	4,926
CEMEX Finance, 9.50%, 12/14/16 (USD) (1)	3,500,000	3,430
Controladora Mabe, 7.875%, 10/28/19 (USD) (1)	2,500,000	2,625
Pemex Project Funding Master Trust, 6.25%, 8/5/13 (EUR)	2,678,000	3,575
Pemex Project Funding Master Trust, 6.375%, 8/5/16 (EUR)	2,479,000	3,578
Petroleos Mexicanos, 5.50%, 1/9/17 (EUR)	2,500,000	3,518
Petroleos Mexicanos, 5.50%, 1/21/21 (USD)	12,674,000	14,385
Petroleos Mexicanos, 7.50%, 12/18/13 (GBP)	1,573,000	2,647
Satmex Escrow, 9.50%, 5/15/17 (USD)	3,000,000	3,165
		41,849
Government Bonds 1.9%		
Mexican Udibonos, Inflation-Indexed, 2.50%, 12/10/20	248,142,078	20,045
United Mexican States, 6.50%, 6/10/21	71,023,000	5,785
United Mexican States, 7.50%, 6/3/27	217,500,000	18,552
United Mexican States, 8.50%, 12/13/18	291,850,000	26,020
United Mexican States, 8.50%, 11/18/38	274,408,000	24,990
		95,392
Total Mexico (Cost $132,206)		137,241
NETHERLANDS 2.7%		
Corporate Bonds 1.3%		
Ahold Finance USA, 6.50%, 3/14/17 (GBP)	1,687,000	3,030

(Cost and value in $000s)	Par/Shares	Value
Akzo Nobel, 8.00%, 4/6/16 (GBP)	850,000	1,581
Bank Nederlandse Gemeenten, 2.50%, 1/18/16	8,031,000	10,601
Heineken, 7.125%, 4/7/14	3,081,000	4,288
Heineken, 7.25%, 3/10/15 (GBP)	1,489,000	2,634
ING Verzekering, 4.00%, 9/18/13	1,950,000	2,518
KBC IFIMA, 3.875%, 3/31/15	4,150,000	5,276
Koninklijke, 5.75%, 3/18/16 (GBP)	2,420,000	4,185
Koninklijke, 7.50%, 2/4/19	2,500,000	3,939
Rabobank Nederland, 4.125%, 1/14/20	2,987,000	4,077
Rabobank Nederland, 4.25%, 1/16/17	3,457,000	4,764
RWE Finance, 6.375%, 6/3/13 (GBP)	595,000	973
RWE Finance, 6.50%, 4/20/21 (GBP)	850,000	1,623
RWE Finance, 6.625%, 1/31/19	5,200,000	8,247
UPCB Finance, 7.625%, 1/15/20	3,500,000	4,684
Ziggo Bond, 8.00%, 5/15/18 (1)	3,432,000	4,712
		67,132
Government Bonds 1.4%		
Kingdom of the Netherlands, 3.50%, 7/15/20	27,877,000	39,634
Kingdom of the Netherlands, 5.50%, 1/15/28	16,292,000	28,477
		68,111
Total Netherlands (Cost $133,436)		135,243
NIGERIA 0.1%		
Corporate Bonds 0.1%		
Afren, 11.50%, 2/1/16 (USD)	3,800,000	4,075
Total Nigeria (Cost $3,912)		4,075

(Cost and value in $000s)	Par/Shares	Value
NORWAY 0.2%		
Corporate Bonds 0.2%		
DnB NOR Bank, 3.875%, 6/29/20 (EUR)	2,100,000	2,825
DnB Nor Bank, 4.375%, 2/24/21 (EUR)	500,000	691
Nordea Hypotek, 3.50%, 1/18/17 (EUR)	6,080,000	8,380
Total Norway (Cost $12,173)		11,896
PERU 0.2%		
Corporate Bonds 0.1%		
Banco Credito del Peru, 5.375%, 9/16/20 (USD) (1)	3,750,000	3,909
Corp Lindley, 6.75%, 11/23/21 (USD) (1)	3,000,000	3,255
		7,164
Government Bonds 0.1%		
Republic of Peru, 7.84%, 8/12/20 (1)	10,604,000	4,727
		4,727
Total Peru (Cost $11,046)		11,891
POLAND 2.3%		
Corporate Bonds 0.3%		
Cyfrowy Polsat, 7.125%, 5/20/18 (EUR)	2,500,000	3,251
Eileme, 11.75%, 1/31/20 (EUR) (1)	1,700,000	2,216
TPSA Euro Finance, 6.00%, 5/22/14 (EUR)	3,000,000	4,090
TVN Finance, 10.75%, 11/15/17 (EUR)	3,250,000	4,318
		13,875
Government Bonds 2.0%		
Republic of Poland, 5.00%, 10/24/13	55,906,000	16,858
Republic of Poland, 5.00%, 4/25/16	22,740,000	6,918
Republic of Poland, 5.50%, 4/25/15	46,865,000	14,400
Republic of Poland, 5.50%, 10/25/19	92,814,000	28,848

(Cost and value in $000s)	Par/Shares	Value
Republic of Poland, 5.75%, 10/25/21	74,268,000	23,319
Republic of Poland, 5.75%, 9/23/22	27,696,000	8,677
		99,020
Total Poland (Cost $117,082)		112,895
RUSSIA 1.0%		
Corporate Bonds 0.4%		
Alfa Bank, 7.875%, 9/25/17 (USD)	2,900,000	2,933
Alrosa Finance, 7.75%, 11/3/20 (USD)	2,800,000	2,946
GAZ Capital, 6.605%, 2/13/18 (EUR)	4,000,000	5,739
Metalloinvest Finance, 6.50%, 7/21/16 (USD) (1)	3,000,000	2,993
Promsvyazbank Finance, 6.20%, 4/25/14 (USD)	2,000,000	1,963
Sberbank Capital, 5.717%, 6/16/21 (USD)	2,500,000	2,555
TMK Capital, 7.75%, 1/27/18 (USD)	2,000,000	1,910
VimpelCom, 7.504%, 3/1/22 (USD)	2,300,000	2,166
VimpelCom, 7.748%, 2/2/21 (USD)	200,000	194
		23,399
Government Bonds 0.6%		
Russia, FRN, 7.50%, 3/31/30 (USD)	9,743,720	11,722
Russian Federation, 7.85%, 3/10/18	510,000,000	16,637
		28,359
Total Russia (Cost $51,897)		51,758
SOUTH AFRICA 2.3%		
Corporate Bonds 0.4%		
Eskom Holdings, 5.75%, 1/26/21 (USD) (1)	12,537,000	13,775
Standard Bank, 8.125%, 12/2/19 (USD)	3,000,000	3,277
		17,052

(Cost and value in $000s)	Par/Shares	Value
Government Bonds 1.9%		
Republic of South Africa, 6.75%, 3/31/21	325,655,000	38,507
Republic of South Africa, 8.00%, 12/21/18	336,196,000	43,553
Republic of South Africa, 10.50%, 12/21/26	12,245,000	1,824
Republic of South Africa, 13.50%, 9/15/15	76,961,000	11,432
		95,316
Total South Africa (Cost $111,865)		112,368
SOUTH KOREA 1.6%		
Corporate Bonds 0.1%		
Export-Import Bank of Korea, 4.625%, 2/20/17 (EUR)	900,000	1,227
Hyundai Capital America, 4.00%, 6/8/17 (USD)	4,000,000	4,145
Hyundai Capital Services, 3.50%, 9/13/17 (USD) (1)	1,530,000	1,546
		6,918
Government Bonds 1.5%		
Korea Treasury Bond, 4.25%, 6/10/21	8,250,860,000	7,565
Korea Treasury Bond, 4.50%, 3/10/15	49,239,360,000	44,315
Korea Treasury Bond, 5.00%, 6/10/20	23,009,050,000	22,091
		73,971
Total South Korea (Cost $75,903)		80,889
SPAIN 2.3%		
Corporate Bonds 1.1%		
Banco Bilbao Vizcaya Argentaria, 3.00%, 10/9/14	9,550,000	11,485
Banco Bilbao Vizcaya Argentaria, 4.875%, 1/23/14	3,000,000	3,722
Banco Santander, 4.625%, 1/20/16	19,500,000	24,044
Gas Natural Capital Markets, 4.125%, 1/26/18	2,700,000	2,947
Gas Natural Capital Markets, 5.25%, 7/9/14	2,800,000	3,507
Repsol International Finance, 4.75%, 2/16/17	2,250,000	2,713

	Par/Shares	Value
(Cost and value in $000s)		
Telefonica Emisiones, 3.661%, 9/18/17	3,500,000	3,773
Telefonica Emisiones, 4.75%, 2/7/17	3,500,000	4,049
Telefonica Emisiones, 5.375%, 2/2/18 (GBP)	1,000,000	1,414
		57,654
Government Bonds 1.2%		
Kingdom of Spain, 4.10%, 7/30/18	5,514,000	6,350
Kingdom of Spain, 4.60%, 7/30/19	31,542,000	36,648
Kingdom of Spain, 5.75%, 7/30/32	13,603,000	14,953
		57,951
Total Spain (Cost $136,523)		115,605
SUPRANATIONAL 2.3%		
Corporate Bonds 2.3%		
European Investment Bank, 8.75%, 8/25/17 (GBP)	13,208,000	27,158
Inter-American Development Bank, 4.40%, 1/26/26 (CAD)	11,649,000	12,945
International Bank for Reconstruction & Development 3.875%, 5/20/19 (EUR)	50,037,000	72,985
Total Supranational (Cost $110,924)		113,088
SWEDEN 1.0%		
Corporate Bonds 0.9%		
Nordea Bank, 3.75%, 2/24/17 (EUR)	4,300,000	5,813
Nordea Bank, 3.875%, 12/15/15 (GBP)	1,000,000	1,665
Securitas, 6.50%, 4/2/13 (EUR)	2,350,000	3,085
Skandinaviska Enskilda Banken, 3.75%, 5/19/16 (EUR)	2,750,000	3,694
Skandinaviska Enskilda Banken, 6.625%, 7/9/14 (GBP)	1,000,000	1,702
Svenska Handelsbanken, 4.875%, 3/25/14 (EUR)	2,950,000	3,975
Svenska Handelsbanken, 5.50%, 5/26/16 (GBP)	2,800,000	4,867
Swedish Export Credit, 3.625%, 5/27/14 (EUR)	13,760,000	18,219

(Cost and value in $000s)	Par/Shares	Value
Verisure Holding, 8.75%, 9/1/18 (EUR) (1)	1,075,000	1,306
		44,326
Government Bonds 0.1%		
Kingdom of Sweden, 3.75%, 8/12/17	45,945,000	7,462
		7,462
Total Sweden (Cost $53,186)		51,788
SWITZERLAND 0.5%		
Corporate Bonds 0.5%		
Adecco, 4.75%, 4/13/18 (EUR)	3,000,000	4,013
Cloverie, FRN, 7.50%, 7/24/39 (EUR)	4,200,000	5,738
Credit Suisse First Boston (London), 5.125%, 9/18/17 (EUR)	5,500,000	7,888
Credit Suisse First Boston (London), 6.125%, 8/5/13 (EUR)	2,000,000	2,664
Credit Suisse Group Finance (Guernsey), 6.375%, 6/7/13 (EUR)	1,921,000	2,527
UBS (London), 6.25%, 9/3/13 (EUR)	1,984,000	2,650
UBS (London), 6.375%, 7/20/16 (GBP)	993,000	1,734
Total Switzerland (Cost $29,295)		27,214
TURKEY 0.6%		
Corporate Bonds 0.2%		
Akbank, 5.125%, 7/22/15 (USD) (1)	4,000,000	4,095
Turkiye Garanti Bankasi, 6.25%, 4/20/21 (USD) (1)	4,000,000	4,100
		8,195
Government Bonds 0.4%		
Republic of Turkey, 10.00%, 6/17/15	27,064,000	15,548
Republic of Turkey, 10.50%, 1/15/20	10,166,000	6,192
		21,740
Total Turkey (Cost $31,694)		29,935

(Cost and value in $000s)	Par/Shares	Value
UKRAINE 0.2%		
Corporate Bonds 0.2%		
Avangardco Investments, 10.00%, 10/29/15 (USD)	3,000,000	2,395
DTEK Finance, 9.50%, 4/28/15 (USD)	3,000,000	2,925
MHP, 10.25%, 4/29/15 (USD)	3,550,000	3,439
Mriya Agro Holding, 10.95%, 3/30/16 (USD)	3,000,000	2,573
Total Ukraine (Cost $12,538)		11,332
UNITED ARAB EMIRATES 0.2%		
Corporate Bonds 0.2%		
DP World Sukuk, 6.25%, 7/2/17 (USD)	2,000,000	2,170
Dubai Electricity & Water, 7.375%, 10/21/20 (USD) (1)	4,000,000	4,400
IPIC GMTN, 5.875%, 3/14/21 (EUR)	3,000,000	4,173
Total United Arab Emirates (Cost $9,694)		10,743
UNITED KINGDOM 10.2%		
Corporate Bonds 4.8%		
Aviva, FRN, 6.875%, 5/22/38 (EUR)	4,000,000	4,441
B.A.T. International Finance, 5.375%, 6/29/17 (EUR)	3,450,000	5,044
B.A.T. International Finance, 6.375%, 12/12/19	1,095,000	2,091
BAA Funding, 4.60%, 2/15/18 (EUR)	3,500,000	4,699
BAA Funding, 5.225%, 2/15/25	2,400,000	4,046
Barclays Bank, 4.00%, 10/7/19 (EUR)	18,450,000	25,890
Barclays Bank, 5.25%, 5/27/14 (EUR)	3,700,000	4,997
Barclays Bank, 5.75%, 8/17/21	2,400,000	4,162
Barclays Bank, 6.00%, 1/14/21 (EUR)	3,500,000	4,073
BG Energy Capital, 5.125%, 12/7/17	1,000,000	1,788
BG Energy Capital, 5.875%, 11/13/12	737,000	1,172
BP Capital Markets, 3.83%, 10/6/17 (EUR)	4,000,000	5,501

(Cost and value in $000s)	Par/Shares	Value
British Sky Broadcasting Finance, 5.75%, 10/20/17	2,100,000	3,737
British Telecommunications, 6.50%, 7/7/15 (EUR)	1,700,000	2,449
British Telecommunications, 8.625%, 3/26/20	1,593,000	3,289
Centrica, 5.125%, 12/10/14	1,000,000	1,698
Crown Newco, 7.00%, 2/15/18	1,800,000	2,734
Crown Newco, 7.00%, 2/15/18 (1)	1,700,000	2,583
Eastern Power Networks, 4.75%, 9/30/21	1,200,000	2,047
Experian Fiance, 4.75%, 2/4/20 (EUR)	3,000,000	4,368
Experian Finance, 4.75%, 11/23/18	1,000,000	1,732
FCE Bank, 4.75%, 1/19/15 (EUR)	3,600,000	4,818
G4S, 7.75%, 5/13/19	1,200,000	2,317
HSBC Bank, 3.875%, 10/24/18 (EUR)	5,500,000	7,621
HSBC Bank Canada, 3.558%, 10/4/17 (CAD)	1,120,000	1,139
HSBC Holdings, 6.25%, 3/19/18 (EUR)	2,500,000	3,459
HSBC Holdings, FRN, 9.875%, 4/8/18	2,300,000	3,793
Imperial Tobacco Finance, 4.50%, 7/5/18 (EUR)	4,000,000	5,501
Intercontinental Hotels, 6.00%, 12/9/16	1,100,000	1,903
Kingfisher, 5.625%, 12/15/14	1,290,000	2,146
Legal & General Group, FRN, 4.00%, 6/8/25 (EUR)	3,800,000	4,328
Lloyds TSB Bank, 6.375%, 6/17/16 (EUR)	5,950,000	8,400
Lloyds TSB Bank, 6.50%, 3/24/20 (EUR)	6,950,000	7,562
Lloyds TSB Bank, 7.50%, 4/15/24	1,000,000	1,838
Marks & Spencer, 5.625%, 3/24/14	1,389,000	2,298
MU Finance, 8.75%, 2/1/17 (1)	2,500,000	4,209
MU Finance, 8.75%, 2/1/17	500,000	842
National Express Group, 6.25%, 1/13/17	1,200,000	2,023
National Grid, 5.00%, 7/2/18 (EUR)	3,933,000	5,747
National Grid, 6.125%, 4/15/14	1,100,000	1,852
National Grid, 6.50%, 4/22/14 (EUR)	1,700,000	2,351
Nationwide Building Society, 3.75%, 1/20/15 (EUR)	3,000,000	3,930

	Par/Shares	Value
(Cost and value in $000s)		
Nationwide Building Society, 4.375%, 2/28/22 (EUR)	9,300,000	13,299
Nationwide Building Society, 5.625%, 9/9/19	1,300,000	2,228
Nationwide Building Society, 6.75%, 7/22/20 (EUR)	3,000,000	3,564
Next, 5.875%, 10/12/16	1,200,000	2,065
Northumbrian Water Fin., 6.00%, 10/11/17	400,000	730
Odeon & UCI Finco, 9.00%, 8/1/18	3,000,000	4,510
Rentokil Initial, 5.75%, 3/31/16	1,500,000	2,480
Rolls-Royce, 6.75%, 4/30/19	1,000,000	1,950
Royal Bank of Scotland, 4.75%, 5/18/16 (EUR)	2,500,000	3,335
Royal Bank of Scotland, 5.25%, 5/15/13 (EUR)	2,300,000	2,989
Royal Bank of Scotland, 5.375%, 9/30/19 (EUR)	3,500,000	4,743
Royal Bank of Scotland, 5.75%, 5/21/14 (EUR)	3,000,000	4,026
Royal Bank of Scotland, 6.375%, 4/29/14	1,000,000	1,659
Scottish Power, 8.375%, 2/20/17	794,000	1,505
Severn Trent Water Utilities, 5.25%, 3/11/16 (EUR)	2,435,000	3,473
Severn Trent Water Utilities, 6.00%, 1/22/18	700,000	1,280
Tesco, 6.125%, 2/24/22	2,500,000	4,590
Virgin Media Finance, 8.875%, 10/15/19	2,500,000	4,366
Vodafone Group, 8.125%, 11/26/18	1,300,000	2,673
		236,083
Government Bonds 5.4%		
Government of the United Kingdom, 3.75%, 9/7/21	24,287,000	44,774
Government of the United Kingdom, 4.25%, 6/7/32	47,999,000	92,658
Government of the United Kingdom, 4.25%, 9/7/39	58,136,000	112,070
Government of the United Kingdom, 4.50%, 3/7/13	8,717,000	14,040
Government of the United Kingdom, 4.50%, 3/7/19	1,758,000	3,346
		266,888
Total United Kingdom (Cost $473,267)		502,971

(Cost and value in $000s)

	Par/Shares	Value
UNITED STATES 3.4%		
Corporate Bonds 3.4%		
American International Group, 6.797%, 11/15/17 (EUR)	2,500,000	3,488
AON Financial Services Luxembourg, 6.25%, 7/1/14 (EUR)	2,300,000	3,121
AT&T, 5.875%, 4/28/17 (GBP)	1,000,000	1,807
Bank of America, 4.625%, 2/18/14 (EUR)	1,587,000	2,060
Bank of America, 4.625%, 8/7/17 (EUR)	4,000,000	5,211
Bank of America, 4.75%, 4/3/17 (EUR)	3,500,000	4,586
Bank of America, 5.50%, 12/4/19 (GBP)	1,750,000	2,808
Citigroup, 3.50%, 8/5/15 (EUR)	3,535,000	4,577
Citigroup, 5.00%, 8/2/19 (EUR)	2,688,000	3,539
Citigroup, 6.25%, 9/2/19 (GBP)	1,888,000	3,230
Citigroup, 6.40%, 3/27/13 (EUR)	3,240,000	4,241
Citigroup, FRN, 1.116%, 5/31/17 (EUR)	1,750,000	1,791
Citigroup, FRN, 4.75%, 2/10/19 (EUR)	1,587,000	1,733
Citigroup Finance Canada, 6.75%, 9/22/14 (CAD)	996,000	1,051
CRH Finance, 7.375%, 5/28/14 (EUR)	3,600,000	5,012
GE Capital Canada Funding, 5.73%, 10/22/37 (CAD)	1,693,000	1,863
GE Capital Euro Funding, 4.625%, 2/22/27 (EUR)	3,750,000	5,148
GE Capital Euro Funding, 5.25%, 5/18/15 (EUR)	5,554,000	7,678
GE Capital Euro Funding, 5.375%, 1/16/18 (EUR)	3,373,000	4,847
GE Capital Trust IV, FRN, 4.625%, 9/15/66 (EUR)	3,000,000	3,260
GMAC International Finance, 7.50%, 4/21/15 (EUR)	3,600,000	4,738
Goldman Sachs, 4.50%, 1/30/17 (EUR)	6,000,000	7,794
Goldman Sachs, 5.125%, 10/16/14 (EUR)	4,150,000	5,486
Goldman Sachs, 6.125%, 2/14/17 (GBP)	1,195,000	1,982
Goldman Sachs, 6.375%, 5/2/18 (EUR)	591,000	830
IBM, 6.625%, 1/30/14 (EUR)	650,000	898
JPMorgan Chase, 4.25%, 1/25/17 (GBP)	1,000,000	1,657
JPMorgan Chase, 4.375%, 1/30/14 (EUR)	4,100,000	5,410

(Cost and value in $000s)	Par/Shares	Value
JPMorgan Chase, 5.25%, 1/14/15 (EUR)	3,000,000	4,124
JPMorgan Chase, FRN, 4.375%, 11/12/19 (EUR)	2,800,000	3,345
Kraft Food, 6.25%, 3/20/15 (EUR)	2,700,000	3,840
Kraft Foods, 7.25%, 7/18/18 (GBP)	1,400,000	2,693
Manpower, 4.75%, 6/14/13 (EUR)	1,600,000	2,063
Merrill Lynch, 4.45%, 1/31/14 (EUR)	3,081,000	3,972
Met Life Global Funding I, 4.625%, 5/16/17 (EUR)	2,300,000	3,173
Molson Coors International, 3.95%, 10/6/17 (CAD)	2,235,000	2,266
Morgan Stanley, 4.90%, 2/23/17 (CAD)	2,375,000	2,284
Morgan Stanley, 5.00%, 5/2/19 (EUR)	3,000,000	3,796
Morgan Stanley, 5.125%, 11/30/15 (GBP)	2,000,000	3,197
Morgan Stanley, 5.375%, 8/10/20 (EUR)	1,500,000	1,877
Morgan Stanley, 5.50%, 10/2/17 (EUR)	6,000,000	7,769
New York Life Global Funding, 4.375%, 1/19/17 (EUR)	2,300,000	3,176
Pacific Life Funding, 5.125%, 1/20/15 (GBP)	2,683,000	4,418
Philip Morris International, 5.875%, 9/4/15 (EUR)	800,000	1,152
Principal Financial Global Funding II, 4.50%, 1/26/17 (EUR)	3,500,000	4,530
SLM Corporation, 4.75%, 3/17/14 (EUR)	4,000,000	4,946
Toyota Motor Credit, 4.00%, 12/7/17 (GBP)	500,000	856
UnityMedia, 7.50%, 3/15/19 (EUR) (1)	4,175,000	5,548
Total United States (Cost $176,816)		168,871
SHORT-TERM INVESTMENTS 3.0%		
Money Market Funds 2.7%		
T. Rowe Price Reserve Investment Fund, 0.16% (3)(4)	132,992,060	132,992
		132,992

(Cost and value in $000s)	Par/Shares	Value
U.S. Treasury Obligations 0.3%		
U.S. Treasury Notes, 0.625%, 7/31/12 (5)	13,800,000	13,806
		13,806
Total Short-Term Investments (Cost $146,798)		146,798
Total Investments in Securities		
99.1% of Net Assets (Cost $4,862,366)		**$ 4,902,082**

‡ Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; securities are denominated in the currency of the country presented unless otherwise noted.

(1) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration only to qualified institutional buyers -- total value of such securities at period-end amounts to $169,414 and represents 3.4% of net assets.

(2) Security issued under the Federal Deposit Insurance Corporation Temporary Liquidity Guarantee Program.

(3) Seven-day yield

(4) Affiliated Companies

(5) At June 30, 2012, all or a portion of this security is pledged as collateral and/or margin deposit to cover future funding obligations.

AUD Australian Dollar
BRL Brazilian Real
CAD Canadian Dollar
CHF Swiss Franc
CLP Chilean Peso
CNY China Renminbi
CZK Czech Koruna
DKK Danish Krone
EUR Euro
FRN Floating-Rate Note
GBP British Pound
HKD Hong Kong Dollar
HUF Hungarian Forint
JPY Japanese Yen
KRW South Korean Won
MXN Mexican Peso
MYR Malaysian Ringgit
NOK Norwegian Krone
PLN Polish Zloty

RUB	Russian Ruble
SEK	Swedish Krona
SGD	Singapore Dollar
THB	Thai Baht
TRY	Turkish Lira
USD	U.S. Dollar
ZAR	South African Rand

($000s, except market price)

	Notional Amount	Market Value	Upfront Premiums Paid/(Received)	Unrealized Gain (Loss)
Swaps 0.0%				
Credit Default Swaps, Protection Bought 0.0%				
United Kingdom 0.0%				
JPMorgan Chase, Protection Bought (Relevant Credit: United Utilities, 6.875%, 8/15/28) Pay 1.00%, Receive upon credit default 6/20/17 (EUR)	4,000	(39)	(55)	16
Total Credit Default Swaps, Protection Bought			(55)	16
Total Swaps			(55)	16

(Amounts in 000s)

Forward Currency Exchange Contracts

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
Bank of America Merrill Lynch	8/16/12	USD	44,827	JPY	3,527,272	673
Barclays Bank	8/16/12	AUD	12,497	USD	12,294	444
Barclays Bank	8/16/12	CNY	83,604	USD	13,218	(87)
Barclays Bank	8/16/12	GBP	664	USD	1,047	(7)
Barclays Bank	8/16/12	HUF	303,234	USD	1,282	53
Barclays Bank	8/16/12	MXN	379,222	USD	27,541	766
Barclays Bank	8/16/12	TRY	6,451	USD	3,488	45
Barclays Bank	8/16/12	USD	32,538	AUD	32,321	(407)
Barclays Bank	8/16/12	USD	12,730	BRL	25,935	(70)
Barclays Bank	8/16/12	USD	13,468	EUR	10,572	84
Barclays Bank	8/16/12	USD	16,236	JPY	1,297,571	(7)
Barclays Bank	8/16/12	USD	53,558	PLN	181,681	(683)
Barclays Bank	8/16/12	USD	443	SGD	563	(1)
Barclays Bank	8/16/12	USD	1,372	TRY	2,562	(31)
Citibank	7/17/12	KRW	48,265,428	USD	42,040	60
Citibank	8/16/12	CZK	206,342	USD	10,420	(189)
Citibank	8/16/12	JPY	37,749,642	USD	473,288	(744)
Citibank	8/16/12	MXN	146,714	USD	10,337	615
Citibank	8/16/12	USD	6,241	BRL	12,389	127
Citibank	8/16/12	USD	17,356	MXN	239,372	(512)
Credit Suisse	8/16/12	CLP	5,026,398	USD	10,140	(162)
Credit Suisse	8/16/12	USD	29,024	EUR	22,602	410
Credit Suisse	8/16/12	USD	19,222	EUR	15,303	(151)
Credit Suisse	8/16/12	USD	1,667	JPY	131,444	22
Deutsche Bank	8/16/12	EUR	19,077	USD	24,040	111
Deutsche Bank	8/16/12	GBP	3,376	USD	5,184	103
Deutsche Bank	8/16/12	HUF	227,668	USD	985	17
Deutsche Bank	8/16/12	NOK	381,587	USD	64,148	(102)
Deutsche Bank	8/16/12	USD	224,489	EUR	173,282	5,117
Deutsche Bank	8/16/12	USD	3,255	NOK	19,684	(49)
Goldman Sachs	8/16/12	GBP	4,304	USD	6,750	(10)
Goldman Sachs	8/16/12	USD	5,053	CAD	5,156	(7)
Goldman Sachs	8/16/12	USD	8,164	EUR	6,431	23
Goldman Sachs	8/16/12	USD	17,075	JPY	1,361,612	31
Goldman Sachs	8/16/12	USD	12,198	RUB	385,701	382
Goldman Sachs	8/16/12	USD	6,320	ZAR	52,505	(61)
JPMorgan Chase	7/17/12	USD	1,571	KRW	1,798,481	2
JPMorgan Chase	7/17/12	USD	1,409	KRW	1,631,904	(14)
JPMorgan Chase	8/16/12	BRL	9,876	USD	4,839	35
JPMorgan Chase	8/16/12	CAD	708	USD	693	2

(Amounts in 000s)

Forward Currency Exchange Contracts (continued)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
JPMorgan Chase	8/16/12	CLP	1,554,027	USD	3,052	33
JPMorgan Chase	8/16/12	DKK	6,416	USD	1,104	(11)
JPMorgan Chase	8/16/12	EUR	23,944	USD	30,071	241
JPMorgan Chase	8/16/12	EUR	41,380	USD	52,415	(28)
JPMorgan Chase	8/16/12	GBP	9,052	USD	14,055	120
JPMorgan Chase	8/16/12	GBP	1,749	USD	2,750	(11)
JPMorgan Chase	8/16/12	HUF	121,545	USD	526	9
JPMorgan Chase	8/16/12	JPY	1,620,522	USD	20,514	(229)
JPMorgan Chase	8/16/12	MXN	11,558	USD	832	31
JPMorgan Chase	8/16/12	NOK	4,629	USD	775	2
JPMorgan Chase	8/16/12	PLN	6,466	USD	1,881	50
JPMorgan Chase	8/16/12	RUB	541,035	USD	17,727	(1,153)
JPMorgan Chase	8/16/12	THB	148,151	USD	4,683	(32)
JPMorgan Chase	8/16/12	TRY	1,353	USD	740	1
JPMorgan Chase	8/16/12	USD	3,393	AUD	3,435	(108)
JPMorgan Chase	8/16/12	USD	89	CAD	91	(1)
JPMorgan Chase	8/16/12	USD	937	CHF	886	3
JPMorgan Chase	8/16/12	USD	1,445	CNY	9,173	4
JPMorgan Chase	8/16/12	USD	214,778	EUR	167,064	3,278
JPMorgan Chase	8/16/12	USD	14,632	EUR	11,625	(84)
JPMorgan Chase	8/16/12	USD	2,842	GBP	1,803	18
JPMorgan Chase	8/16/12	USD	5,635	JPY	444,771	67
JPMorgan Chase	8/16/12	USD	11,243	MXN	158,134	(561)
JPMorgan Chase	8/16/12	USD	2,169	PLN	7,374	(33)
JPMorgan Chase	8/16/12	USD	16,781	ZAR	141,630	(431)
JPMorgan Chase	8/16/12	ZAR	17,712	USD	2,047	106
Morgan Stanley	8/16/12	DKK	68,995	USD	11,924	(166)
Morgan Stanley	8/16/12	SEK	317,993	USD	45,095	800
Morgan Stanley	8/16/12	USD	10,094	BRL	21,021	(280)
Morgan Stanley	8/16/12	USD	1,956	CAD	2,005	(11)
Morgan Stanley	8/16/12	USD	20,133	EUR	15,786	148
Morgan Stanley	8/16/12	USD	4,485	EUR	3,573	(39)
Morgan Stanley	8/16/12	USD	6,714	GBP	4,255	50
Morgan Stanley	8/16/12	USD	1,070	GBP	686	(4)
Morgan Stanley	8/16/12	USD	1,459	HKD	11,321	(1)
Morgan Stanley	8/16/12	USD	15,004	JPY	1,193,216	68
Morgan Stanley	8/16/12	USD	5,815	JPY	466,546	(25)
Morgan Stanley	8/16/12	USD	2,070	MXN	28,488	(57)
Morgan Stanley	8/16/12	USD	1,635	PLN	5,592	(34)
Morgan Stanley	8/16/12	USD	26,431	ZAR	222,837	(649)
Royal Bank of Canada	8/16/12	CAD	20,605	USD	19,993	226

(Amounts in 000s)

Forward Currency Exchange Contracts (continued)

Counterparty	Settlement	Receive		Deliver		Unrealized Gain (Loss)
Royal Bank of Canada	8/16/12	CAD	134,144	USD	133,583	(1,952)
Royal Bank of Canada	8/16/12	CHF	60,003	USD	64,190	(905)
Royal Bank of Canada	8/16/12	EUR	10,009	USD	12,532	139
Royal Bank of Canada	8/16/12	USD	7,266	CAD	7,445	(40)
Royal Bank of Scotland	8/16/12	USD	71,723	GBP	44,650	1,802
Royal Bank of Scotland	8/16/12	USD	32,658	GBP	20,961	(166)
Royal Bank of Scotland	8/16/12	USD	988	NOK	5,872	2
Royal Bank of Scotland	8/16/12	USD	826	SEK	5,769	(7)
Standard Chartered	7/17/12	KRW	14,771,366	USD	12,894	(10)
Standard Chartered	7/17/12	USD	24,659	KRW	28,832,536	(490)
Standard Chartered	8/16/12	CNY	323,043	USD	51,024	(286)
Standard Chartered	8/16/12	HKD	494,698	USD	63,725	50
Standard Chartered	8/16/12	JPY	2,929,158	USD	36,749	(83)
Standard Chartered	8/16/12	SGD	17,042	USD	13,554	(100)
Standard Chartered	8/16/12	THB	1,021,591	USD	32,414	(342)
Standard Chartered	9/24/12	MYR	122,899	USD	38,726	(215)
State Street	8/16/12	CAD	2,546	USD	2,454	44
State Street	8/16/12	MXN	378,394	USD	27,074	1,171
State Street	8/16/12	USD	5,276	AUD	5,474	(303)
State Street	8/16/12	USD	658	CAD	674	(3)
State Street	8/16/12	USD	12,336	EUR	9,972	(288)
State Street	8/16/12	USD	2,907	GBP	1,889	(52)
State Street	8/16/12	USD	8,643	MXN	124,416	(644)
Net unrealized gain (loss) on open forward currency exchange contracts						$ 4,457

Futures Contracts

($000s)

	Expiration	Contract Value	Unrealized Gain (Loss)
Short, 522 Government of Canada ten year contracts	9/12	$ (70,986)	$ (804)
Short, 483 U.S. Treasury five year contracts	9/12	(59,877)	(107)
Short, 1,046 U.S. Treasury ten year contracts	9/12	(139,510)	(649)
Net payments (receipts) of variation margin to date			0
Unrealized gain (loss) on open futures contracts			$ (1,560)

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 which is under common ownership or control. Based on the fund's relative ownership, the following securities were considered affiliated companies for all or some portion of the six months ended June 30, 2012. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 6/30/12	Value 12/31/11
T. Rowe Price Reserve Investment Fund, 0.16%	¤	¤	$ 66	$ 132,992	$ 43,881
Totals			$ 66	$ 132.992	$ 43,881

¤ Purchase and sale information not shown for cash management funds.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 132,992
Dividend income	66
Interest income	-
Investment income	$ 66
Realized gain (loss) on securities	$ -
Capital gain distributions from mutual 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 $4,862,366)	$ 4,902,082
Interest receivable	71,452
Unrealized gain on forward currency exchange contracts	17,585
Foreign currency (cost $12,284)	12,415
Receivable for shares sold	11,490
Receivable for investment securities sold	6,886
Cash deposits on futures contracts (including $4,223 of restricted cash)	5,221
Cash	20
Unrealized gain on swaps	16
Other assets	10,148
Total assets	5,037,315
Liabilities	
Payable for investment securities purchased	56,659
Unrealized loss on forward currency exchange contracts	13,128
Payable for shares redeemed	5,486
Investment management fees payable	2,653
Unrealized loss on futures contracts	1,560
Due to affiliates	375
Swap premiums received	55
Other liabilities	10,389
Total liabilities	90,305
NET ASSETS	**$ 4,947,010**
Net Assets Consist of:	
Overdistributed net investment income	$ (63)
Accumulated undistributed net realized loss	(25,299)
Net unrealized gain	41,156
Paid-in capital applicable to 506,995,686 shares of $0.01 par value capital stock outstanding; 4,500,000,000 shares of the Corporation authorized	4,931,216
NET ASSETS	**$ 4,947,010**

Statement of Assets and Liabilities

NET ASSET VALUE PER SHARE

Investor Class		
($4,636,433,341 / 475,192,515 shares outstanding)	**$**	**9.76**
Advisor Class		
($310,577,132 / 31,803,171 shares outstanding)	**$**	**9.77**

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

Unaudited

Statement of Operations

($000s)

		6 Months Ended 6/30/12
Investment Income (Loss)		
Income		
Interest		$ 81,289
Dividend		66
Other		246
Total income		81,601
Expenses		
Investment management		16,649
Shareholder servicing		
Investor Class	$ 3,600	
Advisor Class	358	3,958
Rule 12b-1 fees		
Advisor Class		453
Prospectus and shareholder reports		
Investor Class	349	
Advisor Class	56	405
Custody and accounting		720
Registration		55
Legal and audit		26
Directors		18
Miscellaneous		15
Total expenses		22,299
Net investment income		59,302

Unaudited

Statement of Operations

($000s)

	6 Months Ended 6/30/12
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Securities	4,795
Futures	(8,485)
Swaps	1,134
Foreign currency transactions	10,378
Net realized gain	7,822
Change in net unrealized gain (loss)	
Securities	18,606
Futures	557
Swaps	(992)
Other assets and liabilities denominated in foreign currencies	(17,272)
Change in net unrealized gain	899
Net realized and unrealized gain	8,721
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 68,023**

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

Unaudited

Statement of Changes in Net Assets

($000s)

	6 Months Ended 6/30/12	Year Ended 12/31/11
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 59,302	$ 136,613
Net realized gain	7,822	66,331
Change in net unrealized gain (loss)	899	(56,868)
Increase in net assets from operations	68,023	146,076
Distributions to shareholders		
Net investment income		
Investor Class	(55,702)	(124,637)
Advisor Class	(3,663)	(12,163)
Net realized gain		
Investor Class	–	(100,972)
Advisor Class	–	(8,716)
Decrease in net assets from distributions	(59,365)	(246,488)
Capital share transactions*		
Shares sold		
Investor Class	488,609	1,366,094
Advisor Class	88,711	235,892
Distributions reinvested		
Investor Class	51,438	207,940
Advisor Class	3,413	19,695
Shares redeemed		
Investor Class	(687,153)	(1,106,204)
Advisor Class	(187,714)	(374,736)
Redemption fees received	440	870
Increase (decrease) in net assets from capital share transactions	(242,256)	349,551
Net Assets		
Increase (decrease) during period	(233,598)	249,139
Beginning of period	5,180,608	4,931,469
End of period	**$ 4,947,010**	**$ 5,180,608**
Undistributed (overdistributed) net investment income	(63)	–

Unaudited

Statement of Changes in Net Assets

(000s)

	6 Months Ended 6/30/12	Year Ended 12/31/11
*Share information		
Shares sold		
Investor Class	49,736	134,558
Advisor Class	9,024	23,313
Distributions reinvested		
Investor Class	5,212	20,865
Advisor Class	345	1,972
Shares redeemed		
Investor Class	(70,058)	(107,732)
Advisor Class	(19,097)	(37,042)
Increase (decrease) in shares outstanding	(24,838)	35,934

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

Notes to Financial Statements

T. Rowe Price International Funds, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The International Bond Fund (the fund) is a nondiversified, open-end management investment company established by the corporation. The fund seeks to provide high current income and capital appreciation by investing primarily in high-quality, nondollar-denominated bonds outside the U.S. The fund has two classes of shares: the International Bond Fund original share class, referred to in this report as the Investor Class, offered since September 10, 1986, and the International Bond Fund–Advisor Class (Advisor Class), offered since March 31, 2000. Advisor Class shares are sold only through unaffiliated brokers and other unaffiliated financial intermediaries that are compensated by the class for distribution, shareholder servicing, and/or certain administrative services under a Board-approved Rule 12b-1 plan. Each class has exclusive voting rights on matters related solely to that class; separate voting rights on matters that relate to both classes; and, in all other respects, the same rights and obligations as the other class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the use of estimates made by management. Management believes that estimates and valuations 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 or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Paydown gains and losses are recorded as an adjustment to interest income. Inflation adjustments to the principal amount of inflation-indexed bonds are reflected as interest income. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis.

Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared by each class daily and paid monthly. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Class Accounting The Advisor Class pays distribution, shareholder servicing, and/or certain administrative expenses in the form of Rule 12b-1 fees, in an amount not exceeding 0.25% of the class's average daily net assets. Shareholder servicing, prospectus, and shareholder report expenses incurred by each class are charged directly to the class to which they relate. Expenses common to both classes and investment income are allocated to the classes based upon the relative daily net assets of each class's settled shares; realized and unrealized gains and losses are allocated based upon the relative daily net assets of each class's outstanding shares.

Credits The fund earns credits on temporarily uninvested cash balances held at the custodian, which reduce the fund's custody charges. Custody expense in the accompanying financial statements is presented before reduction for credits.

Redemption Fees A 2% fee is assessed on redemptions of fund shares held for 90 days or less to deter short-term trading and to protect the interests of long-term shareholders. Redemption fees are withheld from proceeds that shareholders receive from the sale or exchange of fund shares. The fees are paid to the fund and are recorded as an increase to paid-in capital. The fees may cause the redemption price per share to differ from the net asset value per share.

In-Kind Redemptions In accordance with guidelines described in the fund's prospectus, the fund may distribute portfolio securities 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 securities on the date of redemption exceeds the cost of those securities. 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 June 30, 2012, the fund realized $750,000 of net loss on $10,784,000 of in-kind redemptions.

New Accounting Pronouncements In May 2011, the Financial Accounting Standards Board (FASB) issued amended guidance to align fair value measurement and disclosure requirements in U.S. GAAP with International Financial Reporting Standards. The guidance is effective for fiscal years and interim periods beginning on or after December 15, 2011. Adoption had no effect on net assets or results of operations.

In December 2011, the FASB issued amended guidance to enhance disclosure for offsetting assets and liabilities. The guidance is effective for fiscal years and interim periods beginning on or after January 1, 2013. Adoption will have no effect on the fund's net assets or results of operations.

NOTE 2 - VALUATION

The fund's financial instruments are reported at fair value as defined by GAAP. The fund determines the values of its assets and liabilities and computes each class's net asset value per share at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day that the NYSE is open for business.

Valuation Methods Debt securities are generally traded in the over-the-counter (OTC) market. Securities with remaining maturities of one year or more at the time of acquisition are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service, which considers the yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation. Financial futures contracts are valued at closing settlement prices. Forward currency exchange contracts are valued using the prevailing forward exchange rate. Swaps are valued at prices furnished by independent swap dealers or by an independent pricing service.

Other investments, including restricted securities and private placements, and those financial instruments for which the above valuation procedures are inappropriate or are deemed not to reflect fair value, are stated at fair value as determined in good faith by the T. Rowe Price Valuation Committee, established by the fund's Board of Directors (the Board). Subject to oversight by the Board, the Valuation Committee develops pricing-related policies and procedures and approves all fair-value determinations. The Valuation Committee regularly makes good faith judgments, using a wide variety of sources and information, to establish and adjust valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of private-equity instruments, the Valuation Committee considers a variety of factors, including the company's business prospects, its financial performance, strategic events impacting the company, relevant valuations of similar companies, new rounds of financing, and any negotiated transactions of significant size between other investors in the company. Because any fair-value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions.

Valuation Inputs Various inputs are used to determine the value of the fund's financial instruments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical financial instruments

Level 2 – observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar financial instruments, interest rates, prepayment speeds, and credit risk)

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level. The following table summarizes the fund's financial instruments, based on the inputs used to determine their values on June 30, 2012:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Assets				
Investments in Securities, except:	$ —	$ 4,769,090	$ —	$ 4,769,090
Short-Term Investments	132,992	—	—	132,992
Total Securities	132,992	4,769,090	—	4,902,082
Forward Currency Exchange Contracts	—	17,585	—	17,585
Total	$ 132,992	$ 4,786,675	$ —	$ 4,919,667
Liabilities				
Swaps	$ —	$ 39	$ —	$ 39
Forward Currency Exchange Contracts	—	13,128	—	13,128
Futures Contracts	1,560	—	—	1,560
Total	$ 1,560	$ 13,167	$ —	$ 14,727

NOTE 3 - DERIVATIVE INSTRUMENTS

During the six months ended June 30, 2012, the fund invested in derivative instruments. As defined by GAAP, a derivative is a financial instrument whose value is derived from an underlying security price, foreign exchange rate, interest rate, index of prices or rates, or other variable; it requires little or no initial investment and permits or requires net settlement. The fund invests in derivatives only if the expected risks and rewards are consistent with its investment objectives, policies, and overall risk profile, as described in its prospectus and Statement of Additional Information. The fund may use derivatives for a variety of purposes, such as seeking to hedge against declines in principal value, increase yield, invest in an asset with greater efficiency and at a lower cost than is possible through direct investment, or to adjust portfolio duration and credit exposure. The risks associated with the use of derivatives are different from, and potentially much greater than, the risks associated with investing directly in the instruments on which the derivatives are based. Investments in derivatives can magnify returns positively or negatively; however, the fund at all times maintains sufficient cash reserves, liquid assets, or other SEC-permitted asset types to cover the settlement obligations under its open derivative contracts.

The fund values its derivatives at fair value, as described below and in Note 2, and recognizes changes in fair value currently in its results of operations. Accordingly, the fund does not follow hedge accounting, even for derivatives employed as economic hedges. The fund does not offset the fair value of derivative instruments against the right to reclaim or obligation to return collateral.

The following table summarizes the fair value of the fund's derivative instruments held as of June 30, 2012, and the related location on the accompanying Statement of Assets and Liabilities, presented by primary underlying risk exposure:

($000s)	Location on Statement of Assets and Liabilities	Fair Value
Assets		
Foreign exchange derivatives	Forwards	$ 17,585
Total		$ 17,585
Liabilities		
Interest rate derivatives	Futures	$ 1,560
Foreign exchange derivatives	Forwards	13,128
Credit derivatives	Swaps, Premiums Received	39
Total		$ 14,727

Additionally, the amount of gains and losses on derivative instruments recognized in fund earnings during the six months ended June 30, 2012, and the related location on the accompanying Statement of Operations is summarized in the following table by primary underlying risk exposure:

($000s)	Location of Gain (Loss) on Statement of Operations			
	Futures	Foreign Currency Transactions	Swaps	Total
Realized Gain (Loss)				
Interest rate derivatives	$ (8,485)	$ —	$ 1,158	$ (7,327)
Foreign exchange derivatives	—	13,243	—	13,243
Credit derivatives	—	—	(24)	(24)
Total	$ (8,485)	$ 13,243	$ 1,134	$ 5,892
Change in Unrealized Gain (Loss)				
Interest rate derivatives	$ 557	$ —	$ (1,007)	$ (450)
Foreign exchange derivatives	—	(20,842)	—	(20,842)
Credit derivatives	—	—	15	15
Total	$ 557	$ (20,842)	$ (992)	$ (21,277)

Forward Currency Exchange Contracts The fund is subject to foreign currency exchange rate risk in the normal course of pursuing its investment objectives. It uses forward currency exchange contracts (forwards) primarily to protect its non-U.S. dollar-denominated holdings from adverse currency movements and to gain exposure to currencies for the purposes of risk management or enhanced return. A forward involves an obligation to purchase or sell a fixed amount of a specific currency on a future date at a price set at the time of the contract. Although certain forwards may be settled by exchanging only the net gain or loss on the contract, most forwards are settled with the exchange of the underlying currencies in accordance with the specified terms. Forwards are valued at the unrealized gain or loss on the contract, which reflects the net amount the fund either is entitled to receive or obligated to deliver, as measured by the difference between the forward exchange rates at the date of entry into the contract and the forward rates at the reporting date. Appreciated forwards are reflected as assets, and depreciated forwards are reflected as liabilities on the accompanying Statement of Assets and Liabilities. Risks related to the use of forwards include the possible failure of counterparties to meet the terms of the agreements; that anticipated currency movements will not occur, thereby reducing the fund's total return; and the potential for losses in excess of the fund's initial investment. During the six months ended June 30, 2012, the fund's exposure to forwards, based on underlying notional amounts, was generally between 28% and 35% of net assets.

Futures Contracts The fund is subject to interest rate risk in the normal course of pursuing its investment objectives and uses futures contracts to help manage such risk. The fund may enter into futures contracts to manage exposure to interest rate and yield curve movements, security prices, foreign currencies, credit quality, and mortgage prepayments; as an efficient means of adjusting exposure to all or part of a target market; to enhance income; as a cash management tool; and/or to adjust portfolio duration and credit exposure. A futures contract provides for the future sale by one party and purchase by another of a specified amount of a particular underlying financial instrument at an agreed-upon price, date, time, and place. The fund currently invests only in exchange-traded futures, which generally are standardized as to maturity date, underlying financial instrument, and other contract terms. The fund is required to deposit with the broker cash or securities in an amount sufficient to cause the value of its account to equal a specified percentage of the aggregate value of the fund's futures contracts with that broker (margin requirement). The margin requirement must then be maintained at the established level over the life of the contract and is restricted from withdrawal by the fund; however, any amounts in excess of the margin requirement may be withdrawn at the fund's election. Fluctuations in the value of a futures contract reflect changes in the value of the underlying financial instrument and are recorded as unrealized gain or loss until the contract is closed. The value of a futures contract included in net assets is the cumulative amount of unrealized gain or loss; appreciated contracts are reflected as assets and depreciated contracts are reflected as liabilities on the accompanying Statement of Assets and Liabilities. In addition, cash and currencies held by the broker are reflected as deposits on futures contracts. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates, and potential losses in excess of the fund's initial investment. During the six months ended June 30, 2012, the fund's exposure to futures, based on underlying notional amounts, was generally between 4% and 5% of net assets.

Swaps The fund is subject to interest rate risk, credit risk, and inflation risk in the normal course of pursuing its investment objectives and uses swap contracts to help manage such risks. The fund may use swaps in an effort to manage exposure to changes in interest rates, inflation rates, and credit quality; to adjust overall exposure to certain markets; to enhance total return or protect the value of portfolio securities; to serve as a cash management tool; and/or to adjust portfolio duration and credit exposure. The value of a swap included in net assets is the unrealized gain or loss on the contract plus or minus any unamortized premiums paid or received, respectively. Appreciated swaps and premiums paid are reflected as assets, and depreciated swaps and premiums received are reflected as liabilities on the accompanying Statement of Assets and Liabilities. Net periodic receipts or payments required by swaps are accrued daily and are recorded as realized gain or loss for financial reporting purposes when settled; fluctuations in the fair value of swaps are reflected in the change in net unrealized gain or loss and are reclassified to realized gain or loss upon termination prior to maturity or cash settlement.

Interest rate swaps are agreements to exchange cash flows based on the difference between specified interest rates applied to a notional principal amount for a specified period of time. Risks related to the use of interest rate swaps include the potential for unanticipated movements in interest and/or currency rates, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

Credit default swaps are agreements where one party (the protection buyer) agrees to make periodic payments to another party (the protection seller) in exchange for protection against specified credit events, such as certain defaults and bankruptcies related to an underlying credit instrument, or issuer or index of such instruments. Upon occurrence of a specified credit event, the protection seller is required to pay the buyer the difference between the notional amount of the swap and the value of the underlying credit, either in the form of a net cash settlement or by paying the gross notional amount and accepting delivery of the relevant underlying credit. For credit default swaps where the underlying credit is an index, a specified credit event may affect all or individual underlying securities included in the index and will be settled based upon the relative weighting of the affected underlying security(s) within the index. Risks related to the use of credit default swaps include the possible inability of the fund to accurately assess the current and future creditworthiness of underlying issuers, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements, potential government regulation that could adversely affect the fund's swap investments, and potential losses in excess of the fund's initial investment.

During the six months ended June 30, 2012, the fund's exposure to swaps, based on underlying notional amounts, was generally less than 1% of net assets.

NOTE 4 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging Markets At June 30, 2012, approximately 20% of the fund's net assets were invested, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in emerging markets, securities issued by governments of emerging market countries, and/or securities denominated in or linked to the currencies of emerging market countries. Emerging market securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities. In addition, emerging markets may be subject to greater political, economic, and social uncertainty, and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars.

Restricted Securities The fund may invest in securities that are subject to legal or contractual restrictions on resale. Prompt sale of such securities at an acceptable price may be difficult and may involve substantial delays and additional costs.

Counterparty Risk and Collateral The fund has entered into collateral agreements with certain counterparties to mitigate counterparty risk associated with certain over-the-counter (OTC) financial instruments, including swaps, forward currency exchange contracts, TBA purchase commitments, and OTC options (collectively, covered OTC instruments). Subject to certain minimum exposure requirements (which typically range from $100,000 to $500,000), collateral requirements generally are determined and transfers made based on the net aggregate unrealized gain or loss on all OTC instruments covered by a particular collateral agreement with a specified counterparty. Collateral, both pledged by the fund to a counterparty and pledged by a counterparty to the fund, is held in a segregated account by a third-party agent and can be in the form of cash or debt securities issued by the U.S. government or related agencies. Securities posted as collateral by the fund to a counterparty are so noted in the accompanying Portfolio of Investments and remain in the fund's assets. As of June 30, 2012, no collateral had been posted by the fund to counterparties for covered OTC instruments. Collateral pledged by counterparties to the fund is not included in the fund's assets because the fund does not obtain effective control over those assets. As of June 30, 2012, collateral pledged by counterparties to the fund for covered OTC instruments consisted of securities valued at $14,462,000.

At any point in time, the fund's risk of loss from counterparty credit risk on covered OTC instruments is the aggregate unrealized gain on appreciated covered OTC instruments in excess of collateral, if any, pledged by the counterparty to the fund. In accordance with the terms of the relevant derivatives agreements, counterparties to OTC derivatives may be able to terminate derivative contracts prior to maturity after the occurrence of certain stated events, such as a decline in net assets above a certain percentage or a failure by the fund to perform its obligations under the contract. Upon termination, all transactions would typically be liquidated and a net amount would be owed by or payable to the fund. Counterparty risk related to exchange-traded futures and options contracts is minimal because the exchange's clearinghouse provides protection against counterparty defaults. Generally, for exchange-traded derivatives such as futures and options, each broker, in its sole discretion, may change margin requirements applicable to the fund. As of June 30, 2012, cash of $4,223,000 had been posted by the fund to the broker for exchange-traded derivatives.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $1,244,185,000 and $1,488,189,000, respectively, for the six months ended June 30, 2012.

NOTE 5 - 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.

The fund intends to retain realized gains to the extent of available capital loss carryforwards. Net realized capital losses may be carried forward indefinitely to offset future realized capital gains. As of December 31, 2011, the fund had $28,378,000 of available capital loss carryforwards.

At June 30, 2012, the cost of investments for federal income tax purposes was $4,868,472,000. Net unrealized gain aggregated $35,050,000 at period-end, of which $197,564,000 related to appreciated investments and $162,514,000 related to depreciated investments.

NOTE 6 - 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 has entered into a subadvisory agreement T. Rowe Price International Ltd, a wholly owned subsidiary of Price Associates, to provide investment advisory services to the fund; the subadvisory agreement provides that Price Associates may pay the subadvisor up to 60% of the management fee that Price Associates receives from the fund. The investment management agreement between the fund and Price Associates provides for an annual investment management fee, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.35% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first $1 billion of assets to 0.28% for assets in excess of $300 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At June 30, 2012, the effective annual group fee rate was 0.30%.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates (collectively, Price). Price Associates computes the daily share prices and provides certain other administrative services to the fund. T. Rowe Price Services, Inc., provides shareholder and administrative services in its capacity as the fund's transfer and dividend disbursing agent. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the Investor Class. For the six months ended June 30, 2012, expenses incurred pursuant to these service agreements were $87,000 for Price Associates; $421,000 for T. Rowe Price Services, Inc.; and $29,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

The fund is also one of several mutual funds sponsored by Price Associates (underlying Price funds) in which the T. Rowe Price Spectrum Funds (Spectrum Funds) and T. Rowe Price Retirement Funds (Retirement Funds) may invest. Neither the Spectrum Funds nor the Retirement Funds invest in the underlying Price funds for the purpose of exercising management or control. Pursuant to separate special servicing agreements, expenses associated with the operation of the Spectrum and Retirement Funds 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 Spectrum and Retirement Funds, respectively. Expenses allocated under these agreements are reflected as shareholder servicing expenses in the accompanying financial statements. For the six months ended June 30, 2012, the fund was allocated $508,000 of Spectrum Funds' expenses and $1,085,000 of Retirement Funds' expenses. Of these amounts, $943,000 related to services provided by Price. The amount payable at period-end pursuant to this agreement is reflected as Due to Affiliates in the accompanying financial statements. At June 30, 2012, approximately 13% of the outstanding shares of the Investor Class were held by the Spectrum Funds and 24% were held by the Retirement Funds.

The fund may invest in the T. Rowe Price Reserve Investment Fund and the T. Rowe Price Government Reserve Investment Fund (collectively, the T. Rowe Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The T. Rowe Price Reserve Investment Funds are offered as cash management options to mutual funds, trusts, and other accounts managed by Price Associates and/or its affiliates and are not available for direct purchase by members of the public. The T. Rowe Price Reserve Investment Funds pay no investment management fees.

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, which you may request 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 website, troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through our website, follow the directions above, then click on the words "Proxy Voting Records" on the right side of the Proxy Voting Policies page.

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.

Approval of Investment Management Agreement and Subadvisory Agreement

On March 6, 2012, the fund's Board of Directors (Board), including a majority of the fund's independent directors, approved the continuation of the investment management agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor), as well as the continuation of the investment subadvisory agreement (Subadvisory Contract) that the Advisor has entered into with T. Rowe Price International Ltd (Subadvisor) on behalf of the fund. In connection with its deliberations, the Board requested, and the Advisor provided, such information as the Board (with advice from independent legal counsel) deemed reasonably necessary. The Board considered a variety of factors in connection with its review of the Advisory Contract and Subadvisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor and Subadvisor

The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor and Subadvisor. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, investment operations, and administrative services; compliance; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's and Subadvisor's senior management teams and investment personnel involved in the management of the fund, as well as the Advisor's compliance record. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor and Subadvisor.

Investment Performance of the Fund

The Board reviewed the fund's average annual total returns over the three-month and 1-, 3-, 5-, and 10-year periods, as well as the fund's year-by-year returns, and compared these returns with a wide variety of previously agreed upon comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data.

On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates, including the Subadvisor) may have realized from its relationship with the fund, including any research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor and Subadvisor may receive some benefit from soft-dollar arrangements pursuant to which research is received from

Approval of Investment Management Agreement and Subadvisory Agreement (continued)

broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. The Board also reviewed estimates of the profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

The Board also considered whether the fund benefits under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. Under the Advisory Contract, the fund pays a fee to the Advisor for investment management services composed of two components—a group fee rate based on the combined average net assets of most of the T. Rowe Price mutual funds (including the fund) that declines at certain asset levels and an individual fund fee rate based on the fund's average daily net assets—and the fund pays its own expenses of operations. Under the Subadvisory Contract, the Advisor may pay the Subadvisor up to 60% of the advisory fee that the Advisor receives from the fund. The Board concluded that the advisory fee structure for the fund continued to provide for a reasonable sharing of benefits from any economies of scale with the fund's investors.

Fees

The Board was provided with information regarding industry trends in management fees and expenses and the Board reviewed the fund's management fee rate, operating expenses, and total expense ratio for the Investor Class and Advisor Class in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. The information provided to the Board indicated that the fund's management fee rate was above the median for certain groups of comparable funds but below the median for other groups of comparable funds. The information also indicated that the fund's total expense ratio for the Investor Class was above the median for certain groups of comparable funds but below the median for other groups of comparable funds, and the total expense ratio for the Advisor Class was above the median for certain groups of comparable funds but at or below the median for other groups of comparable funds.

The Board also reviewed the fee schedules for institutional accounts and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to institutional account clients, including information about how the requirements and economics of the institutional business are fundamentally different from those of the mutual fund business. The Board considered information showing that the mutual fund business is generally more complex from a business and compliance perspective than the institutional business and that the Advisor generally performs significant additional services and assumes greater risk in managing the fund and other T. Rowe Price mutual funds than it does for institutional account clients.

Approval of Investment Management Agreement and Subadvisory Agreement (continued)

On the basis of the information provided and the factors considered, the Board concluded that the fees paid by the fund under the Advisory Contract are reasonable.

Approval of the Advisory Contract and Subadvisory Contract

As noted, the Board approved the continuation of the Advisory Contract and Subadvisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract and Subadvisory Contract (including the fees to be charged for services thereunder). The independent directors were advised throughout the process by independent legal counsel.

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

Investment Services and Information

KNOWLEDGEABLE CUSTOMER SERVICE

On the Web at troweprice.com.

By Phone at 1-800-225-5132. Available Monday through Friday from 8 a.m. until 10 p.m. ET and Saturday from 8:30 a.m. until 5 p.m. ET.

In Person at a T. Rowe Price Investor Center. Please visit the website at troweprice.com/investorcenter or call 1-800-225-5132 to locate a center near you.

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IRA Rebalancing. Automatically rebalance to ensure that your accounts reflect your desired asset allocations.

BROKERAGE SERVICES‡

Trade stocks, mutual funds, ETFs, bonds, options, CDs, precious metals, and more at competitive commissions.

INVESTMENT INFORMATION

Consolidated Statement. Overview of all of your T. Rowe Price mutual fund and Brokerage accounts.

Shareholder Reports. Manager reviews of their strategies and results.

T. Rowe Price Report. Quarterly investment newsletter.

T. Rowe Price Investor. Quarterly publication of insightful financial articles.

Investment Guides. International Investing Guide, Guide to Bond Funds, Investors Portfolio Review, Retirement Savings Guide, and Retirement Readiness Guide.

FINANCIAL INTERMEDIARIES AND ADVISORS

By Phone at 1-877-804-2315. Contact us Monday through Friday from 8:30 a.m. until 6 p.m. ET.

By Mail: T. Rowe Price, Financial Institution Services, P.O. Box 89000, Baltimore, MD 21289-4232.

CUSTOMERS WHO TRADE THROUGH A FINANCIAL INTERMEDIARY

Please contact your intermediary or financial professional for assistance.

‡Options trading involves additional risk and is not suitable for all investors. Brokerage services offered by T. Rowe Price Investment Services, Inc., member FINRA/SIPC.

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Morningstar® Portfolio Manager enables you to track, rebalance, and analyze your portfolio.

Morningstar Portfolio X-Ray® is a comprehensive tool that provides an in-depth examination of your exposure to different sectors, stock types, sub-asset classes, and global diversification.

Portfolio Growth Tracker allows you to track the historical growth of your mutual fund investments over time. The analysis consists of three components: Activity Summary, Asset Allocation, and Net Investment versus Market Value.

Retirement Income Calculator.

FINANCIAL INTERMEDIARIES AND ADVISORS troweprice.com/financialintermediaries

This secure site is designed for professional financial intermediaries and advisors. Financial professionals may access daily prices and historical performance of mutual funds; view market research, manager commentary, and sales ideas; and access literature and forms. For U.S. technical assistance, call 1-888-358-8490 or e-mail us at onlinehelp@troweprice.com. For non-U.S. technical assistance, call +1 (410) 345 4400 or contact us via e-mail.

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T. Rowe Price Retirement Services

T. Rowe Price offers unique retirement services that can help you meet a broad variety of planning challenges. Our retirement tools are suitable for individuals, the self-employed, small businesses, corporations, and nonprofit organizations. For more information, call **1-800-IRA-5000** or visit our website at **troweprice.com/retirement**.

INVESTMENT ACCOUNTS

Rollover IRAs. Whether you've changed jobs, experienced a job loss, or retired, it's important to make a smart decision regarding your old 401(k). Call toll-free 1-800-IRA-5000. Our rollover specialists can open your account over the phone and handle most of the paperwork for you. They'll even contact your former employer to help move your money.

Roth IRAs. A Roth IRA offers tax-free withdrawals and a flexible distribution schedule. Open your account at troweprice.com/ira or call 1-800-IRA-5000.

Traditional IRAs. Traditional IRA contributions may be tax-deductible, with no taxes due until withdrawal. Open your account at troweprice.com/ira or call 1-800-IRA-5000.

Small Business Retirement Plans. If you're self-employed or run a small business or professional practice, T. Rowe Price can help you establish a cost-effective retirement plan that's easy to set up and maintain.

403(b) Custodial Accounts. For those employed by a nonprofit or tax-exempt organization such as a school, church, or hospital, T. Rowe Price offers an effective, low-cost way to save for retirement.

INVESTMENT GUIDANCE

T. Rowe Price Advisory Planning Services offers a wide range of services that provide expert advice based on your individual needs and financial goals, including consultations with an advisory counselor. Please contact one of our specialists at **1-888-744-0270** to determine the most appropriate service to fit your needs.*

College Planning

With the costs of college steadily increasing, it's critical to plan early. Our college planning information and college savings products can help you meet your educational investment goals. For more information, visit our website at **troweprice.com/college**, where you will find the **College Investment Calculator**, an interactive tool that can help you determine how much you should save, estimate future tuition costs, and review college savings options. In a few easy steps, the calculator provides you with information and a plan of action. To speak with a college planning specialist, please call **1-800-638-5660**.

College Savings Plans (529 Plans). To help families prepare for college education costs, T. Rowe Price manages three 529 plans that are open to all U.S. residents. Any earnings on contributions are tax-deferred, and distributions are exempt from federal income taxes when used for qualified educational expenses. Also, these plans offer high contribution limits and affordable systematic investing.

T. Rowe Price manages the T. Rowe Price College Savings Plan, a national 529 plan offered by the Education Trust of Alaska; the Maryland College Investment Plan; and the University of Alaska College Savings Plan. The Maryland College Investment Plan offers certain potential benefits for Maryland residents, and the University of Alaska College Savings Plan offers potential benefits for Alaska residents.

Earnings on a distribution not used for qualified expenses may be subject to income taxes and a 10% federal penalty. Please note that the availability of tax or other benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of distributions, or other factors, as applicable.

Please visit our website or call 1-800-638-5660 to obtain the applicable plan disclosure document, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. Please consider, before investing, whether your or your beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's plan. T. Rowe Price Investment Services, Inc., Distributor/Underwriter.

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

Savings Bank

Now there's a way to get more than great rates from your next CD. T. Rowe Price Savings Bank gives you the benefits of FDIC insurance and predictable interest payments, plus world-class service from a name you trust.[1]

You can use a Savings Bank CD account to expand your investment mix and help to reduce your portfolio's overall risk. For accounts of $5,000 or more that have terms of 91 days or longer, interest can remain on deposit or be transferred to an account you have elsewhere.

T. Rowe Price Savings Bank offers:

- FDIC insurance
- Competitive APYs
- Low minimum deposit of $1,000 for Classic CDs
- Higher rates with Mini-Jumbo and Jumbo CDs
- ***Smart Ladder CDs®***
- IRAs[2]
- Terms from 30 days to 60 months[3]
- Flexible options to invest interest payments[4]
- Annual statements
- Automatic renewal feature

Smart Ladder CDs

Opening CDs that mature at different times can help to hedge against sharp swings in interest rates. This approach, known as CD laddering, generally lets you lock in higher rates with the longer-maturity CDs if rates fall. However, if rates rise again in the next few years, you'll have money available to invest from CDs with upcoming maturities.

Smart Ladder CDs offer a convenient way to create a CD ladder. With a minimum deposit of $25,000 and a single application, we'll set up your CD ladder, manage the annual renewals, and offer you the highest current interest rates based on your total minimum deposit and applicable terms.

[1]T. Rowe Price Savings Bank is a member of the FDIC and offers CD products. Other T. Rowe Price affiliates, including T. Rowe Price Investment Services, Inc., are separate entities. While the Savings Bank's CDs are FDIC-insured, all other products offered by T. Rowe Price affiliates are not FDIC-insured and are not deposits of or guaranteed by the Savings Bank. Such products are subject to investment risk, including possible loss of the principal amount invested.

[2]Please read the Traditional and Roth IRA Summary & Agreement before investing.

[3]IRA CDs available from 6 months to 60 months.

[4]Available for accounts of $5,000 or more that have terms of 91 days or longer.

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

The T. Rowe Price Program for Charitable Giving[SM]

Simplify your giving.
The Program for Charitable Giving is a donor-advised fund (a public charity) that provides a simple way to support your favorite charities while achieving attractive tax savings.

The Program lets you do all your charitable giving through one convenient account. Our donor relations specialists take care of the administrative details, so you spend less time writing checks and keeping records.

Lock in your charitable deduction now.
You can establish a Program account with a minimum contribution of $10,000 or more. Your contributions are fully deductible (up to allowable IRS limits) in the tax year when they are made. Donation amounts above IRS limits can be carried over and deducted in future years.

The Program also makes it easy to contribute long-term appreciated securities. You simply transfer the securities in kind to your Program account. You can deduct the full market value and do not have to pay capital gains taxes.

Recommend grants to support your favorite charities.
Once your account is established, you have the flexibility to recommend grants to your favorite charities whenever you like—this year or in the future. The Program confirms that your charity qualifies for a grant and is in good standing with the IRS.

Benefit from the investment expertise of T. Rowe Price.
You advise how your account's balance is invested among six professionally managed investment pools. This means your donations have the potential to grow over time and produce additional funds for your charities. All investment pools are subject to market risk, including possible loss of principal.

Save with low fees.
The Program's administrative fees are among the lowest in the industry, and there is no minimum annual fee. Since you also will save with low investment management fees, there is the potential for more money to be available for your charities.

It's easy to start giving more efficiently with the Program.
You can call a donor relations specialist at **1-800-690-0438** to learn more about the Program, receive printed information, or get help to open your Program account. You also will find everything you need to open an account online at **ProgramForGiving.org**.

The T. Rowe Price Program for Charitable Giving is an independent, nonprofit corporation founded by T. Rowe Price to assist individuals with planning and managing their charitable giving. The Program has contracted with various T. Rowe Price companies to provide operational, recordkeeping, and investment management services to the Program.

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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
Diversified Small-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
Real Estate*
Science & Technology*
Small-Cap Stock*
Small-Cap Value*
Spectrum Growth
Tax-Efficient Equity
Total Equity Market Index
U.S. Large-Cap Core*
Value*

ASSET ALLOCATION FUNDS

Balanced
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Real Assets
Retirement Funds*^

BOND FUNDS

Domestic Taxable

Corporate Income
Floating Rate*
GNMA
High Yield*§
Inflation Protected Bond
New Income*
Short-Term Bond*
Spectrum Income
Strategic Income*
Summit GNMA
U.S. Bond Enhanced Index
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-Free

California Tax-Free Bond
Georgia Tax-Free Bond
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

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

MONEY MARKET FUNDS (CONT.)

Tax-Free

California Tax-Free Money
Maryland Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

INTERNATIONAL/GLOBAL FUNDS

Stock

Africa & Middle East
Emerging Europe
Emerging Markets Stock
European Stock
Global Infrastructure*
Global Large-Cap Stock*
Global Real Estate*
Global Stock*
Global Technology
International Discovery
International Equity Index
International Growth & Income*
International Stock*
Japan
Latin America
New Asia
Overseas Stock
Spectrum International

Bond

Emerging Markets Bond
Emerging Markets Corporate Bond*
Emerging Markets Local Currency Bond*
International Bond*

For more information about T. Rowe Price funds or services, please contact us directly at 1-800-225-5132. 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.

Investments in the money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds.

*T. Rowe Price Advisor and R Classes may be available for these funds. T. Rowe Price Advisor and R Classes are offered only through financial intermediaries. For more information about T. Rowe Price Advisor and R Classes, contact your financial professional or call T. Rowe Price at 1-877-804-2315.

‡Closed to new investors except for a direct rollover from a retirement plan into a T. Rowe Price IRA invested in this fund.

^The Retirement Funds are inclusive of the Retirement 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, and Income Funds.

§Subject to certain exceptions, the fund will be closed to new investors effective April 30, 2012.

T. Rowe Price
INVEST WITH CONFIDENCE

T. Rowe Price Investment Services, Inc.
100 East Pratt Street
Baltimore, MD 21202

SUMMARY PROSPECTUS

RPIBX

May 1, 2013

T. Rowe Price

International Bond Fund

A fund seeking high income and capital appreciation through investments primarily in high-quality foreign bonds.

*Before you invest, you may want to review the fund's prospectus, which contains more information about the fund and its risks. You can find the fund's prospectus and other information about the fund online at **troweprice.com/prospectus.** You can also get this information at no cost by calling **1-800-225-5132** or by sending an e-mail request to **info@troweprice.com.** This Summary Prospectus incorporates by reference the fund's prospectus, dated May 1, 2013, and Statement of Additional Information, dated May 1, 2013.*

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

T.RowePrice®
INVEST WITH CONFIDENCE

Investment Objective

The fund seeks to provide high current income and capital appreciation by investing primarily in high-quality, nondollar-denominated bonds outside the U.S.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.65%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.19%
Total annual fund operating expenses	**0.84%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$86	$268	$466	$1,037

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the

most recent fiscal year, the fund's portfolio turnover rate was 52.2% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies Normally, the fund will invest at least 80% of its net assets (including any borrowings for investment purposes) in foreign bonds and 65% of its net assets in foreign bonds that are rated within the three highest credit categories (i.e., A- or equivalent, or better), as determined by at least one major credit rating agency or, if unrated, deemed to be of comparable quality by T. Rowe Price. If a bond is split-rated (i.e., assigned different ratings by different credit rating agencies), the higher rating will be used. The fund may invest up to 20% of its total assets in "junk" bonds that have received a below investment-grade rating (i.e., BB or equivalent, or lower) from each of the rating agencies that has assigned a rating to the bond (or, if unrated, deemed to be below investment-grade quality by T. Rowe Price), including those in default or with the lowest rating. Up to 20% of total assets may be invested in U.S. dollar-denominated foreign bonds, such as Brady bonds and other emerging markets bonds.

Although the fund expects to maintain an intermediate- to long-term weighted average maturity, there are no maturity restrictions on the overall portfolio or on individual securities. The fund has wide flexibility to purchase and sell currencies and engage in hedging transactions. However, we normally do not attempt to cushion the impact of foreign currency fluctuations on the U.S. dollar. Therefore, the fund is likely to be heavily exposed to the risk of bonds denominated in foreign currencies.

Investment decisions are based on fundamental market factors, such as yield and credit quality differences among bonds as well as supply and demand trends and currency values. The fund generally invests in securities where the combination of fixed-income returns and currency exchange rates appears attractive or, if the currency trend is unfavorable, where we believe the currency risk can be minimized through hedging. The fund sells holdings for a variety of reasons, such as to adjust the portfolio's average maturity or credit quality, to shift assets into and out of higher-yielding securities, or to alter geographic or currency exposure.

The fund is "nondiversified," meaning it may invest a greater portion of its assets in fewer issuers than is permissible for a "diversified" fund.

While most assets will be invested in bonds, the fund may enter into forward currency exchange contracts in keeping with the fund's objectives. Forward currency exchange contracts would primarily be used to help protect the fund's holdings from unfavorable changes in foreign currency exchange rates, although other currency hedging techniques may be used from time to time.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose

money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

International investing risk Investing in the securities of non-U.S. issuers involves special risks not typically associated with investing in U.S. securities. International securities tend to be more volatile and less liquid than investments in U.S. securities and may lose value because of adverse political, social, or economic developments overseas. In addition, international investments may be subject to regulatory and accounting standards that differ from those of the U.S.

Emerging markets risk The risks of international investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in international developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Currency risk Because the fund generally invests in securities issued in foreign currencies, the fund is subject to the risk that it could experience losses based solely on the weakness of foreign currencies versus the U.S. dollar and changes in the exchange rates between such currencies and the U.S. dollar. Any attempts at currency hedging may not be successful and could cause the fund to lose money.

Credit risk This is the risk that an issuer of a debt security could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation. The fund's overall credit risk is increased to the extent the fund invests in emerging markets bonds or bonds rated below investment-grade. Such investments carry a higher risk of default and should be considered speculative.

Interest rate risk This risk refers to the chance that interest rates will increase, causing a decline in bond prices. (Bond prices and interest rates usually move in opposite directions.) Generally, securities with longer maturities and funds with longer weighted average maturities carry greater interest rate risk.

Liquidity risk This is the risk that the fund may not be able to sell a holding in a timely manner at a desired price.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

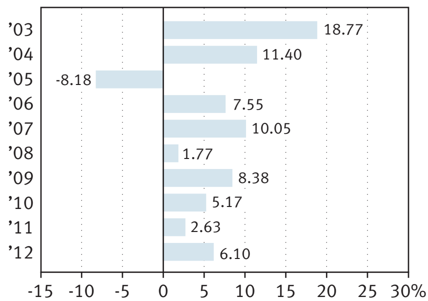
Derivatives risk To the extent the fund uses forward currency exchange contracts, it is exposed to greater volatility and losses in comparison to investing directly in foreign bonds. Forward currency exchange contracts are also subject to the risks that anticipated currency movements will not be accurately predicted, a counterparty will fail to perform in accordance with the terms of the agreement, and the chance that potential government regulation could negatively affect the fund's investments in such instruments.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

International Bond Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	9/30/10	10.91%
Worst Quarter	9/30/08	-6.30%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
International Bond Fund			
Returns before taxes	6.10 %	4.78 %	6.15 %
Returns after taxes on distributions	5.26	3.10	4.44
Returns after taxes on distributions and sale of fund shares	3.95	3.08	4.34
Barclays Global Aggregate ex USD Bond Index (reflects no deduction for fees, expenses, or taxes)	4.09	5.06	6.55
Lipper International Income Funds Average	7.38	5.99	6.33

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Ian D. Kelson	Co-Chairman of Investment Advisory Committee	2001	2000
Christopher J. Rothery	Co-Chairman of Investment Advisory Committee	2012	1994

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

The fund declares dividends daily and pays them on the first business day of each month. Any capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

T. Rowe Price Associates, Inc.
100 East Pratt Street
Baltimore, MD 21202

F76-045 5/1/13

ANNUAL REPORT

October 31, 2012

PRASX

T. ROWE PRICE

New Asia Fund

The fund invests in growth companies located in the Asia ex-Japan region.

T.RowePrice

INVEST WITH CONFIDENCE

T. Rowe Price New Asia Fund

HIGHLIGHTS

- Asian stock markets rose modestly over the past year as gains racked up in the first half offset subsequent weakness stemming from slowing global growth. Corporate earnings declined as growth across Asia slowed in 2012 from the preceding two years.
- The New Asia Fund advanced for the six and 12 months ended October 31, 2012, exceeding its benchmark index and Lipper peer group average over both periods.
- We anticipate that Europe's debt crisis, China's economic health, and the pace of the U.S. recovery will shape investor sentiment and demand for Asian stocks in the near term. However, we have high confidence in Asia's long-term growth outlook as incomes and living standards improve over time.

The views and opinions in this report were current as of October 31, 2012. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the fund's future investment intent. The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

Manager's Letter

Fellow Shareholders

Asian stock markets advanced for the year ended October 31, 2012, as gains in the first half outweighed declines in subsequent months as the global economic outlook deteriorated. China's economy weakened faster than many investors had expected, while India struggled with high inflation and slowing growth. Europe's ongoing debt crisis and a patchy U.S. recovery weighed on the trade-driven economies of South Korea and Taiwan. However, sentiment improved toward the end of our reporting period after many central banks took steps to stimulate growth, and economic indicators worldwide finally showed signs of a recovery.

Performance Comparison

	Total Return	
Periods Ended 10/31/12	6 Months	12 Months
New Asia Fund	1.88%	9.98%
MSCI All Country Asia ex Japan Index	1.72	6.77
Lipper Pacific Ex Japan Funds Average	0.48	6.32

The New Asia Fund returned 1.88% and 9.98% for the six and 12 months ended October 31, 2012, respectively. The fund's performance widely surpassed that of its benchmark, the MSCI All Country Asia ex Japan Index, and the Lipper Pacific Ex Japan Funds Average over the 12-month period. For the year, stock selection led by South Korea, Thailand, Singapore, and Indonesia drove most of the outperformance, while country allocations also lifted relative returns.

From a sector viewpoint, materials, industrials and business services, and consumer staples were the top contributors to relative results. In terms of absolute performance, financials was the top contributor, while consumer discretionary stocks detracted the most. China remains the fund's largest country position, but we significantly reduced our exposure. We maintained our overweight to India and added to our holdings in Southeast Asia. Our sector allocations continue to reflect our preference for areas driven by domestic consumption, with consumer discretionary, information technology, and consumer staples representing our top three overweight sectors.

MARKET ENVIRONMENT

Since our last report at the end of April, worries about Europe's inability to solve its debt crisis and uncertainty about the strength of the U.S. recovery continued to dictate the direction of financial markets. Against this volatile backdrop, two events in September drove global stock markets sharply higher: first, the European Central Bank's announcement that it would make unlimited purchases of short-term bonds issued by troubled euro members, subject to certain conditions; and second, the U.S. Federal Reserve's announcement of its latest round of quantitative easing and the extension of its low interest rate policy.

Market Performance

Periods Ended 10/31/12 (In U.S. Dollar Terms)	Total Return 6 Months	12 Months
Thailand	-0.19%	24.19%
Hong Kong	7.73	16.34
Malaysia	4.85	12.19
Singapore	3.88	11.93
China	1.29	8.23
South Korea	-2.65	3.60
Taiwan	-0.83	1.43
India	5.45	-4.73

Source: RIMES Online, using MSCI indexes.

Country performance varied widely across the region. For the year, China's market rose even as its economy decelerated due to slumping overseas demand and a drop in fixed asset investment spending. In response, China's government reduced its official annual growth target, cut interest rates twice over the summer, and stepped up infrastructure spending. The stimulus efforts finally appeared to have paid off, as data released in October showed that some pockets of China's economy picked up. India, the region's second-largest market, declined and was the year's worst performer. India struggled with a host of problems, including high inflation, widening budget and trade deficits, currency weakness, and political paralysis that has impeded reforms. Rising inflation kept India's central bank from cutting interest rates even as many other central banks loosened policy over the period.

However, India announced a series of reforms in September aimed at reviving growth and luring overseas investment, including allowing more foreign investment in retailing and other industries.

South Korea and Taiwan, whose economies depend heavily on external demand, eked out slim gains for the year even as weakness in Europe and the U.S. weighed on global trade. Taiwan repeatedly cut its 2012 growth forecast, while South Korea's economy nearly ground to a halt in the third quarter, spurring its central bank to cut interest rates in October for the second time this year. Thailand and the Philippines were the year's best performers, surging roughly 24% and 32%, respectively. Thailand's economy is benefiting from surging domestic consumption and investment driven by government spending after devastating floods hit the country in October 2011. Stocks in the Philippines have benefited from strong investor inflows as economic growth quickened over the past year, raising hopes that the country is entering a period of sustained investment.

PORTFOLIO REVIEW

Developed Asia

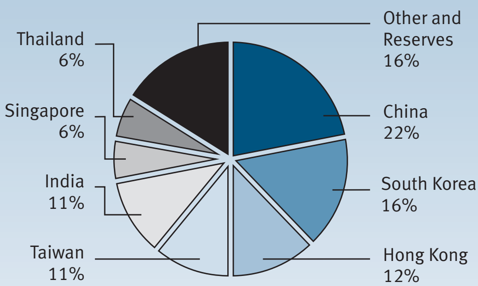
Developed Asia encompasses the more mature markets of Hong Kong, Singapore, South Korea, and Taiwan. Since the global financial crisis of late 2008, our exposure to these markets has risen to roughly 45% of the fund at period-end, though we are underweight these areas compared with the benchmark. Developed Asia is home to several Asian companies like **Samsung Electronics** and **Hyundai Motor** that are gaining global market share in their respective industries, but also Western companies that are listed on Asian exchanges and derive an important portion of their revenue from the region, such as French personal care products company **L'OCCITANE** and luggage maker **Samsonite**. Several businesses with excellent management teams, solid balance sheets, and diversified earnings sources that are well placed to navigate a volatile environment are based in developed Asia, including **Jardine Matheson**, a diversified pan-Asian group whose businesses include real estate development, financial services, and luxury hotels. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Our developed Asia holdings lifted relative performance for the year. South Korea was the top contributor to relative returns thanks to strong stock selection led by Samsung Electronics. Shares of Samsung surged over the period as the company posted a string of record quarterly profits due to strong sales of its Galaxy mobile phones. We have a high level of conviction in Samsung as more people upgrade to smartphones and prices rebound for certain kinds of memory chips that Samsung produces. In Taiwan, our holdings in custom chip maker **Taiwan Semiconductor** ranked among the fund's biggest contributors as it benefited from the worldwide boom in mobile devices. We have a high level of confidence in the company and think it has many years of solid growth as smartphones and other mobile gadgets become more widespread and feature more complex applications. In Singapore, oil services and utilities business **SembCorp Industries** benefited from growing global demand for drilling equipment while conglomerate **Fraser & Neave**, whose businesses include soft drinks and real estate, received an unsolicited takeover offer in September, leading us to eliminate the position after a strong run in the shares.

Southeast Asia

Our stock selection in Thailand, Indonesia, and the Philippines contributed strongly to relative performance. Stable political leadership and sound macroeconomic policies in recent years have improved the investment climate in these countries; as a result, interest rates and the cost of doing business have declined, raising expectations that Southeast Asia is on the cusp of an investment upswing for the first time since the 1997 regional currency crisis. Indonesia was an early beneficiary of this virtuous cycle, and we have trimmed our positions there due to the risk that a decline in commodity prices could pressure the country's resource-heavy economy. However, we have added to our holdings in Thailand and the Philippines, where the cycle appears to be in its early stages. Thailand produced several of the fund's biggest contributors, including **CP ALL**, which runs the 7-Eleven chain, and **Kasikornbank**, one of the country's top lenders. Reconstruction spending following last year's floods has lifted Thailand's economy, while a 40% increase in the minimum wage starting in April has fueled domestic demand. In the Philippines, real estate company **Ayala Land** performed well as it expanded its land bank and benefited from rising property prices.

Geographic Diversification



Based on net assets as of 10/31/12.

India and China

Asia's economic superpowers suffered slowdowns over the past year. India detracted from relative returns due to a combination of stock selection and an overweight to the country, the year's worst performer. We are encouraged by the reforms India's government announced in September but remain guarded about how successfully they will be implemented. Despite our caution about the near-term outlook in India, it is home to many world-class businesses with superior growth prospects, and our country exposure increased over the year.

Software services company **Wipro** and mobile phone operator **Bharti Airtel** led decliners in India. Wipro shares tumbled in July after it reported surprisingly weak earnings as corporate spending on technology slowed, while shares of Bharti sank to a multiyear low in August amid disappointing earnings, numerous broker downgrades, and heightened competition worries. Bharti has posted profit declines for well over a year, but its business in Africa is showing solid growth, its domestic market share appears to be stabilizing, and we forecast a turnaround in its profitability in the coming months. We took advantage of the declines to build our positions in both companies, which rank among our biggest Indian holdings.

China was the biggest detractor from relative performance. Many of the fund's biggest detractors were Chinese holdings that fared poorly for company-specific reasons. **New Oriental Education & Technology**, a language teaching and test preparation group, led decliners. Its shares fell sharply in July after disclosing that the Securities and Exchange Commission (SEC) was investigating the company over its financial statements. However, our research team has followed New Oriental for several years, and we maintained confidence in the company. The SEC recently said it had no objection to the company's accounting, and its stock price has begun to recover; however, we are closely monitoring our position as competition heats up in the education sector. **Baidu**, China's leading Internet search engine, was another major detractor. Baidu shares declined amid concerns about rising competition, weaker advertising spending, and how it would sustain revenue growth as more customers migrate to mobile devices. Despite these near-term concerns, we believe that Baidu's superior technology, well-known brand, and valuable proprietary content will sustain strong long-term growth in China, where online marketing is an under-penetrated industry. We added to our position in Baidu, one of the fund's biggest holdings.

Recent news about China has focused on its slowing economy, and many analysts have predicted a "hard landing." However, the current slowdown comes as no surprise to us. China has long signaled its intention to rebalance the drivers of its economy, and we are optimistic that China will engineer a gradual deceleration as it shifts to an economy driven by domestic consumption from one driven by exports and fixed asset investment. This transition will take many years and inevitably produce some periods of uneven economic and stock market performance. One aspect of China's economy that we are monitoring is the country's debt level, which has grown rapidly in recent years fueled by the rise of informal lending, or "shadow banking." Given that conventional banks have become involved in unregulated financing, the informal lending surge has raised worries that bankruptcies in the private sector could lead to a rise in nonperforming loans that could threaten China's formal banking system.

Sector Diversification

	Percent of Net Assets 4/30/12	Percent of Net Assets 10/31/12
Information Technology	22.3%	22.0%
Financials	21.9	21.5
Consumer Discretionary	12.0	13.7
Industrials and Business Services	9.5	9.2
Consumer Staples	8.2	9.0
Telecommunication Services	3.9	6.4
Utilities	5.7	5.8
Materials	5.5	5.6
Energy	4.8	2.9
Health Care	2.1	1.4
Other and Reserves	4.1	2.5
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

China's rising indebtedness is one of many challenges that face its next generation of leaders, who assume power in March 2013. Just how reform-minded the new leadership will be is a matter of great interest for investors, but we do not anticipate any major reforms in the near term. We eliminated positions in companies whose stock valuations appear to have peaked, such as consumer products maker **Hengan International** and utilities group **Beijing Enterprises**; we also sold out of companies whose fundamentals appeared to reflect the slowing economy, including commercial bank

WE CONTINUE TO FAVOR AREAS DRIVEN BY DOMESTIC CONSUMPTION SUCH AS CONSUMER STAPLES AND DISCRETIONARY STOCKS, WHICH SHOULD SEE SOLID LONG-TERM GROWTH AS ASIA'S MIDDLE CLASS GROWS...

ICBC and coal producer **China Shenhua Energy**. As a result, we moved to an underweight in China at the end of October from an overweight a year ago.

Our sector exposures stayed largely unchanged. Information technology, financials, and consumer discretionary accounted for the largest sector allocations at the end of the period. We remain underweight in financials except in Southeast Asia, where loan growth is accelerating. We continue to favor areas driven by domestic consumption such as consumer staples and discretionary stocks, which should see solid long-term growth as Asia's middle class grows in size and wealth. We have lately increased our exposure to the consumer discretionary sector. Many discretionary stocks, particularly in China, fell after reporting disappointing earnings growth this year, and we are finding opportunities to buy good growth companies at attractive prices.

OUTLOOK

We believe that economic growth across Asia will stabilize in 2013, and earnings expectations have been reset at more reasonable levels. However, we anticipate that financial markets will remain somewhat volatile in the near term and that events in Europe, the pace of the U.S. recovery, and the extent of China's slowdown will continue to impact investor demand for Asian stocks. Recent signs have been encouraging: At the close of our reporting period, the U.S. housing and jobs markets were strengthening, and various indicators showed China's economy picked up in September, raising speculation that the downturn starting last spring is close to bottoming out. Still, the fundamental problems facing the eurozone remain: large budget deficits, high debt levels, and macroeconomic imbalances between members. Resolving these issues will require fiscal consolidation and deleveraging over several years and could continue to dampen investor sentiment.

We are optimistic about the long-term growth outlook in Asia. Across the region, disposable incomes and consumption are growing strongly, and the middle class continues to expand in size and wealth. We believe these trends will drive strong and sustainable growth over time, particularly for industries driven by domestic demand. We have taken advantage of recent volatility to sharpen our bets and buy high-quality names at reasonable prices, and we continue to seek opportunities in Asian companies offering the best combination of risk and reward. In a challenging market environment, we believe that our skills in selecting such stocks will help deliver solid performance.

Thank you for investing with T. Rowe Price.

Respectfully submitted,

Anh Lu
Portfolio manager and chairman of the fund's Investment Advisory Committee

November 15, 2012

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing its investment program.

Risks of International Investing

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. Funds investing in a single country or in a limited geographic region tend to be riskier than more diversified funds. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

Glossary

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

MSCI All Country Asia ex Japan Index: An index that measures equity market performance of developed and emerging countries in Asia, excluding Japan.

Portfolio Highlights

TWENTY-FIVE LARGEST HOLDINGS

	Percent of Net Assets 10/31/12
Samsung Electronics, South Korea	6.4%
Taiwan Semiconductor, Taiwan	3.2
Hyundai Motor, South Korea	2.5
CNOOC, China	2.2
Baidu, China	2.1
Jardine Matheson, Hong Kong	2.0
Taiwan Cement, Taiwan	2.0
Kasikornbank, Thailand	2.0
CIMB Group, Malaysia	1.9
AIA Group, Hong Kong	1.9
Bharti Airtel, India	1.8
Singapore Telecommunications, Singapore	1.7
Infosys Technologies, India	1.7
Swire Pacific, Hong Kong	1.6
Oversea-Chinese Banking, Singapore	1.6
Siam Cement, Thailand	1.5
AMOREPACIFIC, South Korea	1.5
SembCorp Industries, Singapore	1.5
XL Axiata, Indonesia	1.5
China Merchants Holdings International, China	1.4
China Unicom Hong Kong, China	1.4
ENN Energy Holdings, China	1.4
Wipro, India	1.4
Quanta Computer, Taiwan	1.4
President Chain Store, Taiwan	1.4
Total	49.0%

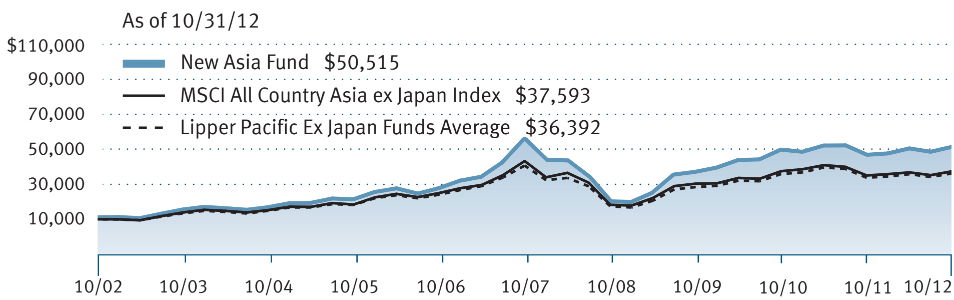
Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Performance and Expenses

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the fund over the past 10 fiscal year periods or since inception (for funds lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from fund returns as well as mutual fund averages and indexes.

NEW ASIA FUND



Average Annual Compound Total Return

Periods Ended 10/31/12	1 Year	5 Years	10 Years
New Asia Fund	9.98%	-1.68%	17.58%

This table shows how the fund would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. Past performance cannot guarantee future results.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Actual Expenses
The first line of the following table (Actual) provides information about actual account values and expenses based on the fund's actual returns. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table (Hypothetical) is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Note: T. Rowe Price charges an annual account service fee of $20, generally for accounts with less than $10,000. The fee is waived for any investor whose T. Rowe Price mutual fund accounts total $50,000 or more; accounts electing to receive electronic delivery of account statements, transaction confirmations, prospectuses, and shareholder reports; or accounts of an investor who is a T. Rowe Price Preferred Services, Personal Services, or Enhanced Personal Services client (enrollment in these programs generally requires T. Rowe Price assets of at least $100,000). This fee is not included in the accompanying table. If you are subject to the fee, keep it in mind when you are estimating the ongoing expenses of investing in the fund and when comparing the expenses of this fund with other funds.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

New Asia Fund

	Beginning Account Value 5/1/12	Ending Account Value 10/31/12	Expenses Paid During Period* 5/1/12 to 10/31/12
Actual	$1,000.00	$1,018.80	$4.77
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.41	4.77

*Expenses are equal to the fund's annualized expense ratio for the 6-month period (0.94%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184), and divided by the days in the year (366) to reflect the half-year period.

Quarter-End Returns

Periods Ended 9/30/12	1 Year	5 Years	10 Years
New Asia Fund	22.87%	1.04%	18.17%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please visit our website (troweprice.com) or contact a T. Rowe Price representative at 1-800-225-5132. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held for 90 days or less. If it did, the performance would be lower.

This table provides returns through the most recent calendar quarter-end rather than through the end of the fund's fiscal period. It shows how the fund would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. When assessing performance, investors should consider both short- and long-term returns.

Expense Ratio

New Asia Fund	*0.96%*

The expense ratio shown is as of the fund's fiscal year ended 10/31/11. This number may vary from the expense ratio shown elsewhere in this report because it is based on a different time period and, if applicable, does not include fee or expense waivers.

Financial Highlights

For a share outstanding throughout each period

	Year Ended 10/31/12	10/31/11	10/31/10	10/31/09	10/31/08
NET ASSET VALUE					
Beginning of period	$ 17.91	$ 19.31	$ 14.39	$ 8.01	$ 25.16
Investment activities					
Net investment income[1]	0.18	0.20	0.10	0.09	0.39
Net realized and unrealized gain (loss)	1.05	(1.36)	4.94	6.69	(15.61)
Total from investment activities	1.23	(1.16)	5.04	6.78	(15.22)
Distributions					
Net investment income	(0.15)	(0.09)	(0.08)	(0.40)	(0.19)
Net realized gain	(2.73)	(0.15)	(0.04)	–	(1.75)
Total distributions	(2.88)	(0.24)	(0.12)	(0.40)	(1.94)
Redemption fees added to paid-in capital[1]	–	–	–	–	0.01
NET ASSET VALUE					
End of period	**$ 16.26**	**$ 17.91**	**$ 19.31**	**$ 14.39**	**$ 8.01**
Ratios/Supplemental Data					
Total return[2]	**9.98%**	**(6.07)%**	**35.20%**	**88.57%**	**(65.12)%**
Ratio of total expenses to average net assets	0.95%	0.96%	0.96%	1.01%	0.96%
Ratio of net investment income to average net assets	1.15%	1.07%	0.61%	0.83%	2.35%
Portfolio turnover rate	41.1%	68.1%	49.4%	59.6%	55.4%
Net assets, end of period (in millions)	$ 4,518	$ 4,122	$ 5,261	$ 3,619	$ 1,828

(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 and payment of no redemption or account fees.

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

October 31, 2012

Portfolio of Investments ‡

(Cost and value in $000s)

	Shares/$ Par	Value
CHINA 21.6%		
Common Stocks 20.8%		
Ajisen China Holdings (HKD) (1)	11,491,000	7,903
AutoNavi, ADR (USD) (2)	735,000	7,886
Baidu, ADR (USD) (2)	882,300	94,071
China Foods (HKD) (1)	22,774,000	23,068
China Longyuan Power, H Shares (HKD) (1)	48,871,000	31,908
China Merchants Holdings International (HKD)	19,460,000	64,531
China Oilfield Services, H Shares (HKD)	15,294,000	28,930
China Resources Power Holdings (HKD) (1)	28,150,000	60,586
China Unicom Hong Kong (HKD) (1)	39,286,000	64,378
CNOOC (HKD)	48,378,000	100,376
Dah Chong Hong Holdings (HKD) (1)	24,406,000	23,052
Dongfeng Motor, H Shares (HKD) (1)	36,818,000	45,606
ENN Energy Holdings (HKD)	15,178,000	63,160
Kingboard Laminates Holding (HKD)	37,890,000	16,134
New Oriental Education & Technology, ADR (USD) (1)	2,782,300	46,910
Parkson Retail (HKD) (1)	50,450,500	42,638
Shanghai Pharmaceuticals Holding, H Shares (HKD)	16,929,500	31,412
Sina (USD) (2)	591,500	32,314
Tencent Holdings (HKD)	1,636,500	57,984
Wumart Stores, H Shares (HKD) (1)	21,492,250	38,214
Zhejiang Expressway, H Shares (HKD)	43,830,000	32,010
Zhongsheng Group Holdings (HKD) (1)	20,559,500	26,581
		939,652
Common Stocks - China A shares 0.8%		
China Vanke	28,948,146	38,615
		38,615
Total China (Cost $906,701)		978,267
HONG KONG 11.4%		
Common Stocks 11.4%		
AIA Group	21,698,800	85,815

(Cost and value in $000s)	Shares/$ Par	Value
Cheung Kong Holdings	3,917,000	57,870
Jardine Matheson (USD)	1,502,800	92,572
L'OCCITANE (1)	17,063,250	53,171
Li & Fung	29,214,000	49,004
Samsonite International	25,067,100	52,075
Swire Pacific, Class A	6,072,000	72,276
Trinity	7,884,000	5,524
VTech Holdings	2,769,000	32,888
Yue Yuen Industrial	3,440,000	11,829
Total Hong Kong (Cost $456,997)		513,024

INDIA 11.2%

Common Stocks 11.2%

Ambuja Cements	6,476,832	24,381
Bharti Airtel	16,579,396	83,213
Cipla	3,129,531	21,228
Container Corporation of India	1,765,329	32,837
Emami	2,159,846	22,905
Gail India	6,859,459	44,495
HDFC Bank	3,966,473	46,555
Infosys	1,704,317	74,927
Oberoi Realty	5,211,430	26,496
Phoenix Mills (3)	7,537,325	28,079
Ultratech Cement	1,063,555	39,437
Wipro	9,488,854	61,683
Total India (Cost $554,453)		506,236

INDONESIA 4.1%

Common Stocks 4.1%

AKR Corporindo	58,783,000	27,234
Astra International	52,779,000	44,235
Indofood Sukses Makmur	75,940,500	45,066

(Cost and value in $000s)	Shares/$ Par	Value
XL Axiata	95,607,000	68,184
Total Indonesia (Cost $106,727)		184,719
MALAYSIA 4.5%		
Common Stocks 4.5%		
Astro Malaysia Holdings (2)	38,328,600	34,101
CIMB Group Holdings Berhad	34,364,770	86,081
Genting	10,487,100	30,470
IJM	12,132,500	19,955
Malayan Cement	9,920,700	31,755
Total Malaysia (Cost $150,462)		202,362
PHILIPPINES 3.8%		
Common Stocks 3.8%		
Ayala	2,170,100	23,337
Ayala Land	104,716,600	59,863
Energy Development	370,923,300	60,057
Metropolitan Bank & Trust	12,770,475	29,450
Total Philippines (Cost $117,041)		172,707
SINGAPORE 6.3%		
Common Stocks 6.3%		
Capitamall Trust, REIT	27,734,000	47,974
Oversea-Chinese Banking	9,422,000	70,291
SembCorp Industries	15,352,000	68,466
Singapore Telecommunications	28,471,000	75,157
Venture	3,695,000	23,173
Total Singapore (Cost $242,439)		285,061

(Cost and value in $000s)	Shares/$ Par	Value
SOUTH KOREA 16.2%		
Common Stocks 15.6%		
AmorePacific	60,265	68,521
GS Retail (2)	720,790	21,083
Hana Tour Service (3)	587,129	33,055
Hyundai	552,698	113,773
Hyundai Department Store	10,522	1,307
Hyundai Mobis	199,196	50,776
KEPCO Plant Service & Engineering	499,904	27,503
KT&G	346,765	26,422
Samsung Electronics	219,026	263,088
Samsung Engineering	390,661	51,045
Samsung Fire & Marine	216,193	47,279
Shinhan Financial Group	40,171	1,379
		705,231
Preferred Stocks 0.6%		
Samsung Electronics	34,277	24,892
		24,892
Total South Korea (Cost $550,642)		730,123
TAIWAN 11.3%		
Common Stocks 11.3%		
Chinatrust Financial Holding	72,966,615	40,214
Chroma Ate	14,027,000	26,698
Farglory Land Development	9,080,000	15,262
Pegatron (2)	17,863,000	22,564
President Chain Store	12,412,000	61,396
Quanta Computer	26,961,000	61,652
Siliconware Precision Industries	49,262,000	48,060
Taiwan Cement	68,961,538	88,408

(Cost and value in $000s)	Shares/$ Par	Value
Taiwan Semiconductor	48,024,574	145,820
Total Taiwan (Cost $465,171)		510,074
THAILAND 6.1%		
Common Stocks 6.1%		
Bumrungrad Hospital	5,041,200	12,459
CP ALL	37,106,600	48,124
Kasikornbank, NVDR	15,096,100	88,163
Siam Cement, NVDR	5,665,500	69,132
Siam Commercial Bank	11,441,100	60,098
Total Thailand (Cost $192,931)		277,976
UNITED KINGDOM 1.0%		
Common Stocks 1.0%		
Standard Chartered (HKD)	1,878,400	44,839
Total United Kingdom (Cost $46,444)		44,839
SHORT-TERM INVESTMENTS 2.1%		
Money Market Funds 2.1%		
T. Rowe Price Reserve Investment Fund, 0.13% (3)(4)	96,846,000	96,846
Total Short-Term Investments (Cost $96,846)		96,846
SECURITIES LENDING COLLATERAL 0.8%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.8%		
Money Market Funds 0.7%		
T. Rowe Price Reserve Investment Fund, 0.13% (3)(4)	30,301,901	30,302
		30,302

(Cost and value in $000s)	Shares/$ Par	Value
Repurchase Agreements 0.1%		
Credit Suisse, Tri-Party, Dated 10/31/12, 0.27%, Delivery Value of $2,990,685 on 11/1/12, Collateralized by U.S. Government securities, 0.00% - 4.625%, 2/15/40 - 5/15/40, valued at $3,050,476	2,990,663	2,991
Merrill Lynch Pierce Fenner & Smith, Tri-Party, Dated 10/31/12 0.28%, Delivery Value of $2,651,437 on 11/1/12 Collateralized by U.S. Government securities, 0.25% - 0.50% 8/15/14 - 9/15/15, valued at $2,704,445	2,651,416	2,651
		5,642
Total Investments through Securities Lending Program with JPMorgan Chase Bank		35,944
Total Securities Lending Collateral (Cost $35,944)		35,944
Total Investments in Securities		
100.4% of Net Assets (Cost $3,922,798)		**$ 4,538,178**

‡ Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; securities are denominated in the currency of the country presented unless otherwise noted.

(1) All or a portion of this security is on loan at October 31, 2012. See Note 3.

(2) Non-income producing

(3) Affiliated Companies

(4) Seven-day yield

ADR American Depository Receipts

HKD Hong Kong Dollar

NVDR Non-Voting Depository Receipt

REIT Real Estate Investment Trust

USD U.S. Dollar

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 which is under common ownership or control. Based on the fund's relative ownership, the following securities were considered affiliated companies for all or some portion of the year ended October 31, 2012. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 10/31/12	Value 10/31/11
Hana Tour Service	$ 3,117	$ 5,156	$ 396	$ 33,055	$ 20,385
Phoenix Mills	—	1,085	272	28,079	31,470
T. Rowe Price Reserve Investment Fund, 0.13%	¤	¤	150^	127,148	295,961
Totals			$ 818	$ 188,282	$ 347,816

¤ Purchase and sale information not shown for cash management funds.

^ Excludes earnings on securities lending collateral invested in the T. Rowe Price Reserve Investment Fund, which are subject to rebates and fees as described in Note 3.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 216,565
Dividend income	818
Interest income	—
Investment income	$ 818
Realized gain (loss) on securities	$ (109)
Capital gain distributions from mutual funds	$ —

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

October 31, 2012

Statement of Assets and Liabilities

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

Assets	
Investments in securities, at value (cost $3,922,798)	$ 4,538,178
Receivable for investment securities sold	24,167
Receivable for shares sold	3,628
Cash	2,716
Dividends and interest receivable	2,168
Foreign currency (cost $1,092)	1,114
Other assets	24,603
Total assets	4,596,574
Liabilities	
Obligation to return securities lending collateral	35,944
Payable for shares redeemed	11,854
Payable for investment securities purchased	4,521
Investment management fees payable	3,094
Due to affiliates	443
Other liabilities	22,640
Total liabilities	78,496
NET ASSETS	**$ 4,518,078**
Net Assets Consist of:	
Undistributed net investment income	$ 43,149
Accumulated undistributed net realized gain	28,640
Net unrealized gain	615,260
Paid-in capital applicable to 277,848,686 shares of $0.01 par value capital stock outstanding; 4,500,000,000 shares of the Corporation authorized	3,831,029
NET ASSETS	**$ 4,518,078**
NET ASSET VALUE PER SHARE	**$ 16.26**

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

Statement of Operations

($000s)

	Year Ended 10/31/12
Investment Income (Loss)	
Income	
Dividend (net of foreign taxes of $8,628)	$ 85,862
Securities lending	248
Interest	4
Total income	86,114
Expenses	
Investment management	32,852
Shareholder servicing	4,485
Prospectus and shareholder reports	320
Custody and accounting	968
Registration	25
Legal and audit	91
Directors	30
Miscellaneous	135
Total expenses	38,906
Net investment income	47,208
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Securities	62,386
Foreign currency transactions	(1,917)
Net realized gain	60,469
Change in net unrealized gain (loss)	
Securities	279,132
Other assets and liabilities denominated in foreign currencies	(10)
Change in net unrealized gain (loss)	279,122
Net realized and unrealized gain (loss)	339,591
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 386,799**

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

Statement of Changes in Net Assets

($000s)

	Year Ended 10/31/12	10/31/11
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 47,208	$ 48,917
Net realized gain	60,469	877,803
Change in net unrealized gain (loss)	279,122	(1,223,705)
Increase (decrease) in net assets from operations	386,799	(296,985)
Distributions to shareholders		
Net investment income	(33,272)	(24,428)
Net realized gain	(605,575)	(40,715)
Decrease in net assets from distributions	(638,847)	(65,143)
Capital share transactions*		
Shares sold	963,557	610,430
Distributions reinvested	517,690	49,622
Shares redeemed	(833,312)	(1,437,594)
Redemption fees received	308	585
Increase (decrease) in net assets from capital share transactions	648,243	(776,957)
Net Assets		
Increase (decrease) during period	396,195	(1,139,085)
Beginning of period	4,121,883	5,260,968
End of period	**$ 4,518,078**	**$ 4,121,883**
Undistributed net investment income	43,149	28,563
*Share information		
Shares sold	63,107	32,717
Distributions reinvested	38,009	2,640
Shares redeemed	(53,462)	(77,561)
Increase (decrease) in shares outstanding	47,654	(42,204)

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

Notes to Financial Statements

T. Rowe Price International Funds, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The New Asia Fund (the fund) is a nondiversified, open-end management investment company established by the corporation. The fund commenced operations on September 28, 1990. The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in Asia (excluding Japan).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the use of estimates made by management. Management believes that estimates and valuations 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 or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared and paid annually. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Credits The fund earns credits on temporarily uninvested cash balances held at the custodian, which reduce the fund's custody charges. Custody expense in the accompanying financial statements is presented before reduction for credits.

Redemption Fees A 2% fee is assessed on redemptions of fund shares held for 90 days or less to deter short-term trading and to protect the interests of long-term shareholders. Redemption fees are withheld from proceeds that shareholders receive from the sale or exchange of fund shares. The fees are paid to the fund and are recorded as an increase to paid-in capital. The fees may cause the redemption price per share to differ from the net asset value per share.

New Accounting Pronouncements In May 2011, the Financial Accounting Standards Board (FASB) issued amended guidance to align fair value measurement and disclosure requirements in U.S. GAAP with International Financial Reporting Standards. The guidance is effective for fiscal years and interim periods beginning on or after December 15, 2011. Adoption had no effect on net assets or results of operations.

In December 2011, the FASB issued amended guidance to enhance disclosure for offsetting assets and liabilities. The guidance is effective for fiscal years and interim periods beginning on or after January 1, 2013. Adoption will have no effect on the fund's net assets or results of operations.

NOTE 2 - VALUATION

The fund's financial instruments are reported at fair value as defined by GAAP. The fund determines the values of its assets and liabilities and computes its net asset value per share at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day that the NYSE is open for business.

Valuation Methods Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made, except for OTC Bulletin Board securities, which are valued at the mean of the latest bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the latest bid and asked prices for domestic securities and the last quoted sale price for international securities. Debt securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation.

Other investments, including restricted securities and private placements, and those financial instruments for which the above valuation procedures are inappropriate or are deemed not to reflect fair value, are stated at fair value as determined in good faith by the T. Rowe Price Valuation Committee, established by the fund's Board of Directors (the Board). Subject to oversight by the Board, the Valuation Committee develops pricing-related policies and procedures and approves all fair-value determinations. The Valuation Committee regularly makes good faith judgments, using a wide variety of sources and information, to establish and adjust valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of private-equity instruments, the Valuation Committee considers a variety of factors, including the company's business prospects, its financial performance, strategic events impacting the company, relevant valuations of similar companies, new rounds of financing, and any negotiated transactions of significant size between other investors in the company. Because any fair-value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under the circumstances described below. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust closing prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. A fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing prices and information to evaluate and/or adjust those prices. The fund cannot predict how often it will use closing prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares closing prices, the next day's opening prices in the same markets, and adjusted prices. Additionally, trading in the underlying securities of the fund may take place in various foreign markets on certain days when the fund is not open for business and does not calculate a net asset value. As a result, net asset values may be significantly affected on days when shareholders cannot make transactions.

Valuation Inputs Various inputs are used to determine the value of the fund's financial instruments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical financial instruments

Level 2 – observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar financial instruments, interest rates, prepayment speeds, and credit risk)

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level. For example, non-U.S. equity securities actively traded in foreign markets generally are reflected in Level 2 despite the availability of closing prices because the fund evaluates and determines whether those closing prices reflect fair value at the close of the NYSE or require adjustment, as described above. The following table summarizes the fund's financial instruments, based on the inputs used to determine their values on October 31, 2012:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Investments in Securities, except:	$ —	$ 3,427,121	$ —	$ 3,427,121
China	181,181	797,086	—	978,267
Short-Term Investments	96,846	—	—	96,846
Securities Lending Collateral	30,302	5,642	—	35,944
Total	$ 308,329	$ 4,229,849	$ —	$ 4,538,178

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging Markets At October 31, 2012, approximately 79% of the fund's net assets were invested, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in emerging markets, securities issued by governments of emerging market countries, and/or securities denominated in or linked to the currencies of emerging market countries. Emerging market securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities. In addition, emerging markets may be subject to greater political, economic, and social uncertainty, and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars.

Repurchase Agreements All repurchase agreements are fully collateralized by U.S. government securities. Collateral is in the possession of the fund's custodian or, for tri-party agreements, the custodian designated by the agreement. Collateral is evaluated daily to ensure that its market value exceeds the delivery value of the repurchase agreements at maturity. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its value and a possible loss of income or value if the counterparty fails to perform in accordance with the terms of the agreement.

China A shares During the year ended October 31, 2012, the fund invested in certain Chinese equity securities (A shares) available only to local Chinese investors and Qualified Foreign Institutional Investors (QFII). The fund gains access to the A-share market through T. Rowe Price Associates, Inc., which serves as the registered QFII for all participating T. Rowe Price-sponsored products (each a participating account). Investment decisions related to A shares are specific to each participating account, and each account bears the resultant economic and tax consequences of its holdings and transactions in A shares. The fund is subject to certain restrictions and administrative processes relating to its ability to repatriate cash balances, investment proceeds, and earnings associated with its A shares and may incur substantial delays in gaining access to its assets or a loss of value in the event of noncompliance with applicable Chinese rules or requirements. Current Chinese tax law is unclear whether capital gains realized on the fund's investments in A shares will be subject to tax. Because management believes it more likely than not that Chinese capital gains tax ultimately will not be imposed, there are no accrued taxes reflected in the accompanying financial statements.

Securities Lending The fund lends its securities to approved brokers to earn additional income. It receives as collateral cash and U.S. government securities valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested by the fund's lending agent(s) in accordance with investment guidelines approved by management. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities or if collateral investments decline in value. Securities lending revenue recognized by the fund consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower and compensation to the lending agent. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities is not. At October 31, 2012, the value of loaned securities was $34,081,000; the value of cash collateral investments was $35,944,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $1,821,202,000 and $1,637,040,000, respectively, for the year ended October 31, 2012.

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 fund files U.S. federal, state, and local tax returns as required. The fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Reclassifications to paid-in capital relate primarily to a tax practice that treats a portion of the proceeds from each redemption of capital shares as a distribution of taxable net investment income and/or realized capital gain. Reclassifications between income and gain relate primarily to the character of foreign capital gains taxes. For the year ended October 31, 2012, the following reclassifications were recorded to reflect tax character (there was no impact on results of operations or net assets):

($000s)	
Undistributed net investment income	$ 649
Undistributed net realized gain	(8,739)
Paid-in capital	8,090

Distributions during the years ended October 31, 2012 and October 31, 2011, were characterized for tax purposes as follows:

($000s)	October 31,	
	2012	**2011**
Ordinary income	$ 33,272	$ 65,143
Long-term capital gain	605,575	—
Total distributions	$ 638,847	$ 65,143

At October 31, 2012 the tax-basis cost of investments and components of net assets were as follows:

($000s)	
Cost of investments	$ 3,954,665
Unrealized appreciation	$ 856,515
Unrealized depreciation	(273,122)
Net unrealized appreciation (depreciation)	583,393
Undistributed ordinary income	45,805
Undistributed long-term capital gain	57,851
Paid-in capital	3,831,029
Net assets	$ 4,518,078

The difference between book-basis and tax-basis net unrealized appreciation (depreciation) is attributable to the deferral of losses from wash sales, the realization of gains/losses on passive foreign investment companies for tax purposes.

NOTE 5 - FOREIGN TAXES

The fund is subject to foreign income taxes imposed by certain countries in which it invests. Acquisition of certain foreign currencies related to security transactions are also subject to tax. Additionally, capital gains realized by the fund upon disposition of securities issued in or by certain foreign countries are subject to capital gains tax imposed by those countries. All taxes are computed in accordance with the applicable foreign tax law, and, to the extent permitted, capital losses are used to offset capital gains. Taxes attributable to income are accrued by the fund as a reduction of income. Taxes incurred on the purchase of foreign currencies are recorded as realized loss on foreign currency transactions. Current and deferred tax expense attributable to net capital gains is reflected as a component of realized and/or change in unrealized gain/loss on securities in the accompanying financial statements. At October 31, 2012, the fund had no deferred tax liability attributable to foreign securities and $4,648,000 of foreign capital loss carryforwards, that expire in 2020.

NOTE 6 - 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 has entered into a subadvisory agreements with T. Rowe Price International Ltd and T. Rowe Price Hong Kong Limited, wholly owned subsidiaries of Price Associates, to provide investment advisory services to the fund; the subadvisory agreements provide that Price Associates may pay the subadvisors up to 60% of the management fee that Price Associates receives from the fund. The investment management agreement between the fund and Price Associates provides for an annual investment management fee, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.50% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first $1 billion of assets to 0.28% for assets in excess of $300 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At October 31, 2012, the effective annual group fee rate was 0.30%.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates (collectively, Price). Price Associates computes the daily share price and provides certain other administrative services to the fund. T. Rowe Price Services, Inc., provides shareholder and administrative services in its capacity as the fund's transfer and dividend disbursing agent. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the fund. For the year ended October 31, 2012, expenses incurred pursuant to these service agreements were $149,000 for Price Associates; $1,726,000 for T. Rowe Price Services, Inc.; and $160,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

The fund is also one of several mutual funds sponsored by Price Associates (underlying Price funds) in which the T. Rowe Price Spectrum Funds (Spectrum Funds) may invest. The Spectrum Funds do not invest in the underlying Price funds for the purpose of exercising management or control. Pursuant to a special servicing agreement, expenses associated with the operation of the Spectrum Funds 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 Spectrum Funds. Expenses allocated under this agreement are reflected as shareholder servicing expense in the accompanying financial statements. For the year ended October 31, 2012, the fund was allocated $112,000 of Spectrum Funds' expenses, of which $76,000 related to services provided by Price. The amount payable at period-end pursuant to this agreement is reflected as Due to Affiliates in the accompanying financial statements. Additionally, redemption fees received by the Spectrum Funds are allocated to each underlying Price fund in proportion to the average daily value of its shares owned by the Spectrum Funds. $4,000 of redemption fees reflected in the accompanying financial statements were received from the Spectrum Funds. Redemption fees received from the Spectrum Funds are recorded as an increase to paid-in capital. At October 31, 2012, approximately 2% of the outstanding shares of the fund were held by the Spectrum Funds.

The fund may invest in the T. Rowe Price Reserve Investment Fund and the T. Rowe Price Government Reserve Investment Fund (collectively, the T. Rowe Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The T. Rowe Price Reserve Investment Funds are offered as cash management options to mutual funds, trusts, and other accounts managed by Price Associates and/or its affiliates and are not available for direct purchase by members of the public. The T. Rowe Price Reserve Investment Funds pay no investment management fees.

Report of Independent Registered Public Accounting Firm

To the Board of Directors of T. Rowe Price International Funds, Inc. and Shareholders of T. Rowe Price New Asia Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of T. Rowe Price New Asia Fund (one of the portfolios comprising T. Rowe Price International Funds, Inc., hereafter referred to as the "Fund") at October 31, 2012, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated therein, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2012 by correspondence with the custodian and brokers, and confirmation of the underlying funds by correspondence with the transfer agent, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
December 14, 2012

Tax Information (Unaudited) for the Tax Year Ended 10/31/12

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

The fund's distributions to shareholders included:

- $3,864,000 from short-term capital gains,
- $610,010,000 from long-term capital gains, subject to the 15% rate gains category.

For taxable non-corporate shareholders, $33,341,000 of the fund's income represents qualified dividend income subject to the 15% rate category.

The fund will pass through foreign source income of $61,620,000 and foreign taxes paid of $8,128,000.

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, which you may request 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 website, troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through our website, follow the directions above, then click on the words "Proxy Voting Records" on the right side of the Proxy Voting Policies page.

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.

About the Fund's Directors and Officers

Your fund is overseen by a Board of Directors (Board) that meets regularly to review a wide variety of matters affecting the fund, including performance, investment programs, compliance matters, advisory fees and expenses, service providers, and other business affairs. The Board elects the fund's officers, who are listed in the final table. At least 75% of the Board's members are independent of T. Rowe Price Associates, Inc. (T. Rowe Price), and its affiliates; "inside" or "interested" directors are employees or officers of T. Rowe Price. The business address of each director and officer is 100 East Pratt Street, Baltimore, Maryland 21202. The Statement of Additional Information includes additional information about the fund directors and is available without charge by calling a T. Rowe Price representative at 1-800-638-5660.

Independent Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
William R. Brody (1944) 2009 [138]	President and Trustee, Salk Institute for Biological Studies (2009 to present); Director, Novartis, Inc. (2009 to present); Director, IBM (2007 to present); President and Trustee, Johns Hopkins University (1996 to 2009); Chairman of Executive Committee and Trustee, Johns Hopkins Health System (1996 to 2009)
Jeremiah E. Casey (1940) 2006 [138]	Retired
Anthony W. Deering (1945) 1991 [138]	Chairman, Exeter Capital, LLC, a private investment firm (2004 to present); Director, Under Armour (2008 to present); Director, Vornado Real Estate Investment Trust (2004 to present); Director and Member of the Advisory Board, Deutsche Bank North America (2004 to present); Director, Mercantile Bankshares (2002 to 2007)
Donald W. Dick, Jr. (1943) 1988 [138]	Principal, EuroCapital Partners, LLC, an acquisition and management advisory firm (1995 to present)
Robert J. Gerrard, Jr. (1952) 2012 [90]	Chairman of Compensation Committee and Director, Syniverse Holdings, Inc. (2008 to 2011); Executive Vice President and General Counsel, Scripps Networks, LLC (1997 to 2009); Advisory Board Member, Pipeline Crisis/Winning Strategies (1997 to present)

*Each independent director serves until retirement, resignation, or election of a successor.

Independent Directors (continued)

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Karen N. Horn (1943) 2003 [138]	Senior Managing Director, Brock Capital Group, an advisory and investment banking firm (2004 to present); Director, Eli Lilly and Company (1987 to present); Director, Simon Property Group (2004 to present); Director, Norfolk Southern (2008 to present); Director, Fannie Mae (2006 to 2008)
Theo C. Rodgers (1941) 2006 [138]	President, A&R Development Corporation (1977 to present)
Cecilia E. Rouse, Ph.D. (1963) 2012 [90]	Professor and Researcher, Princeton University (1992 to present); Director, MDRC (2011 to present); Member, National Academy of Education (2010 to present); Research Associate, National Bureau of Economic Research's Labor Studies Program (1998 to 2009 and 2011 to present); Member, President's Council of Economic Advisors (2009 to 2011); Member, The MacArthur Foundation Network on the Transition to Adulthood and Public Policy (2000 to 2008); Member, National Advisory Committee for the Robert Wood Johnson Foundation's Scholars in Health Policy Research Program (2008); Director and Member, National Economic Association (2006 to 2008); Member, Association of Public Policy Analysis and Management Policy Council (2006 to 2008); Member, Hamilton Project's Advisory Board at The Brookings Institute (2006 to 2008); Chair of Committee on the Status of Minority Groups in the Economic Profession, American Economic Association (2006 to 2008)
John G. Schreiber (1946) 2001 [138]	Owner/President, Centaur Capital Partners, Inc., a real estate investment company (1991 to present); Cofounder and Partner, Blackstone Real Estate Advisors, L.P. (1992 to present); Director, General Growth Properties, Inc. (2010 to present)
Mark R. Tercek (1957) 2009 [138]	President and Chief Executive Officer, The Nature Conservancy (2008 to present); Managing Director, The Goldman Sachs Group, Inc. (1984 to 2008)

*Each independent director serves until retirement, resignation, or election of a successor.

Inside Directors

Name (Year of Birth) Year Elected* [Number of T. Rowe Price Portfolios Overseen]	Principal Occupation(s) and Directorships of Public Companies and Other Investment Companies During the Past Five Years
Edward C. Bernard (1956) 2006 [138]	Director and Vice President, T. Rowe Price; Vice Chairman of the Board, Director, and Vice President, T. Rowe Price Group, Inc.; Chairman of the Board, Director, and President, T. Rowe Price Investment Services, Inc.; Chairman of the Board and Director, T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Savings Bank, and T. Rowe Price Services, Inc.; Chairman of the Board, Chief Executive Officer, and Director, T. Rowe Price International; Chief Executive Officer, Chairman of the Board, Director, and President, T. Rowe Price Trust Company; Chairman of the Board, all funds
Brian C. Rogers, CFA, CIC (1955) 2006 [75]	Chief Investment Officer, Director, and Vice President, T. Rowe Price; Chairman of the Board, Chief Investment Officer, Director, and Vice President, T. Rowe Price Group, Inc.; Vice President, T. Rowe Price Trust Company

*Each inside director serves until retirement, resignation, or election of a successor.

Officers

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Ulle Adamson, CFA (1979) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Roy H. Adkins (1970) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.; formerly employee, African Development Bank (to 2008)
Christopher D. Alderson (1962) President	Director and President–International Equity, T. Rowe Price International; Company's Representative, Director, and Vice President, Price Hong Kong; Director and Vice President, Price Singapore; Vice President, T. Rowe Price Group, Inc.
Syed H. Ali (1970) Vice President	Vice President, Price Singapore and T. Rowe Price Group, Inc.; formerly Research Analyst, Credit Suisse Securities (to 2010)

Unless otherwise noted, officers have been employees of T. Rowe Price or T. Rowe Price International for at least 5 years.

Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Paulina Amieva (1981) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly student, Harvard Business School (to 2008)
Sheena L. Barbosa (1983) Vice President	Employee, T. Rowe Price
Peter J. Bates, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Oliver D.M. Bell, IMC (1969) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Head of Global Emerging Markets Research, Pictet Asset Management Ltd. (to 2011), and Portfolio Manager of Africa and Middle East portfolios and other emerging markets strategies, Pictet Asset Management Ltd. (to 2009)
R. Scott Berg, CFA (1972) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Brian J. Brennan, CFA (1964) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Ryan N. Burgess, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Sheldon Chan (1981) Vice President	Vice President, Price Hong Kong; formerly Associate Director, HSBC (Hong Kong) (to 2011)
Tak Yiu Cheng, CFA, CPA (1974) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.; formerly Analyst, CLS, BNP Paribas, and Deutsche Bank (to 2008)
Carolyn Hoi Che Chu (1974) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.; formerly Director, Bank of America Merrill Lynch and Co-head of credit and convertibles research team in Hong Kong (to 2010)
Archibald Ciganer Albeniz, CFA (1976) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Richard N. Clattenburg, CFA (1979) Executive Vice President	Vice President, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Michael J. Conelius, CFA (1964) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Jose Costa Buck (1972) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Richard de los Reyes (1975) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Michael Della Vedova (1969) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Cofounder and Partner, Four Quarter Capital (to 2009)
Jessie Q. Ding (1981) Vice President	Vice President, Price Hong Kong; formerly associate, TPG Capital (to 2008)
Shawn T. Driscoll (1975) Vice President	Vice President, T. Rowe Price Group, Inc.
Bridget A. Ebner (1970) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Mark J.T. Edwards (1957) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
David J. Eiswert, CFA (1972) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
Henry M. Ellenbogen (1973) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Roger L. Fiery III, CPA (1959) Vice President	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Mark S. Finn, CFA, CPA (1963) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Melissa C. Gallagher (1974) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly European Pharmaceuticals and Biotech Analyst, Bear Stearns International Ltd. (to 2008)
Robert N. Gensler (1957) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
John R. Gilner (1961) Chief Compliance Officer	Chief Compliance Officer and Vice President, T. Rowe Price; Vice President, T. Rowe Price Group, Inc., and T. Rowe Price Investment Services, Inc.
Gregory S. Golczewski (1966) Vice President	Vice President, T. Rowe Price and T. Rowe Price Trust Company
Vishnu Vardhan Gopal (1979) Vice President	Vice President, Price Hong Kong
Benjamin Griffiths, CFA (1977) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
M. Campbell Gunn (1956) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Gregory K. Hinkle, CPA (1958) Treasurer	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Leigh Innes, CFA (1976) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Randal S. Jenneke (1971) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Senior Portfolio Manager, Australian Equities (to 2010)
Kris H. Jenner, M.D., D.Phil. (1962) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
Yoichiro Kai (1973) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Japanese Financial/Real Estate Sector Analyst/Portfolio Manager, Citadel Investment Group, Asia Limited (to 2009)
Jai Kapadia (1982) Vice President	Employee, T. Rowe Price; formerly student, MIT Sloan School of Management (to 2011); Associate Analyst, Sirios Capital Management (to 2009)
Andrew J. Keirle (1974) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Ian D. Kelson (1956) Executive Vice President	President–International Fixed Income, T. Rowe Price International; Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Christopher J. Kushlis, CFA (1976) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Mark J. Lawrence (1970) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Equity Fund Manager, Citi (London) (to 2008)
David M. Lee, CFA (1962) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Patricia B. Lippert (1953) Secretary	Assistant Vice President, T. Rowe Price and T. Rowe Price Investment Services, Inc.
Christopher C. Loop, CFA (1966) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International
Anh Lu (1968) Executive Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Sebastien Mallet (1974) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Daniel Martino, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Jonathan H.W. Matthews, CFA (1975) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Analyst, Pioneer Investments (to 2008)
Susanta Mazumdar (1968) Executive Vice President	Vice President, Price Singapore and T. Rowe Price Group, Inc.
Raymond A. Mills, Ph.D., CFA (1960) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price International, and T. Rowe Price Trust Company
Eric C. Moffett (1974) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Samy B. Muaddi, CFA (1984) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Joshua Nelson (1977) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Philip A. Nestico (1976) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Sridhar Nishtala (1975) Vice President	Vice President, Price Singapore and T. Rowe Price Group, Inc.
Jason Nogueira, CFA (1974) Executive Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
David Oestreicher (1967) Vice President	Director, Vice President, and Secretary, T. Rowe Price Investment Services, Inc., T. Rowe Price Retirement Plan Services, Inc., T. Rowe Price Services, Inc., and T. Rowe Price Trust Company; Vice President and Secretary, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International; Vice President, Price Hong Kong and Price Singapore
Michael D. Oh, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Kenneth A. Orchard (1975) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Vice President, Moody's Investors Service (to 2010)
Paul T. O'Sullivan (1973) Vice President	Vice President, T. Rowe Price International
Hiroaki Owaki, CFA (1962) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Gonzalo Pángaro, CFA (1968) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Timothy E. Parker, CFA (1974) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Craig J. Pennington, CFA (1971) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Global Energy Analyst, Insight Investment (to 2010); Senior Trader, Brevan Howard (to 2008)
Austin Powell, CFA (1969) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Frederick A. Rizzo (1969) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Christopher J. Rothery (1963) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Naoto Saito (1980) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly Analyst, HBK Capital Management (to 2008)
Federico Santilli, CFA (1974) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Sebastian Schrott (1977) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Deborah D. Seidel (1962) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., T. Rowe Price Investment Services, Inc., and T. Rowe Price Services, Inc.
Francisco Sersale (1980) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Amitabh Shah (1980) Vice President	Vice President, T. Rowe Price International
Jeneiv Shah, CFA (1980) Vice President	Employee, T. Rowe Price; formerly Analyst, Mirae Asset Global Investments (to 2010)
Robert W. Sharps, CFA, CPA (1971) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
John C.A. Sherman (1969) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Robert W. Smith (1961) Executive Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Eunbin Song, CFA (1980) Vice President	Vice President, Price Singapore; formerly Equity Research Analyst, Samsung Securities (to 2008); student, Columbia Business School (to 2010)
David A. Stanley (1963) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Jonty Starbuck, Ph.D. (1975) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Miki Takeyama (1970) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Ju Yen Tan (1972) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
Sin Dee Tan, CFA (1979) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International; formerly student, London Business School (to 2008)
Dean Tenerelli (1964) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Jean Pierre Thibaud (1982) Vice President	Employee, T. Rowe Price; formerly student, Harvard Business School (to 2011); Senior Associate, MBA Lazard (to 2009)
Siby Thomas (1979) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.; formerly student, University of Chicago Graduate School of Business (to 2009)
Justin Thomson (1968) Executive Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Mitchell J.K. Todd (1974) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Eric L. Veiel, CFA (1972) Vice President	Vice President, T. Rowe Price and T. Rowe Price Group, Inc.
Verena E. Wachnitz, CFA (1978) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
David J. Wallack (1960) Vice President	Vice President, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price Trust Company
Julie L. Waples (1970) Vice President	Vice President, T. Rowe Price
Hiroshi Watanabe, CFA (1975) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Christopher S. Whitehouse (1972) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Clive M. Williams (1966) Vice President	Vice President, Price Hong Kong, Price Singapore, T. Rowe Price, T. Rowe Price Group, Inc., and T. Rowe Price International

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Officers (continued)

Name (Year of Birth) Position Held With International Funds	Principal Occupation(s)
J. Howard Woodward, CFA (1974) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Marta Yago (1977) Vice President	Vice President, T. Rowe Price Group, Inc., and T. Rowe Price International
Ernest C. Yeung, CFA (1979) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Alison Mei Ling Yip (1966) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Christopher Yip, CFA (1975) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.
Wenli Zheng (1979) Vice President	Vice President, Price Hong Kong and T. Rowe Price Group, Inc.; formerly student, University of Chicago Graduate School of Business (to 2008)

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By Phone at 1-800-225-5132. Available Monday through Friday from 8 a.m. until 10 p.m. ET and Saturday from 8:30 a.m. until 5 p.m. ET.

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T. Rowe Price Report. Quarterly investment newsletter.

T. Rowe Price Investor. Quarterly publication of insightful financial articles.

Investment Guides. International Investing Guide, Guide to Bond Funds, Investors Portfolio Review, Retirement Savings Guide, and Retirement Readiness Guide.

FINANCIAL INTERMEDIARIES AND ADVISORS

By Phone at 1-877-804-2315. Contact us Monday through Friday from 8:30 a.m. until 6 p.m. ET.

By Mail: T. Rowe Price, Financial Institution Services, P.O. Box 89000, Baltimore, MD 21289-4232.

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Please contact your intermediary or financial professional for assistance.

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Portfolio Growth Tracker allows you to track the historical growth of your mutual fund investments over time. The analysis consists of three components: Activity Summary, Asset Allocation, and Net Investment versus Market Value.

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T. Rowe Price Advisory Planning Services offers a wide range of services that provide expert advice based on your individual needs and financial goals, including consultations with an advisory counselor. Please contact one of our specialists at **1-888-744-0270** to determine the most appropriate service to fit your needs.*

*Services offered by T. Rowe Price Advisory Services, Inc., a federally registered investment adviser. There may be costs associated with these services.

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With the costs of college steadily increasing, it's critical to plan early. Our college planning information and college savings products can help you meet your educational investment goals. For more information, visit our website at **troweprice.com/college**, where you will find the **College Investment Calculator**, an interactive tool that can help you determine how much you should save, estimate future tuition costs, and review college savings options. In a few easy steps, the calculator provides you with information and a plan of action. To speak with a college planning specialist, please call **1-800-638-5660**.

College Savings Plans (529 Plans). To help families prepare for college education costs, T. Rowe Price manages three 529 plans that are open to all U.S. residents. Any earnings on contributions are tax-deferred, and distributions are exempt from federal income taxes when used for qualified educational expenses. Also, these plans offer high contribution limits and affordable systematic investing.

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Please visit our website or call 1-800-638-5660 to obtain the applicable plan disclosure document, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. Please consider, before investing, whether your or your beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's plan. T. Rowe Price Investment Services, Inc., Distributor/Underwriter.

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Advisory Planning Services

If you are looking for professional investment advisory services with a personal touch, T. Rowe Price can help you make informed investing decisions and take control of your financial future.

You will work one-on-one with an experienced advisory counselor who, after discussing your situation with you and analyzing the financial information you provide, will recommend a strategy that meets your individual goals and preferences.*

*Services offered by T. Rowe Price Advisory Services, Inc., a federally registered investment adviser. There may be costs associated with these services.

T. Rowe Price Mutual Funds

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STOCK FUNDS

Domestic

Blue Chip Growth*
Capital Appreciation*
Capital Opportunity*
Diversified Mid-Cap Growth
Diversified Small-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
Real Estate*
Science & Technology*
Small-Cap Stock*
Small-Cap Value*
Spectrum Growth
Tax-Efficient Equity
Total Equity Market Index
U.S. Large-Cap Core*
Value*

ASSET ALLOCATION FUNDS

Balanced
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Real Assets
Retirement Funds*^

BOND FUNDS

Domestic Taxable

Corporate Income
Floating Rate*
GNMA
High Yield*§
Inflation Protected Bond
New Income*
Short-Term Bond*
Spectrum Income
Strategic Income*
Summit GNMA
Ultra Short-Term Bond
U.S. Bond Enhanced Index
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-Free

California Tax-Free Bond
Georgia Tax-Free Bond
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

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

MONEY MARKET FUNDS (CONT.)

Tax-Free

California Tax-Free Money
Maryland Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

INTERNATIONAL/GLOBAL FUNDS

Stock

Africa & Middle East
Emerging Europe
Emerging Markets Stock
European Stock
Global Infrastructure*
Global Large-Cap Stock*
Global Real Estate*
Global Stock*
Global Technology
International Discovery
International Equity Index
International Growth & Income*
International Stock*
Japan
Latin America
New Asia
Overseas Stock
Spectrum International

Bond

Emerging Markets Bond
Emerging Markets Corporate Bond*
Emerging Markets Local Currency Bond*
International Bond*

For more information about T. Rowe Price funds or services, please contact us directly at 1-800-225-5132. 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.

Investments in the money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds.

*T. Rowe Price Advisor and R Classes may be available for these funds. T. Rowe Price Advisor and R Classes are offered only through financial intermediaries. For more information about T. Rowe Price Advisor and R Classes, contact your financial professional or call T. Rowe Price at 1-877-804-2315.

‡Closed to new investors except for a direct rollover from a retirement plan into a T. Rowe Price IRA invested in this fund.

^The Retirement Funds are inclusive of the Retirement 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, and Income Funds.

§Subject to certain exceptions, the fund will be closed to new investors effective April 30, 2012.

T.Rowe Price
INVEST WITH CONFIDENCE

T. Rowe Price Investment Services, Inc.
100 East Pratt Street
Baltimore, MD 21202

PROSPECTUS

T. Rowe Price

TRAMX	Africa & Middle East Fund
TREMX	Emerging Europe Fund
PRMSX	Emerging Markets Stock Fund
PRESX	European Stock Fund
PRIDX	International Discovery Fund
TRIGX	International Growth & Income Fund
PRITX	International Stock Fund
PRJPX	Japan Fund
PRLAX	Latin America Fund
PRASX	New Asia Fund
TROSX	Overseas Stock Fund

March 1, 2013

A choice of international and regional stock funds for investors seeking long-term capital growth by diversifying beyond U.S. borders.

The Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

T. Rowe Price
INVEST WITH CONFIDENCE

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Mutual fund shares are not deposits or obligations of, or guaranteed by, any depository institution. Shares are not insured by the Federal Deposit Insurance Corporation, Federal Reserve, or any other government agency, and are subject to investment risks, including possible loss of the principal amount invested.

SUMMARY

T. Rowe Price Africa & Middle East Fund

Investment Objective

The fund seeks long-term growth of capital by investing primarily in the common stocks of companies located (or with primary operations) in Africa and the Middle East.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	1.05%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.47%
Total annual fund operating expenses	**1.52%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$155	$480	$829	$1,813

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund

shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 65.0% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in African and Middle Eastern companies. The fund may purchase the stocks of companies of any size. The fund expects to make substantially all of its investments in common stocks, and participation notes (P-notes) linked to common stocks, of companies located (or with primary operations) in the countries listed below, as well as others as their markets develop:

- *Primary Emphasis:* Bahrain, Egypt, Jordan, Kenya, Kuwait, Lebanon, Morocco, Nigeria, Oman, Qatar, Saudi Arabia, South Africa, and United Arab Emirates.
- *Others:* Algeria, Angola, Botswana, Ghana, Ivory Coast, Mauritius, Mozambique, Namibia, Niger Republic, Rwanda, Senegal, Syria, Tanzania, Tunisia, Uganda, Zambia, and Zimbabwe.

The fund is "nondiversified," meaning it may invest a greater portion of assets in a single company and own more of the company's voting securities than is permissible for a "diversified" fund. The fund's portfolio is expected to be composed of investments in about 30 to 60 different companies, although the number could vary depending on market conditions. While most assets will be invested directly in common stocks, the fund may gain exposure to common stocks by purchasing P-notes that offer a return linked to a particular underlying common stock. P-notes are primarily used to invest indirectly in certain stocks that trade in a market that restricts foreign investors, such as the fund, from investing directly in that market. The fund may make substantial investments (at times more than 25% of total assets) in telecommunications and banking companies in various African and Middle Eastern countries.

While the fund invests with an awareness of the outlook for industry sectors and individual countries within the region, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.

Emerging markets risk The risks of foreign investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in foreign developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on foreign investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

P-note risks To the extent the fund invests in P-notes, it is subject to certain risks in addition to the risks normally associated with a direct investment in the underlying foreign securities the P-note seeks to replicate. As the purchaser of a P-note, the fund is relying on the creditworthiness of the counterparty issuing the P-note and does not have the same rights under a P-note as it would as a shareholder of the underlying issuer. Therefore, if a counterparty becomes insolvent, the fund could lose the total value of its investment in the P-note. In addition, there is no assurance that there will be a trading market for a P-note or that the trading price of a P-note will equal the value of the underlying security.

Geographic concentration risk Because the fund concentrates its investments in a particular geographic region, the fund's performance is closely tied to the social, political, and economic conditions within that region. Political developments and changes in regulatory, tax, or economic policy in particular countries within the region could significantly affect the markets in those countries as well as the entire region. As a result, the fund is likely to be more volatile than more geographically diverse international funds.

Many African and Middle Eastern countries have histories of dictatorships, political and military unrest, and financial troubles, and their markets should be considered extremely volatile even when compared to those of other emerging market countries. Many of these countries tend to be highly reliant on the exportation of oil and other commodities so their economies can be significantly impacted by fluctuations in commodity prices and the global demand for certain commodities. In addition, because the fund may invest significantly in telecommunications and banking companies within the region, the fund is also more susceptible to developments affecting these industries.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

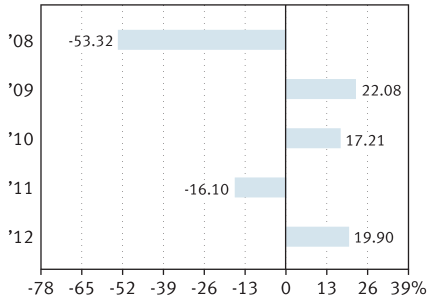
Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

Africa & Middle East Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	28.02%
Worst Quarter	12/31/08	-37.91%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***Since inception (9/4/07)***
Africa & Middle East Fund			
Returns before taxes	19.90 %	-7.65 %	-2.65 %
Returns after taxes on distributions	19.09	-8.26	-3.26
Returns after taxes on distributions and sale of fund shares	13.35	-6.55	-2.46
S&P Emerging/Frontier ME & Africa BMI ex IL (reflects no deduction for fees, expenses, or taxes)	15.44	-2.94	0.54
Combined Index Portfolio (reflects no deduction for fees, expenses, or taxes)[a]	15.44	-1.50	1.60
Lipper Emerging Markets Funds Average	18.23	-2.36	-1.61 *

* Since 9/30/07.

[a] Combined Index Portfolio is an unmanaged linked performance portfolio composed of: 100% S&P IFCG Africa & Middle East Index (excluding Saudi Arabia and Israel) through 6/30/09 (prior to 9/1/08, the index excluded Kuwait); 100% MSCI Arabian Markets & Africa Index from 7/1/09 through 9/29/10; and 100% S&P Emerging/Frontier ME & Africa BMI ex IL from 9/30/10 forward.

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Oliver D.M. Bell	Chairman of Investment Advisory Committee	2011	2011

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	Minimum initial purchase	Minimum subsequent purchase
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price Emerging Europe Fund

Investment Objective

The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in the emerging market countries of Europe.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	1.05%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.50%
Total annual fund operating expenses	**1.55%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$158	$490	$845	$1,845

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund

shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 10.9% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in the emerging markets of Europe, including Eastern Europe and the former Soviet Union. The fund may purchase the stocks of companies of any size. The fund expects to make substantially all of its investments in common stocks of companies located (or with primary operations) in the emerging market countries listed below (others may be added):

- *Primary Emphasis:* Czech Republic, Hungary, Kazakhstan, Poland, Russia, Turkey, and Ukraine.
- *Others:* Bulgaria, Croatia, Estonia, Georgia, Latvia, Lithuania, Romania, Slovakia, and Slovenia.

The fund is "nondiversified," meaning it may invest a greater portion of assets in a single company and own more of the company's voting securities than is permissible for a "diversified" fund.

While the fund invests with an awareness of the outlook for industry sectors and individual countries within the region, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose

money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.

Emerging markets risk The risks of foreign investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in foreign developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on foreign investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Geographic concentration risk Because the fund concentrates its investments in a particular geographic region, the fund's performance is closely tied to the social, political, and economic conditions within that region. Political developments and changes in regulatory, tax, or economic policy in particular countries within the region could significantly affect the markets in those countries as well as the entire region. As a result, the fund is likely to be more volatile than more geographically diverse international funds.

The European financial markets have been experiencing increased volatility due to concerns over rising government debt levels of several European countries and these events may continue to significantly affect both developed and emerging countries throughout Europe. Emerging European countries continue to be susceptible to political turmoil as their economies continue to develop. In addition, the fund typically invests a large portion of its assets in companies located or with primary operations in Russia. The fund's heavy exposure to one country subjects the fund to a higher degree of risk, in comparison to similar regional funds investing across emerging Europe, that adverse developments in a single country will have a significant impact on its performance. The Russian economy is susceptible to declines in the production and sales of oil, government intervention, and corruption. Investing in Russia also involves risks relating to the settlement and ownership rights associated with holding Russian securities.

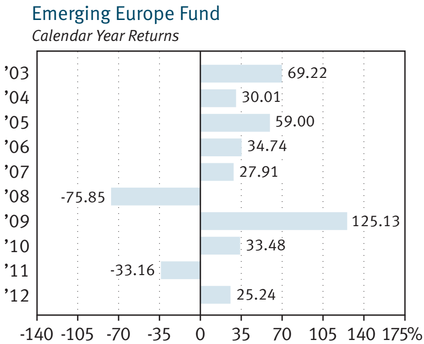
Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The performance for certain periods shown reflects the performance of the fund while it was named the T. Rowe Price Emerging Europe & Mediterranean Fund. The T. Rowe Price Emerging Europe & Mediterranean Fund was renamed the T. Rowe Price Emerging Europe Fund on March 1, 2012.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	58.82%
Worst Quarter	12/31/08	-55.04%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
Emerging Europe Fund			
Returns before taxes	25.24 %	-9.48 %	13.86 %
Returns after taxes on distributions	25.38	-9.68	13.52
Returns after taxes on distributions and sale of fund shares	16.85	-7.79	12.71
MSCI Emerging Markets Europe Index (reflects no deduction for fees, expenses, or taxes)	25.12	-7.71	15.38
Lipper Emerging Markets Funds Average	18.23	-2.36	15.34

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
S. Leigh Innes	Chairman of Investment Advisory Committee	2007	2002

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price Emerging Markets Stock Fund

Investment Objective

The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in emerging markets.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	1.05%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.22%
Total annual fund operating expenses	**1.27%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$129	$403	$697	$1,534

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund

shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 24.1% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in emerging market companies. The fund may purchase the stocks of companies of any size. The fund expects to make substantially all of its investments in common stocks of companies located (or with primary operations) in emerging markets in Latin America, Asia, Europe, Africa, and the Middle East. The fund considers the following countries to be emerging markets (others may be added):

- *Asia:* China, India, Indonesia, Malaysia, Pakistan, Philippines, South Korea, Sri Lanka, Taiwan, Thailand, and Vietnam.
- *Latin America:* Argentina, Belize, Brazil, Chile, Colombia, Mexico, Panama, Peru, and Venezuela.
- *Europe:* Croatia, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia, Turkey, and Ukraine.
- *Africa and the Middle East:* Bahrain, Botswana, Egypt, Jordan, Kenya, Kuwait, Lebanon, Mauritius, Morocco, Nigeria, Oman, Qatar, Saudi Arabia, South Africa, Tunisia, United Arab Emirates, and Zimbabwe.

While the fund invests with an awareness of the global economic backdrop and the outlook for industry sectors and individual countries, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.

Emerging markets risk The risks of foreign investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in foreign developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on foreign investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

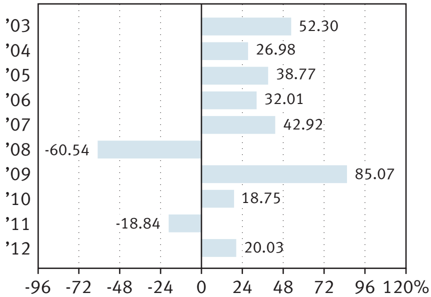
Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

Emerging Markets Stock Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	42.05%
Worst Quarter	12/31/08	-34.23%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	*5 Years*	*10 Years*
Emerging Markets Stock Fund			
Returns before taxes	20.03 %	-3.32 %	15.64 %
Returns after taxes on distributions	20.13	-3.35	15.37
Returns after taxes on distributions and sale of fund shares	13.31	-2.70	14.31
MSCI Emerging Markets Index (reflects no deduction for fees, expenses, or taxes)	18.63	-0.61	16.88
Lipper Emerging Markets Funds Average	18.23	-2.36	15.34

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Gonzalo Pangaro	Chairman of Investment Advisory Committee	2008	1998

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price European Stock Fund

Investment Objective

The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in Europe.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.80%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.20%
Total annual fund operating expenses	**1.00%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$102	$318	$552	$1,225

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual

fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 41.6% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in European companies. Under normal conditions, at least five countries will be represented in the fund's portfolio. The fund may purchase the stocks of companies of any size. The fund expects to make substantially all of its investments in common stocks of companies located (or with primary operations) in the countries listed below, as well as others as their markets develop:

- *Primary Emphasis:* Austria, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom.
- *Others:* Belgium, Czech Republic, Estonia, Hungary, Kazakhstan, Poland, Romania, Russia, and Turkey.

While the fund invests with an awareness of the outlook for industry sectors and individual countries within the region, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

The fund seeks to purchase the stocks of companies with quality management and strong cash flows, and does not emphasize either a growth or value bias in selecting investments. Securities will be selected that in the investment adviser's view have the most favorable combination of company fundamentals, earnings potential, and relative valuation.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S. These risks are heightened for the fund's investments in emerging markets.

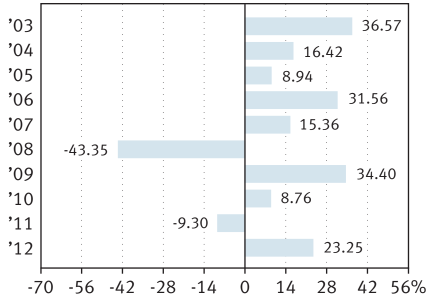
Geographic concentration risk Because the fund concentrates its investments in a particular geographic region, the fund's performance is closely tied to the social, political, and economic conditions within that region. Political developments and changes in regulatory, tax, or economic policy in particular countries within the region could significantly affect the markets in those countries as well as the entire region. As a result, the fund is likely to be more volatile than more geographically diverse international funds.

The European financial markets have been experiencing increased volatility due to concerns over rising government debt levels of several European countries and these events may continue to significantly affect all of Europe. European economies could be significantly affected by rising unemployment, tight fiscal and monetary controls imposed on member countries of the European Economic and Monetary Union, and uncertainty surrounding the euro.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

European Stock Fund
Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	25.21%
Worst Quarter	9/30/11	-23.47%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
European Stock Fund			
Returns before taxes	23.25 %	-1.53 %	9.30 %
Returns after taxes on distributions	23.19	-1.83	8.18
Returns after taxes on distributions and sale of fund shares	15.82	-1.27	8.05
MSCI Europe Index (reflects no deduction for fees, expenses, or taxes)	19.93	-3.72	8.97
Lipper European Region Funds Average	22.25	-3.77	9.29

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Dean Tenerelli	Chairman of Investment Advisory Committee	2005	2000

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price International Discovery Fund

Investment Objective

The fund seeks long-term growth of capital through investments primarily in the common stocks of rapidly growing, small- to medium-sized companies outside the U.S.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	1.05%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.18%
Total annual fund operating expenses	**1.23%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$125	$390	$676	$1,489

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund

shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 40.2% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund expects to invest substantially all of its assets outside the U.S. and to diversify broadly among developed and emerging countries throughout the world. The fund will emphasize investing in small- to medium-sized companies. Depending on market conditions, the fund's portfolio should be composed of investments in at least 10 countries and 100 different companies. Normally, at least 80% of the fund's net assets (including any borrowings for investment purposes) will be invested in stocks.

While the fund invests with an awareness of the global economic backdrop and the outlook for industry sectors and individual countries, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S. These risks are heightened for the fund's investments in emerging markets.

Small- and mid-cap stock risk Because the fund invests primarily in small- and medium-sized companies, its share price could be more volatile than a fund that invests only in large companies. Small- and medium-sized companies often have less experienced management, narrower product lines, more limited financial resources, and less publicly available information than larger companies. Smaller companies may have limited trading markets and tend to be more sensitive to changes in overall economic conditions.

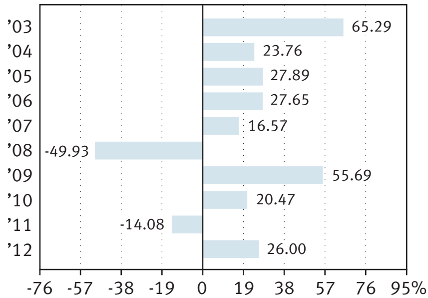
Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

International Discovery Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	36.97%
Worst Quarter	12/31/08	-25.11%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
International Discovery Fund			
Returns before taxes	26.00 %	0.33 %	14.75 %
Returns after taxes on distributions	25.48	0.13	14.16
Returns after taxes on distributions and sale of fund shares	17.23	0.26	13.26
S&P Global ex-U.S. Small Cap Index (reflects no deduction for fees, expenses, or taxes)	20.35	-0.78	13.20
MSCI EAFE Small Cap Index (reflects no deduction for fees, expenses, or taxes)	20.42	-0.51	12.34
Lipper International Small/Mid-Cap Growth Funds Average	21.29	-0.71	12.71

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-advisers T. Rowe Price International Ltd (T. Rowe Price International) and T. Rowe Price Hong Kong Limited (Price Hong Kong)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Justin Thomson	Chairman of Investment Advisory Committee	1998	1998

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price International Growth & Income Fund

Investment Objective

The fund seeks long-term growth of capital and reasonable income through investments primarily in the common stocks of well-established, dividend-paying, non-U.S. companies.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.65%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.22%
Total annual fund operating expenses	**0.87%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$89	$278	$482	$1,073

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund

shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 29.9% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund expects to invest substantially all of its assets outside the U.S. and to diversify broadly, primarily among the world's developed countries. The fund will invest primarily (at least 65% of total assets) in the stocks of large, dividend-paying, well-established companies that have favorable prospects for capital appreciation. Investments in emerging markets will be modest and limited to more mature developing countries.

The fund takes a value-oriented approach to investing by searching for attractively valued companies with the potential for improving earnings over time. Country and sector allocations are driven primarily by security selection and secondarily by an assessment of top-down, fundamental prospects. The fund relies on a global research team to identify companies that appear to be undervalued by various measures and may be temporarily out of favor but have good prospects for capital appreciation or dividend growth.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- low valuation on various earnings, book value, sales, and cash flow metrics, in absolute terms and/or relative to the company's peers or its own historical norm;
- low valuation relative to a company's growth potential;
- companies that may benefit from restructuring activity or other turnaround opportunities;
- a sound balance sheet and other positive financial characteristics; and
- above-average dividend yield and/or the potential to grow dividends.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

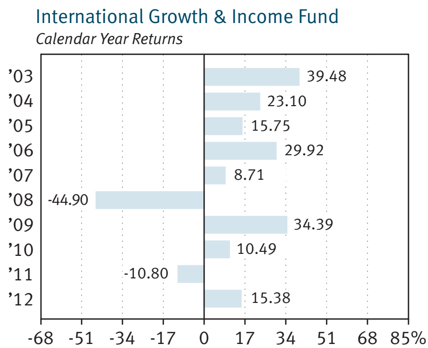
Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S. These risks are heightened for the fund's investments in emerging markets.

Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's value approach to investing could cause it to underperform other stock funds that employ a different investment style. The intrinsic value of a stock with value characteristics may not be fully recognized by the market for a long time or a stock judged to be undervalued may actually be appropriately priced at a low level.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	26.64%
Worst Quarter	12/31/08	-21.75%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
International Growth & Income Fund			
Returns before taxes	15.38 %	-3.38 %	8.98 %
Returns after taxes on distributions	14.93	-3.83	8.42
Returns after taxes on distributions and sale of fund shares	10.55	-2.93	7.89
MSCI EAFE Index (reflects no deduction for fees, expenses, or taxes)	17.90	-3.21	8.70
Lipper International Multi-Cap Value Funds Average	17.54	-4.07	8.09

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Jonathan H.W. Matthews	Chairman of Investment Advisory Committee	2010	2008

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price International Stock Fund

Investment Objective

The fund seeks long-term growth of capital through investments primarily in the common stocks of established, non-U.S. companies.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.65%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.20%
Total annual fund operating expenses	**0.85%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$87	$271	$471	$1,049

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual

fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 33.5% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund expects to invest substantially all of its assets in stocks outside the U.S. and to diversify broadly among developed and emerging countries throughout the world. The fund may purchase the stocks of companies of any size, but its focus will typically be on large-sized companies and, to a lesser extent, medium-sized companies. Normally, at least 80% of the fund's net assets (including any borrowings for investment purposes) will be invested in stocks.

While the fund invests with an awareness of the global economic backdrop and the outlook for industry sectors and individual countries, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S. These risks are heightened for the fund's investments in emerging markets.

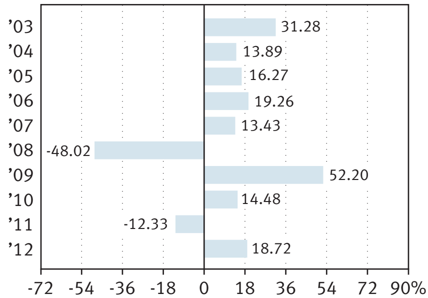
Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

International Stock Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	32.64%
Worst Quarter	12/31/08	-26.02%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
International Stock Fund			
Returns before taxes	18.72 %	-1.17 %	8.29 %
Returns after taxes on distributions	18.57	-1.36	7.78
Returns after taxes on distributions and sale of fund shares	12.56	-0.97	7.29
MSCI All Country World Index ex USA (reflects no deduction for fees, expenses, or taxes)	17.39	-2.44	10.22
Lipper International Multi-Cap Growth Funds Average	18.03	-3.04	8.71

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-advisers T. Rowe Price International Ltd (T. Rowe Price International) and T. Rowe Price Singapore Private Ltd. (Price Singapore)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Robert W. Smith	Chairman of Investment Advisory Committee	2007	1992

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price Japan Fund

Investment Objective

The fund seeks long-term growth of capital through investments in common stocks of companies located (or with primary operations) in Japan.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.80%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.34%
Total annual fund operating expenses	**1.14%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$116	$362	$628	$1,386

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual

fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 55.1% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in companies located (or with primary operations) in Japan. The fund may purchase the stocks of companies of any size and expects to make its investments across a wide range of Japanese industries and companies. While the fund invests with an awareness of the outlook for industry sectors within the country, bottom-up stock selection is the focus of our decision-making.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments may be subject to regulatory and accounting standards that differ from those of the U.S.

Geographic concentration risk Because the fund concentrates its investments in a particular country, the fund's performance is closely tied to the social, political, and economic conditions of that country. As a result, the fund is likely to be more volatile than more geographically diverse international funds.

The Japanese economy has in the past been negatively affected at times by government intervention and protectionism, an unstable financial services sector, a heavy reliance on international trade, and natural disasters. Some of these factors, as well as other adverse political developments, increases in government debt, and changes to fiscal, monetary, or trade policies, may affect the Japanese markets and significantly harm the fund's performance.

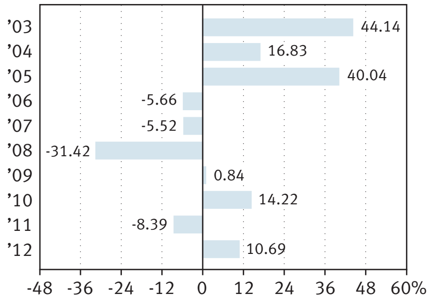
Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

Japan Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	9/30/03	24.33%
Worst Quarter	3/31/09	-21.61%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
Japan Fund			
Returns before taxes	10.69 %	-4.34 %	5.35 %
Returns after taxes on distributions	10.65	-4.36	5.33
Returns after taxes on distributions and sale of fund shares	7.34	-3.55	4.77
TOPIX Index (reflects no deduction for fees, expenses, or taxes)	7.54	-3.51	5.12
MSCI Japan Index (reflects no deduction for fees, expenses, or taxes)	8.36	-4.11	5.06
Lipper Japanese Funds Average	7.38	-2.12	4.24

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
M. Campbell Gunn	Chairman of Investment Advisory Committee	2003	2002

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price Latin America Fund

Investment Objective

The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in Latin America.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	1.05%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.19%
Total annual fund operating expenses	**1.24%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$126	$393	$681	$1,500

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual

fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 16.7% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in Latin American companies. Under normal conditions, at least four countries will be represented in the fund's portfolio. The fund may purchase the stocks of companies of any size. The fund expects to make substantially all of its investments in common stocks of companies located (or with primary operations) in the countries listed below, as well as others as their markets develop:

- *Primary Emphasis:* Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela.
- *Others:* Belize, Ecuador, and Guatemala.

The fund is "nondiversified," meaning it may invest a greater portion of assets in a single company and own more of the company's voting securities than is permissible for a "diversified" fund. The fund may make substantial investments (at times more than 25% of total assets) in telecommunications and banking companies in various Latin American countries.

While the fund invests with an awareness of the outlook for industry sectors and individual countries within the region, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.

Emerging markets risk The risks of foreign investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in foreign developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on foreign investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Geographic concentration risk Because the fund concentrates its investments in a particular geographic region, the fund's performance is closely tied to the social, political, and economic conditions within that region. Political developments and changes in regulatory, tax, or economic policy in particular countries within the region could significantly affect the markets in those countries as well as the entire region. As a result, the fund is likely to be more volatile than more geographically diverse international funds.

Many Latin American countries have histories of inflation, government overspending, political instability, and extreme currency fluctuations. Many of these countries tend to be highly reliant on the exportation of commodities so their economies may be significantly impacted by fluctuations in commodity prices and the global demand for certain commodities. Because the fund may invest significantly in telecommunications and banking companies within the region, the fund is also more susceptible to developments affecting these industries. In addition, the fund typically invests a large portion of its assets in companies located or with primary operations in Brazil. The fund's heavy exposure to one country subjects the fund to a higher degree of risk, in comparison to similar regional funds investing across Latin America, that adverse developments in a single country will have a significant impact on its performance. The Brazilian economy, like many Latin American economies, is susceptible to inflation, monetary tightening and other governmental controls, and slowing growth in its primary export markets.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

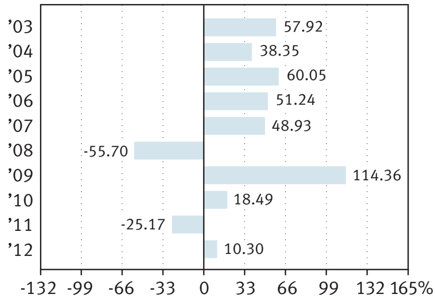
Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

Latin America Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	46.25%
Worst Quarter	12/31/08	-36.35%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
Latin America Fund			
Returns before taxes	10.30 %	-1.47 %	22.02 %
Returns after taxes on distributions	8.53	-2.05	21.54
Returns after taxes on distributions and sale of fund shares	9.17	-1.14	20.40
MSCI Emerging Markets Latin America Index (reflects no deduction for fees, expenses, or taxes)	8.90	0.13	23.01
Lipper Latin American Funds Average	11.26	-0.84	20.80

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-adviser T. Rowe Price International Ltd (T. Rowe Price International)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Jose Costa Buck	Chairman of Investment Advisory Committee	2008	2000

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price New Asia Fund

Investment Objective

The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in Asia (excluding Japan).

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.80%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.15%
Total annual fund operating expenses	**0.95%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$97	$303	$525	$1,166

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund

shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 41.1% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in Asian companies (excluding Japanese companies). The fund may purchase the stocks of companies of any size. The fund expects to make substantially all of its investments in common stocks of companies located (or with primary operations) in the countries listed below, as well as others as their markets develop:

- *Primary Emphasis:* China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, and Thailand.
- *Others:* Pakistan, Sri Lanka, and Vietnam.

The fund is "nondiversified," meaning it may invest a greater portion of assets in a single company and own more of the company's voting securities than is permissible for a "diversified" fund.

While the fund invests with an awareness of the outlook for industry sectors and individual countries within the region, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose

money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.

Emerging markets risk The risks of foreign investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in foreign developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on foreign investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Geographic concentration risk Because the fund concentrates its investments in a particular geographic region, the fund's performance is closely tied to the social, political, and economic conditions within that region. Political developments and changes in regulatory, tax, or economic policy in particular countries within the region could significantly affect the markets in those countries as well as the entire region. As a result, the fund is likely to be more volatile than more geographically diverse international funds.

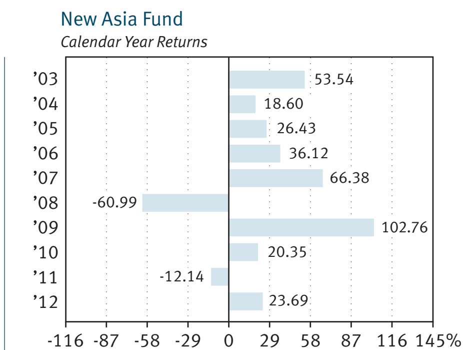
Many Asian economies have at various times been negatively affected by inflation, an over-reliance on international trade, political and social instability, and less developed financial systems and securities trading markets. Trade restrictions, unexpected decreases in exports, changes in government policies, or natural disasters could have a significant impact on companies doing business in Asia.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	55.24%
Worst Quarter	3/31/08	-22.80%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***10 Years***
New Asia Fund			
Returns before taxes	23.69 %	0.68 %	18.36 %
Returns after taxes on distributions	23.30	0.00	17.51
Returns after taxes on distributions and sale of fund shares	16.00	0.52	16.66
MSCI All Country Asia ex Japan Index (reflects no deduction for fees, expenses, or taxes)	22.70	0.12	14.95
Lipper Pacific Ex Japan Funds Average	22.06	-0.19	14.18

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-advisers T. Rowe Price International Ltd (T. Rowe Price International) and T. Rowe Price Hong Kong Limited (Price Hong Kong)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Anh Lu	Chairman of Investment Advisory Committee	2009	2001

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	***Minimum initial purchase***	***Minimum subsequent purchase***
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

SUMMARY

T. Rowe Price Overseas Stock Fund

Investment Objective

The fund seeks long-term growth of capital through investments in the common stocks of non-U.S. companies.

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.65%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.22%
Total annual fund operating expenses	**0.87%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$89	$278	$482	$1,073

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual

fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 13.6% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund expects to invest substantially all of its assets outside the U.S. and to diversify broadly among developed and, to a lesser extent, emerging countries throughout the world. The fund normally invests at least 80% of its net assets (including any borrowings for investment purposes) in non-U.S. stocks and at least 65% of its net assets in stocks of large-cap companies.

The fund takes a core approach to investing, which provides some exposure to both growth and value styles of investing. The fund relies on a global research team to search for particularly promising stocks throughout developed and, to a lesser extent, emerging markets. Securities will be selected that in our view have the most favorable combination of company fundamentals and valuation.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- attractive business niche with potential for earnings growth;
- attractive valuation relative to the company's peers or its own historical norm;
- barriers to entry in its business;
- seasoned management;
- healthy balance sheet; and
- potential to grow dividends or conduct share repurchases.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S. These risks are heightened for the fund's investments in emerging markets.

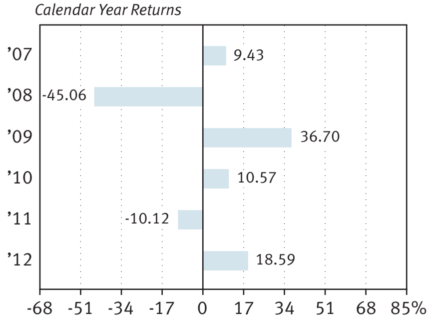
Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. Because the fund holds stocks with both growth and value characteristics, it could underperform other stock funds that take a strictly growth or value approach to investing when one style is currently in favor. Growth stocks tend to be more volatile than the overall stock market and can have sharp price declines as a result of earnings disappointments. Value stocks carry the risk that the market will not recognize their intrinsic value or that they are actually appropriately priced at a low level.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

Overseas Stock Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	26.79%
Worst Quarter	12/31/08	-21.65%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	***5 Years***	***Since inception (12/29/06)***
Overseas Stock Fund			
Returns before taxes	18.59 %	-2.41 %	-0.53 %
Returns after taxes on distributions	18.20	-2.65	-0.75
Returns after taxes on distributions and sale of fund shares	12.55	-1.99	-0.39
MSCI EAFE Index (reflects no deduction for fees, expenses, or taxes)	17.90	-3.21	-0.88
Lipper International Large-Cap Core Funds Average	18.03	-3.45	-1.04 *

* Since 12/31/06.

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Raymond A. Mills, Ph.D.	Chairman of Investment Advisory Committee	2006	1997

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

Information About Accounts in T. Rowe Price Funds

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As a T. Rowe Price shareholder, you will want to know about the following policies and procedures that apply to the T. Rowe Price family of funds.

PRICING SHARES AND RECEIVING SALE PROCEEDS

How and When Shares Are Priced

The share price, also called the "net asset value," for the funds is calculated at the close of the New York Stock Exchange (normally 4 p.m. ET) each day that the exchange is open for business. To calculate the net asset value, the fund's assets are valued and totaled; liabilities are subtracted; and the balance, called net assets, is divided by the number of shares outstanding. Market values are used to price portfolio holdings for which market quotations are readily available. Market values represent the prices at which securities actually trade or evaluations based on the judgment of the fund's pricing services. If a market value for a security is not available or normal valuation procedures are deemed to be inappropriate, the fund will make a good faith effort to assign a fair value to the security by taking into account various factors that have been approved by the fund's Board of Directors/Trustees. This value may differ from the value the fund receives upon sale of the securities. Amortized cost is used to price securities held by money funds and certain other debt securities held by a fund. Investments in other mutual funds are valued at the closing net asset value per share of the mutual fund on the day of valuation.

Non-U.S. equity securities are valued on the basis of their most recent closing market prices at 4 p.m. ET except under the circumstances described below. Most foreign markets close before 4 p.m. ET. For securities primarily traded in the Far East, for example, the most recent closing prices may be as much as 15 hours old at 4 p.m. ET. If a fund determines that developments between the close of a foreign market and the close of the New York Stock Exchange will, in its judgment, materially affect the value of some or all of the fund's securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of 4 p.m. ET. In deciding whether to make these adjustments, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. The fund may also fair value certain securities or a group of securities in other situations—for example, when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing market prices and information used for adjusting those prices and to value most fixed income securities. The fund cannot predict how often it will use closing prices and how often it will adjust those prices.

As a means of evaluating its fair value process, the fund routinely compares closing market prices, the next day's opening prices in the same markets, and adjusted prices. The fund also evaluates a variety of factors when assigning fair values to private placements and other restricted securities. Other mutual funds may adjust the prices of their securities by different amounts or assign different fair values than the fair value that the fund assigns to the same security.

The various ways you can buy, sell, and exchange shares are explained at the end of this prospectus and on the New Account form. These procedures may differ for institutional and employer-sponsored retirement accounts or if you hold your account through an intermediary.

How Your Purchase, Sale, or Exchange Price Is Determined

If your request is received by T. Rowe Price in correct form by the close of the New York Stock Exchange (normally 4 p.m. ET), your transaction will be priced at that business day's net asset value. If your request is received by T. Rowe Price after the close of the New York Stock Exchange, your transaction will be priced at the next business day's net asset value.

The funds generally do not accept orders that request a particular day or price for a transaction or any other special conditions.

Fund shares may be purchased through various third-party intermediaries, including banks, brokers, and investment advisers. Where authorized by a fund, orders will be priced at the net asset value next computed after receipt by the intermediary. Contact your intermediary for trade deadlines and the applicable policies for purchasing, selling, or exchanging your shares, as well as initial and subsequent investment minimums. The intermediary may charge a fee for its services.

When authorized by the fund, certain financial institutions or retirement plans purchasing fund shares on behalf of customers or plan participants through T. Rowe Price Financial Institution Services or T. Rowe Price Retirement Plan Services may place a purchase order unaccompanied by payment. Payment for these shares must be received by the time designated by the fund (not to exceed the period established for settlement under applicable regulations). If payment is not received by this time, the order may be canceled. The financial institution or retirement plan is responsible for any costs or losses incurred by the fund or T. Rowe Price if payment is delayed or not received.

Note: The time at which transactions and shares are priced and the time until which orders are accepted may be changed in case of an emergency or if the New York Stock Exchange closes at a time other than 4 p.m. ET. In the event of an emergency closing, a fund's shareholders will receive the next share price calculated by the fund. There may be times when you are unable to contact us by telephone or access your account online due to extreme market activity, the unavailability of the T. Rowe Price website, or other circumstances. Should this occur, your order must still be placed and accepted by T. Rowe Price prior to the time the New York Stock Exchange closes to be priced at that business day's net asset value. Under certain conditions, a money fund may accept and process purchase and redemption orders beyond the close of the New York Stock Exchange on days that the New York Stock Exchange closes early and does not reopen, and may accept orders on a business day that the New York Stock Exchange is unexpectedly closed.

How You Can Receive the Proceeds From a Sale

When filling out the New Account form, you may wish to give yourself the widest range of options for receiving proceeds from a sale.

If your request is received in correct form by T. Rowe Price on a business day prior to the close of the New York Stock Exchange, proceeds are usually sent on the next business day. Proceeds can be mailed to you by check or sent electronically to your bank account by Automated Clearing House transfer or bank wire. Automated Clearing House is an automated method of initiating payments from, and receiving payments in, your financial institution account. Proceeds sent by Automated Clearing House transfer are usually credited to your account the second business day after the sale and there are typically no fees associated with such payments. Proceeds sent by bank wire are usually credited to your account the next business day after the sale, although your financial institution may charge an incoming wire fee.

Exception Under certain circumstances, and when deemed to be in a fund's best interest, your proceeds may not be sent for up to seven calendar days after we receive your redemption request. Under certain limited circumstances, the Board of Directors/Trustees of a money fund may elect to suspend redemptions and postpone payment of redemption proceeds in order to facilitate an orderly liquidation of the money fund.

If for some reason we cannot accept your request to sell shares, we will contact you.

Contingent Redemption Fee

Short-term trading can disrupt a fund's investment program and create additional costs for long-term shareholders. For these reasons, certain T. Rowe Price funds, listed in the following table, assess a fee on redemptions (including exchanges out of a fund), which reduces the proceeds from such redemptions by the amounts indicated:

T. Rowe Price Funds With Redemption Fees		
Fund	***Redemption fee***	***Holding period***
Africa & Middle East	2%	90 days or less
Diversified Small-Cap Growth	1%	90 days or less
Emerging Europe	2%	90 days or less
Emerging Markets Bond	2%	90 days or less

T. Rowe Price Funds With Redemption Fees		
Fund	**Redemption fee**	**Holding period**
Emerging Markets Corporate Bond	2%	90 days or less
Emerging Markets Local Currency Bond	2%	90 days or less
Emerging Markets Stock	2%	90 days or less
Equity Index 500	0.5%	90 days or less
European Stock	2%	90 days or less
Extended Equity Market Index	0.5%	90 days or less
Floating Rate	2%	90 days or less
Global Infrastructure	2%	90 days or less
Global Large-Cap Stock	2%	90 days or less
Global Real Estate	2%	90 days or less
Global Stock	2%	90 days or less
High Yield	2%	90 days or less
International Bond	2%	90 days or less
International Discovery	2%	90 days or less
International Equity Index	2%	90 days or less
International Growth & Income	2%	90 days or less
International Stock	2%	90 days or less
Japan	2%	90 days or less
Latin America	2%	90 days or less
New Asia	2%	90 days or less
Overseas Stock	2%	90 days or less
Real Assets	2%	90 days or less
Real Estate	1%	90 days or less
Small-Cap Value	1%	90 days or less
Spectrum International	2%	90 days or less
Tax-Efficient Equity	1%	less than 365 days
Tax-Free High Yield	2%	90 days or less
Total Equity Market Index	0.5%	90 days or less
U.S. Bond Enhanced Index	0.5%	90 days or less

Redemption fees are paid to a fund to deter short-term trading, offset costs, and protect the fund's long-term shareholders. Subject to the exceptions described on the following pages, all persons holding shares of a T. Rowe Price fund that imposes a redemption fee are subject to the fee, whether the person is holding shares directly with a T. Rowe Price fund; through a retirement plan for which T. Rowe Price serves as recordkeeper; or indirectly through an intermediary (such as a broker, bank, or investment adviser), recordkeeper for retirement plan participants, or other third party.

Computation of Holding Period

When an investor sells shares of a fund that assesses a redemption fee, T. Rowe Price will use the "first-in, first-out" method to determine the holding period for the shares sold. Under this method, the date of redemption or exchange will be compared with the earliest purchase date of shares held in the account. The day after the date of your purchase is considered Day 1 for purposes of computing the holding period. For a fund with a 365-day holding period, a redemption fee will be charged on shares sold **before** the end of the required holding period. For funds with a 90-day holding period, a redemption fee will be charged on shares sold **on or before** the end of the required holding period. For example, if you redeem your shares on or before the 90th day from the date of purchase, you will be assessed the redemption fee. If you purchase shares through an intermediary, consult your intermediary to determine how the holding period will be applied.

Transactions Not Subject to Redemption Fees

The T. Rowe Price funds will not assess a redemption fee with respect to certain transactions. As of the date of this prospectus, the following shares of T. Rowe Price funds will not be subject to redemption fees:

- Shares redeemed through an automated, systematic withdrawal plan;
- Shares redeemed through or used to establish certain rebalancing, asset allocation, wrap, and advisory programs, as well as non-T. Rowe Price fund-of-funds products, if approved in writing by T. Rowe Price;
- Shares purchased through the reinvestment of dividends or capital gain distributions;*
- Shares converted from one share class to another share class of the same fund;*
- Shares redeemed automatically by a fund to pay fund fees or shareholder account fees (e.g., for failure to meet account minimums);
- Shares purchased by rollover or changes of account registration within the same fund;*
- Shares redeemed to return an excess contribution from a retirement account;
- Shares of T. Rowe Price funds purchased by another T. Rowe Price fund and shares purchased by discretionary accounts managed by T. Rowe Price or one of its affiliates (please note that other shareholders of the investing T. Rowe Price fund are still subject to the policy);
- Shares that are redeemed in-kind;
- Shares transferred to T. Rowe Price or a third-party intermediary acting as a service provider when the age of the shares cannot be determined systematically;* and
- Shares redeemed in retirement plans or other products that restrict trading to no more frequently than once per quarter, if approved in writing by T. Rowe Price.

* Subsequent exchanges of these shares into funds that assess redemption fees will subject such shares to the fee.

Redemption Fees on Shares Held in Retirement Plans

If shares are held in a retirement plan, redemption fees generally will be assessed on shares redeemed by exchange only if they were originally purchased by exchange. However, redemption fees may apply to transactions other than exchanges depending on how shares of the plan are held at T. Rowe Price or how the fees are applied by your plan's recordkeeper. To determine which of your transactions are subject to redemption fees, you should contact T. Rowe Price or your plan recordkeeper.

Omnibus Accounts

If your shares are held through an intermediary in an omnibus account, T. Rowe Price relies on the intermediary to assess the redemption fee on underlying shareholder accounts. T. Rowe Price seeks to identify intermediaries establishing omnibus accounts and to enter into agreements requiring the intermediary to assess the redemption fees. There are no assurances that T. Rowe Price will be successful in identifying all intermediaries or that the intermediaries will properly assess the fees.

Certain intermediaries may not apply the exemptions previously listed to the redemption fee policy; all redemptions by persons trading through such intermediaries may be subject to the fee. Certain intermediaries may exempt transactions not listed from redemption fees, if approved by T. Rowe Price. Persons redeeming shares through an intermediary should check with their respective intermediary to determine which transactions are subject to the fees.

USEFUL INFORMATION ON DISTRIBUTIONS AND TAXES

Each fund intends to qualify to be treated each year as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. In order to qualify, a fund must satisfy certain income, diversification, and distribution requirements. A regulated investment company is not subject to U.S. federal income tax at the portfolio level on income and gains from investments that are distributed to shareholders. However, if a fund were to fail to qualify as a regulated investment company and was ineligible to or otherwise did not cure such failure, the result would be fund-level taxation and, consequently, a reduction in income available for distribution to the fund's shareholders.

To the extent possible, all net investment income and realized capital gains are distributed to shareholders.

Dividends and Other Distributions

Dividend and capital gain distributions are reinvested in additional fund shares in your account unless you select another option. Reinvesting distributions results in compounding, which allows you to receive dividends and capital gain distributions on an increasing number of shares.

Distributions not reinvested are paid by check or transmitted to your bank account via Automated Clearing House. If the U.S. Postal Service cannot deliver your check, or if your check remains uncashed for six months, the fund reserves the right to reinvest your distribution check in your account at the net asset value on the day of the reinvestment and to reinvest all subsequent distributions in shares of the fund. Interest will not accrue on amounts represented by uncashed distributions or redemption checks.

The following table provides details on dividend payments:

Dividend Payment Schedule

Fund	*Dividends*
Money funds	• Purchases received by T. Rowe Price by noon ET via wire begin to earn dividends on that day. Other shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price. • Declared daily and paid on the first business day of each month.
Bond funds	• Shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price. • Declared daily and paid on the first business day of each month.
These stock funds only: • Balanced • Dividend Growth • Equity Income • Equity Index 500 • Global Real Estate • Growth & Income • Personal Strategy Balanced • Personal Strategy Income • Real Estate	• Declared and paid quarterly, if any, in March, June, September, and December. • Must be a shareholder on the dividend record date.
Other stock funds	• Declared and paid annually, if any, generally in December. • Must be a shareholder on the dividend record date.
Retirement and Spectrum Funds:	
• Retirement Income and Spectrum Income	• Shares normally begin to earn dividends on the business day after payment is received by T. Rowe Price. • Declared daily and paid on the first business day of each month.
• All others	• Declared and paid annually, if any, generally in December. • Must be a shareholder on the dividend record date.

Bond and money fund shares earn dividends through the date of redemption (except for wire redemptions from money funds prior to noon ET, which earn dividends through the calendar day prior to the date of redemption). Shares redeemed on a Friday or prior to a holiday will continue to earn dividends until the next business day. Generally, if you redeem all of your bond or money fund shares at any time during the month, you will also receive all dividends earned through the date of redemption in the same check. When you redeem only a portion of your bond or money fund shares, all dividends accrued on those shares will be reinvested, or paid in cash, on the next dividend payment date. The funds do not pay dividends in fractional cents. Any dividend amount earned for a particular day on all shares held that is one-half of one cent or greater (for example, $0.016) will be rounded up to the next whole cent ($0.02), and any amount that is less than one-half of one cent (for example, $0.014) will be rounded down to the nearest whole cent ($0.01). Please note that if the dividend payable on all shares held is less than one-half of one cent for a particular day, no dividend will be earned for that day.

If you purchase and sell your shares through an intermediary, consult your intermediary to determine when your shares begin and stop accruing dividends; the information previously described may vary.

Capital Gain Payments

A capital gain or loss is the difference between the purchase and sale price of a security. If a fund has net capital gains for the year (after subtracting any capital losses), they are usually declared and paid in December to shareholders of record on a specified date that month. If a second distribution is necessary, it is paid the following year.

Capital gain payments are not expected from money funds, which are managed to maintain a constant share price.

Tax Information

In most cases, you will be provided information for your tax filing needs no later than mid-February.

If you invest in the fund through a tax-deferred account, such as an individual retirement account, you will not be subject to tax on dividends and distributions from the fund or the sale of fund shares if those amounts remain in the tax-deferred account. You may receive a Form 1099-R or other Internal Revenue Service forms, as applicable, if any portion of the account is distributed to you.

If you invest in the fund through a taxable account, you generally will be subject to tax when:

- You sell fund shares, including an exchange from one fund to another.
- The fund makes dividend or capital gain distributions.

Additional information about the taxation of dividends for certain T. Rowe Price funds is listed below:

Tax-Free and Municipal Funds
• Regular monthly dividends (including those from the state-specific tax-free funds) are expected to be exempt from federal income taxes.

Tax-Free and Municipal Funds
• Exemption is not guaranteed, since the fund has the right under certain conditions to invest in nonexempt securities. • A fund may hold Build America Bonds or other qualified tax credit bonds. Investments in these bonds will result in taxable interest income, although the federal income tax on such interest income may be fully or partially offset by the specified tax credits that are available to the bondholders. A fund may elect to pass through to the shareholders taxable interest income and any corresponding tax credits. Any available tax credits—which are also included in federal taxable income—generally can be used to offset federal regular income tax and alternative minimum tax, but those tax credits generally are not refundable. • Tax-exempt dividends paid to Social Security recipients may increase the portion of benefits that is subject to tax. • For state-specific funds, the monthly dividends you receive are expected to be exempt from state and local income tax of that particular state. For other funds, a small portion of your income dividend may be exempt from state and local income taxes. • If a fund invests in certain "private activity" bonds that are not exempt from the alternative minimum tax, shareholders who are subject to the alternative minimum tax must include income generated by those bonds in their alternative minimum tax calculation. Private activity bonds issued in 2009 and 2010, and refunding bonds issued in 2009 and 2010 to refund private activity bonds that were issued from the beginning of 2004 to the end of 2008, are exempt from the alternative minimum tax. The portion of a fund's income dividend that should be included in your alternative minimum tax calculation, if any, will be reported to you in January on Form 1099-DIV.

For individual shareholders, a portion of ordinary dividends representing "qualified dividend income" received by the fund may be subject to tax at the lower rates applicable to long-term capital gains rather than ordinary income. You may report it as "qualified dividend income" in computing your taxes, provided you have held the fund shares on which the dividend was paid for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Ordinary dividends that do not qualify for this lower rate are generally taxable at the investor's marginal income tax rate. This includes the portion of ordinary dividends derived from interest, short-term capital gains, distributions from nonqualified foreign corporations, and dividends received by the fund from stocks that were on loan. Little, if any, of the ordinary dividends paid by the Global Real Estate Fund, Real Estate Fund, or the bond and money funds is expected to qualify for this lower rate.

For corporate shareholders, a portion of ordinary dividends may be eligible for the 70% deduction for dividends received by corporations to the extent the fund's income consists of dividends paid by U.S. corporations. Little, if any, of the ordinary dividends paid by the international stock funds or the bond and money funds is expected to qualify for this deduction.

Beginning in 2013, a 3.8% Medicare contribution tax is imposed on net investment income, including interest, dividends, and capital gains, of U.S. individuals with income exceeding $200,000 (or $250,000 if married filing jointly) and of estates and trusts.

Taxes on Fund Redemptions

When you sell shares in any fund, you may realize a gain or loss. An exchange from one fund to another is also a sale for tax purposes.

T. Rowe Price will make available to you Form 1099-B, if applicable, no later than mid-February, indicating the date and amount of each sale you made in the fund during the prior year. This information will also be reported to the Internal Revenue Service. For most new accounts or those opened by exchange in 1984 or later, we will provide you with the gain or loss on the shares you sold during the year based on the average cost single category method. You may calculate the cost basis using other methods acceptable to the Internal Revenue Service, such as specific identification.

If you hold your fund through an intermediary, the intermediary is responsible for providing you with any necessary tax forms. You should contact your intermediary for the tax information that will be sent to you and reported to the Internal Revenue Service.

For mutual fund shares acquired after 2011, new tax regulations require us to report the cost basis information to you and the Internal Revenue Service on Form 1099-B using a cost basis method selected by you or, in the absence of such selected method, our default method if you acquire your shares directly from us. Our default method is average cost. If you acquire your fund shares through an intermediary after 2011, you should check with your intermediary regarding the applicable cost basis method. You should, however, note that the cost basis information reported to you may not always be the same as what you should report on your tax return because the rules applicable to the determination of cost basis on Form 1099-B may be different from the rules applicable to the determination of cost basis for reporting on your tax return. Therefore, you should save your transaction records to make sure the information reported on your tax return is accurate. To help you maintain accurate records, T. Rowe Price will make available to you a confirmation promptly following each transaction you make (except for systematic purchases and systematic redemptions) and a year-end statement detailing all of your transactions in each fund account during the year. If you hold your fund through an intermediary, the intermediary is responsible for providing you with transaction confirmations and statements.

Taxes on Fund Distributions

T. Rowe Price (or your intermediary) will make available to you, as applicable, no later than mid-February, a Form 1099-DIV, or other Internal Revenue Service forms, as required, indicating the tax status of any income dividends, dividends exempt from federal income taxes, and capital gain distributions made to you. This information will be reported to the Internal Revenue Service. Taxable distributions are generally taxable to you in the year in which they are paid. Your bond or money fund dividends for each calendar year will include dividends accrued up to the first business day of the next calendar year. You will be sent any additional information you need to determine your taxes on fund distributions, such as the portion of your dividends, if any, that may be exempt from state and local income taxes. Dividends from tax-free funds are generally expected to be tax-exempt.

The tax treatment of a capital gain distribution is determined by how long the fund held the portfolio securities, not how long you held the shares in the fund. Short-term (one year or less) capital gain distributions are taxable at the same rate as ordinary income, and gains on securities held for more than one year are taxed at the lower rates applicable to long-term capital gains. If you realized a loss on the sale or exchange of fund shares that you held for six months or less, your short-term capital loss must be reclassified as a long-term capital loss to the extent of any long-term capital gain distributions received during the period you held the shares. For funds investing in foreign securities, distributions resulting from the sale of certain foreign currencies, currency contracts, and the foreign currency portion of gains on debt securities are taxed as ordinary income. Net foreign currency losses may cause monthly or quarterly dividends to be reclassified as a return of capital.

If the fund qualifies and elects to pass through nonrefundable foreign income taxes paid to foreign governments during the year, your portion of such taxes will be reported to you as taxable income. However, you may be able to claim an offsetting credit or deduction on your tax return for those amounts. There can be no assurance that a fund will meet the requirements to pass through foreign income taxes paid.

Taxable distributions are subject to tax whether reinvested in additional shares or received in cash.

If a fund holds Build America Bonds or other qualified tax credit bonds and elects to pass through the corresponding interest income and any available tax credits, you will need to report both the interest income and any such tax credits as taxable income. You may be able to claim the tax credits on your federal tax return as an offset to your income tax (including alternative minimum tax) liability, but the tax credits generally are not refundable. There is no assurance, however, that a fund will elect to pass through the income and credits.

The following table provides additional details on distributions for certain funds:

Taxes on Fund Distributions

Tax-Free and Municipal Funds
• Gains realized on the sale of market discount bonds with maturities beyond one year may be treated as ordinary income and cannot be offset by other capital losses. • Payments received or gains realized on certain derivative transactions may result in taxable ordinary income or capital gains. • To the extent the fund makes such investments, the likelihood of a taxable distribution will be increased.

Taxes on Fund Distributions

Inflation Protected Bond Fund
• Inflation adjustments on Treasury inflation-protected securities that exceed deflation adjustments for the year will be distributed as a short-term capital gain resulting in ordinary income. • In computing the distribution amount, the fund cannot reduce inflation adjustments by short- or long-term capital losses from the sales of securities. • Net deflation adjustments for a year may result in all or a portion of dividends paid earlier in the year being treated as a return of capital.
Retirement and Spectrum Funds
• Distributions by the underlying funds and changes in asset allocations may result in taxable distributions of ordinary income or capital gains.

Tax Consequences of Hedging

Entering into certain options, futures, swaps, and forward foreign exchange contracts and transactions may result in the application of the mark-to-market and straddle provisions of the Internal Revenue Code. These provisions could result in a fund being required to distribute gains on such transactions even though it did not close the contracts during the year or receive cash to pay such distributions. The fund may not be able to reduce its distributions for losses on such transactions to the extent of unrealized gains in offsetting positions.

Tax Effect of Buying Shares Before an Income Dividend or Capital Gain Distribution

If you buy shares shortly before or on the record date—the date that establishes you as the person to receive the upcoming distribution—you may receive a portion of the money you just invested in the form of a taxable distribution. Therefore, you may wish to find out a fund's record date before investing. In addition, a fund's share price may, at any time, reflect undistributed capital gains or income and unrealized appreciation, which may result in future taxable distributions. Such distributions can occur even in a year when the fund has a negative return.

TRANSACTION PROCEDURES AND SPECIAL REQUIREMENTS

Following these procedures helps assure timely and accurate transactions.

Purchase Conditions

Nonpayment If you pay with a check or Automated Clearing House transfer that does not clear or if your payment is not received in a timely manner, your purchase may be canceled. You will be responsible for any losses or expenses incurred by the fund or transfer agent, and the fund can redeem shares you own in this or another identically registered T. Rowe Price account as reimbursement. The funds and their agents have the right to reject or cancel any purchase, exchange, or redemption due to nonpayment.

U.S. Dollars All purchases must be paid for in U.S. dollars; checks must be drawn on U.S. banks.

Sale (Redemption) Conditions

Holds on Immediate Redemptions: 10-Day Hold If you sell shares that you just purchased and paid for by check or Automated Clearing House transfer, the fund will process your redemption but generally will delay sending you the proceeds for up to 10 calendar days to allow the check or transfer to clear. If, during the clearing period, we receive a check drawn against your newly purchased shares, it will be returned marked "uncollected." (The 10-day hold does not apply to purchases paid for by bank wire or automatic purchases through your paycheck.)

Telephone and Online Account Transactions You may access your account and conduct transactions using the telephone or the T. Rowe Price website. The T. Rowe Price funds and their agents use reasonable procedures to verify the identity of the shareholder. If these procedures are followed, the funds and their agents are not liable for any losses that may occur from acting on unauthorized instructions. A confirmation is sent promptly after a transaction. Please review it carefully and contact T. Rowe Price immediately about any transaction you believe to be unauthorized. Telephone conversations are recorded.

Large Redemptions Large redemptions can adversely affect a portfolio manager's ability to implement a fund's investment strategy by causing the premature sale of securities. Therefore, the fund reserves the right (without prior notice) to pay all or part of redemption proceeds with securities from the fund's portfolio rather than in cash ("redemption in-kind"). If this occurs, the securities will be selected by the fund in its absolute discretion, and the redeeming shareholder or account will be responsible for disposing of the securities and bearing any associated costs.

Excessive and Short-Term Trading Policy

Excessive transactions and short-term trading can be harmful to fund shareholders in various ways, such as disrupting a fund's portfolio management strategies, increasing a fund's trading costs, and negatively affecting its performance. Short-term traders in funds that invest in foreign securities may seek to take advantage of developments overseas that could lead to an anticipated difference between the price of the funds' shares and price movements in foreign markets. While there is no assurance that T. Rowe Price can prevent all excessive and short-term trading, the Boards of Directors/Trustees of the T. Rowe Price funds have adopted the following trading limits that are designed to deter such activity and protect the funds' shareholders. The funds may revise their trading limits and procedures at any time as the Boards of Directors/Trustees deem necessary or appropriate to better detect short-term trading that may adversely affect the funds, to comply with applicable regulatory requirements, or to impose additional or alternative restrictions.

Subject to certain exceptions, each T. Rowe Price fund restricts a shareholder's purchases (including through exchanges) into a fund account for a period of

30 calendar days after the shareholder has redeemed or exchanged out of that same fund account (the "30-Day Purchase Block"). The calendar day after the date of redemption is considered Day 1 for purposes of computing the period before another purchase may be made.

General Exceptions As of the date of this prospectus, the following types of transactions generally are not subject to the 30-Day Purchase Block:

- Shares purchased or redeemed in money funds and ultra short-term bond funds;
- Shares purchased or redeemed through a systematic purchase or withdrawal plan;
- Checkwriting redemptions from bond and money funds;
- Shares purchased through the reinvestment of dividends or capital gain distributions;
- Shares redeemed by the fund to pay fund fees or shareholder account fees;
- Transfers and changes of account registration within the same fund;
- Shares purchased by asset transfer or direct rollover;
- Shares purchased or redeemed through IRA conversions and recharacterizations;
- Shares redeemed to return an excess contribution from a retirement account;
- Transactions in Section 529 college savings plans;
- Shares converted from one share class to another share class in the same fund; and
- Shares of T. Rowe Price funds that are purchased by another T. Rowe Price fund, including shares purchased by T. Rowe Price fund-of-funds products, and shares purchased by discretionary accounts managed by T. Rowe Price or one of its affiliates (please note that shareholders of the investing T. Rowe Price fund are still subject to the policy).

Transactions in certain rebalancing, asset allocation, wrap programs, and other advisory programs, as well as non-T. Rowe Price fund-of-funds products, may also be exempt from the 30-Day Purchase Block, subject to prior written approval by T. Rowe Price.

In addition to restricting transactions in accordance with the 30-Day Purchase Block, T. Rowe Price may, in its discretion, reject (or instruct an intermediary to reject) any purchase or exchange into a fund from a person (which includes individuals and entities) whose trading activity could disrupt the management of the fund or dilute the value of the fund's shares, including trading by persons acting collectively (e.g., following the advice of a newsletter). Such persons may be barred, without prior notice, from further purchases of T. Rowe Price funds for a period longer than 30 calendar days or permanently.

Intermediary Accounts If you invest in T. Rowe Price funds through an intermediary, you should review the intermediary's materials carefully or consult with the intermediary directly to determine the trading policy that will apply to your trades in the funds as well as any other rules or conditions on transactions that may apply. If T. Rowe Price is unable to identify a transaction placed through an intermediary as exempt from the excessive trading policy, the 30-Day Purchase Block may apply.

Intermediaries may maintain their underlying accounts directly with the fund, although they often establish an omnibus account (one account with the fund that represents multiple underlying shareholder accounts) on behalf of their customers. When intermediaries establish omnibus accounts in the T. Rowe Price funds, T. Rowe Price is not able to monitor the trading activity of the underlying shareholders. However, T. Rowe Price monitors aggregate trading activity at the intermediary (omnibus account) level in an attempt to identify activity that indicates potential excessive or short-term trading. If it detects suspicious trading activity, T. Rowe Price contacts the intermediary and may request personal identifying information and transaction histories for some or all underlying shareholders (including plan participants, if applicable). If T. Rowe Price believes that excessive or short-term trading has occurred, it will instruct the intermediary to impose restrictions to discourage such practices and take appropriate action with respect to the underlying shareholder, including restricting purchases for 30 calendar days or longer. There is no assurance that T. Rowe Price will be able to properly enforce its excessive trading policies for omnibus accounts. Because T. Rowe Price generally relies on intermediaries to provide information and impose restrictions for omnibus accounts, its ability to monitor and deter excessive trading will be dependent upon the intermediaries' timely performance of their responsibilities.

T. Rowe Price may allow an intermediary or other third party to maintain restrictions on trading in the T. Rowe Price funds that differ from the 30-Day Purchase Block. An alternative excessive trading policy would be acceptable to T. Rowe Price if it believes that the policy would provide sufficient protection to the T. Rowe Price funds and their shareholders that is consistent with the excessive trading policy adopted by the funds' Boards of Directors/Trustees.

Retirement Plan Accounts If shares are held in a retirement plan, generally the 30-Day Purchase Block applies only to shares redeemed by a participant-directed exchange to another fund. However, the 30-Day Purchase Block may apply to transactions other than exchanges depending on how shares of the plan are held at T. Rowe Price or the excessive trading policy applied by your plan's recordkeeper. An alternative excessive trading policy may apply to the T. Rowe Price funds where a retirement plan has its own policy deemed acceptable to T. Rowe Price. You should contact T. Rowe Price or your plan recordkeeper to determine which of your transactions are subject to the funds' 30-Day Purchase Block or an alternative policy.

There is no guarantee that T. Rowe Price will be able to identify or prevent all excessive or short-term trades or trading practices.

Keeping Your Account Open

Due to the relatively high cost to a fund of maintaining small accounts, we ask you to maintain an account balance of at least $1,000 ($10,000 for Summit Funds). If, for any reason, your balance is below this amount for three months or longer, we have the right to redeem your account at the then-current net asset value after giving you 60 days to increase your balance. This could result in a taxable gain.

Signature Guarantees

A Medallion signature guarantee is designed to protect you and the T. Rowe Price funds from fraud by verifying your signature.

You may need to have your signature guaranteed in certain situations, such as:

- Written requests: (1) to redeem over $100,000 or (2) to wire redemption proceeds when prior bank account authorization is not on file.
- Remitting redemption proceeds to any person, address, or bank account not on record.
- Transferring redemption proceeds to a T. Rowe Price fund account with a different registration (name or ownership) from yours.
- Establishing certain services after the account is opened.

The signature guarantee must be obtained from a financial institution that is a participant in a Medallion signature guarantee program. You can obtain a Medallion signature guarantee from most banks, savings institutions, broker-dealers, and other guarantors acceptable to T. Rowe Price. When obtaining a Medallion signature guarantee, please discuss with the guarantor the dollar amount of your proposed transaction. It is important that the level of coverage provided by the guarantor's stamp covers the dollar amount of the transaction or it may be rejected. We cannot accept guarantees from notaries public or organizations that do not provide reimbursement in the case of fraud.

ACCOUNT SERVICE FEE

In an effort to help offset the disproportionately high costs incurred by the funds in connection with servicing lower-balance accounts, an annual $20 account service fee (paid to T. Rowe Price Services, Inc., or one of its affiliates) is charged to certain fund accounts with a balance below $10,000. The determination of whether a fund account is subject to the account service fee is based on account balances and services selected for accounts as of the last business day of August. The fee will be charged to an account with a balance below $10,000 for any reason, including market fluctuation and recent redemptions. The fee, which is automatically deducted from an account by redeeming fund shares, is typically charged to accounts in early September each calendar year.

The account service fee generally does not apply to fund accounts that are held through an intermediary, participant accounts in employer-sponsored retirement plans for which T. Rowe Price Retirement Plan Services provides recordkeeping services, or money funds that are used as a T. Rowe Price Brokerage sweep account.

Regardless of a particular fund account's balance on the last business day of August, the account service fee is automatically waived for accounts that satisfy any of the following conditions:

- Any accounts for which the shareholder has elected to receive electronic delivery of all of the following: account statements, transaction confirmations, and prospectuses and shareholder reports;
- Any accounts of a shareholder with at least $50,000 in total assets with T. Rowe Price (for this purpose, total assets includes investments in T. Rowe Price mutual funds, except for those held through a retirement plan for which T. Rowe Price Retirement Plan Services provides recordkeeping services; T. Rowe Price Brokerage; and T. Rowe Price variable annuities); or
- Any accounts of a shareholder who is a T. Rowe Price Preferred Services, Personal Services, or Enhanced Personal Services client (enrollment in these programs generally requires T. Rowe Price assets of at least $100,000—visit troweprice.com or call 1-800-537-1098 for more information).

T. Rowe Price reserves the right to authorize additional waivers for other types of accounts or to modify the conditions for assessment of the account service fee. Fund shares held in a T. Rowe Price individual retirement account, Education Savings Account, or small business retirement plan account (including certain 403(b) plan accounts) are subject to the account service fee and may be subject to additional administrative fees when distributing all fund shares from such accounts.

ORGANIZATION AND MANAGEMENT

How are the funds organized?

T. Rowe Price International Funds, Inc. (the "corporation") was incorporated in Maryland in 1979. Currently, the corporation consists of 18 series, each representing a separate pool of assets with different objectives and investment policies. Each is an "open-end management investment company," or mutual fund. Mutual funds pool money received from shareholders and invest it to try to achieve specified objectives.

What is meant by "shares"?

As with all mutual funds, investors purchase shares when they put money in a fund. These shares are part of a fund's authorized capital stock, but share certificates are not issued.

Each share and fractional share entitles the shareholder to:

- Receive a proportional interest in income and capital gain distributions.
- Cast one vote per share on certain fund matters, including the election of fund directors/trustees, changes in fundamental policies, or approval of changes in the fund's management contract.

Do T. Rowe Price funds have annual shareholder meetings?

The funds are not required to hold annual meetings and, to avoid unnecessary costs to fund shareholders, do not do so except when certain matters, such as a change in fundamental policies, must be decided. In addition, shareholders representing at least 10% of all eligible votes may call a special meeting for the purpose of voting on the removal of any fund director or trustee. If a meeting is held and you cannot attend, you can vote by proxy. Before the meeting, the fund will send or make available to you proxy materials that explain the issues to be decided and include instructions on voting by mail or telephone or on the Internet.

Who runs the funds?

General Oversight

Each fund is governed by a Board of Directors that meets regularly to review fund investments, performance, expenses, and other business affairs. The Board elects the fund's officers. At least 75% of Board members are independent of T. Rowe Price and its affiliates (the "Firm").

All decisions regarding the purchase and sale of fund investments are made by T. Rowe Price or an affiliated investment adviser—specifically by each fund's portfolio manager.

Investment Adviser

T. Rowe Price is each fund's investment adviser and oversees the selection of each fund's investments and management of each fund's portfolio. T. Rowe Price is a SEC-registered investment adviser that provides investment management services to individual and institutional investors, and sponsors and serves as adviser and sub-adviser to registered investment companies, institutional separate accounts, and common trust funds. The address for T. Rowe Price is 100 East Pratt Street, Baltimore, Maryland 21202. As of December 31, 2012, the Firm managed approximately $577 billion for more than 10 million individual and institutional investor accounts.

With respect to each fund (other than the Overseas Stock Fund), T. Rowe Price has entered into a sub-advisory agreement with T. Rowe Price International under which T. Rowe Price International is authorized to trade securities and make discretionary investment decisions on behalf of each fund. With respect to the International Discovery and New Asia Funds, T. Rowe Price has also entered into a sub-advisory agreement with Price Hong Kong under which Price Hong Kong is authorized to trade securities and make discretionary investment decisions on behalf of each fund. With respect to the International Stock Fund, T. Rowe Price has also entered into a sub-advisory agreement with Price Singapore under which Price Singapore is authorized to facilitate securities trading and make limited discretionary investment decisions on behalf of the fund.

T. Rowe Price International is an investment adviser registered or licensed with the SEC, United Kingdom Financial Services Authority, Financial Services Agency of Japan, and other non-U.S. regulatory authorities. T. Rowe Price International sponsors and serves as adviser to foreign collective investment schemes and provides investment management services to investment companies and other institutional investors. T. Rowe Price International is headquartered in London and has several branch offices around the world. T. Rowe Price International is a direct subsidiary of T. Rowe Price and its address is 60 Queen Victoria Street, London EC4N 4TZ, United Kingdom. Price Hong Kong is licensed with the Securities and Futures Commission of Hong Kong and is registered as an investment adviser with the SEC. Price Hong Kong serves as a sub-adviser to investment companies and provides investment management services for other clients who seek to primarily invest in the Asia-Pacific securities markets. Price Hong Kong is a subsidiary of T. Rowe Price and T. Rowe Price International, and its address is 1 Connaught Place, Room 2101-2120, Jardine House 21st Floor, Central Hong Kong. Price Singapore is licensed with the Monetary Authority of Singapore and is registered as an investment adviser with the SEC. Price Singapore serves as a sub-adviser to investment companies and foreign collective investment schemes and may provide investment management services to other institutional clients. Price Singapore is a direct subsidiary of T. Rowe Price International, and its address is No. 290 Orchard Road, #14-04 Paragon, Singapore 238859.

Portfolio Management

T. Rowe Price has established an Investment Advisory Committee with respect to each fund. The committee chairman has day-to-day responsibility for managing the fund's portfolio and works with the committee in developing and executing each fund's investment program. The members of each advisory committee are listed below, along with information that provides the year that the chairman first joined the Firm and the chairman's specific business experience during the past five years (although the chairman may have had portfolio management responsibilities for a longer period). The Statement of Additional Information provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of fund shares.

Africa & Middle East Fund Oliver D.M. Bell, Chairman, Ulle Adamson, Christopher D. Alderson, Paulina Amieva, Malik Asif, S. Leigh Innes, Mark J. Lawrence, and Gonzalo Pangaro. Mr. Bell has been chairman of the committee since 2011. Mr. Bell joined the Firm in 2011 and his investment experience dates from 1997. Prior to joining the Firm in October 2011, Mr. Bell worked for Pictet Asset Management Ltd where he served as an emerging markets research manager (beginning in 1997), a portfolio manager for Africa and Middle East portfolios and other emerging markets strategies (beginning in 2000), and Head of Global Emerging Markets Research (beginning in 2009).

Emerging Europe Fund S. Leigh Innes, Chairman, Ulle Adamson, Christopher D. Alderson, Gonzalo Pangaro, Craig J. Pennington, and Jeneiv Shah. Ms. Innes has been chairman of the committee since 2008, but has been managing the fund since 2007. She joined the Firm in 2002 and her investment experience dates from 1997. She has served as a portfolio manager with the Firm throughout the past five years.

Emerging Markets Stock Fund Gonzalo Pangaro, Chairman, Christopher D. Alderson, Oliver D.M. Bell, Jose Costa Buck, Mark J.T. Edwards, S. Leigh Innes, and Anh Lu. Mr. Pangaro became co-chairman in 2008 and has been sole chairman since 2009. He joined the Firm in 1998 and his investment experience dates from 1991. He has served as a portfolio manager with the Firm throughout the past five years.

European Stock Fund Dean Tenerelli, Chairman, Anh Lu, Gonzalo Pangaro, Craig J. Pennington, Frederick A. Rizzo, Federico Santilli, Sebastian Schrott, John C.A. Sherman, Justin Thomson, and Mitchell J.K. Todd. Mr. Tenerelli has been chairman of the committee since 2008, but has been involved in managing the fund since 2005. He joined the Firm in 2000 and his investment experience dates from 1991. He has served as a portfolio manager with the Firm throughout the past five years.

International Discovery Fund Justin Thomson, Chairman, Tak Yiu Cheng, Henry M. Ellenbogen, Luis Fananas, Vishnu V. Gopal, Benjamin Griffiths, Tetsuji Inoue, Miki Takeyama, Sin Dee Tan, Verena E. Wachnitz, Hiroshi Watanabe, and Ernest C. Yeung. Mr. Thomson has been chairman of the committee since 2008, but has been involved in managing the fund since 1998. He joined the Firm in 1998 and his investment experience dates from 1991. He has served as a portfolio manager with the Firm throughout the past five years. Hiroshi Watanabe is responsible for selecting the fund's investments in Japan and Ernest C. Yeung is responsible for selecting the fund's investments in Asia (excluding Japan). Mr. Watanabe joined the Firm in 2006 and his investment experience dates from that time. He has served as an equity analyst with the Firm throughout the past five years. Mr. Yeung joined the Firm in 2003 and his investment experience dates from 2001. During the past five years, he has served as an equity analyst and then a portfolio manager (beginning in 2009).

International Growth & Income Fund Jonathan H.W. Matthews, Chairman, Richard de los Reyes, Sebastien Mallet, Raymond A. Mills, Paul T. O'Sullivan, Austin Powell, Frederick A. Rizzo, Jonty Starbuck, Verena E. Wachnitz, David J. Wallack, and Ernest C. Yeung. Mr. Matthews has been chairman of the committee since 2010. He joined the Firm in 2008 and his investment experience dates from 1998. Prior to managing the fund, he served as an investment analyst since joining the Firm. Prior to joining the Firm, he was an equity analyst and fund manager for Pioneer Investments (beginning in 2003).

International Stock Fund Robert W. Smith, Chairman, R. Scott Berg, Richard N. Clattenburg, David J. Eiswert, M. Campbell Gunn, Gonzalo Pangaro, Sebastian Schrott, and Dean Tenerelli. Mr. Smith has been chairman of the committee since 2007. He joined the Firm in 1992 and his investment experience dates from 1987. He has served as a portfolio manager with the Firm throughout the past five years.

Japan Fund M. Campbell Gunn, Chairman, Archibald Ciganer Albeniz, Richard N. Clattenburg, Melissa C. Gallagher, Tetsuji Inoue, Yoichiro Kai, Hiroaki Owaki, Austin Powell, Naoto Saito, Miki Takeyama, and Hiroshi Watanabe. Mr. Gunn has been chairman of the committee since 2008, but has been involved in managing the fund since 2003. He joined the Firm in 2002 and his investment experience dates from 1978. He has served as a portfolio manager with the Firm throughout the past five years.

Latin America Fund Jose Costa Buck, Chairman, Paulina Amieva, Luis M. Baylac, Gonzalo Pangaro, Craig J. Pennington, Francisco Sersale, Jean-Pierre Thibaud, and Verena E. Wachnitz. Mr. Costa Buck has been chairman of the committee since 2008. He joined the Firm in 2000 and his investment experience dates from 1995. During the past five years, he has served as an investment analyst and then a portfolio manager (beginning in 2008).

New Asia Fund Anh Lu, Chairman, Syed H. Ali, Sheena Barbosa, Tak Yiu Cheng, Jessie Q. Ding, Vishnu Gopal, Yoichiro Kai, Jai Kapadia, Aden Lau, Susanta Mazumdar, Jihong Min, Eric C. Moffett, Sridhar Nishtala, Eunbin Song, John Xie, Ernest C. Yeung, Alison M.L. Yip, Christopher Yip, and Wenli Zheng. Ms. Lu has been chairman of the committee since 2009. She joined the Firm in 2001 and her investment experience dates from 1995. She has served as a portfolio manager with the Firm throughout the past five years.

Overseas Stock Fund Raymond A. Mills, Ph.D., Chairman, M. Campbell Gunn, Yoichiro Kai, Anh Lu, Jonathan H.W. Matthews, Sebastian Schrott, John C.A. Sherman, Robert W. Smith, Jonty Starbuck, and Christopher S. Whitehouse. Mr. Mills has been chairman of the committee since the fund's inception in 2006. He joined the Firm in 1997 and his investment experience dates from that time. He has served as a portfolio manager with the Firm throughout the past five years.

The Management Fee

This fee has two parts–an "individual fund fee," which reflects a fund's particular characteristics, and a "group fee." The group fee, which is designed to reflect the benefits of the shared resources of the T. Rowe Price investment management complex, is calculated daily based on the combined net assets of all T. Rowe Price funds (except the Spectrum Funds, Retirement Funds, TRP Reserve Investment Funds, and any index or private label mutual funds). The group fee schedule (in the following table) is graduated, declining as the asset total rises, so shareholders benefit from the overall growth in mutual fund assets.

Group Fee Schedule

0.334%*	First $50 billion
0.305%	Next $30 billion
0.300%	Next $40 billion
0.295%	Next $40 billion
0.290%	Next $60 billion
0.285%	Next $80 billion
0.280%	Thereafter

* Represents a blended group fee rate containing various breakpoints.

Each fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. On October 31, 2012, the annual group fee rate was 0.30%. The individual fund fees, also applied to the funds' average daily net assets, are as follows: International Growth & Income, International Stock, and Overseas Stock Funds, 0.35%; European Stock, Japan, and New Asia Funds, 0.50%; Africa & Middle East, Emerging Europe, Emerging Markets Stock, International Discovery, and Latin America Funds, 0.75%.

The expenses shown in the fee tables in Section 1 are generally based on a fund's prior fiscal year. In periods of market volatility, assets may decline significantly, causing total annual fund operating expenses to become higher than the numbers shown in the fee tables.

A discussion about the factors considered by the Board and its conclusions in approving each fund's investment management contract with T. Rowe Price appears in each fund's semiannual report to shareholders for the period ended April 30.

Fund Operations and Shareholder Services

T. Rowe Price provides accounting services to the T. Rowe Price funds. T. Rowe Price Services, Inc. acts as the transfer and dividend disbursing agent and provides shareholder and administrative services to the funds. T. Rowe Price Retirement Plan Services, Inc., provides recordkeeping, sub-transfer agency, and administrative services for certain types of retirement plans investing in the funds. These companies receive compensation from the funds for their services. The funds may also pay third-party intermediaries for performing shareholder and administrative services for underlying shareholders in omnibus accounts. All funds also serve as underlying funds in which certain fund-of-funds products, the T. Rowe Price Spectrum and/or Retirement Funds, invest. Subject to approval by each fund's Board, each fund bears a proportional share of the operating expenses of the fund-of-funds products. All of the fees discussed above are included in the fees and expenses table under "Other expenses" and in the fund's financial statements.

MORE INFORMATION ABOUT THE FUNDS AND THEIR INVESTMENT RISKS

Consider your investment goals, your time horizon for achieving them, and your tolerance for risk. The funds may be appropriate for you if you are seeking diversification for your equity investments and can accept the risks that accompany foreign investments. Your decision should take into account whether you have any other foreign stock investments. If you do not, you may want to consider investing in a more widely diversified fund to gain the broadest exposure to global opportunities. A diversified emerging markets fund may be an appropriate part of your overall portfolio if you are supplementing existing holdings primarily in developed foreign markets and are comfortable with the potentially significant volatility associated with investing in emerging markets. If you seek to supplement a diversified international portfolio with a more concentrated investment, a fund focusing on a particular geographic area may be appropriate.

The market frequently rewards growth stocks with price increases when earnings expectations are met or exceeded. Funds that employ a growth-oriented approach to stock selection rely on the premise that by investing in companies that increase their earnings faster than both inflation and the overall economy, the market will eventually reward those companies with a higher stock price. A fund's successful implementation of a growth-oriented strategy should lead to long-term growth of capital over time.

Funds that employ a value-oriented approach to stock selection seek to invest in companies whose stock prices are low in relation to the value of their assets or future prospects. By identifying companies whose stocks are currently out of favor or undervalued, value funds hope to realize significant appreciation as other investors recognize the stock's intrinsic value and the price rises accordingly. Generally, careful selection of stocks having value characteristics can, over time, limit the downside risk of a value-oriented portfolio compared with the broad market. In addition, stocks whose prices are below a company's intrinsic value may offer the potential for substantial capital appreciation.

Investing abroad increases the opportunities available to you. Some foreign countries may have greater potential for economic growth than the U.S. Emerging market, regional, and single-country funds allow investors to seek potentially superior growth in the areas they view as most promising, but with commensurately higher risks. Investing a portion of your overall portfolio in stock funds with foreign holdings can enhance your diversification while providing the opportunity to increase long-term returns.

Portfolio managers closely monitor fund investments as well as political and economic trends in each country and region. Holdings are adjusted according to the portfolio manager's analysis and outlook. The impact of unfavorable developments in a particular country may be reduced when investments are spread among many countries. However, the economies and financial markets of countries in a certain region may be heavily influenced by one another.

International Funds Comparison Guide

Fund	Geographic focus	Company emphasis	Expected risk relative to the other funds
Africa & Middle East	Africa & Middle East	All sizes	Highest
Emerging Europe	Europe (including Eastern Europe and the former Soviet Union)	All sizes	Highest
Emerging Markets Stock	Worldwide (excluding U.S.)	All sizes	Highest
European Stock	Europe (including Eastern Europe)	All sizes	Moderate
International Discovery	Worldwide (excluding U.S.)	Small- to medium sized	Higher
International Growth & Income	Worldwide (excluding U.S.)	Large, well established	Moderate
International Stock	Worldwide (excluding U.S.)	Large- to medium-sized	Moderate
Japan	Japan	All sizes	Higher
Latin America	Latin America	All sizes	Highest
New Asia	Far East and Pacific Basin (excluding Japan)	All sizes	Highest
Overseas Stock	Worldwide (excluding U.S.)	Large, well established	Moderate

The risk profile of the funds varies with the investment style they pursue, their geographic focus, and whether they invest in developed markets, emerging markets, or both. Even investments in countries with highly developed economies are subject to significant risks.

As with all stock funds, a fund's share price can fall because of weakness in one or more of its primary equity markets, a particular industry, or specific holdings. Stock markets can decline for many reasons, including adverse political, social, or economic developments, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, our assessment of companies held in a fund may prove incorrect, resulting in losses or poor performance, even in rising markets.

Growth stocks can be volatile for several reasons. Since these companies usually invest a high portion of earnings in their businesses, they may lack the dividends that can cushion stock prices in a falling market. Also, earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth.

Finding undervalued stocks requires considerable research to identify the particular company, analyze its financial condition and prospects, and assess the likelihood that the stock's underlying value will be recognized by the market and reflected in its price. A value approach to investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced.

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets.

As with any mutual fund, there is no guarantee the funds will achieve their objectives. The funds' share price fluctuates, which means you could lose money when you sell your shares of the funds. Some particular risks affecting the funds include the following:

Currency risk This refers to a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that foreign currency. The overall impact on a fund's holdings can be significant, unpredictable, and long-lasting, depending on the currencies represented in the fund's portfolio and how each foreign currency appreciates or depreciates in relation to the U.S. dollar and whether currency positions are hedged. Under normal conditions, the funds do not engage in extensive foreign currency hedging programs. Further, since exchange rate movements are volatile, a fund's attempts at hedging could be unsuccessful, and it is not possible to effectively hedge the currency risks of many emerging market countries.

Other risks of foreign investing Risks can result from varying stages of economic and political development, differing regulatory environments, trading days and accounting standards, uncertain tax laws, and higher transaction costs of non-U.S. markets. Investments outside the U.S. could be subject to governmental actions such as capital or currency controls, nationalization of a company or industry, expropriation of assets, or imposition of high taxes. A trading market may close without warning for extended time periods, preventing a fund from buying or selling securities in that market.

Trading in the underlying securities of the funds may take place in various foreign markets on certain days when the funds are not open for business and do not calculate net asset values. For example, the Africa & Middle East Fund invests in securities that trade in various foreign markets that are open on weekends. As a result, net asset values may be significantly affected on days when shareholders cannot make transactions.

Emerging markets risk *(Africa & Middle East, Emerging Europe, Emerging Markets Stock, Latin America, New Asia Funds; other funds to a lesser degree, except Japan Fund)* Investments in emerging markets, which include Africa, parts of Europe and much of Asia, the Middle East, and Central and South America, are subject to the risk of abrupt and severe price declines. The economic and political structures of emerging market countries, in most cases, do not compare favorably with the U.S. or other developed countries in terms of wealth and stability, and their financial markets often lack liquidity. These economies are less developed and can be overly reliant on particular industries and more vulnerable to the ebb and flow of international trade, trade barriers, and other protectionist or retaliatory measures. Certain countries have legacies and periodic episodes of hyperinflation and currency devaluations, particularly Russia and many Latin American nations, and more recently many Asian countries. Governments in many emerging market countries participate to a significant degree in their economies and securities markets. Foreign investments may be restricted and subject to greater government control, including repatriation of sales proceeds. Some countries have histories of instability and upheaval that could cause their governments to act in a detrimental or hostile manner toward private enterprise or foreign investment. Investments in countries or regions that have recently begun moving away from central planning and state-owned industries toward free markets should be regarded as speculative.

While some countries have made progress in economic growth, liberalization, fiscal discipline, and political and social stability, there is no assurance these trends will continue. Significant risks, such as war and terrorism, currently affect some emerging market countries. Fund performance will likely be hurt by exposure to nations in the midst of hyperinflation, currency devaluation, trade disagreements, sudden political upheaval, or interventionist government policies. The volatility of emerging markets may be heightened by the actions (such as significant buying or selling) of a few major investors. For example, substantial increases or decreases in cash flows of mutual funds investing in these markets could significantly affect local securities prices and, therefore, cause fund share prices to decline.

All of these factors make investing in such countries significantly riskier than in other countries and any one of these could cause a fund's share price to decline.

Geographic risk *(Africa & Middle East, Emerging Europe, European Stock, Japan, Latin America, and New Asia Funds; others to a lesser degree)* Funds that are less diversified across geographic regions, countries, industries, or individual companies are generally riskier than more diversified funds. For example, investors in the Japan Fund are fully exposed to that country's economic cycles, stock market valuations, and currency exchange rates, which could increase the fund's risks compared with a more diversified fund. The economies and financial markets of certain regions—such as Latin America, Asia, Europe, and the Middle East and Africa—can be interdependent and may all decline at the same time. Ongoing concerns over the rising debt levels of certain European countries could further stress the European banking system and potentially lead to a default or breakup of the euro, which would pose special challenges for the financial markets and particularly for those funds with euro-denominated holdings. Such an event could lead to exchange controls or market closures, and negatively impact a fund's ability to settle trades, convert euros into U.S. dollars, or assign values to its European securities

Small- and medium-sized company risk *(International Discovery Fund; others to a lesser degree)* To the extent each fund invests in small- and mid-capitalization stocks, it is likely to be more volatile than a fund that invests only in large companies. Small and medium-sized companies are generally riskier because they may have limited product lines, capital, and managerial resources. Their securities may trade less frequently and with greater price swings.

Nondiversified status *(Africa & Middle East, Emerging Europe, Latin America, and New Asia Funds)* There is additional risk with each fund that is nondiversified and thus can invest more of its assets in a smaller number of issuers. For example, poor performance by a single large holding of a fund would adversely affect fund performance more than if the fund were invested in a larger number of companies.

Some of the principal tools we use to try to reduce overall risk include intensive research when evaluating a company's prospects and limiting exposure to any one industry or company.

While most assets will be invested in common stocks, other strategies may be employed that are not considered part of a fund's principal investment strategies. For instance, a fund may invest, to a limited extent, in derivatives such as futures contracts and forward foreign currency exchange contracts. Any investments in futures would typically serve as an efficient means of gaining exposure to certain markets or as a cash management tool to maintain liquidity while being invested in the market. Forward foreign currency exchange contracts would primarily be used to settle trades in a foreign currency or to help protect a fund's holdings from unfavorable changes in foreign currency exchange rates, although other currency hedging techniques may be used from time to time. To the extent the fund uses futures and foreign currency exchange contracts, it is exposed to potential volatility and losses greater than direct investments in the contract's underlying assets, and the risk that anticipated currency movements will not be accurately predicted.

Recent legislation calls for a new regulatory framework for the derivatives markets. The full extent and impact of new regulations are not certain at this time. New regulations have made the use of derivatives by funds more costly, may limit the availability of certain types of derivatives, and may otherwise adversely affect the value or performance of derivatives used by funds.

The Statement of Additional Information contains more detailed information about each fund and its investments, operations, and expenses.

INVESTMENT POLICIES AND PRACTICES

This section takes a detailed look at some of the types of fund securities and the various kinds of investment practices that may be used in day-to-day portfolio management. Fund investments are subject to further restrictions and risks described in the Statement of Additional Information.

Shareholder approval is required to substantively change fund objectives. Shareholder approval is also required to change certain investment restrictions noted in the following section as "fundamental policies." Portfolio managers also follow certain "operating policies" that can be changed without shareholder approval. Shareholders will receive at least 60 days' prior notice of a change in a fund's policy requiring it to normally invest at least 80% of its assets in stocks or a particular geographic area, as the case may be.

Fund holdings of certain kinds of investments cannot exceed maximum percentages of total assets, which are set forth in this prospectus. For instance, fund investments in certain derivatives are limited to 10% of total assets. While these restrictions provide a useful level of detail about fund investments, investors should not view them as an accurate gauge of the potential risk of such investments. For example, in a given period, a 5% investment in derivatives could have significantly more of an impact on a fund's share price than its weighting in the portfolio. The net effect of a particular investment depends on its volatility and the size of its overall return in relation to the performance of all other fund investments.

Certain investment restrictions, such as a required minimum or maximum investment in a particular type of security, are measured at the time a fund purchases a security. The status, market value, maturity, credit quality, or other characteristics of a fund's securities may change after they are purchased, and this may cause the amount of a fund's assets invested in such securities to exceed the stated maximum restriction or fall below the stated minimum restriction. If any of these changes occur, it would not be considered a violation of the investment restriction and will not require the sale of an investment if it was proper at the time it was made (this exception does not apply to a fund's borrowing policy). However, purchases by a fund during the time it is above or below the stated percentage restriction would be made in compliance with applicable restrictions.

For purposes of determining whether a particular country is considered a developed market or an emerging market, the funds use the designation set forth by MSCI Barra, a third-party provider of benchmark indexes and data services for institutions worldwide. For purposes of determining whether a fund invests at least 80% of its net assets in a particular country or geographic region, the fund uses a country assigned to a security by MSCI Barra or another unaffiliated third-party data provider. The fund generally follows this same process with respect to the remaining 20% of assets but may occasionally make an exception after assessing various factors relating to a company.

Changes in fund holdings, fund performance, and the contribution of various investments to fund performance are discussed in the shareholder reports.

Portfolio managers have considerable discretion in choosing investment strategies and selecting securities they believe will help achieve fund objectives.

Types of Portfolio Securities

In seeking to meet their investment objectives, fund investments may be made in any type of security or instrument (including certain potentially high-risk derivatives described in this section) whose investment characteristics are consistent with their investment programs. The following pages describe various types of fund holdings and investment management practices.

Diversification With the exception of the Africa & Middle East, Emerging Europe, Latin America, and New Asia Funds, as a fundamental policy, a fund will not purchase a security if, as a result, with respect to 75% of its total assets, more than 5% of the fund's total assets would be invested in securities of a single issuer or more than 10% of the outstanding voting securities of the issuer would be held by the fund.

Nondiversified Status–Africa & Middle East, Emerging Europe, Latin America, and New Asia Funds

The fund is a nondiversified mutual fund. This means that the fund may invest a greater portion of its assets in, and own a greater amount of the voting securities of, a single issuer than a diversified fund, which may subject the fund to greater risk with respect to its portfolio securities and greater volatility with respect to its share price.

The fund, however, intends to qualify as a "regulated investment company" under the Internal Revenue Code. As a result, each fund must invest so that, at the end of each fiscal quarter, with respect to 50% of its total assets, no more than 5% of its total assets is invested in the securities of a single issuer and not more than 10% of the voting securities of any issuer are held by the fund. With respect to the remaining 50% of fund assets, no more than 25% may be invested in a single issuer.

All funds

Fund investments are primarily in common stocks and, to a lesser degree, other types of securities as described below.

Common and Preferred Stocks

Stocks represent shares of ownership in a company. Generally, preferred stock has a specified dividend and ranks after bonds and before common stock in its claim on income for dividend payments and on assets should the company be liquidated. After other claims are satisfied, common stockholders participate in company profits on a pro-rata basis; profits may be paid out in dividends or reinvested in the company to help it grow. Increases and decreases in earnings are usually reflected in a company's stock price, so common stocks generally have the greatest appreciation and depreciation potential of all corporate securities. Unlike common stock, preferred stock does not ordinarily carry voting rights. While most preferred stocks pay a dividend, a fund may decide to purchase preferred stock where the issuer has omitted, or is in danger of omitting, payment of its dividend. The funds may purchase American Depositary Receipts and Global Depositary Receipts, which are certificates evidencing ownership of shares of a foreign issuer. American Depositary Receipts and Global Depositary Receipts trade on established markets and are alternatives to directly purchasing the underlying foreign securities in their local markets and currencies. Such investments are subject to many of the same risks associated with investing directly in foreign securities.

Convertible Securities and Warrants

Investments may be made in debt or preferred equity securities that are convertible into, or exchangeable for, equity securities at specified times in the future and according to a certain exchange ratio. Convertible bonds are typically callable by the issuer, which could in effect force conversion before the holder would otherwise choose. Traditionally, convertible securities have paid dividends or interest at rates higher than common stocks but lower than nonconvertible securities. They generally participate in the appreciation or depreciation of the underlying stock into which they are convertible, but to a lesser degree than common stock. Some convertible securities combine higher or lower current income with options and other features. Warrants are options to buy, directly from the issuer, a stated number of shares of common stock at a specified price anytime during the life of the warrants (generally, two or more years). Warrants can be highly volatile, have no voting rights, and pay no dividends.

Participation Notes (P-notes)

A fund may gain exposure to securities traded in foreign markets through investments in P-notes. P-notes are generally issued by banks or broker-dealers and are designed to offer a return linked to an underlying common stock or other security. An investment in a P-note involves additional risks beyond the risks normally associated with a direct investment in the underlying security. While the holder of a P-note is entitled to receive from the broker-dealer or bank any dividends paid by the underlying security, the holder is not entitled to the same rights (e.g., voting rights) as a direct owner of the underlying security. P-notes are considered general unsecured contractual obligations of the banks or broker-dealers that issue them as the counterparty. As such, the fund must rely on the creditworthiness of the counterparty for its investment returns on the P-notes, and could lose the entire value of its investment in the event of default by a counterparty. Additionally, there is no assurance that there will be a secondary trading market for a P-note or that the trading price of a P-note will equal the value of the underlying security.

Operating policy For the Africa & Middle East Fund, there is no limit on fund investments in P-notes. For all other funds, investments in P-notes are limited to 20% of total assets.

Fixed Income Securities

From time to time, a fund may invest in corporate and government fixed income securities as well as below investment-grade bonds, commonly referred to as “junk” bonds. These securities would be purchased in companies that meet fund investment criteria. The price of a fixed income security fluctuates with changes in interest rates, generally rising when interest rates fall and falling when interest rates rise. Below investment-grade bonds, or “junk” bonds, can be more volatile and have greater risk of default than investment-grade bonds.

Operating policy The Africa & Middle East, Emerging Europe, Emerging Markets Stock, Latin America, and New Asia Funds may each invest 10% of total assets in below investment-grade bonds. Fund investments in convertible securities are not subject to these limits.

Futures and Options

Futures, a type of potentially high-risk derivative, are often used to manage or hedge risk because they enable the investor to buy or sell an asset in the future at an agreed-upon price. Options, another type of potentially high-risk derivative, give the investor the right (when the investor purchases the option), or the obligation (when the investor “writes” or sells the option), to buy or sell an asset at a predetermined price in the future. Futures and options contracts may be bought or sold for any number of reasons, including to manage exposure to changes in securities prices and foreign currencies; as an efficient means of increasing or decreasing a fund’s exposure to certain markets; in an effort to enhance income; to protect the value of portfolio securities; and to serve as a cash management tool. Call or put options may be purchased or sold on securities, futures, and financial indexes. A fund may choose to continue a futures contract by "rolling over" an expiring futures contract into an identical contract with a later maturity date. This could increase the fund's transaction costs and portfolio turnover rate.

Futures contracts and options may not always be successful hedges; their prices can be highly volatile; using them could lower a fund's total return; and the potential loss from the use of futures can exceed a fund's initial investment in such contracts.

Operating policies Initial margin deposits on futures and premiums on options used for non-hedging purposes will not exceed 5% of a fund's net asset value. The total market value of securities covering call or put options may not exceed 25% of total assets. No more than 5% of total assets will be committed to premiums when purchasing call or put options.

Hybrid Instruments

These instruments (a type of potentially high-risk derivative) can combine the characteristics of securities, futures, and options. For example, the principal amount, redemption, or conversion terms of a security could be related to the market price of some commodity, currency, security, or securities index. Such instruments may or may not bear interest or pay dividends. Under certain conditions, the redemption value of a hybrid could be zero.

Hybrids can have volatile prices and limited liquidity, and their use may not be successful.

Operating policy Fund investments in hybrid instruments are limited to 10% of total assets.

Currency Derivatives

The funds will normally conduct their foreign currency exchange transactions, if any, either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward contracts to purchase or sell foreign currencies. The funds will generally not enter into a forward contract with a term greater than one year.

The funds will generally enter into forward foreign currency exchange contracts only under two circumstances. First, a fund may "lock in" the U.S. dollar price of the security when it enters into a contract for the purchase or sale of a security denominated in a foreign currency. Second, when the fund believes that the currency of a particular foreign country may move substantially against another currency, it may enter into a forward contract to sell or buy the former foreign currency (or another currency that acts as a proxy for that currency). The contract may approximate the value of some or all of the fund's portfolio securities denominated in such foreign currency. Under unusual circumstances, a fund may commit a substantial portion or the entire value of its portfolio to the consummation of these contracts. T. Rowe Price will consider the effect such a commitment to forward contracts would have on each fund's investment program and the flexibility of each fund to purchase additional securities. Although forward contracts will be used primarily to protect the fund from adverse currency movements, they involve the risk that anticipated currency movements will not be accurately predicted, and a fund's total return could be adversely affected as a result.

Hedging may result in the application of the mark-to-market and straddle provisions of the Internal Revenue Code. These provisions could result in an increase (or decrease) in the amount of taxable dividends paid by the funds and could affect whether dividends paid are classified as capital gains or ordinary income.

Investments in Other Investment Companies

A fund may invest in other investment companies, including open-end funds, closed-end funds, and exchange-traded funds.

A fund may purchase the securities of another investment company to temporarily gain exposure to a portion of the market while awaiting purchase of securities or as an efficient means of gaining exposure to a particular asset class. The fund might also purchase shares of another investment company to gain exposure to the securities in the investment company's portfolio at times when the fund may not be able to buy those securities directly. Any investment in another investment company would be consistent with the fund's objective and investment program.

The risks of owning another investment company are generally similar to the risks of investing directly in the securities in which that investment company invests. However, an investment company may not achieve its investment objective or execute its investment strategy effectively, which may adversely affect the fund's performance. In addition, because closed-end funds and exchange-traded funds trade on a secondary market, their shares may trade at a premium or discount to the actual net asset value of their portfolio securities and their shares may have greater volatility because of the potential lack of liquidity.

As a shareholder of an investment company not sponsored by T. Rowe Price, the fund must pay its pro-rata share of that investment company's fees and expenses. The fund's investments in non-T. Rowe Price investment companies are subject to the limits that apply to investments in other funds under the Investment Company Act of 1940 or under any applicable exemptive order.

A fund may also invest in certain other T. Rowe Price funds as a means of gaining efficient and cost-effective exposure to certain asset classes, provided the investment is consistent with the fund's investment program and policies. Such an investment could allow the fund to obtain the benefits of a more diversified portfolio than might otherwise be available through direct investments in the asset class, and will subject the fund to the risks associated with the particular asset class. Examples of asset classes in which other T. Rowe Price mutual funds concentrate their investments include high yield bonds, floating rate loans, international bonds, emerging market bonds, and emerging market stocks. If the fund invests in another T. Rowe Price fund, the management fee paid by the fund will be reduced to ensure that the fund does not incur duplicate management fees as a result of its investment.

Illiquid Securities

Some fund holdings may be considered illiquid because they are subject to legal or contractual restrictions on resale or because they cannot be sold in the ordinary course of business within seven days at approximately the prices at which they are valued. The determination of liquidity involves a variety of factors. Illiquid securities may include private placements that are sold directly to a small number of investors, usually institutions. Unlike public offerings, such securities are not registered with the SEC. Although certain of these securities may be readily sold, for example under Rule 144A of the Securities Act of 1933, others may have resale restrictions and can be illiquid. The sale of illiquid securities may involve substantial delays and additional costs, and a fund may only be able to sell such securities at prices substantially less than what it believes they are worth.

Operating policy Fund investments in illiquid securities are limited to 15% of net assets.

Types of Investment Management Practices

Reserve Position

A certain portion of fund assets will be held in reserves. Fund reserve positions can consist of: 1) shares of a T. Rowe Price internal money fund or short-term bond fund; 2) short-term, high-quality U.S. and foreign dollar-denominated money market securities, including repurchase agreements; and 3) U.S. dollar or non-U.S. dollar currencies. For temporary, defensive purposes, there is no limit on a fund's holdings in reserves. If a fund has significant holdings in reserves, it could compromise the fund's ability to achieve its objectives. The reserve position provides flexibility in meeting redemptions, paying expenses and managing cash flows into a fund, and can serve as a short-term defense during periods of unusual market volatility. Non-U.S. dollar reserves are subject to currency risk.

Borrowing Money and Transferring Assets

A fund may borrow from banks, other persons, and other T. Rowe Price funds for temporary emergency purposes to facilitate redemption requests, or for other purposes consistent with fund policies as set forth in this prospectus. Such borrowings may be collateralized with fund assets, subject to restrictions.

Fundamental policy Borrowings may not exceed 33⅓% of total assets.

Operating policy A fund will not transfer portfolio securities as collateral except as necessary in connection with permissible borrowings or investments, and then such transfers may not exceed 33⅓% of total assets. A fund will not purchase additional securities when borrowings exceed 5% of total assets.

Lending of Portfolio Securities

A fund may lend its securities to broker-dealers, other institutions, or other persons to earn additional income. Risks include the potential insolvency of the broker-dealer or other borrower that could result in delays in recovering securities and capital losses. Additionally, losses could result from the reinvestment of collateral received on loaned securities in investments that default or do not perform as well as expected.

Fundamental policy The value of loaned securities may not exceed 33⅓% of total assets.

Portfolio Turnover

Turnover is an indication of frequency of trading. A fund will not generally trade in securities for short-term profits, but when circumstances warrant, securities may be purchased and sold without regard to the length of time held. Each time a fund purchases or sells a security, it incurs a cost. This cost is reflected in its net asset value but not in its operating expenses. The higher the turnover rate, the higher the transaction costs and the greater the impact on a fund's total return. Higher turnover can also increase the possibility of taxable capital gain distributions. The funds' portfolio turnover rates are shown in the Financial Highlights table.

DISCLOSURE OF FUND PORTFOLIO INFORMATION

Each T. Rowe Price fund's portfolio holdings are disclosed on a regular basis in its semiannual and annual shareholder reports, and on Form N-Q, which is filed with the SEC within 60 days of the fund's first and third fiscal quarter-end. The money funds also file detailed month-end portfolio holdings information with the SEC each month. Such information will be made available to the public 60 days after the end of the month to which the information pertains. In addition, the funds disclose their calendar quarter-end portfolio holdings on troweprice.com 15 calendar days after each quarter. Under certain conditions, up to 5% of a fund's holdings may be included in this portfolio list without being individually identified. Generally, securities would not be individually identified if they are being actively bought or sold and it is determined that the quarter-end disclosure of the holding could be harmful to the fund. A security will not be excluded for these purposes from a fund's quarter-end holdings disclosure for more than one year. Money funds also disclose their month-end portfolio holdings on troweprice.com five business days after each month. The quarter-end portfolio holdings will remain on the website for one year and the month-end money fund portfolio holdings will remain on the website for six months. Each fund also discloses its 10 largest holdings on troweprice.com on the seventh business day after each month-end. These holdings are listed in alphabetical order along with the aggregate percentage of the fund's total assets that these 10 holdings represent. Each monthly top 10 list will remain on the website for six months. A description of T. Rowe Price's policies and procedures with respect to the disclosure of portfolio information is in the Statement of Additional Information.

FINANCIAL HIGHLIGHTS

The Financial Highlights table, which provides information about each fund's financial history, is based on a single share outstanding throughout the periods shown. Each fund's section of the table is part of the fund's financial statements, which are included in its annual report and are incorporated by reference into the Statement of Additional Information (available upon request). The total returns in the table represent the rate that an investor would have earned or lost on an investment in the fund (assuming reinvestment of all dividends and distributions and no payment of any applicable account or redemption fees). The financial statements in the annual reports were audited by the funds' independent registered public accounting firm, PricewaterhouseCoopers LLP.

Financial Highlights

Africa & Middle East Fund	*Year ended October 31*				
	2008	*2009*	*2010*	*2011*	*2012*
Net asset value, beginning of period	$11.92	$7.05	$7.06	$7.64	$6.51
Income From Investment Operations					
Net investment income*	0.41	0.14	0.12	0.13	0.14
Net gains or losses on securities (both realized and unrealized)	(5.30)	0.30[a]	0.61	(1.10)	0.76
Total from investment operations	(4.89)	0.44	0.73	(0.97)	0.90
Less Distributions					
Dividends (from net investment income)	—	(0.43)	(0.15)	(0.12)	(0.10)
Distributions (from capital gains)	(0.01)	—	—	(0.04)	—
Returns of capital	—	—	—	—	—
Total distributions	(0.01)	(0.43)	(0.15)	(0.16)	(0.10)
Redemption fees added to paid in capital	0.03	—	—	—	—
Net asset value, end of period	**$7.05**	**$7.06**	**$7.64**	**$6.51**	**$7.31**
Total return	**(40.81)%**	**7.40%**	**10.61%**	**(12.98)%**	**14.09%**
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$288,151	$215,535	$232,929	$144,759	$149,791
Ratio of expenses to average net assets	1.32%	1.62%	1.47%	1.50%	1.52%
Ratio of net income to average net assets	3.20%	2.48%	1.69%	1.79%	2.10%
Portfolio turnover rate	77.3%	93.2%	91.2%	65.9%	65.0%

* Per share amounts calculated using average shares outstanding method.

[a] The amount presented for a share outstanding throughout the year is inconsistent with the change in the aggregate gains and losses for the year because of the timing of sales and redemptions of the fund's shares in relation to fluctuating market values for the investment portfolio.

Financial Highlights

	Year ended October 31				
Emerging Europe Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$39.18	$12.38	$15.97	$21.66	$17.83
Income From Investment Operations					
Net investment income*	1.14	(0.02)	(0.01)	(0.02)	0.13
Net gains or losses on securities (both realized and unrealized)	(23.98)	4.93	5.71	(3.81)	0.56
Total from investment operations	(22.84)	4.91	5.70	(3.83)	0.69
Less Distributions					
Dividends (from net investment income)	—	(1.32)	—	—	—
Distributions (from capital gains)	(3.96)	—	(0.01)	—	—
Returns of capital	—	—	—	—	—
Total distributions	(3.96)	(1.32)	(0.01)	—	—
Redemption fees added to paid in capital	—	—	—	—	—
Net asset value, end of period	**$12.38**	**$15.97**	**$21.66**	**$17.83**	**$18.52**
Total return	**(64.91)%**	**49.25%**	**35.68%**	**(17.68)%**	**3.87%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$451	$637	$772	$494	$420
Ratio of expenses to average net assets	1.32%	1.64%	1.41%	1.45%	1.55%
Ratio of net income to average net assets	3.49%	(0.19)%	(0.07)%	(0.09)%	0.71%
Portfolio turnover rate	36.0%	39.7%	27.7%	21.7%	10.9%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

Emerging Markets Stock Fund	***Year ended October 31***				
	2008	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$48.99	$17.88	$27.61	$34.50	$30.98
Income From Investment Operations					
Net investment income*	0.79	0.16	0.11	0.22	0.17
Net gains or losses on securities (both realized and unrealized)	(28.66)	10.17	6.93	(3.30)	1.28
Total from investment operations	(27.87)	10.33	7.04	(3.08)	1.45
Less Distributions					
Dividends (from net investment income)	(0.30)	(0.61)	(0.15)	(0.10)	(0.12)
Distributions (from capital gains)	(2.95)	—	—	(0.34)	—
Returns of capital	—	—	—	—	—
Total distributions	(3.25)	(0.61)	(0.15)	(0.44)	(0.12)
Redemption fees added to paid in capital	0.01	0.01	—	—	—
Net asset value, end of period	**$17.88**	**$27.61**	**$34.50**	**$30.98**	**$32.31**
Total return	**(60.61)%**	**60.05%**	**25.58%**	**(9.05)%**	**4.74%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$2,483	$4,291	$5,258	$5,895	$6,804
Ratio of expenses to average net assets	1.24%	1.32%	1.27%	1.26%	1.27%
Ratio of net income to average net assets	2.19%	0.79%	0.37%	0.65%	0.55%
Portfolio turnover rate	30.9%	37.0%	26.6%	18.6%	24.1%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

	Year ended October 31				
European Stock Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$24.35	$10.82	$13.97	$14.92	$14.22
Income From Investment Operations					
Net investment income*	0.40	0.42	0.30	0.33	0.29
Net gains or losses on securities (both realized and unrealized)	(10.48)	3.12	1.13	(0.74)	1.30
Total from investment operations	(10.08)	3.54	1.43	(0.41)	1.59
Less Distributions					
Dividends (from net investment income)	(0.32)	(0.39)	(0.48)	(0.29)	(0.34)
Distributions (from capital gains)	(3.13)	—	—	—	—
Returns of capital	—	—	—	—	—
Total distributions	(3.45)	(0.39)	(0.48)	(0.29)	(0.34)
Net asset value, end of period	**$10.82**	**$13.97**	**$14.92**	**$14.22**	**$15.47**
Total return	**(47.65)%**	**33.78%**	**10.46%**	**(2.84)%**	**11.70%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$573	$708	$722	$706	$703
Ratio of expenses to average net assets	1.01%	1.08%	1.03%	1.01%	1.00%
Ratio of net income to average net assets	2.22%	3.71%	2.21%	2.16%	2.02%
Portfolio turnover rate	105.9%	88.3%	61.1%	57.6%	41.6%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

	Year ended October 31				
International Discovery Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$60.13	$25.10	$35.74	$42.69	$39.78
Income From Investment Operations					
Net investment income*	0.40	0.26	0.18	0.34	0.57
Net gains or losses on securities (both realized and unrealized)	(29.14)	10.75	7.31	(2.63)	5.27
Total from investment operations	(28.74)	11.01	7.49	(2.29)	5.84
Less Distributions					
Dividends (from net investment income)	(0.34)	(0.37)	(0.24)	(0.17)	(0.38)
Distributions (from capital gains)	(5.95)	—	(0.30)	(0.45)	—
Returns of capital	—	—	—	—	—
Total distributions	(6.29)	(0.37)	(0.54)	(0.62)	(0.38)
Redemption fees added to paid in capital	—	—	—	—	—
Net asset value, end of period	**$25.10**	**$35.74**	**$42.69**	**$39.78**	**$45.24**
Total return	**(52.68)%**	**44.55%**	**21.19%**	**(5.47)%**	**14.91%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$1,373	$2,101	$2,629	$2,414	$2,775
Ratio of expenses to average net assets	1.24%	1.29%	1.24%	1.23%	1.23%
Ratio of net income to average net assets	0.92%	0.94%	0.48%	0.78%	1.38%
Portfolio turnover rate	66.7%	64.5%	54.8%	49.3%	40.2%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

International Growth & Income Fund	*2008*	*2009*	*2010*	*2011*	*2012*
	Year ended October 31				
Net asset value, beginning of period	$20.43	$9.73	$12.15	$13.32	$12.41
Income From Investment Operations					
Net investment income*	0.47	0.32	0.31	0.37	0.36
Net gains or losses on securities (both realized and unrealized)	(9.85)	2.51	1.16	(0.98)	0.15
Total from investment operations	(9.38)	2.83	1.47	(0.61)	0.51
Less Distributions					
Dividends (from net investment income)	(0.36)	(0.41)	(0.28)	(0.30)	(0.34)
Distributions (from capital gains)	(0.96)	—	(0.02)	—	—
Returns of capital	—	—	—	—	—
Total distributions	(1.32)	(0.41)	(0.30)	(0.30)	(0.34)
Net asset value, end of period	**$9.73**	**$12.15**	**$13.32**	**$12.41**	**$12.58**
Total return	**(48.75)%**	**30.28%**	**12.29%**	**(4.71)%**	**4.47%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$1,711	$2,544	$3,227	$4,151	$5,600
Ratio of expenses to average net assets	0.89%	0.94%	0.89%	0.87%	0.87%
Ratio of net income to average net assets	3.05%	3.25%	2.51%	2.82%	2.95%
Portfolio turnover rate	23.8%	16.6%	31.3%	26.3%	29.9%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

	Year ended October 31				
International Stock Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$20.17	$8.91	$12.02	$14.04	$13.27
Income From Investment Operations					
Net investment income*	0.26	0.27	0.14	0.23	0.18
Net gains or losses on securities (both realized and unrealized)	(9.25)	3.10	2.14	(0.81)	0.61
Total from investment operations	(8.99)	3.37	2.28	(0.58)	0.79
Less Distributions					
Dividends (from net investment income)	(0.31)	(0.22)	(0.26)	(0.15)	(0.18)
Distributions (from capital gains)	(1.96)	(0.04)	—	(0.04)	—
Returns of capital	—	—	—	—	—
Total distributions	(2.27)	(0.26)	(0.26)	(0.19)	(0.18)
Net asset value, end of period	**$8.91**	**$12.02**	**$14.04**	**$13.27**	**$13.88**
Total return	**(49.65)%**	**39.01%**	**19.23%**	**(4.20)%**	**6.17%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$3,892	$5,431	$6,227	$6,976	$9,182
Ratio of expenses to average net assets	0.87%	0.91%	0.87%	0.85%	0.85%
Ratio of net income to average net assets	1.75%	2.88%	1.13%	1.65%	1.36%
Portfolio turnover rate	63.7%	65.0%	54.8%	43.0%	33.5%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

	Year ended October 31				
Japan Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$11.14	$6.70	$7.00	$7.45	$7.52
Income From Investment Operations					
Net investment income*	0.06	0.03	0.04	0.06	0.07
Net gains or losses on securities (both realized and unrealized)	(4.50)	0.35	0.44	0.05	0.18
Total from investment operations	(4.44)	0.38	0.48	0.11	0.25
Less Distributions					
Dividends (from net investment income)	—	(0.06)	(0.03)	(0.04)	(0.07)
Distributions (from capital gains)	—	(0.02)	—	—	(0.02)
Returns of capital	—	—	—	—	—
Total distributions	—	(0.08)	(0.03)	(0.04)	(0.09)
Net asset value, end of period	**$6.70**	**$7.00**	**$7.45**	**$7.52**	**$7.68**
Total return	**(39.86)%**	**5.66%**	**6.87%**	**1.45%**	**3.41%**
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$244,367	$204,409	$198,104	$179,048	$159,466
Ratio of expenses to average net assets	1.07%	1.15%	1.13%	1.12%	1.14%
Ratio of net income to average net assets	0.67%	0.43%	0.56%	0.79%	0.87%
Portfolio turnover rate	105.3%	121.5%	62.0%	72.1%	55.1%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

	Year ended October 31				
Latin America Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$59.74	$24.76	$43.40	$55.19	$46.48
Income From Investment Operations					
Net investment income*	0.41	0.42	0.33	0.81	0.55
Net gains or losses on securities (both realized and unrealized)	(33.18)	19.40	11.85	(9.01)	(3.03)
Total from investment operations	(32.77)	19.82	12.18	(8.20)	(2.48)
Less Distributions					
Dividends (from net investment income)	(0.40)	(0.32)	(0.40)	(0.28)	(0.75)
Distributions (from capital gains)	(1.85)	(0.87)	—	(0.23)	(2.82)
Returns of capital	—	—	—	—	—
Total distributions	(2.25)	(1.19)	(0.40)	(0.51)	(3.57)
Redemption fees added to paid in capital	0.04	0.01	0.01	—	—
Net asset value, end of period	**$24.76**	**$43.40**	**$55.19**	**$46.48**	**$40.43**
Total return	**(56.77)%**	**84.10%**	**28.23%**	**(14.99)%**	**(4.92)%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$1,379	$2,638	$3,058	$2,224	$1,760
Ratio of expenses to average net assets	1.22%	1.29%	1.24%	1.25%	1.24%
Ratio of net income to average net assets	0.81%	1.36%	0.69%	1.55%	1.32%
Portfolio turnover rate	19.7%	21.2%	14.1%	14.8%	16.7%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

	Year ended October 31				
New Asia Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$25.16	$8.01	$14.39	$19.31	$17.91
Income From Investment Operations					
Net investment income*	0.39	0.09	0.10	0.20	0.18
Net gains or losses on securities (both realized and unrealized)	(15.61)	6.69	4.94	(1.36)	1.05
Total from investment operations	(15.22)	6.78	5.04	(1.16)	1.23
Less Distributions					
Dividends (from net investment income)	(0.19)	(0.40)	(0.08)	(0.09)	(0.15)
Distributions (from capital gains)	(1.75)	—	(0.04)	(0.15)	(2.73)
Returns of capital	—	—	—	—	—
Total distributions	(1.94)	(0.40)	(0.12)	(0.24)	(2.88)
Redemption fees added to paid in capital	0.01	—	—	—	—
Net asset value, end of period	**$8.01**	**$14.39**	**$19.31**	**$17.91**	**$16.26**
Total return	**(65.12)%**	**88.57%**	**35.20%**	**(6.07)%**	**9.98%**
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$5,913	$1,828	$3,619	$5,261	$4,518
Ratio of expenses to average net assets	0.93%	0.96%	1.01%	0.96%	0.95%
Ratio of net income to average net assets	1.53%	2.35%	0.83%	0.61%	1.15%
Portfolio turnover rate	53.4%	55.4%	59.6%	49.4%	41.1%

* Per share amounts calculated using average shares outstanding method.

Financial Highlights

	Year ended October 31				
Overseas Stock Fund	***2008***	***2009***	***2010***	***2011***	***2012***
Net asset value, beginning of period	$11.64	$5.86	$7.50	$8.22	$7.86
Income From Investment Operations					
Net investment income*	0.21	0.20	0.16	0.19	0.19
Net gains or losses on securities (both realized and unrealized)	(5.86)	1.63	0.74	(0.40)	0.36
Total from investment operations	(5.65)	1.83	0.90	(0.21)	0.55
Less Distributions					
Dividends (from net investment income)	(0.12)	(0.19)	(0.17)	(0.15)	(0.17)
Distributions (from capital gains)	(0.01)	—	(0.01)	—	—
Returns of capital	—	—	—	—	—
Total distributions	(0.13)	(0.19)	(0.18)	(0.15)	(0.17)
Redemption fees added to paid in capital	**$5.86**	**$7.50**	**$8.22**	**$7.86**	**$8.24**
Net asset value, end of period	**(49.04)%**	**32.19%**	**12.17%**	**(2.64)%**	**7.36%**
Total return	(0.12)	(0.19)	(0.17)	(0.15)	(0.17)
Ratios/Supplemental Data					
Net assets, end of period (in millions)	$1,211	$1,902	$2,455	$3,769	$5,160
Ratio of expenses to average net assets	0.93%	0.97%	0.90%	0.88%	0.87%
Ratio of net income to average net assets	2.29%	3.26%	2.07%	2.27%	2.46%
Portfolio turnover rate	34.2%	20.9%	24.8%	16.7%	13.6%

* Per share amounts calculated using average shares outstanding method.

ACCOUNT REQUIREMENTS AND TRANSACTION INFORMATION

If you are purchasing fund shares through a third-party intermediary, contact the intermediary for information regarding its policies on purchasing, exchanging, and redeeming fund shares, as well as initial and subsequent investment minimums.

Tax Identification Number

We must have your correct Social Security number or employer identification number on a signed New Account form or W-9 Form. Otherwise, federal law requires the funds to withhold a percentage of your dividends, capital gain distributions, and redemptions and may subject you to an Internal Revenue Service fine. If this information is not received within 60 days after your account is established, your account may be redeemed at the fund's then-current net asset value.

Transaction Confirmations

We send immediate confirmations for most of your fund transactions. However, certain transactions, such as systematic purchases, dividend reinvestments, checkwriting redemptions for money funds, and transactions in money funds used as a T. Rowe Price Brokerage sweep account, do not receive an immediate transaction confirmation but are reported on your account statement. Please review transaction confirmations and account statements as soon as you receive them and promptly report any discrepancies to Shareholder Services by calling 1-800-225-5132.

Employer-Sponsored Retirement Plans and Institutional Accounts

T. Rowe Price Trust Company
1-800-492-7670

Transaction procedures in the following sections may not apply to employer-sponsored retirement plans and institutional accounts. For procedures regarding employer-sponsored retirement plans, please call T. Rowe Price Trust Company or consult your plan administrator. For institutional account procedures, please call your designated account manager or service representative.

We do not accept third-party checks for initial purchases; however, we do accept third-party checks for subsequent purchases. In addition, T. Rowe Price does not accept purchases by cash, traveler's checks, or credit card checks.

OPENING A NEW ACCOUNT

$2,500 minimum initial investment; $1,000 for retirement accounts and Uniform Gifts to Minors Act/Uniform Transfers to Minors Act accounts ($25,000 minimum initial investment for Summit Funds only)

Important Information About Opening an Account

Pursuant to federal law, all financial institutions must obtain, verify, and record information that identifies each person or entity that opens an account. This information is needed not only for the account owner and any other person who opens the account, but also for any person who has authority to act on behalf of the account.

When you open an account, you will be asked for the name, residential street address, date of birth, and Social Security number or employer identification number for each account owner and person(s) opening an account on behalf of others, such as custodians, agents, trustees, or other authorized signers. Corporate and other institutional accounts require documents showing the existence of the entity (such as articles of incorporation or partnership agreements) to open an account. Certain other fiduciary accounts (such as trusts or power of attorney arrangements) require documentation, which may include an original or certified copy of the trust agreement or power of attorney to open an account. For more information, call Investor Services at 1-800-638-5660.

We will use this information to verify the identity of the person(s)/entity opening the account. We will not be able to open your account until we receive all of this information. If we are unable to verify your identity, we are authorized to take any action permitted by law. (See Rights Reserved by the Funds.)

The funds are generally available only to investors residing in the United States. In addition, purchases in state tax-free funds are limited to investors living in states where the fund is available for sale. The address of record on your account must be located in one of these states, or you will be restricted from purchasing fund shares. Contact Investor Services for more information.

Account Registration

If you own other T. Rowe Price funds, you should consider registering any new account identically to your existing accounts so you can exchange shares among them easily. (The name(s) of the account owner(s) and the account type must be identical.)

For joint accounts or other types of accounts owned or controlled by more than one party, either owner/party has complete authority to act on behalf of all and give instructions concerning the account without notice to the other party. T. Rowe Price may, in its sole discretion, require written authorization from all owners/parties to act on the account for certain transactions (for example, to transfer ownership).

By Mail

Please make your check payable to T. Rowe Price Funds (otherwise it may be returned), and send your check, together with the New Account form, to the appropriate address below:

via U.S. Postal Service
T. Rowe Price Account Services
P.O. Box 17300
Baltimore, MD 21297-1300

via private carriers/overnight services
T. Rowe Price Account Services
Mail Code 17300
4515 Painters Mill Road
Owings Mills, MD 21117-4903

Note: Please use the correct address to avoid a delay in opening your new account.

By Wire

Visit us online at **troweprice.com** or call Investor Services for an account number and wire transfer instructions.

In order to obtain an account number, you must supply the name, date of birth, Social Security number or employer identification number, and residential or business street address for each owner on the account.

Complete a New Account form and mail it to one of the appropriate T. Rowe Price addresses listed under By Mail.

Note: Although the purchase will be made, services may not be established and Internal Revenue Service penalty withholding may occur until we receive a signed New Account form.

Online You can open a new mutual fund account online. Go to **troweprice.com/newaccount** to choose the type of account you wish to open.

To open an account electronically, you must be a U.S. citizen residing in the U.S. or a resident alien and not subject to Internal Revenue Service backup withholding. Additionally, you must provide consent to receive certain documents electronically.

You will have the option of providing your bank account information that will enable you to make electronic funds transfers to and from your bank account. To set up this banking service online, additional steps will be taken to verify your identity.

By Exchange Visit us online at **troweprice.com** (see Automated Services under Information About Your Services) or call Shareholder Services. The new account will have the same registration as the account from which you are exchanging. Services for the new account may be carried over by telephone request if they are preauthorized on the existing account. For limitations on exchanging, please see Transaction Procedures and Special Requirements—Excessive and Short-Term Trading.

In Person Drop off your New Account form at any Investor Center location listed on the back cover and obtain a receipt.

PURCHASING ADDITIONAL SHARES

$100 minimum per fund account for all additional purchases, including those made through Automatic Asset Builder (all funds except Summit Funds); $100 minimum per fund account for additional purchases through Automatic Asset Builder and $1,000 for all other additional purchases (Summit Funds)

By Automated Clearing House Visit us online at **troweprice.com** or call Shareholder Services if you have established electronic transfers using the Automated Clearing House system.

By Wire Go to **troweprice.com** or call Shareholder Services for wire transfer instructions. T. Rowe Price must receive the wire by the close of the New York Stock Exchange (normally 4 p.m. ET) to receive that day's share price. There is no assurance that you will receive the share price for the same day you initiated the wire from your financial institution.

By Mail

1. Make your check payable to T. Rowe Price Funds (otherwise it may be returned).

2. Mail the check to us at the following address with either a fund reinvestment slip or a note indicating the fund you want to purchase and your fund account number.

3. Please use the correct address to avoid a delay in processing your transaction and remember to provide your account number and the fund name on the memo line of your check.

via U.S. Postal Service
T. Rowe Price Account Services
P.O. Box 17300
Baltimore, MD 21297-1300

(To send mail directly to T. Rowe Price via private carriers and overnight services, see previous section.)

Your transaction will receive the share price for the business day that the request is received by T. Rowe Price prior to the close of the New York Stock Exchange (normally 4 p.m. ET) (not the day the request is received at the P.O. box).

By Automatic Asset Builder Fill out the Automatic Asset Builder section on the New Account form or Shareholder Services form.

EXCHANGING AND REDEEMING SHARES

Exchange Service

You can move money from one account to an existing, identically registered account or open a new identically registered account. An exchange from one fund to another is considered a sale and purchase for tax purposes. (Exchanges into a state tax-free fund are limited to investors living in states where the fund is available.) For exchange policies, please see Transaction Procedures and Special Requirements—Excessive and Short-Term Trading Policy.

Redemptions

Redemption proceeds can be mailed to your account address, sent by Automated Clearing House transfer to your bank, or wired to your bank (provided your bank information is already on file). Redemption proceeds of less than $5,000 sent by wire are subject to a $5 fee paid to the fund. Please note that large purchase and redemption requests initiated through automated services, including the National Securities Clearing Corporation, may be rejected and, in such instances, the transaction must be placed by contacting a service representative.

If you request to redeem a specific dollar amount, and the market value of your account is less than the amount of your request, your redemption will not be processed, and you will need to submit a new redemption request in proper form. If you change your address on an account, proceeds will not be mailed to the new address for 15 calendar days after the address change, unless we receive a signature guaranteed letter of instruction.

Some of the T. Rowe Price funds may impose a redemption fee. Check the fund's prospectus under Contingent Redemption Fee in Pricing Shares and Receiving Sale Proceeds. The fee is paid to the fund.

For redemptions by check or electronic transfer, please see Information About Your Services.

Online Visit us online at **troweprice.com**. Customers with Account Access (our secure self-service Web platform for individual investors) can electronically exchange shares between identically registered T. Rowe Price accounts and electronically redeem shares from their mutual fund accounts.

By Phone **Call Shareholder Services**

If you find our phones busy during unusually volatile markets, please consider placing your order through **troweprice.com** (if you have previously authorized these services) or express mail.

By Mail For each account involved, provide the account name and number, fund name, and exchange or redemption amount. For exchanges, be sure to specify any fund you are exchanging out of and the fund or funds you are exchanging into. T. Rowe Price may require a signature guarantee of all registered owners (see Transaction Procedures and Special Requirements—Signature Guarantees). Please use one of the following addresses:

For nonretirement and individual retirement accounts:
via U.S. Postal Service
T. Rowe Price Account Services
P.O. Box 17302
Baltimore, MD 21297-1302

via private carriers/overnight services
T. Rowe Price Account Services
Mail Code 17302
4515 Painters Mill Road
Owings Mills, MD 21117-4903

For employer-sponsored retirement accounts:
via U.S. Postal Service
T. Rowe Price Trust Company
P.O. Box 17479
Baltimore, MD 21297-1479

via private carriers/overnight services
T. Rowe Price Trust Company
Mail Code 17479
4515 Painters Mill Road
Owings Mills, MD 21117-4903

For requests that are not sent via private carriers or overnight services, your transaction will receive the share price for the business day that the request is received by T. Rowe Price prior to the close of the New York Stock Exchange (normally 4 p.m. ET) (not the day the request is received at the P.O. box).

Requests for redemptions from employer-sponsored retirement accounts may be required to be in writing; please call T. Rowe Price Trust Company or your plan administrator for instructions. Individual retirement account distributions may be requested in writing or by telephone; please call Shareholder Services to obtain an Individual Retirement Account Distribution form or an Individual Retirement Account Shareholder Services form to authorize the telephone redemption service.

RIGHTS RESERVED BY THE FUNDS

T. Rowe Price funds and their agents, in their sole discretion, reserve the following rights: (1) to waive or lower investment minimums; (2) to accept initial purchases by telephone; (3) to refuse any purchase or exchange order; (4) to cancel or rescind any purchase or exchange order placed through an intermediary, no later than the business day after the order is received by the intermediary (including, but not limited to, orders deemed to result in excessive trading, market timing, or 5% ownership); (5) to cease offering fund shares at any time to all or certain groups of investors; (6) to freeze any account and suspend account services when notice has been received of a dispute regarding the ownership of the account or a legal claim against an account or if there is reason to believe a fraudulent transaction may occur; (7) to otherwise modify the conditions of purchase and modify or terminate any services at any time; (8) to waive any wire, small account, maintenance, or fiduciary fees charged to a group of shareholders; (9) to act on instructions reasonably believed to be genuine; (10) to involuntarily redeem an account at the net asset value calculated the day the account is redeemed, in cases of threatening conduct, suspected fraudulent or illegal activity, or if the fund or its agent is unable, through its procedures, to verify the identity of the person(s) or entity opening an account; and (11) for money funds, to suspend redemptions and postpone the payment of proceeds to facilitate an orderly liquidation of the fund.

INFORMATION ABOUT YOUR SERVICES

Shareholder Services
1-800-225-5132

Investor Services
1-800-638-5660

Many services are available to you as a shareholder; some you receive automatically, and others you must authorize or request on the New Account form. By signing up for services on the New Account form, you avoid having to complete a separate form at a later time and obtain a signature guarantee. This section discusses some of the services currently offered.

Retirement Plans

We offer a wide range of plans for individuals, institutions, and large and small businesses: Traditional IRAs, Roth IRAs, SIMPLE IRAs, SEP-IRAs, 401(k)s, and 403(b)(7)s. For information on individual retirement accounts or our no-load variable annuity (for existing variable annuity contract holders), call Investor Services. For information on all other retirement plans, please call 1-800-492-7670.

Investing for College Expenses

We can help you save for future college expenses on a tax-advantaged basis.

529 Plans

T. Rowe Price manages three 529 plans that are available directly to investors: the T. Rowe Price College Savings Plan (a national plan sponsored by the Education Trust of Alaska), the Maryland College Investment Plan, and the University of Alaska College Savings Plan. Account earnings are federal income tax-free when used for qualified expenses. For more information on the T. Rowe Price College Savings Plan (national plan), call 1-800-369-3641; Maryland College Investment Plan, call 1-888-4-MD-GRAD; and University of Alaska College Savings Plan, call 1-866-277-1005.

Automated Services

Online Account Access
You can sign up online to conduct account transactions through our website at **troweprice.com**.

Tele*Access℠
1-800-638-2587
24-hour service via a toll-free number enables you to access information on fund performance, prices, distributions, account balances, and your latest transactions.

Plan Account Line
1-800-401-3279
This 24-hour service is similar to Tele*Access℠ but is designed specifically to meet the needs of retirement plan investors.

By Telephone and In Person

Purchase, redeem, or exchange shares by calling one of our service representatives or by visiting one of our Investor Center locations listed on the back cover.

Electronic Transfers

By Automated Clearing House
This free service allows you to move as little as $100 or as much as $250,000 between your bank account and fund account using the Automated Clearing House system. Enter instructions via your personal computer or call Shareholder Services.

By Wire
Electronic transfers can be conducted via bank wire. There is a $5 fee for wire redemptions under $5,000, and your bank may charge for incoming or outgoing wire transfers regardless of size.

Checkwriting

(Not available for equity funds or the Emerging Markets Bond, Emerging Markets Corporate Bond, Emerging Markets Local Currency Bond, Floating Rate, High Yield, International Bond, or U.S. Bond Enhanced Index Funds.) You may write an unlimited number of free checks on any money fund and most bond funds, with a minimum of $500 per check. Keep in mind, however, that a check results in a redemption; a check written on a bond fund will create a taxable event that you and we must report to the Internal Revenue Service.

Automatic Investing

Automatic Asset Builder
You can instruct us to automatically transfer money from your bank account, or you can instruct your employer to send all or a portion of your paycheck to the fund or funds you designate. Each systematic purchase must be at least $100 per fund account to be eligible for the Automatic Asset Builder service. Minimum initial purchase requirements will still apply.

Automatic Exchange
You can set up systematic investments from one fund account into another, such as from a money fund into a stock fund.

T. ROWE PRICE BROKERAGE

To Open an Account
1-800-638-5660

For Existing Brokerage Customers
1-800-225-7720

Investments available through our Brokerage service include stocks, options, bonds, and other securities at commission savings over full-service brokers.* We also provide a wide range of services, including:

Automated Telephone and Computer Services
You can enter stock and option orders, access quotes, and review account information around the clock by phone with Tele-Trader or via the Internet with Account Access-Brokerage.

Investor Information
A variety of informative reports, such as our Brokerage Insights series, as well as access to online research tools, can help you better evaluate economic trends and investment opportunities.

Dividend Reinvestment Service
If you elect to participate in this service, the cash dividends from the eligible securities held in your account will automatically be reinvested in additional shares of the same securities free of charge. Most securities listed on national securities exchanges or NASDAQ are eligible for this service.

*Services vary by firm.

T. Rowe Price Brokerage is a division of T. Rowe Price Investment Services, Inc., Member FINRA/SIPC.

INVESTMENT INFORMATION

To help you monitor your investments and make decisions that accurately reflect your financial goals, T. Rowe Price offers a wide variety of information in addition to account statements. Most of this information is also available on our website at **troweprice.com**.

If your account has no activity in it for a certain period of time, T. Rowe Price may be required to transfer your account to the appropriate state under its abandoned property laws.

A note on mailing procedures: If two or more members of a household own the same fund, we economize on fund expenses by sending only one fund report and prospectus. If you need additional copies or do not want your mailings to be "householded," please call Shareholder Services at 1-800-225-5132 or write to us at P.O. Box 17630, Baltimore, MD 21297-1630.

Shareholder Reports

Fund managers' annual and semiannual reviews of their strategies and performance.

The T. Rowe Price Report

A quarterly investment newsletter discussing markets and financial strategies and including the Performance Update, a review of all T. Rowe Price fund results.

Insights

Educational reports on investment strategies and financial markets.

Investment Guides

Funds Guide, International Investing Guide, Required Minimum Distribution (RMD) Guide, and Retirement Savings Guide.

T. ROWE PRICE PRIVACY POLICY

In the course of doing business with T. Rowe Price, you share personal and financial information with us. We treat this information as confidential and recognize the importance of protecting access to it.

You may provide information when communicating or transacting business with us in writing, electronically, or by phone. For instance, information may come from applications, requests for forms or literature, and your transactions and account positions with us. On occasion, such information may come from consumer reporting agencies and those providing services to us.

We do not sell information about current or former customers to any third parties, and we do not disclose it to third parties unless necessary to process a transaction, service an account, or as otherwise permitted by law. We may share information within the T. Rowe Price family of companies in the course of providing or offering products and services to best meet your investing needs. We may also share that information with companies that perform administrative or marketing services for T. Rowe Price, with a research firm we have hired, or with a business partner, such as a bank or insurance company with which we are developing or offering investment products. When we enter into such a relationship, our contracts restrict the companies' use of our customer information, prohibiting them from sharing or using it for any purposes other than those for which they were hired.

We maintain physical, electronic, and procedural safeguards to protect your personal information. Within T. Rowe Price, access to such information is limited to those who need it to perform their jobs, such as servicing your accounts, resolving problems, or informing you of new products or services. Finally, our Code of Ethics, which applies to all employees, restricts the use of customer information and requires that it be held in strict confidence.

This Privacy Policy applies to the following T. Rowe Price family of companies: T. Rowe Price Associates, Inc.; T. Rowe Price Advisory Services, Inc.; T. Rowe Price Investment Services, Inc.; T. Rowe Price Savings Bank; T. Rowe Price Trust Company; and the T. Rowe Price Funds.

To help you achieve your financial goals, T. Rowe Price offers a wide range of stock, bond, and money market investments, as well as convenient services and informative reports.

For mutual fund or T. Rowe Price Brokerage information

Investor Services
1-800-638-5660

For existing accounts

Shareholder Services
1-800-225-5132

For the hearing impaired

1-800-367-0763

For performance, prices, or account information

Tele*Access℠
24 hours, 7 days
1-800-638-2587

Internet address

troweprice.com

Plan Account Line

For retirement plan investors: The appropriate 800 number appears on your retirement account statement.

Investor Centers

For directions, call
1-800-225-5132 or
visit our website

Baltimore Area

Downtown
105 East Lombard
Street

Owings Mills
Three Financial Center
4515 Painters Mill Road

Boston Area

386 Washington Street
Wellesley

Chicago Area

Northbrook
40 Skokie Boulevard
Suite 100

Oak Brook
1900 Spring Road
Suite 104

Colorado Springs

2260 Briargate Parkway

Florida Area

Boca Raton
Wachovia Plaza
925 S. Federal Highway
Suite 175

Tampa
4211 W. Boy Scout
Boulevard
8th Floor

Los Angeles Area

10100 Santa Monica
Boulevard
Suite 100
Century City

New Jersey Area

Short Hills
51 JFK Parkway
1st Floor West

Paramus
35 Plaza Office Center
East 81 Route 4 West

New York Area

1100 Franklin Avenue
Suite 101
Garden City

San Francisco Area

1990 N. California Boulevard
Suite 100
Walnut Creek

Washington, D.C. Area

Downtown
1000 Connecticut
Avenue, N.W.
Suite A-100

Tysons Corner
1600 Tysons Boulevard
Suite 150
McLean, Virginia

A Statement of Additional Information for the T. Rowe Price family of funds, which includes additional information about the funds, has been filed with the SEC and is incorporated by reference into this prospectus. Further information about fund investments, including a review of market conditions and the manager's recent investment strategies and their impact on performance during the past fiscal year, is available in the annual and semiannual shareholder reports. To obtain free copies of any of these documents, or for shareholder inquiries, call 1-800-638-5660. These documents and updated performance information are available through troweprice.com.

Fund information and Statements of Additional Information are also available from the Public Reference Room of the SEC. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-202-551-8090. Fund reports and other fund information are available on the EDGAR Database on the SEC's Internet site at http://www.sec.gov. Copies of this information may be obtained, after paying a duplicating fee, by electronic request at publicinfo@sec.gov, or by writing the Public Reference Room, Washington, D.C. 20549-1520.

T. Rowe Price Associates, Inc.
100 East Pratt Street
Baltimore, MD 21202

T.RowePrice®
INVEST WITH CONFIDENCE

1940 Act File No. 811-2958

C01-040 3/1/13

SEMIANNUAL REPORT

April 30, 2012

PRASX

T. ROWE PRICE

New Asia Fund

The fund invests in growth companies located in the Asia ex-Japan region.

T. Rowe Price

INVEST WITH CONFIDENCE

T. Rowe Price New Asia Fund

HIGHLIGHTS

- Asian stock markets rose in the six months ended April 30, 2012, as Europe's debt crisis stabilized and risk appetite improved early in the year.
- The New Asia Fund rose 7.96% and easily outpaced its benchmark index and Lipper peer group average, lifted by strong stock selection in South Korea and Taiwan.
- Worries about a hard economic landing in China increased over the period, but we believe a gradual slowdown is more likely as the government tries to rebalance the drivers of economic growth.
- We believe near-term performance will be volatile as Europe's debt crisis and China's slowdown temper risk appetite. We remain focused on finding companies with strong and sustainable growth characteristics that can withstand a volatile environment and a possibly weaker global growth outlook.

Manager's Letter

Fellow Shareholders

Stocks in developing Asia rose over the six months ended April 30, 2012, a period marked by heightened volatility in response to global macroeconomic events. Stocks began the period at depressed levels, as Europe's inability to solve its worsening debt crisis at the end of 2011 led investors to flee from riskier assets and pile into U.S. Treasuries and other safe havens. Early this year, the extreme pessimism that marked the end of 2011 lifted as Europe's crisis appeared to stabilize and U.S. economic data improved. However, the rally was short-lived as economic data and turmoil in Europe worsened, leading to another market downturn.

The New Asia Fund returned 7.96% for the six-month period ended April 30, 2012, widely exceeding the MSCI All Country Asia ex Japan Index, its primary benchmark, and the Lipper Pacific Ex Japan Funds Average. Stock selection across the region, led by South Korea, Taiwan, and Thailand, accounted for outperformance. From a sector viewpoint, financials, consumer staples, and materials were the top contributors to relative results. In terms of absolute performance, information technology was the biggest contributor, followed by financials and consumer staples. China remains the largest country position, although we have reduced our exposure in light of growing evidence of a pronounced slowdown. Our sector allocations continue to reflect our preference for areas driven by domestic consumption.

Performance Comparison

Six-Month Period Ended 4/30/12	Total Return
New Asia Fund	7.96%
MSCI All Country Asia ex Japan Index	4.96
Lipper Pacific Ex Japan Funds Average	5.53

The fund's long-term performance continues to shine within its peer group. Lipper ranked the fund first in its peer group for the 10-year period ended April 30, 2012. (Based on cumulative total return, Lipper ranked the New Asia Fund 9 of 91, 4 of 50, 2 of 35, and 1 of 28 funds in the Pacific Ex-Japan funds universe for the 1-, 3-, 5-, and 10-year periods ended April 30, 2012, respectively. *Past performance cannot guarantee future results.*)

MARKET ENVIRONMENT

At the start of our reporting period last November, global stock markets were roiled by Europe's debt crisis. Greece was nearly bankrupt, a credit crunch crippled the region's banks, and most of Europe teetered on the brink of recession. Against this backdrop of fear and uncertainty, Asian and other emerging markets stocks fared poorly as investors sold off riskier assets. The crisis reached a turning point on December 21, when the European Central Bank pumped roughly $640 billion of cheap short-term loans into the region's banking system. This long-term refinancing operation, or LTRO—which was followed by a second massive infusion in February—restored stability to Europe's credit markets. Combined with the U.S. Federal Reserve's commitment to keep interest rates at very low levels until 2014, the move also encouraged risk taking by reassuring investors that accommodative policies in the developed world would continue, spurring them to seek higher-yielding assets. Meanwhile, U.S. economic data indicated that the country's recovery was picking up. As a result of these positive developments, global risk sentiment improved, and developing Asian stocks rallied in early 2012. But by the end of our reporting period in April, rising European bond yields and renewed concerns about China's slowdown prompted investors to retreat from emerging markets, trimming some of the first quarter's gains.

Market Performance

Periods Ended 4/30/12 (In U.S. Dollar Terms)	Total Return 6 Months	Total Return 12 Months
Thailand	24.43%	10.12%
Indonesia	0.94	0.23
Singapore	7.74	-5.89
Hong Kong	7.99	-5.92
China	6.85	-11.00
South Korea	6.42	-11.01
Taiwan	2.28	-14.21
India	-9.66	-23.47

Source: RIMES Online, using MSCI indexes.

Country performance varied across the region. Thailand was the best performer, rallying 24.43% as growth picked up after devastating floods in 2011. China's market advanced as investors appeared to bet that growing signs of a slowdown would force the government to relax monetary policy and take other measures to revive growth. But India's market slumped as it grappled with slowing growth, persistent inflation, and a weak currency. Inflation—a nagging problem in Asia over the past two years—subsided over the past six months in most countries as Europe's crisis and China's slowdown eclipsed worries about rising prices. Most Asian countries either loosened monetary policy or held rates steady in an effort to safeguard domestic growth as Europe's crisis worsened.

PORTFOLIO REVIEW

South Korea, Taiwan, and Southeast Asia

South Korea was the top contributor to our performance versus the benchmark due to stock selection. Our positions in **Samsung Electronics** and **Hyundai**, the fund's top two holdings, ranked among the biggest absolute contributors. Shares of Samsung, Asia's largest consumer electronics maker, rose to a record in April after the company reported its highest profit in more than two years due to strength in its mobile business. We have a high level of conviction in Samsung, which recently overtook Nokia as the world's biggest handset maker, and think it has solid growth prospects as global smartphone and tablet sales rise and mobile computing becomes more widespread. Hyundai, South Korea's largest carmaker, also performed well as it reported strong earnings, lifted by resilient U.S. demand and new car models. (Please refer to the portfolio of investments for a complete list of holdings and the amount each represents in the portfolio.)

Taiwan lifted relative returns due to positive stock selection, led by **Quanta Computer**, whose shares hit a multiyear high in March after reporting surprisingly strong earnings. Quanta makes laptops for various computer companies, including Apple, and has benefited as sales of Apple's laptops and other gadgets have soared. We believe Quanta has excellent growth potential as it expands in servers and storage, and it is one of our top holdings. Despite our successful stock picks in Taiwan and South Korea, we remain underweight in both countries because their trade-dependent economies are very sensitive to global demand and offer relatively few compelling growth opportunities.

Our positioning in Thailand, Indonesia, and the Philippines also benefited relative performance. Shares of **CP ALL**, Thailand's biggest convenience store operator, rose to a record high in the spring, making it one of the fund's top absolute contributors. Resilient domestic demand and a growing middle class have sustained strong growth across Southeast Asia but also raised inflation risks, and central banks in all three countries have recently stopped interest rate cuts. We are overweight to most of Southeast Asia except for Malaysia, where we are underweight but maintain exposure through a sizable position in financial services company **CIMB Group Holdings Berhad**. Southeast Asian markets have been stellar performers in recent years as greater political stability and economic reforms have reduced the cost of doing business, but these developments have also pushed stock prices higher. We are optimistic about the outlook for Southeast Asia but are mindful that companies there will need to deliver on earnings growth to justify their premium valuations.

India

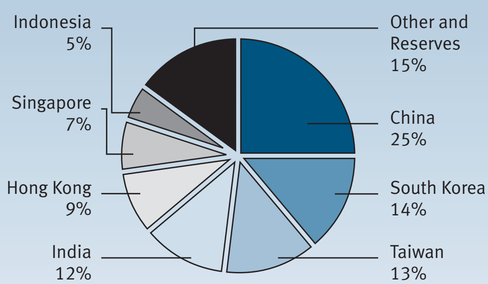
India, the region's worst performer over the period, hurt relative performance due to our small overweight position. We have a cautious view of India, which is struggling with slowing growth, high inflation, and widening fiscal and trade deficits. India's currency, the rupee, weakened significantly over the period, worsening inflationary pressures. After aggressively raising interest rates over the past two years to tamp down inflation, India cut its benchmark rate in April to revive growth, but rising prices have limited its scope for more rate cuts. Perhaps most discouraging is India's political gridlock, as its Congress party-led government has been unable to reduce the fiscal deficit and push through economic reforms needed to lure foreign investment.

Despite our caution about India's near-term outlook, the country is home to many world-class businesses with solid growth prospects, and our country exposure rose slightly due to a few sizable purchases. We initiated a position in **Wipro**, one of India's top software services companies. Global demand for software design and maintenance is strong, most of Wipro's clients are multinational companies that are sheltered from India's slowdown, and its stock price offered a good buying opportunity. We also initiated positions in **Bharti Airtel**, the country's biggest mobile phone company, and **Cipla**, a generic drug maker with good exposure to developed and emerging markets like Latin America and Africa, where pharmaceutical demand is quickly growing.

China

China was the largest country detractor from relative performance due to adverse stock selection. Travel agency **Ctrip.com** was the fund's biggest detractor as its shares fell sharply due to weaker-than-expected results and fears about growing competition. Our research indicates that Ctrip's competitive edge in business travel and call centers is eroding as leisure travel takes off and more people in China book trips online, but we believe the stock trades at an excessive discount and maintained our position. Internet portal **Sina** was another poor performer amid worries about government censorship and slowing growth in the number of visitors to its site. We maintained a modest position in Sina at the end of the period.

Geographic Diversification



Based on net assets as of 4/30/12.

Recent indicators show that China's economy is cooling after decades of rapid growth. Contrary to some of the prevailing headlines, we believe the risk of a hard economic landing is relatively low as Beijing has several policy options it can use to sustain growth at its desired level. Much of China's rise has been fueled by fixed asset investment such as spending on infrastructure and real estate, but its long-term goal is more sustainable growth driven by domestic consumption. This transition will take years and inevitably produce some volatile economic data in the coming quarters. Rather than being alarmed by China's slowdown, we see it as evidence of a larger restructuring story that will result in lower but higher-quality growth over the long run.

Sector Diversification

	Percent of Net Assets 10/31/11	4/30/12
Information Technology	20.2%	22.3%
Financials	23.0	21.9
Consumer Discretionary	14.7	12.0
Industrials and Business Services	9.9	9.5
Consumer Staples	5.6	8.2
Utilities	6.1	5.7
Materials	4.9	5.5
Energy	4.6	4.8
Telecommunication Services	3.6	3.9
Health Care	1.4	2.1
Other and Reserves	6.0	4.1
Total	100.0%	100.0%

Historical weightings reflect current industry/sector classifications.

Our stock selection aims to capitalize on the government's goal of rebalancing the pillars of economic growth. We increased our position in **Tencent Holdings**, China's biggest Internet company. Tencent continues to draw subscribers due to its dominance in online gaming, and the outlook for its advertising business is promising. We also increased our position in **Baidu**, China's leading Internet search company and one of the fund's largest holdings. Most of Baidu's revenue comes from domestic advertising, which should stay resilient even if the economy slows. China remains the fund's largest country allocation, but our exposure declined as we sold several names in light of the weaker growth outlook. We eliminated utility and toll road operator **Beijing Enterprises**, high-end car dealer **China ZhengTong Auto Services**, and **Ping An Insurance**, the country's biggest insurer. Generally, our intention is to avoid companies that we believe are unprepared for a lower-growth environment, especially those in industries with excess capacity or that may be hurt by changes in government policy.

WE CONTINUE TO FAVOR AREAS DRIVEN BY DOMESTIC CONSUMPTION, SUCH AS CONSUMER STAPLES AND DISCRETIONARY STOCKS...

Our sector exposures stayed largely unchanged. Information technology (IT), financials, and consumer discretionary accounted for the top three sector allocations at the end of the period. We continue to favor areas driven by domestic consumption, such as consumer staples and discretionary stocks, which should see solid long-term growth as Asia's middle class grows in size and wealth. In response to China's slowdown, we have become more defensive in our positioning by raising our allocation to consumer staples and reducing exposure to discretionary stocks. We trimmed our position in Italian luxury goods maker **Prada**, one of the top contributors over the period, over concern that high-end spending may suffer as China's economy slows.

OUTLOOK

Investor sentiment remains fragile and global stock markets face numerous risks. Europe's debt crisis, now entering its third year, shows no signs of nearing a resolution. Popular resistance to austerity has surged, as shown by recent elections in France and Greece, and speculation that Greece will leave the eurozone is rising. We expect volatility to persist over the near term as fallout from Europe's debt crisis continues to dictate investors' risk appetite.

China's slowdown is another worry. April trade data released after the close of our reporting period were surprisingly weak, and on May 12 Beijing announced it would lower banks' reserve requirements, its third cut since November. Although China wants to manage a gradual slowdown, we believe that April's worse-than-expected data caught policymakers off guard. Looking ahead, we would not be surprised to see the government further relax monetary policy and take other steps to stimulate the economy and avert a hard landing. As we said earlier, we do not believe a severe downturn is on the horizon. However, we are taking steps to make sure the fund is defensively positioned as we anticipate China's slowdown may prove rocky in the near term. We are carefully reviewing our Chinese holdings and paring our exposure to sectors that we believe are least prepared to handle a slowdown.

THE RECENT FINANCIAL MARKETS VOLATILITY HAS GIVEN US AMPLE OPPORTUNITY TO BUY HIGH-QUALITY COMPANIES AT ATTRACTIVE PRICES.

Despite our cautious outlook for near-term performance, we remain optimistic about Asia's long-term prospects. Growing urbanization, increasing consumption, and upward mobility are inexorable trends that will drive strong and sustainable growth in the region over the long run. Disposable incomes are rising among lower- to middle-class households, lending support to companies and industries that rely on domestic demand. The recent financial markets volatility has given us ample opportunity to buy high-quality companies at attractive prices. We will continue to take advantage of short-term weakness to build positions in names that meet our growth criteria.

Respectfully submitted,

Anh Lu
Portfolio manager and chairman of the fund's Investment Advisory Committee

May 17, 2012

The committee chairman has day-to-day responsibility for managing the portfolio and works with committee members in developing and executing the fund's investment program.

Risks of International Investing

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. Funds investing in a single country or in a limited geographic region tend to be riskier than more diversified funds. Risks can result from varying stages of economic and political development; differing regulatory environments, trading days, and accounting standards; and higher transaction costs of non-U.S. markets. Non-U.S. investments are also subject to currency risk, or a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

Glossary

Lipper averages: The averages of available mutual fund performance returns for specified time periods in categories defined by Lipper Inc.

MSCI All Country Asia ex Japan Index: An index that measures equity market performance of developed and emerging countries in Asia, excluding Japan.

Portfolio Highlights

TWENTY-FIVE LARGEST HOLDINGS

	Percent of Net Assets 4/30/12
Samsung Electronics, South Korea	5.9%
Hyundai, South Korea	2.8
Taiwan Semiconductor Manufacturing, Taiwan	2.7
Taiwan Cement, Taiwan	2.2
CNOOC, China	2.2
Baidu, China	2.2
CIMB Group Holdings Berhad, Malaysia	2.1
Quanta Computer, Taiwan	1.8
Siliconware Precision Industries, Taiwan	1.7
CP ALL, Thailand	1.6
China Oilfield Services, China	1.5
Wipro, India	1.5
New Oriental Education & Technology, China	1.5
ENN Energy Holdings, China	1.5
Jardine Matheson, Hong Kong	1.5
Swire Pacific, Hong Kong	1.5
China Resources Power Holdings, China	1.5
Singapore Telecommunications, Singapore	1.4
Oversea-Chinese Banking, Singapore	1.4
China Merchants Holdings International, China	1.4
Li & Fung, Hong Kong	1.4
Kasikornbank, Thailand	1.4
Infosys Technologies, India	1.4
Cheung Kong Holdings, Hong Kong	1.4
President Chain Store, Taiwan	1.3
Total	46.8%

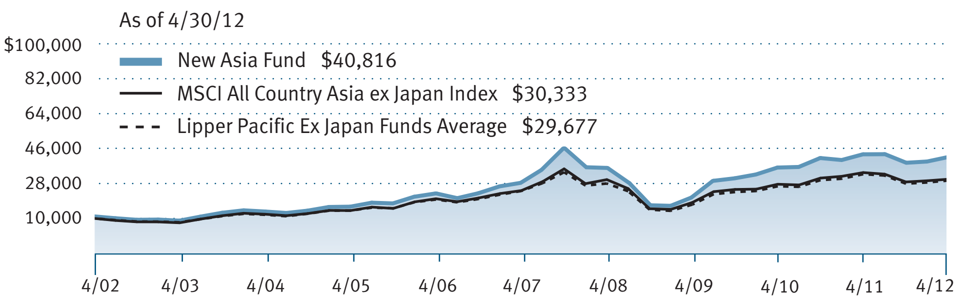
Note: The information shown does not reflect any exchange-traded funds (ETFs), cash reserves, or collateral for securities lending that may be held in the portfolio.

Performance and Expenses

Growth of $10,000

This chart shows the value of a hypothetical $10,000 investment in the fund over the past 10 fiscal year periods or since inception (for funds lacking 10-year records). The result is compared with benchmarks, which may include a broad-based market index and a peer group average or index. Market indexes do not include expenses, which are deducted from fund returns as well as mutual fund averages and indexes.

NEW ASIA FUND



Average Annual Compound Total Return

Periods Ended 4/30/12	1 Year	5 Years	10 Years
New Asia Fund	-3.28%	8.25%	15.10%

This table shows how the fund would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. Past performance cannot guarantee future results.

Fund Expense Example

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs, such as redemption fees or sales loads, and (2) ongoing costs, including management fees, distribution and service (12b-1) fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Actual Expenses
The first line of the following table ("Actual") provides information about actual account values and expenses based on the fund's actual returns. You may use the information on this line, together with your account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number on the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes
The information on the second line of the table ("Hypothetical") is based on hypothetical account values and expenses derived from the fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the fund's actual return). You may compare the ongoing costs of investing in the fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Note: T. Rowe Price charges an annual account service fee of $20, generally for accounts with less than $10,000. The fee is waived for any investor whose T. Rowe Price mutual fund accounts total $50,000 or more; accounts electing to receive electronic delivery of account statements, transaction confirmations, prospectuses, and shareholder reports; or accounts of an investor who is a T. Rowe Price Preferred Services, Personal Services, or Enhanced Personal Services client (enrollment in these programs generally requires T. Rowe Price assets of at least $100,000). This fee is not included in the accompanying table. If you are subject to the fee, keep it in mind when you are estimating the ongoing expenses of investing in the fund and when comparing the expenses of this fund with other funds.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do not reflect any transaction costs, such as redemption fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

Fund Expense Example (continued)

New Asia Fund

	Beginning Account Value 11/1/11	Ending Account Value 4/30/12	Expenses Paid During Period* 11/1/11 to 4/30/12
Actual	$1,000.00	$1,079.60	$4.91
Hypothetical (assumes 5% return before expenses)	1,000.00	1,020.14	4.77

*Expenses are equal to the fund's annualized expense ratio for the 6-month period (0.95%), multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (366) to reflect the half-year period.

Quarter-End Returns

Periods Ended 3/31/12	1 Year	5 Years	10 Years
New Asia Fund	0.95%	9.43%	15.19%

Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, please visit our website (troweprice.com) or contact a T. Rowe Price representative at 1-800-225-5132. The performance information shown does not reflect the deduction of a 2% redemption fee on shares held for 90 days or less. If it did, the performance would be lower.

This table provides returns through the most recent calendar quarter-end rather than through the end of the fund's fiscal period. It shows how the fund would have performed each year if its actual (or cumulative) returns for the periods shown had been earned at a constant rate. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. When assessing performance, investors should consider both short- and long-term returns.

Expense Ratio

New Asia Fund	*0.96%*

The expense ratio shown is as of the fund's fiscal year ended 10/31/11. This number may vary from the expense ratio shown elsewhere in this report because it is based on a different time period and, if applicable, does not include fee or expense waivers.

Unaudited

Financial Highlights

For a share outstanding throughout each period

	6 Months Ended 4/30/12	Year Ended 10/31/11	10/31/10	10/31/09	10/31/08	10/31/07
NET ASSET VALUE						
Beginning of period	$ 17.91	$ 19.31	$ 14.39	$ 8.01	$ 25.16	$ 13.87
Investment activities						
Net investment income[1]	0.03	0.20	0.10	0.09	0.39	0.26
Net realized and unrealized gain (loss)	0.90	(1.36)	4.94	6.69	(15.61)	12.83
Total from investment activities	0.93	(1.16)	5.04	6.78	(15.22)	13.09
Distributions						
Net investment income	(0.15)	(0.09)	(0.08)	(0.40)	(0.19)	(0.21)
Net realized gain	(2.73)	(0.15)	(0.04)	–	(1.75)	(1.59)
Total distributions	(2.88)	(0.24)	(0.12)	(0.40)	(1.94)	(1.80)
Redemption fees added to paid-in capital[1]	–	–	–	–	0.01	–
NET ASSET VALUE						
End of period	**$ 15.96**	**$ 17.91**	**$ 19.31**	**$ 14.39**	**$ 8.01**	**$ 25.16**

Ratios/Supplemental Data

Total return[2]	**7.96%**	**(6.07)%**	**35.20%**	**88.57%**	**(65.12)%**	**105.57%**
Ratio of total expenses to average net assets	0.95%[3]	0.96%	0.96%	1.01%	0.96%	0.93%
Ratio of net investment income to average net assets	0.37%[3]	1.07%	0.61%	0.83%	2.35%	1.53%

Unaudited

Financial Highlights

For a share outstanding throughout each period

	6 Months Ended 4/30/12	Year Ended 10/31/11	10/31/10	10/31/09	10/31/08	10/31/07
Ratios/Supplemental Data (continued)						
Portfolio turnover rate	20.0%	68.1%	49.4%	59.6%	55.4%	53.4%
Net assets, end of period (in millions)	$ 4,231	$ 4,122	$ 5,261	$ 3,619	$ 1,828	$ 5,913

(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 and payment of no redemption or account fees. Total return is not annualized for periods less than one year.

(3) Annualized

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

Portfolio of Investments ‡

(Cost and value in $000s)

	Shares/$ Par	Value
CHINA 24.7%		
Common Stocks 23.7%		
AutoNavi, ADR (USD) (1)	702,000	8,284
Baidu, ADR (USD) (1)	699,100	92,771
China Foods (HKD)	16,544,000	17,976
China Merchants Holdings International (HKD)	18,584,000	60,241
China Oilfield Services, H Shares (HKD)	39,610,000	64,224
China Resources Power Holdings (HKD)	34,304,000	62,607
China Shenhua Energy, H Shares (HKD) (1)	10,199,500	45,288
China Unicom Hong Kong (HKD) (2)	12,968,000	23,099
CNOOC (HKD)	43,893,000	93,572
Ctrip.com International, ADR (USD) (1)	1,461,356	31,668
ENN Energy Holdings (HKD)	18,070,000	63,466
Hengan International Group (HKD)	2,953,500	31,348
ICBC China, H Shares (HKD)	48,375,990	32,235
Kingboard Laminates Holding (HKD)	36,187,000	16,837
New Oriental Education & Technology, ADR (USD) (1)	2,392,100	63,941
Parkson Retail (HKD) (2)	37,190,500	41,559
Ports Design (HKD) (2)	7,992,000	11,722
Shandong Weigao Group Medical Polymer, H Shares (HKD) (2)	26,698,000	30,866
Shanghai Pharmaceuticals Holding, H Shares (HKD) (1)(2)	17,750,800	26,722
Sina (USD) (1)	341,000	19,952
Tencent Holdings (HKD)	1,785,800	56,161
Wumart Stores, H Shares (HKD) (2)	21,251,250	48,974
Yingde Gases (HKD)	20,715,500	24,057
Zhejiang Expressway, H Shares (HKD)	50,180,000	36,089
		1,003,659
Common Stocks - China A shares 1.0%		
China Vanke	28,948,146	41,196
		41,196
Total China (Cost $894,293)		1,044,855

(Cost and value in $000s)	Shares/$ Par	Value
HONG KONG 8.6%		
Common Stocks 8.6%		
AIA Group	15,913,400	56,712
Cheung Kong Holdings	4,334,000	57,760
Jardine Matheson (USD)	1,270,000	63,056
L'OCCITANE (2)	16,296,250	43,478
Li & Fung	27,900,000	59,693
Swire Pacific, Class A	5,336,500	62,969
VTech Holdings (2)	1,747,700	19,597
Total Hong Kong (Cost $351,198)		363,265
INDIA 11.5%		
Common Stocks 11.5%		
Ambuja Cements	7,212,751	20,612
Bharti Airtel	3,918,758	23,089
Cipla	3,987,426	23,607
Container Corporation of India	2,094,844	35,060
Emami	3,972,888	34,452
Gail India	5,258,029	32,925
HDFC Bank	3,788,174	38,999
Hero Motorcorp	785,163	33,328
Infosys	1,252,510	58,440
Oberoi Realty	5,211,430	26,700
Phoenix Mills (2)	7,537,325	29,992
Ultratech Cement	1,020,059	27,524
Wipro	8,313,111	64,060
Zee Entertainment Enterprises	15,238,838	36,492
Total India (Cost $542,317)		485,280

(Cost and value in $000s)	Shares/$ Par	Value
INDONESIA 4.8%		
Common Stocks 4.8%		
AKR Corporindo	71,438,500	32,064
Astra International	5,185,500	40,060
Bank Mandiri	51,179,109	41,208
Perusahaan Gas Negara	94,220,000	34,344
XL Axiata	95,272,500	55,979
Total Indonesia (Cost $125,633)		203,655
ITALY 0.6%		
Common Stocks 0.6%		
Prada (HKD) (1)(2)	3,763,800	25,565
Total Italy (Cost $17,924)		25,565
MALAYSIA 3.6%		
Common Stocks 3.6%		
CIMB Group Holdings Berhad	35,789,870	87,641
Genting	5,678,100	19,402
IJM	11,587,100	20,984
Malayan Cement	9,474,700	22,513
Total Malaysia (Cost $98,946)		150,540
PHILIPPINES 3.3%		
Common Stocks 3.3%		
Ayala	1,798,720	18,319
Ayala Land	97,016,700	49,290
Energy Development	336,456,400	47,018
Metropolitan Bank & Trust	12,196,425	26,403
Total Philippines (Cost $103,327)		141,030

(Cost and value in $000s)	Shares/$ Par	Value
SINGAPORE 6.8%		
Common Stocks 6.8%		
Capitamall Trust, REIT	33,359,000	48,522
Fraser & Neave	6,864,000	39,049
Oversea-Chinese Banking	8,436,000	61,080
SembCorp Industries	13,432,000	54,813
Singapore Telecommunications	24,332,000	61,346
Venture	3,530,000	24,532
Total Singapore (Cost $252,825)		289,342
SOUTH KOREA 14.1%		
Common Stocks 13.5%		
AMOREPACIFIC	49,535	47,557
Hana Tour Service (2)	606,681	25,043
Hyundai	503,879	119,714
Hyundai Development	1,030,810	21,754
KEPCO Plant Service & Engineering	566,270	20,869
Samsung Electronics	182,633	224,630
Samsung Engineering	99,007	18,836
Samsung Fire & Marine	235,188	44,951
Shinhan Financial Group	1,396,481	48,810
		572,164
Preferred Stocks 0.6%		
Samsung Electronics	33,496	23,978
		23,978
Total South Korea (Cost $442,461)		596,142
TAIWAN 12.8%		
Common Stocks 12.8%		
Chinatrust Financial Holding	64,050,139	40,897

(Cost and value in $000s)	Shares/$ Par	Value
Chroma Ate	13,396,000	30,545
Farglory Land Development	9,161,000	16,936
Pegatron	8,197,000	11,871
President Chain Store	10,598,000	56,966
Quanta Computer	28,327,000	74,482
Siliconware Precision Industries	61,310,000	72,732
Synnex Technology International	12,534,349	29,396
Taiwan Cement	78,630,538	93,818
Taiwan Semiconductor	38,248,574	113,664
Total Taiwan (Cost $460,816)		541,307
THAILAND 4.3%		
Common Stocks 4.3%		
Bumrungrad Hospital (1)	4,546,300	9,019
CP ALL (1)	26,797,200	66,666
Kasikornbank, NVDR	11,128,200	59,169
Siam Cement, NVDR	3,962,400	45,101
Total Thailand (Cost $107,095)		179,955
UNITED KINGDOM 0.9%		
Common Stocks 0.9%		
Standard Chartered (HKD) (2)	1,559,800	38,519
Total United Kingdom (Cost $41,197)		38,519
SHORT-TERM INVESTMENTS 2.7%		
Money Market Funds 2.7%		
T. Rowe Price Reserve Investment Fund, 0.10% (3)(4)	114,466,860	114,467
Total Short-Term Investments (Cost $114,467)		114,467

(Cost and value in $000s)

	Shares/$ Par	Value
SECURITIES LENDING COLLATERAL 0.8%		
Investments in a Pooled Account through Securities Lending Program with JPMorgan Chase Bank 0.8%		
Money Market Funds 0.7%		
T. Rowe Price Reserve Investment Fund, 0.10% (3)(4)	29,147,768	29,148
		29,148
Repurchase Agreements 0.1%		
Credit Suisse, Tri-Party, Dated 4/30/12, 0.17%, Delivery Value of $4,505,795 on 5/1/12, Collateralized by U.S. Government securities, 0.625% - 1.875%, 7/15/13 - 7/15/21, valued at $4,595,889	4,505,774	4,506
		4,506
Total Investments through Securities Lending Program with JPMorgan Chase Bank		33,654
Total Securities Lending Collateral (Cost $33,653)		33,654
Total Investments in Securities		
99.5% of Net Assets (Cost $3,586,152)		**$ 4,207,576**

‡ Country classifications are generally based on MSCI categories or another unaffiliated third party data provider; securities are denominated in the currency of the country presented unless otherwise noted.
(1) Non-income producing
(2) All or a portion of this security is on loan at April 30, 2012. See Note 3.
(3) Affiliated Companies
(4) Seven-day yield
ADR American Depository Receipts
HKD Hong Kong Dollar
NVDR Non-Voting Depository Receipts
REIT Real Estate Investment Trust
USD U.S. Dollar

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 which is under common ownership or control. Based on the fund's relative ownership, the following securities were considered affiliated companies for all or some portion of the six months ended April 30, 2012. Purchase and sales cost and investment income reflect all activity for the period then ended.

Affiliate	Purchase Cost	Sales Cost	Investment Income	Value 4/30/12	Value 10/31/11
Hana Tour Service	$ 484	$ 1,124	$ 171	$ 25,043	$ 20,385
Phoenix Mills	—	1,085	—	29,992	31,470
T. Rowe Price Reserve Investment Fund, 0.10%	¤	¤	67^	143,615	295,961
Totals			$ 238	$ 198,650	$ 347,816

¤ Purchase and sale information not shown for cash management funds.

^ Excludes earnings on securities lending collateral invested in the T. Rowe Price Reserve Investment Fund, which are subject to rebates and fees as described in Note 3.

Amounts reflected on the accompanying financial statements include the following amounts related to affiliated companies:

Investment in securities, at cost	$ 234,432
Dividend income	238
Interest income	—
Investment income	$ 238
Realized gain (loss) on securities	$ (1,203)
Capital gain distributions from mutual funds	$ —

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

Unaudited April 30, 2012

Statement of Assets and Liabilities

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

Assets	
Investments in securities, at value (cost $3,586,152)	$ 4,207,576
Receivable for investment securities sold	49,630
Foreign currency (cost $9,709)	9,676
Dividends receivable	9,014
Cash	6,857
Receivable for shares sold	4,076
Other assets	48,828
Total assets	4,335,657
Liabilities	
Obligation to return securities lending collateral	33,653
Payable for investment securities purchased	12,770
Payable for shares redeemed	8,606
Investment management fees payable	2,732
Due to affiliates	379
Other liabilities	46,748
Total liabilities	104,888
NET ASSETS	**$ 4,230,769**
Net Assets Consist of:	
Undistributed net investment income	$ 2,654
Accumulated undistributed net realized loss	(26,091)
Net unrealized gain	621,304
Paid-in capital applicable to 265,109,042 shares of $0.01 par value capital stock outstanding; 4,500,000,000 shares of the Corporation authorized	3,632,902
NET ASSETS	**$ 4,230,769**
NET ASSET VALUE PER SHARE	**$ 15.96**

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

Unaudited

Statement of Operations

($000s)

	6 Months Ended 4/30/12
Investment Income (Loss)	
Income	
Dividend (net of foreign taxes of $1,709)	$ 26,006
Securities lending	110
Interest	2
Total income	26,118
Expenses	
Investment management	15,779
Shareholder servicing	2,248
Prospectus and shareholder reports	162
Custody and accounting	429
Registration	13
Legal and audit	48
Directors	12
Miscellaneous	64
Total expenses	18,755
Net investment income	7,363
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Securities (net of foreign taxes of $441)	(2,525)
Foreign currency transactions	(477)
Net realized loss	(3,002)
Change in net unrealized gain (loss)	
Securities	285,176
Other assets and liabilities denominated in foreign currencies	(10)
Change in net unrealized gain	285,166
Net realized and unrealized gain	282,164
INCREASE IN NET ASSETS FROM OPERATIONS	**$ 289,527**

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

Unaudited

Statement of Changes in Net Assets

($000s)

	6 Months Ended 4/30/12	Year Ended 10/31/11
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 7,363	$ 48,917
Net realized gain (loss)	(3,002)	877,803
Change in net unrealized gain (loss)	285,166	(1,223,705)
Increase (decrease) in net assets from operations	289,527	(296,985)
Distributions to shareholders		
Net investment income	(33,272)	(24,428)
Net realized gain	(605,575)	(40,715)
Decrease in net assets from distributions	(638,847)	(65,143)
Capital share transactions*		
Shares sold	441,107	610,430
Distributions reinvested	517,690	49,622
Shares redeemed	(500,806)	(1,437,594)
Redemption fees received	215	585
Increase (decrease) in net assets from capital share transactions	458,206	(776,957)
Net Assets		
Increase (decrease) during period	108,886	(1,139,085)
Beginning of period	4,121,883	5,260,968
End of period	**$ 4,230,769**	**$ 4,121,883**
Undistributed net investment income	2,654	28,563
*Share information		
Shares sold	29,023	32,717
Distributions reinvested	38,009	2,640
Shares redeemed	(32,118)	(77,561)
Increase (decrease) in shares outstanding	34,914	(42,204)

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

Notes to Financial Statements

T. Rowe Price International Funds, Inc. (the corporation), is registered under the Investment Company Act of 1940 (the 1940 Act). The New Asia Fund (the fund) is a nondiversified, open-end management investment company established by the corporation. The fund commenced operations on September 28, 1990. The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in Asia (excluding Japan).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the use of estimates made by management. Management believes that estimates and valuations 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 or maturity.

Investment Transactions, Investment Income, and Distributions Income and expenses are recorded on the accrual basis. Premiums and discounts on debt securities are amortized for financial reporting purposes. Dividends received from mutual fund investments are reflected as dividend income; capital gain distributions are reflected as realized gain/loss. Dividend income and capital gain distributions are recorded on the ex-dividend date. Income tax-related interest and penalties, if incurred, would be recorded as income tax expense. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis. Distributions to shareholders are recorded on the ex-dividend date. Income distributions are declared and paid annually. Capital gain distributions, if any, are generally declared and paid by the fund annually.

Currency Translation Assets, including investments, and liabilities denominated in foreign currencies are translated into U.S. dollar values each day at the prevailing exchange rate, using the mean of the bid and asked prices of such currencies against U.S. dollars as quoted by a major bank. Purchases and sales of securities, income, and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on realized and unrealized security gains and losses is reflected as a component of security gains and losses.

Credits The fund earns credits on temporarily uninvested cash balances held at the custodian, which reduce the fund's custody charges. Custody expense in the accompanying financial statements is presented before reduction for credits.

Redemption Fees A 2% fee is assessed on redemptions of fund shares held for 90 days or less to deter short-term trading and to protect the interests of long-term shareholders. Redemption fees are withheld from proceeds that shareholders receive from the sale or exchange of fund shares. The fees are paid to the fund and are recorded as an increase to paid-in capital. The fees may cause the redemption price per share to differ from the net asset value per share.

New Accounting Pronouncements In May 2011, the Financial Accounting Standards Board (FASB) issued amended guidance to align fair value measurement and disclosure requirements in U.S. GAAP with International Financial Reporting Standards. The guidance is effective for fiscal years and interim periods beginning on or after December 15, 2011. Adoption will have no effect on net assets or results of operations.

In December 2011, the FASB issued amended guidance to enhance disclosure for offsetting assets and liabilities. The guidance is effective for fiscal years and interim periods beginning on or after January 1, 2013; adoption will have no effect on the fund's net assets or results of operations.

NOTE 2 - VALUATION

The fund's financial instruments are reported at fair value as defined by GAAP. The fund determines the values of its assets and liabilities and computes its net asset value per share at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day that the NYSE is open for business.

Valuation Methods Equity securities listed or regularly traded on a securities exchange or in the over-the-counter (OTC) market are valued at the last quoted sale price or, for certain markets, the official closing price at the time the valuations are made, except for OTC Bulletin Board securities, which are valued at the mean of the latest bid and asked prices. A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary market for such security. Listed securities not traded on a particular day are valued at the mean of the latest bid and asked prices for domestic securities and the last quoted sale price for international securities. Debt securities with remaining maturities of less than one year at the time of acquisition generally use amortized cost in local currency to approximate fair value. However, if amortized cost is deemed not to reflect fair value or the fund holds a significant amount of such securities with remaining maturities of more than 60 days, the securities are valued at prices furnished by dealers who make markets in such securities or by an independent pricing service.

Investments in mutual funds are valued at the mutual fund's closing net asset value per share on the day of valuation.

Other investments, including restricted securities and private placements, and those financial instruments for which the above valuation procedures are inappropriate or are deemed not to reflect fair value, are stated at fair value as determined in good faith by the T. Rowe Price Valuation Committee, established by the fund's Board of Directors (the Board). Subject to oversight by the Board, the Valuation Committee develops pricing-related policies and procedures and approves all fair-value determinations. The Valuation Committee regularly makes good faith judgments, using a wide variety of sources and information, to establish and adjust valuations of certain securities as events occur and circumstances warrant. For instance, in determining the fair value of private-equity instruments, the Valuation Committee considers a variety of factors, including the company's business prospects, its financial performance, strategic events impacting the company, relevant valuations of similar companies, new rounds of financing, and any negotiated transactions of significant size between other investors in the company. Because any fair-value determination involves a significant amount of judgment, there is a degree of subjectivity inherent in such pricing decisions.

For valuation purposes, the last quoted prices of non-U.S. equity securities may be adjusted under the circumstances described below. If the fund determines that developments between the close of a foreign market and the close of the NYSE will, in its judgment, materially affect the value of some or all of its portfolio securities, the fund will adjust the previous closing prices to reflect what it believes to be the fair value of the securities as of the close of the NYSE. In deciding whether it is necessary to adjust closing prices to reflect fair value, the fund reviews a variety of factors, including developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities and baskets of foreign securities. A fund may also fair value securities in other situations, such as when a particular foreign market is closed but the fund is open. The fund uses outside pricing services to provide it with closing prices and information to evaluate and/or adjust those prices. The fund cannot predict how often it will use closing prices and how often it will determine it necessary to adjust those prices to reflect fair value. As a means of evaluating its security valuation process, the fund routinely compares closing prices, the next day's opening prices in the same markets, and adjusted prices. Additionally, trading in the underlying securities of the fund may take place in various foreign markets on certain days when the fund is not open for business and does not calculate a net asset value. As a result, net asset values may be significantly affected on days when shareholders cannot make transactions.

Valuation Inputs Various inputs are used to determine the value of the fund's financial instruments. These inputs are summarized in the three broad levels listed below:

Level 1 – quoted prices in active markets for identical financial instruments

Level 2 – observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar financial instruments, interest rates, prepayment speeds, and credit risk)

Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the fund, and unobservable inputs reflect the fund's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level. For example, non-U.S. equity securities actively traded in foreign markets generally are reflected in Level 2 despite the availability of closing prices because the fund evaluates and determines whether those closing prices reflect fair value at the close of the NYSE or require adjustment, as described above. The following table summarizes the fund's financial instruments, based on the inputs used to determine their values on April 30, 2012:

($000s)	Level 1	Level 2	Level 3	Total Value
	Quoted Prices	Significant Observable Inputs	Significant Unobservable Inputs	
Investments in Securities, except:	$ —	$ 3,014,600	$ —	$ 3,014,600
China	$ 216,616	$ 828,239	$ —	$ 1,044,855
Short-Term Investments	114,467	—	—	114,467
Securities Lending Collateral	29,148	4,506	—	33,654
Total	$ 360,231	$ 3,847,345	$ —	$ 4,207,576

NOTE 3 - OTHER INVESTMENT TRANSACTIONS

Consistent with its investment objective, the fund engages in the following practices to manage exposure to certain risks and/or to enhance performance. The investment objective, policies, program, and risk factors of the fund are described more fully in the fund's prospectus and Statement of Additional Information.

Emerging Markets At April 30, 2012, approximately 79% of the fund's net assets were invested, either directly or through investments in T. Rowe Price institutional funds, in securities of companies located in emerging markets, securities issued by governments of emerging market countries, and/or securities denominated in or linked to the currencies of emerging market countries. Emerging market securities are often subject to greater price volatility, less liquidity, and higher rates of inflation than U.S. securities. In addition, emerging markets may be subject to greater political, economic, and social uncertainty, and differing regulatory environments that may potentially impact the fund's ability to buy or sell certain securities or repatriate proceeds to U.S. dollars.

Repurchase Agreements All repurchase agreements are fully collateralized by U.S. government securities. Collateral is in the possession of the fund's custodian or, for tri-party agreements, the custodian designated by the agreement. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its value and a possible loss of income or value if the counterparty fails to perform in accordance with the terms of the agreement.

China A shares During the six months ended April 30, 2012, the fund invested in certain Chinese equity securities (A shares) available only to local Chinese investors and Qualified Foreign Institutional Investors (QFII). The fund gains access to the A-share market through T. Rowe Price Associates, Inc., which serves as the registered QFII for all participating T. Rowe Price-sponsored products (each a participating account). Investment decisions related to A shares are specific to each participating account, and each account bears the resultant economic and tax consequences of its holdings and transactions in A shares. The fund is subject to certain restrictions and administrative processes relating to its ability to repatriate cash balances, investment proceeds, and earnings associated with its A shares and may incur substantial delays in gaining access to its assets or a loss of value in the event of noncompliance with applicable Chinese rules or requirements. Current Chinese tax law is unclear whether capital gains realized on the fund's investments in A shares will be subject to tax. Because management believes it more likely than not that Chinese capital gains tax ultimately will not be imposed, there are no accrued taxes reflected in the accompanying financial statements.

Securities Lending The fund lends its securities to approved brokers to earn additional income. It receives as collateral cash and U.S. government securities valued at 102% to 105% of the value of the securities on loan. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the fund the next business day. Cash collateral is invested by the fund's lending agent(s) in accordance with investment guidelines approved by management. Although risk is mitigated by the collateral, the fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities or if collateral investments decline in value. Securities lending revenue recognized by the fund consists of earnings on invested collateral and borrowing fees, net of any rebates to the borrower and compensation to the lending agent. In accordance with GAAP, investments made with cash collateral are reflected in the accompanying financial statements, but collateral received in the form of securities are not. On April 30, 2012, the value of cash collateral investments was $33,654,000, and the value of loaned securities was $31,659,000.

Other Purchases and sales of portfolio securities other than short-term securities aggregated $771,499,000 and $874,402,000, respectively, for the six months ended April 30, 2012.

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 April 30, 2012, the cost of investments for federal income tax purposes was $3,599,423,000. Net unrealized gain aggregated $608,033,000 at period-end, of which $819,266,000 related to appreciated investments and $211,233,000 related to depreciated investments.

NOTE 5 - FOREIGN TAXES

The fund is subject to foreign income taxes imposed by certain countries in which it invests. Acquisition of certain foreign currencies related to security transactions are also subject to tax. Additionally, capital gains realized by the fund upon disposition of securities issued in or by certain foreign countries are subject to capital gains tax imposed by those countries. All taxes are computed in accordance with the applicable foreign tax law, and, to the extent permitted, capital losses are used to offset capital gains. Taxes attributable to income are accrued by the fund as a reduction of income. Taxes incurred on the purchase of foreign currencies are recorded as realized loss on foreign currency transactions. Current and deferred tax expense attributable to net capital gains is reflected as a component of realized and/or change in unrealized gain/loss on securities in the accompanying financial statements. At April 30, 2012, the fund had no deferred tax liability attributable to foreign securities and $4,753,000 of foreign capital loss carryforwards all of which expire in 2020.

NOTE 6 - 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 has entered into subadvisory agreements with T. Rowe Price International Ltd and T. Rowe Price Hong Kong Limited, wholly owned subsidiaries of Price Associates, to provide investment advisory services to the fund; the subadvisory agreements provide that Price Associates may pay the subadvisors up to 60% of the management fee that Price Associates receives from the fund. The investment management agreement between the fund and Price Associates provides for an annual investment management fee, which is computed daily and paid monthly. The fee consists of an individual fund fee, equal to 0.50% of the fund's average daily net assets, and a group fee. The group fee rate is calculated based on the combined net assets of certain mutual funds sponsored by Price Associates (the group) applied to a graduated fee schedule, with rates ranging from 0.48% for the first $1 billion of assets to 0.28% for assets in excess of $300 billion. The fund's group fee is determined by applying the group fee rate to the fund's average daily net assets. At April 30, 2012, the effective annual group fee rate was 0.30%.

In addition, the fund has entered into service agreements with Price Associates and two wholly owned subsidiaries of Price Associates (collectively, Price). Price Associates computes the daily share price and provides certain other administrative services to the fund. T. Rowe Price Services, Inc., provides shareholder and administrative services in its capacity as the fund's transfer and dividend disbursing agent. T. Rowe Price Retirement Plan Services, Inc., provides subaccounting and recordkeeping services for certain retirement accounts invested in the fund. For the six months ended April 30, 2012, expenses incurred pursuant to these service agreements were $74,000 for Price Associates; $905,000 for T. Rowe Price Services, Inc.; and $81,000 for T. Rowe Price Retirement Plan Services, Inc. The total amount payable at period-end pursuant to these service agreements is reflected as Due to Affiliates in the accompanying financial statements.

The fund is also one of several mutual funds sponsored by Price Associates (underlying Price funds) in which the T. Rowe Price Spectrum Funds (Spectrum Funds) may invest. The Spectrum Funds do not invest in the underlying Price funds for the purpose of exercising management or control. Pursuant to a special servicing agreement, expenses associated with the operation of the Spectrum Funds 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 Spectrum Funds. Expenses allocated under this agreement are reflected as shareholder servicing expense in the accompanying financial statements. For the six months ended April 30, 2012, the fund was allocated $56,000 of Spectrum Funds' expenses, of which $38,000 related to services provided by Price. The amount payable at period-end pursuant to this agreement is reflected as Due to Affiliates in the accompanying financial statements. Additionally, redemption fees received by the Spectrum Funds are allocated to each underlying Price fund in proportion to the average daily value of its shares owned by the Spectrum Funds. At April 30, 2012, approximately 2% of the outstanding shares of the fund were held by the Spectrum Funds.

The fund may invest in the T. Rowe Price Reserve Investment Fund and the T. Rowe Price Government Reserve Investment Fund (collectively, the T. Rowe Price Reserve Investment Funds), open-end management investment companies managed by Price Associates and considered affiliates of the fund. The T. Rowe Price Reserve Investment Funds are offered as cash management options to mutual funds, trusts, and other accounts managed by Price Associates and/or its affiliates and are not available for direct purchase by members of the public. The T. Rowe Price Reserve Investment Funds pay no investment management fees.

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, which you may request 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 website, troweprice.com. To access it, click on the words "Our Company" at the top of our corporate homepage. Then, when the next page appears, click on the words "Proxy Voting Policies" on the left side of the page.

Each fund's most recent annual proxy voting record is available on our website and through the SEC's website. To access it through our website, follow the directions above, then click on the words "Proxy Voting Records" on the right side of the Proxy Voting Policies page.

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.W., Washington, DC 20549. For more information on the Public Reference Room, call 1-800-SEC-0330.

Approval of Investment Management Agreement

On March 6, 2012, the fund's Board of Directors (Board) unanimously approved the continuation of the investment advisory agreement (Advisory Contract) between the fund and its investment advisor, T. Rowe Price Associates, Inc. (Advisor). The Board also unanimously approved the continuation of the investment subadvisory agreement (Subadvisory Contract) that the Advisor has entered into with T. Rowe Price International Ltd and T. Rowe Price Hong Kong Limited (Subadvisors) on behalf of the fund. The Board considered a variety of factors in connection with its review of the Advisory Contract and Subadvisory Contract, also taking into account information provided by the Advisor during the course of the year, as discussed below:

Services Provided by the Advisor and Subadvisors

The Board considered the nature, quality, and extent of the services provided to the fund by the Advisor and Subadvisors. These services included, but were not limited to, directing the fund's investments in accordance with its investment program and the overall management of the fund's portfolio, as well as a variety of related activities such as financial, accounting, and administrative services; maintaining the fund's records and registrations; and shareholder communications. The Board also reviewed the background and experience of the Advisor's and Subadvisors' senior management teams and investment personnel involved in the management of the fund. The Board concluded that it was satisfied with the nature, quality, and extent of the services provided by the Advisor and Subadvisors.

Investment Performance of the Fund

The Board reviewed the fund's average annual total returns over the three-month and 1-, 3-, 5-, and 10-year periods, as well as the fund's year-by-year returns, and compared these returns with a wide variety of previously agreed upon comparable performance measures and market data, including those supplied by Lipper and Morningstar, which are independent providers of mutual fund data. On the basis of this evaluation and the Board's ongoing review of investment results, and factoring in the relative market conditions during certain of the performance periods, the Board concluded that the fund's performance was satisfactory.

Costs, Benefits, Profits, and Economies of Scale

The Board reviewed detailed information regarding the revenues received by the Advisor under the Advisory Contract and other benefits that the Advisor (and its affiliates, including the Subadvisors) may have realized from its relationship with the fund, including research received under "soft dollar" agreements and commission-sharing arrangements with broker-dealers. The Board considered that the Advisor and Subadvisors may receive some benefit from soft-dollar arrangements pursuant to which research is received from broker-dealers that execute the applicable fund's portfolio transactions. The Board received information on the estimated costs incurred and profits realized by the Advisor from managing T. Rowe Price mutual funds. The Board also reviewed estimates of the gross profits realized from managing the fund in particular, and the Board concluded that the Advisor's profits were reasonable in light of the services provided to the fund.

Approval of Investment Management Agreement (continued)

The Board also considered whether the fund or other funds benefit under the fee levels set forth in the Advisory Contract from any economies of scale realized by the Advisor. Under the Advisory Contract, the fund pays a fee to the Advisor for investment management services composed of two components—a group fee rate based on the combined average net assets of most of the T. Rowe Price mutual funds (including the fund) that declines at certain asset levels and an individual fund fee rate based on the fund's average daily net assets—and the fund pays its own expenses of operations. Under the Subadvisory Contract, the Advisor may pay each Subadvisor up to 60% of the advisory fee that the Advisor receives from the fund. The Board concluded that the advisory fee structure for the fund continued to provide for a reasonable sharing of benefits from any economies of scale with the fund's investors.

Fees

The Board was provided with information regarding industry trends in management fees and expenses, and the Board reviewed the fund's management fee rate, operating expenses, and total expense ratio in comparison with fees and expenses of other comparable funds based on information and data supplied by Lipper. The information provided to the Board indicated that the fund's management fee rate and total expense ratio were above the median for certain groups of comparable funds but below the median for other groups of comparable funds.

The Board also reviewed the fee schedules for institutional accounts and private accounts with similar mandates that are advised or subadvised by the Advisor and its affiliates. Management provided the Board with information about the Advisor's responsibilities and services provided to institutional account clients that illustrated how the requirements and economies of the institutional business are fundamentally different from those of the mutual fund business. The information showed that the Advisor's responsibilities for its institutional account business are more limited than its responsibilities for the fund and other T. Rowe Price mutual funds that it advises and that the Advisor performs significant additional services and assumes greater risk for the fund and other T. Rowe Price mutual funds than it does for institutional account clients. On the basis of the information provided, the Board concluded that the fees paid by the fund under the Advisory Contract were reasonable.

Approval of the Advisory Contract and Subadvisory Contract

As noted, the Board approved the continuation of the Advisory Contract and Subadvisory Contract. No single factor was considered in isolation or to be determinative to the decision. Rather, the Board was assisted by the advice of independent legal counsel and concluded, in light of a weighting and balancing of all factors considered, that it was in the best interests of the fund and its shareholders for the Board to approve the continuation of the Advisory Contract and Subadvisory Contract (including the fees to be charged for services thereunder).

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
Diversified Small-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
Real Estate*
Science & Technology*
Small-Cap Stock*
Small-Cap Value*
Spectrum Growth
Tax-Efficient Equity
Total Equity Market Index
U.S. Large-Cap Core*
Value*

ASSET ALLOCATION FUNDS

Balanced
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Real Assets
Retirement Funds*^

BOND FUNDS

Domestic Taxable

Corporate Income
Floating Rate*
GNMA
High Yield*§
Inflation Protected Bond
New Income*
Short-Term Bond*
Spectrum Income
Strategic Income*
Summit GNMA
U.S. Bond Enhanced Index
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Domestic Tax-Free

California Tax-Free Bond
Georgia Tax-Free Bond
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

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money

MONEY MARKET FUNDS (CONT.)

Tax-Free

California Tax-Free Money
Maryland Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

INTERNATIONAL/GLOBAL FUNDS

Stock

Africa & Middle East
Emerging Europe
Emerging Markets Stock
European Stock
Global Infrastructure*
Global Large-Cap Stock*
Global Real Estate*
Global Stock*
Global Technology
International Discovery
International Equity Index
International Growth & Income*
International Stock*
Japan
Latin America
New Asia
Overseas Stock
Spectrum International

Bond

Emerging Markets Bond
Emerging Markets
Corporate Bond*
Emerging Markets Local
Currency Bond*
International Bond*

For more information about T. Rowe Price funds or services, please contact us directly at 1-800-225-5132. 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.

Investments in the money market funds are not insured or guaranteed by the FDIC or any other government agency. Although the funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the funds.

*T. Rowe Price Advisor and R Classes may be available for these funds. T. Rowe Price Advisor and R Classes are offered only through financial intermediaries. For more information about T. Rowe Price Advisor and R Classes, contact your financial professional or call T. Rowe Price at 1-877-804-2315.

‡Closed to new investors except for a direct rollover from a retirement plan into a T. Rowe Price IRA invested in this fund.

^The Retirement Funds are inclusive of the Retirement 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, and Income Funds.

§Subject to certain exceptions, the fund will be closed to new investors effective April 30, 2012.

T. Rowe Price
INVEST WITH CONFIDENCE

T. Rowe Price Investment Services, Inc.
100 East Pratt Street
Baltimore, MD 21202

SUMMARY PROSPECTUS

PRASX

March 1, 2013

T. Rowe Price

New Asia Fund

A fund seeking long-term growth of capital through investments in common stocks of companies located (or with primary operations) in Asia (excluding Japan).

*Before you invest, you may want to review the fund's prospectus, which contains more information about the fund and its risks. You can find the fund's prospectus and other information about the fund online at **troweprice.com/prospectus.** You can also get this information at no cost by calling **1-800-225-5132** or by sending an e-mail request to **info@troweprice.com.** This Summary Prospectus incorporates by reference the fund's prospectus, dated March 1, 2013, and Statement of Additional Information, dated March 1, 2013.*

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

T.RowePrice®
INVEST WITH CONFIDENCE

Investment Objective

The fund seeks long-term growth of capital through investments primarily in the common stocks of companies located (or with primary operations) in Asia (excluding Japan).

Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Fees and Expenses of the Fund

Shareholder fees (fees paid directly from your investment)	
Maximum sales charge (load) imposed on purchases	NONE
Maximum deferred sales charge (load)	NONE
Redemption fee (as a percentage of amount redeemed on shares held for 90 days or less)	2.00%
Maximum account fee	$20[a]
Annual fund operating expenses (expenses that you pay each year as a percentage of the value of your investment)	
Management fees	0.80%
Distribution and service (12b-1) fees	0.00%
Other expenses	0.15%
Total annual fund operating expenses	**0.95%**

[a] Subject to certain exceptions, accounts with a balance of less than $10,000 are charged an annual $20 fee.

Example This example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The example assumes that you invest $10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 year	*3 years*	*5 years*	*10 years*
$97	$303	$525	$1,166

Portfolio Turnover The fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the

most recent fiscal year, the fund's portfolio turnover rate was 41.1% of the average value of its portfolio.

Investments, Risks, and Performance

Principal Investment Strategies The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in Asian companies (excluding Japanese companies). The fund may purchase the stocks of companies of any size. The fund expects to make substantially all of its investments in common stocks of companies located (or with primary operations) in the countries listed below, as well as others as their markets develop:

- *Primary Emphasis:* China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, and Thailand.
- *Others:* Pakistan, Sri Lanka, and Vietnam.

The fund is "nondiversified," meaning it may invest a greater portion of assets in a single company and own more of the company's voting securities than is permissible for a "diversified" fund.

While the fund invests with an awareness of the outlook for industry sectors and individual countries within the region, bottom-up stock selection is the focus of our decision-making. Country allocation is driven largely by stock selection, though we may limit investments in markets that appear to have poor overall prospects.

Security selection reflects a growth style. The fund relies on a global team of investment analysts dedicated to in-depth fundamental research in an effort to identify companies capable of achieving and sustaining above-average, long-term earnings growth. We seek to purchase stocks of such companies at reasonable prices in relation to present or anticipated earnings, cash flow, or book value.

In selecting investments, the fund generally favors companies with one or more of the following characteristics:

- leading or improving market position;
- attractive business niche;
- attractive or improving franchise or industry position;
- seasoned management;
- stable or improving earnings and/or cash flow; and
- sound or improving balance sheet.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The fund is subject to the risk that the investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign investing risk Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.

Emerging markets risk The risks of foreign investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in foreign developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on foreign investments, restrictions on gaining access to sales proceeds, and less liquid and efficient trading markets.

Geographic concentration risk Because the fund concentrates its investments in a particular geographic region, the fund's performance is closely tied to the social, political, and economic conditions within that region. Political developments and changes in regulatory, tax, or economic policy in particular countries within the region could significantly affect the markets in those countries as well as the entire region. As a result, the fund is likely to be more volatile than more geographically diverse international funds.

Many Asian economies have at various times been negatively affected by inflation, an over-reliance on international trade, political and social instability, and less developed financial systems and securities trading markets. Trade restrictions, unexpected decreases in exports, changes in government policies, or natural disasters could have a significant impact on companies doing business in Asia.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

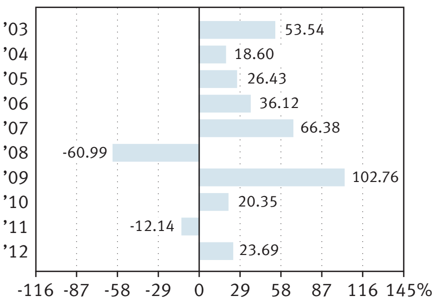
Investment style risk Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Performance The bar chart showing calendar year returns and the average annual total returns table indicate risk by illustrating how much returns can differ from one year to the next and how fund performance compares with that of a comparable market index. The fund's past performance (before and after taxes) is not necessarily an indication of future performance.

The fund can also experience short-term performance swings, as shown by the best and worst calendar quarter returns during the years depicted.

New Asia Fund

Calendar Year Returns



	Quarter Ended	*Total Return*
Best Quarter	6/30/09	55.24%
Worst Quarter	3/31/08	-22.80%

In addition, the average annual total returns table shows hypothetical after-tax returns to suggest how taxes paid by a shareholder may influence returns. After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements, such as a 401(k) account or individual retirement account.

Average Annual Total Returns

	Periods ended December 31, 2012		
	1 Year	*5 Years*	*10 Years*
New Asia Fund			
Returns before taxes	23.69 %	0.68 %	18.36 %
Returns after taxes on distributions	23.30	0.00	17.51
Returns after taxes on distributions and sale of fund shares	16.00	0.52	16.66
MSCI All Country Asia ex Japan Index (reflects no deduction for fees, expenses, or taxes)	22.70	0.12	14.95
Lipper Pacific Ex Japan Funds Average	22.06	-0.19	14.18

Updated performance information is available through troweprice.com or may be obtained by calling 1-800-225-5132.

Management

Investment Adviser T. Rowe Price Associates, Inc. (T. Rowe Price)

Investment Sub-advisers T. Rowe Price International Ltd (T. Rowe Price International) and T. Rowe Price Hong Kong Limited (Price Hong Kong)

Portfolio Manager	Title	Managed Fund Since	Joined Investment Adviser
Anh Lu	Chairman of Investment Advisory Committee	2009	2001

Purchase and Sale of Fund Shares

The fund's investment minimums generally are as follows (if you hold shares through a financial intermediary, the intermediary may impose different investment minimums):

Type of Account	*Minimum initial purchase*	*Minimum subsequent purchase*
Individual retirement accounts, small business retirement plan accounts, and Uniform Gifts to Minors Act or Uniform Transfers to Minors Act accounts	$1,000	$100
All other accounts	2,500	100

You may purchase, redeem, or exchange shares of the fund on any day the New York Stock Exchange is open for business by accessing your account online at troweprice.com, by calling 1-800-225-5132, or by written request. If you hold shares through a financial intermediary, you must purchase, redeem, and exchange shares through your intermediary.

Tax Information

Any dividends or capital gains are declared and paid annually, usually in December. Distributions by the fund, whether or not you reinvest these amounts in additional fund shares, may be taxed as ordinary income or capital gains unless you invest through a tax-deferred account. A redemption or exchange of fund shares may be taxable.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase shares of the fund through a broker-dealer or other financial intermediary, the fund and its related companies may pay the intermediary for the performance of administrative services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information on these payments.

T. Rowe Price Associates, Inc.
100 East Pratt Street
Baltimore, MD 21202

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