T. Rowe Price®
INVEST WITH CONFIDENCE

QUARTERLY REVIEW

Institutional Core Plus Fund

As of September 30, 2019

PORTFOLIO HIGHLIGHTS

The portfolio performed in line with the Bloomberg Barclays U.S. Aggregate Bond Index for the three-month period ended September 30, 2019.

Relative performance drivers:

- IG corporate security selection contributed.
- Curve positioning detracted.
- Sector allocations were positive overall.

Additional highlights:

- We moved to a more neutral duration posture as the quarter ended and selectively added exposure in the investment-grade (IG) corporate sectors.
- Our outlook remains cautious as economic growth appears to be at an inflection point with the market unsure if manufacturing will rebound from recent weakness or if consumer resiliency will buckle and begin a real downturn in the economy.

FUND INFORMATION

Symbol	TICPX
CUSIP	77958B303
Inception Date of Fund	November 30, 2004
Benchmark	Bloomberg Barclays US Agg Index
Expense Information (as of the most recent Prospectus)*	0.43% (Gross) 0.40% (Net)
Fiscal Year End	May 31
12B-1 Fee	–
Total Assets (all share classes)	$444,959,565
Percent of Portfolio in Cash	0.2%

*The fund's net expense ratio reflects a permanent waiver of a portion of the T. Rowe Price Associates, Inc. management fee charged to the fund. This waiver is an amount sufficient to fully offset any acquired fund fees and expenses related to investments in other T. Rowe Price mutual funds. T. Rowe Price funds would be required to seek regulatory approval in order to terminate this arrangement.

PERFORMANCE

(NAV, total return)

				Annualized				
	Three Months	**Year-to-Date**	**One Year**	**Three Years**	**Five Years**	**Ten Years**	**Since Inception 11/30/04**	**30-Day SEC Yield**
Institutional Core Plus Fund	2.26%	9.17%	10.21%	3.38%	3.62%	4.44%	4.87%	2.63%
Bloomberg Barclays U.S. Aggregate Bond Index	2.27	8.52	10.30	2.92	3.38	3.75	4.25	–

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Institutional Core Plus Fund	Nov 30 2004	14.53%	8.40%	6.23%	7.16%	-1.46%	5.98%	0.14%	3.77%	4.78%	-0.54%
Bloomberg Barclays U.S. Aggregate Bond Index		5.93	6.54	7.84	4.21	-2.02	5.97	0.55	2.65	3.54	0.01

Performance data quoted represents past performance and is not a reliable indicator of future performance. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance, visit troweprice.com. Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call 1-800-638-7780 or visit troweprice.com. Read it carefully. The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.
The fund is subject to the risks of fixed income investing, including interest rate risk and credit risk.
The fund(s) may have other share classes available that offer different investment minimums and fees. See the prospectus for details.
Source for Bloomberg Barclays data: Bloomberg Index Services Limited. See additional disclosures.

PERFORMANCE REVIEW

Falling Treasury yields buoy U.S. fixed income sectors
The U.S. investment-grade fixed income market, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, produced positive total returns for the third quarter of 2019.

Treasury yields declined during the quarter as the Federal Reserve cut rates for the first time in more than a decade amid growing concerns about a global economic slowdown. The yield of the 30-year Treasury bond hit a record low in August, and the benchmark 10-year Treasury note's yield fell to its lowest level since 2016. After starting July at 2.00%, the 10-year Treasury yield reached a quarter high of 2.13% on July 11. However, President Trump's announcement that the U.S. would impose a 10% tariff on all remaining Chinese imports not currently facing duties led to a notable shift in sentiment at the beginning of August that drove Treasury yields lower. China responded by stopping all U.S. agricultural imports, and negative developments in the trade conflict continued throughout the month, sparking strong investor demand for high-quality government debt.

The 10-year Treasury yield hit 1.46%, its low for the three-month period, on September 3. Yields then drifted higher amid conciliatory gestures from both sides of the trade dispute. Negative geopolitical and economic developments-notably the drone attack on Saudi Arabian oil facilities-moved to the forefront again during the second half of the month, renewing demand for Treasuries. The 10-year Treasury yield ended the quarter at 1.68%. With the sharp drop in yields, Treasuries performed well.

Investment-grade (IG) corporate bonds also produced solid returns despite a sell-off in August as heavy new issuance was easily digested by strong demand. Continued accommodative measures by the U.S. Fed and European Central Bank helped stimulate demand for spread sectors like corporate bonds, and coupon income helped corporates generate positive excess returns for the quarter.

Agency mortgage-backed securities (MBS) produced positive absolute returns. MBS faced headwinds from increased prepayment risk and heavier seasonal supply. Asset-backed securities (ABS) underperformed on an absolute basis as the shorter-duration sector did not benefit as much from the drop in Treasury yields. However, ABS produced solid excess returns versus similar-duration Treasuries as spreads tightened over the quarter.

Defensive IG corporate posture contributed
The portfolio's defensive posture within IG corporates, with an emphasis on bonds with lower spread duration, added value. Credit spreads were choppy during the quarter but ended slightly wider at the index level. As investors grew more cautious, the more volatile long end of the corporate credit curve significantly underperformed shorter-term corporate credit, to the benefit of our more conservative positioning.

In terms of individual names, an overweight to **Expedia** helped as the online travel service received an upgrade from Moody's to Baa3 with a positive outlook after completing an acquisition of Liberty Expedia Holdings, simplifying the firm's corporate governance structure. An overweight to **General Electric** was another leading contributor. The industrial conglomerate progressed with its deleveraging plan, issuing a $5 billion debt tender and raising cash by reducing its ownership stake in oilfield services provider Baker Hughes.

Sector allocations were broadly positive
An underweight to Treasuries, overweight to commercial mortgage-backed securities (CMBS), and exposure to dollar-denominated emerging market corporate bonds provided modest contributions. CMBS generated positive excess returns, outperforming the broader index, on the back of carry as spreads modestly widened. Commercial real estate fundamentals remain supported by a solid services sector. However, we remain leery of certain troubled spots, such as enclosed shopping malls, which are under pressure from e-commerce and changing consumer habits. Emerging markets benefited from periods of increased risk appetite and coupon income.

Positioning for a steeper yield curve significantly detracted
The portfolio's bias for a steepening yield curve weighed on returns. The curve flattened over the quarter as longer-term Treasury yields fell amid heightening trade tensions between the U.S. and China and growth concerns. However, the portfolio's longer duration posture helped to offset some of the detraction from curve positioning.

USD denominated Latin American sovereign bonds underperformed
Exposure to select Latin American sovereign debt denominated in the U.S. dollar weighed on results in the government-related sector. Holding overweight positions in countries such as Chile, Colombia, and Peru had a negative effect as the U.S. dollar strengthened despite Fed rate cuts. These commodity-reliant countries, with significant dependency on Asian markets, faced headwinds from heightened trade tensions and weaker economic data from China.

RMBS overweight produced a slight drag
Exposure to RMBS was a mild detractor. The non-agency mortgage market experienced a surge in supply of non-qualified mortgage (non-QM) paper during the quarter, which pressured spreads wider. The investor base for non-QM RMBS is growing but remains relatively small, causing occasional indigestion when supply picks up. Non-QM remains the portfolio's largest risk exposure within RMBS, as delinquency rates remain low and high prepayment speeds cause credit enhancement to quickly build.

PORTFOLIO POSITIONING AND ACTIVITY

We recently moved to a more neutral duration posture as the rally in rates found a near-term bottom in early September. Economic data remains soft, and the Fed's policy response remains incomplete. But the market's expectations are lower, and there are some glimmers of hope in leading economic indicators. As such, we see relatively balanced upside and downside risks for rates.

Added to agency MBS
Sector allocations were generally unchanged, but we rotated some assets out of U.S. Treasuries and into agency mortgage-backed securities (MBS). MBS spreads widened near the end of August, and we believe they offered compelling value and a good source of high-quality yield for the portfolio.

Added to IG corporate bonds
During the quarter, we added some exposure to investment-grade corporates, primarily toward the front end of the curve where we

can capture historically stronger risk-adjusted returns. While we are still underweight corporates on a risk-adjusted basis, we reduced the portfolio's defensive posture somewhat. Excess returns from corporates decreased last quarter following a very strong start to the year, and potential for further spread tightening is limited. However, we see an opportunity to earn carry if spread volatility remains subdued.

MANAGER'S OUTLOOK

Our outlook remains cautious as economic growth appears to be at an inflection point with the market unsure if manufacturing will rebound from recent weakness or if consumer resiliency will buckle and begin a real downturn in the economy. Continued trade tensions are likely to add to market uncertainty.

After overtightening policy with four rate hikes and a balance sheet runoff in 2018, the Fed has worked recently to respond to slowing growth by cutting policy rates in July and September. However, we believe that the Fed may have more work to do, such as another rate cut in 2019 and a re-expansion of the balance sheet, to be viewed by the market as responding sufficiently. Whether the Fed's easing moves will turn out to be a proactive "insurance" measure that supports investment sentiment or the start of a larger cutting cycle remains an open question. With near-term recession risks rising, the Fed may still have a small window of opportunity to react forcefully to convince the market of its commitment to extending the cycle, but that would also need to be coupled with major trade war concessions from the Trump administration.

We see Treasury yields remaining range-bound in the near term as the strong rally lost momentum, but a significant sell-off appears unlikely in the current environment. Inflation data have picked up, but the Fed's reluctant tone has weighed on inflation expectations. Tariffs could temporarily boost consumer prices but will also suppress growth, and inflation tends to follow growth. A sustainable increase in inflation expectations would require a resuscitation of growth prospects, which are currently lackluster.

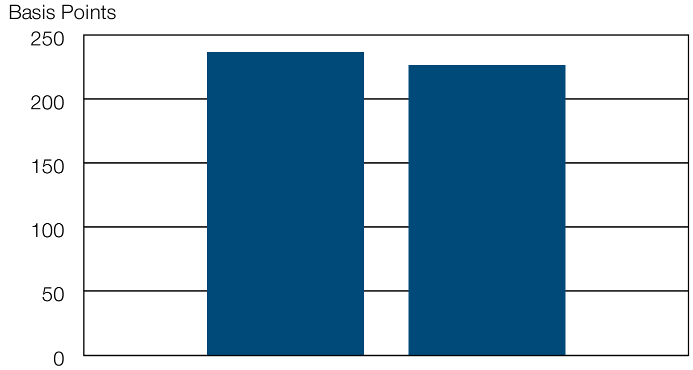
With credit sector valuations still toward the tighter end of historical ranges, risks appear skewed to the downside. Although there will likely be tactical opportunities if volatility picks up, risk levels in the portfolio should remain below average until growth shows signs of reaccelerating or valuations meaningfully improve.

We remain focused on maximizing income on a volatility-adjusted basis. We continue to favor corporate bonds on the shorter end of the yield curve, with the exception of some longer-dated bonds in which our credit analysts see value. Although valuations are rich, short-term securitized credit sectors remain a defensive source of yield given relatively healthy consumer and housing fundamentals. Emerging markets debt remains attractive from a cyclical perspective, as growth in many countries remains relatively strong and lower U.S. rates should relieve pressure on emerging markets currencies. However, in challenging market environments, we continue to believe security selection is an important source of return and diversification.

QUARTERLY ATTRIBUTION

OVERALL PERFORMANCE: FUND VS. BLOOMBERG BARCLAYS US AGG INDEX

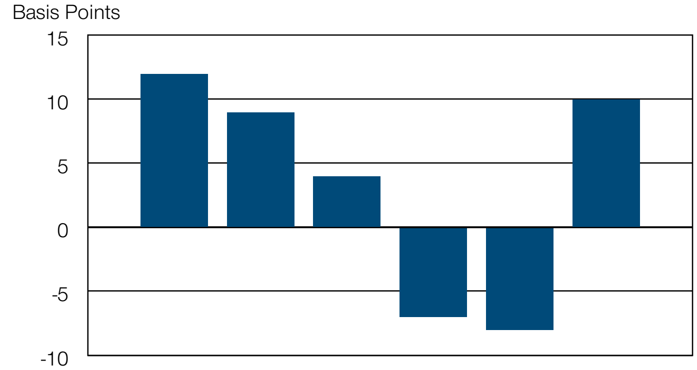
(3 months ended September 30, 2019)



Institutional Core Plus Fund	Bloomberg Barclays US Agg Index
237	227

CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG BARCLAYS US AGG INDEX

(3 months ended September 30, 2019)



USD Security	USD Sector	Non-USD(Hedged & Unhedged)	Duration-Curve	Resid	Total
12	9	4	-7	-8	10

SECTOR ALLOCATION: FUND VS. BLOOMBERG BARCLAYS US AGG INDEX

(3 months ended September 30, 2019)

US Treasury	TIPS	Govt Rel - Sov Quasi	Govt Rel - Tax Muni	Govt Rel - Agy Other	MBS	ABS	CMBS	RMBS	CLO	IG CORPORATES	HIGH YIELD	LOANS	Emerging $ Corporates	Other	Total
3	0	0	0	0	0	0	1	0	0	0	1	1	3	0	9

SECURITY SELECTION DETAILS: FUND VS. BLOOMBERG BARCLAYS US AGG INDEX

(3 months ended September 30, 2019)

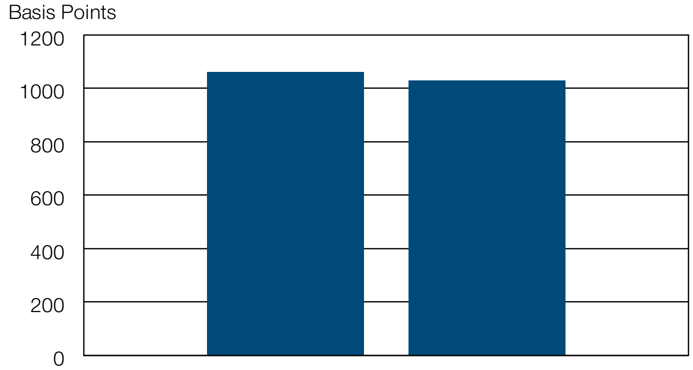
US Treasury	TIPS	Govt Rel - Sov Quasi	Govt Rel - Tax Muni	Govt Rel - Agy Other	MBS	ABS	CMBS	RMBS	CLO	IG CORPORATES	HIGH YIELD	LOANS	Emerging $ Corporates	Other	Total
0	0	-3	0	0	0	0	1	0	0	14	0	0	0	0	12

Past performance is not a reliable indicator of future performance.
Source: Bloomberg Index Services Limited.
Analysis represents the performance of the portfolio compared to its benchmark as calculated by the Bloomberg attribution model. Performance is attributed to a set of portfolio decisions such as credit quality, duration and yield curve exposures, relative sector weightings, and security selection. Performance for each security is obtained in the local currency and, if necessary, is converted to U.S. dollars using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would have been lower as a result of the deduction of such fees.

12-MONTH ATTRIBUTION

OVERALL PERFORMANCE: FUND VS. BLOOMBERG BARCLAYS US AGG INDEX

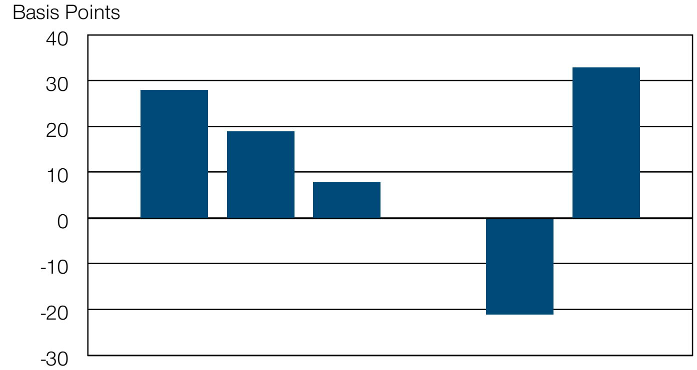
(12 months ended September 30, 2019)



Institutional Core Plus Fund	Bloomberg Barclays US Agg Index
1063	1030

CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG BARCLAYS US AGG INDEX

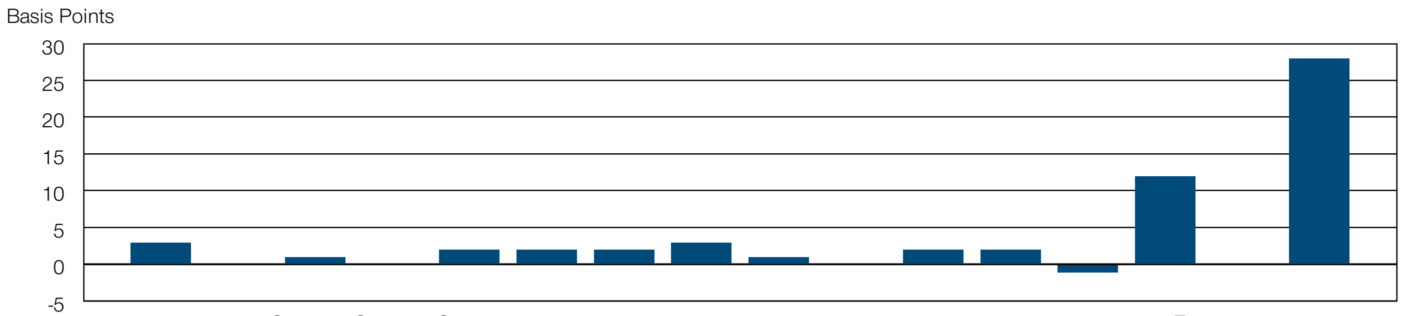
(12 months ended September 30, 2019)



USD Sector	USD Security	Non-USD(Hedged & Unhedged)	Duration-Curve	Resid	Total
28	19	8	0	-21	33

SECTOR ALLOCATION: FUND VS. BLOOMBERG BARCLAYS US AGG INDEX

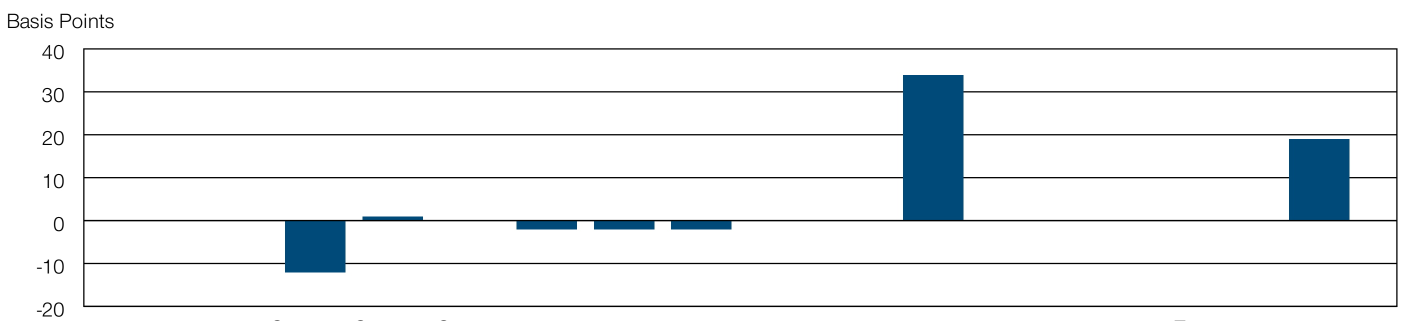
(12 months ended September 30, 2019)



US Treasury	TIPS	Govt Rel - Sov Quasi	Govt Rel - Tax Muni	Govt Rel - Agy Other	MBS	ABS	CMBS	RMBS	CLO	IG CORPORATES	HIGH YIELD	LOANS	Emerging $ Corporates	Other	Total
3	0	1	0	2	2	2	3	1	0	2	2	-1	12	0	28

SECURITY SELECTION DETAILS: FUND VS. BLOOMBERG BARCLAYS US AGG INDEX

(12 months ended September 30, 2019)



US Treasury	TIPS	Govt Rel - Sov Quasi	Govt Rel - Tax Muni	Govt Rel - Agy Other	MBS	ABS	CMBS	RMBS	CLO	IG CORPORATES	HIGH YIELD	LOANS	Emerging $ Corporates	Other	Total
0	0	-12	1	0	-2	-2	-2	0	0	34	0	0	0	0	19

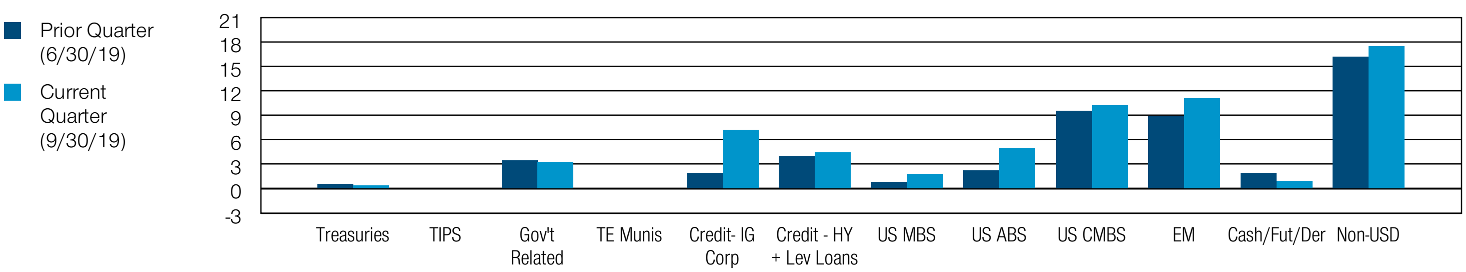
Past performance is not a reliable indicator of future performance.
Source: Bloomberg Index Services Limited.
Analysis represents the performance of the portfolio compared to its benchmark as calculated by the Bloomberg attribution model. Performance is attributed to a set of portfolio decisions such as credit quality, duration and yield curve exposures, relative sector weightings, and security selection. Performance for each security is obtained in the local currency and, if necessary, is converted to U.S. dollars using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would have been lower as a result of the deduction of such fees.

RISK ANALYSIS

RISK FACTOR CONTRIBUTION

	Contribution to TEV (Annualized) 6/30/19 (Prior Quarter)	Contribution to TEV (Annualized) 9/30/19 (Current Quarter)
Systematic	50.9 bps	59.1 bps
Foreign Exchange	0.4	0.4
Curve	9.2	4.7
Inflation Linked	0.0	0.0
Swap Spreads	3.7	4.0
Volatility	-1.0	-0.4
Spread Government Related	2.2	0.7
Spread Credit and EMG	29.9	38.5
Spread Securitized	6.3	11.2
Spread Other	0.0	0.0
Equity	0.2	0.1
Idiosyncratic	11.2	11.0
Total	**62.0**	**70.1**

SECTOR CONTRIBUTION TO RISK VERSUS BENCHMARK

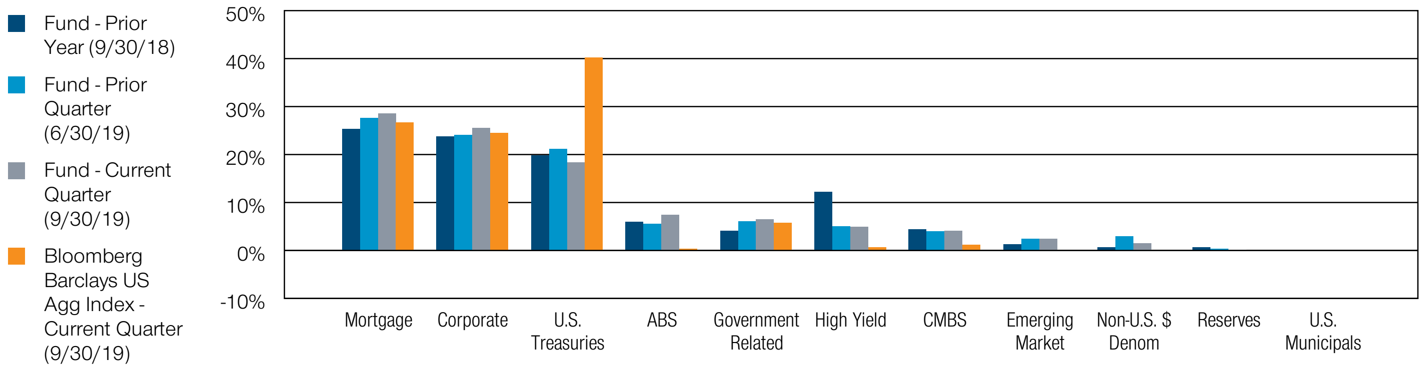


The Risk Factor Contribution and Sector Contribution to Risk charts above show the output from a quantitative ex-ante tracking-error modeling tool. The model estimates the realized tracking error an investor may reasonably expect over the next 12-month period, disaggregated into various sources of risk. The calculations take into account the correlations between each of the portfolio's systematic risk exposures. Our portfolio strategy team uses this output as a risk budget to confirm that the estimated contribution to tracking error from each component best reflects our active management themes.

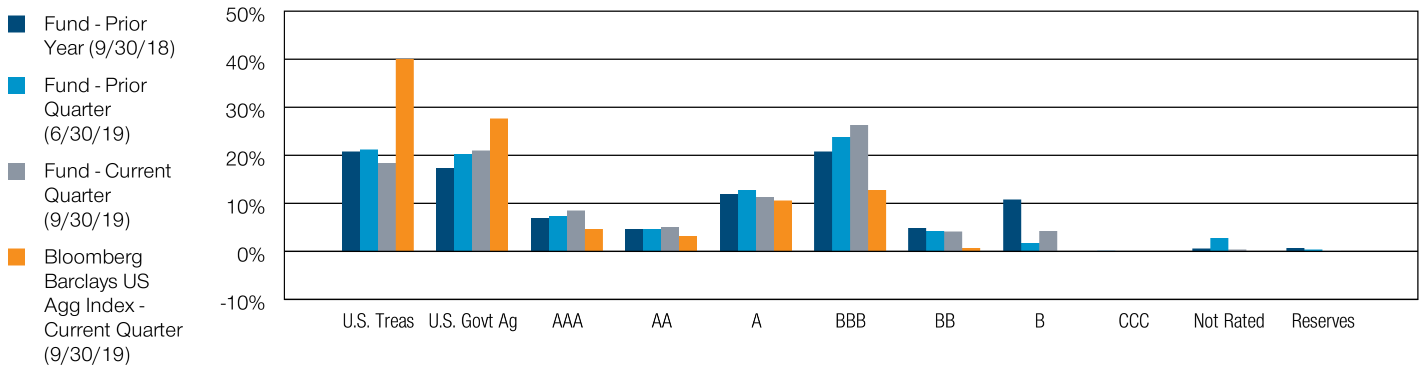
Source: Bloomberg Index Services Limited. Statistics based on monthly data. TEV, or Tracking error volatility, is the standard deviation of the difference between portfolio and benchmark returns. It is the square root of the tracking error variance, or TE variance. The TE variance is the projected variance of the difference between portfolio and benchmark returns. It is estimated from historical return data and from portfolio and benchmark characteristics. It can be decomposed into three sources: Systematic, Idiosyncratic and Default. Systemic (Market) Risk is the risk due to the effect of all systematic factors of the Bloomberg risk model. Idiosyncratic (nonsystematic) risk is the risk not explained by the combination of all systematic or default factors. It represents risk due to non-default events that affect only the individual issuer or bond. The contribution to TEV is the contribution, in basis points, of a risk factor to total TEV. This measure includes the effect of correlation. The risk factors included in this analysis and shown above are credit spreads, currency, and interest rate duration.This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment actions. **Past performance is not a reliable indicator of future performance.**
Change of methodology: Beginning with the second quarter of 2015, individual sector data is presented without the effects of curve and foreign exchange changes. Because these effects are systemic and generally not sector specific, T. Rowe Price believes the new method's data will better represent each sector's actual TEVs.

PORTFOLIO POSITIONING

SECTOR DIVERSIFICATION – CHANGES OVER TIME



CREDIT QUALITY DIVERSIFICATION – CHANGES OVER TIME



*U.S. Treasury securities are issued by the U.S. Treasury and are backed by the full faith and credit of the U.S. government. The ratings of U.S. Treasury securities are derived from the ratings on the U.S. government.
**U.S. government agency securities are issued or guaranteed by a U.S. government agency, and may include conventional pass-through securities and collateralized mortgage obligations; unlike Treasuries, government agency securities are not issued directly by the U.S. government and are generally unrated but may have credit support from the U.S. Treasury (e.g., FHLMC and FNMA issues) or a direct government guarantee (e.g., GNMA issues). Therefore, this category may include rated and unrated securities.
Source for Bloomberg Barclays data: Bloomberg Index Services Limited.

HOLDINGS

TOP ISSUERS

Issuer	% of Fund
Arab Republic of Egypt	1.0%
Republic of Peru	0.9
CVS Health	0.8
Becton, Dickinson & Company	0.8
Capital One Financial	0.7
GE	0.7
Verizon Wireless	0.7
Goldman Sachs	0.6
Barclays	0.6
Vodafone	0.6

PORTFOLIO MANAGEMENT

Portfolio Manager:
Brian Brennan

Managed Fund Since:
2004

Joined Firm:
2000

Additional Disclosures

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Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.
Sources for credit quality: 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. T. Rowe Price does not evaluate these ratings, but simply assigns them to the appropriate credit quality category as determined by the rating agency. T. Rowe Price uses the rating of the underlying investment vehicle for credit default swaps.
Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.
Unless indicated otherwise the source of all data is T. Rowe Price.
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