



QUARTERLY REVIEW

Inflation Protected Bond Fund

As of September 30, 2019

PORTFOLIO HIGHLIGHTS

The T. Rowe Price Inflation Protected Bond Fund outperformed the Bloomberg Barclays U.S. TIPS Index for the three-month period ended September 30, 2019.

Relative Performance Drivers:

- The portfolio's out-of-benchmark allocations contributed to relative results.
- Relatively long duration positioning also added value.
- The portfolio's yield curve positioning and exposure to longer-term TIPS detracted from relative performance.

Additional Highlights:

- Uncertain economic growth prospects have led us to take a neutral position toward expanding break-evens.
- We believe a sustainable increase in inflation expectations still requires further action on the monetary policy front and more evidence that the economy is improving.

FUND INFORMATION

Symbol	PRIPX
CUSIP	77958D101
Inception Date of Fund	October 31, 2002
Benchmark	Bloomberg Barclays US TIPS Index
Expense Information (as of the most recent Prospectus)*	0.57% (Gross) 0.41% (Net)
Fiscal Year End	May 31
12B-1 Fee	-
Total Assets (all share classes)	\$371,654,625
Percent of Portfolio in Cash	0.3%

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

PERFORMANCE

(NAV, total return)

	Three Months	Year-to-Date	One Year	Annualized				30-Day SEC Yield	30-Day SEC Yield w/o Waiver ^o
				Three Years	Five Years	Ten Years	Fifteen Years		
Inflation Protected Bond Fund	1.46%	8.00%	7.48%	2.05%	2.19%	3.13%	3.53%	2.01%	1.98%
Bloomberg Barclays U.S. TIPS Index	1.35	7.58	7.13	2.21	2.45	3.46	3.90	-	-

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Inflation Protected Bond Fund	Oct 31 2002	10.43%	6.29%	12.02%	6.36%	-8.77%	3.42%	-1.51%	3.52%	2.75%	-1.33%
Bloomberg Barclays U.S. TIPS Index		11.41	6.31	13.56	6.98	-8.61	3.64	-1.44	4.68	3.01	-1.26

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.

^oExcludes the effect of contractual expense limitation arrangements.

Investors should note that if interest rates rise significantly from current levels, total returns will decline and may even turn negative in the short term. 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

TIPS produce positive results

U.S. Treasury inflation protected securities (TIPS) produced positive absolute returns for the quarter but underperformed U.S. Treasuries and the broader investment-grade fixed income market. TIPS returns were supported by a significant drop in nominal Treasury yields, but they faced headwinds from declining inflation expectations. The 10-year Treasury note's yield dropped from 2.00% at the start of the quarter to 1.68% by the end of September as the Federal Reserve cut rates for the first time in more than a decade amid growing concerns about a global economic slowdown.

Ten-year break-even spreads, which are a measure of inflation expectations, started the quarter at 1.69% and rose as high as 1.81% in late July amid some positive economic signals that were highlighted by a stronger-than-expected June jobs report. However, an escalation in the U.S.-China trade dispute weighed on growth expectations in August and break-evens finished the period at 1.53%.

Current inflation readings were relatively solid during the period. The headline consumer price index (CPI) rose 1.7% for the 12-month period ended in September as falling energy prices helped offset gains in the shelter and used cars categories. Core CPI increased 2.4% for the September annual period, the highest level in a year. The core personal consumption expenditure (PCE) price index, which is the Fed's preferred inflation gauge, rose by 1.8% for the 12-month period ended in August. It was the highest reading since January but remained below the central bank's 2.0% inflation target.

At the end of July, after signaling a shift to a more dovish outlook earlier in the year, the Fed cut its benchmark short-term lending rate by a quarter percentage point and a second cut in September reduced the fed funds rate to a range of 1.75% to 2.00%. In another accommodative gesture, central bank policymakers announced the end of balance sheet reduction two months earlier than previously planned. However, Fed Chairman Jerome Powell's comments describing the July cut as a "mid-cycle adjustment" disappointed investors who were looking for a firmer signal that the Fed was committed to addressing slowing growth and below-target inflation.

Fed policymakers' economic projections at their September meeting were little changed from three months earlier. In their updated inflation projections, the median forecast was for core PCE inflation to reach 1.9% in 2020 before hitting 2.0% in 2021.

Portfolio Performance

The T. Rowe Price Inflation Protected Bond Fund generated positive returns and outperformed the Bloomberg Barclays U.S. TIPS Index in the third quarter of 2019. Relative performance was driven by the following factors:

Out-of-benchmark positions added value

Out-of-benchmark exposure to short-dated investment-grade corporate bonds, agency mortgage-backed securities, and asset-backed securities added value as those sectors outperformed TIPS. The performance of corporate debt benefited from positive technical factors and increasingly accommodative Fed policy.

Longer relative duration contributed

Our long duration position also contributed as yields fell over the period and touched some of the lowest levels in three years.

Yield curve positioning detracted

The portfolio's positioning on the yield curve detracted from relative performance. Our overweight to two-year maturities detracted the most as yields fell less in the front end of the curve than in longer maturities. Longer-term yields were pressured lower by increasing growth concerns and disappointment about the Fed's policy response.

Longer-term TIPS face headwinds

Our exposure to longer-term TIPS also weighed on results as the intermediate and longer part of the yield curve were more sensitive to the decline in break-even rates.

PORTFOLIO POSITIONING AND ACTIVITY

After the Fed's hawkish tone at its July monetary policy meeting, we shifted the portfolio's modest overweight exposure to expanding break-evens to an underweight position. However, when the Fed cut rates again in September, monetary policy appeared to be closer to an appropriate level, although it remains uncertain if this will translate into higher growth and an uptick in inflation. As a result, we moved to a neutral break-even position.

Shorter-term TIPS

We are focusing on shorter-term TIPS and are underweight to intermediate maturities. While long-term inflation expectations are muted, we believe that tariffs could lead to price increases in the near term.

Duration

We made tactical adjustments to the portfolio's duration over the period in response to the Fed, an overextended rally in rates, and positive developments in economic data and trade war headlines. We had a long duration position for much of the period but gradually moved closer to a neutral duration posture in September.

Yield curve

Early in the period, our yield curve positioning was based on a steepening bias; however, the Fed's seeming reluctance to forcefully address slowing growth at its July meeting led us to shift to a neutral position on the curve.

Sector positioning

The portfolio maintained a relatively stable exposure to its diversifying out-of-benchmark positions, with a focus on shorter-duration issues that offer attractive risk-adjusted return potential. We modestly reduced our exposure to corporate bonds over the period, but the sector, along with non-agency mortgage-backed securities, remains one of our largest out-of-benchmark exposures.

MANAGER'S OUTLOOK

Inflation data picked up later in the period with core inflation readings reaching their highest level in a year. However, we believe a sustainable increase in inflation expectations still requires further action on the monetary policy front and more evidence that the economy is improving.

The Federal Reserve has worked recently to respond to slowing growth by cutting policy rates in July and September. While the Fed has struggled to maintain credibility that it is serious about addressing below-target inflation, we believe that another rate cut in the fourth quarter of 2019 and a re-expansion of the Fed's balance sheet to address a shortage of reserves in the banking system could help the central bank regain market confidence.

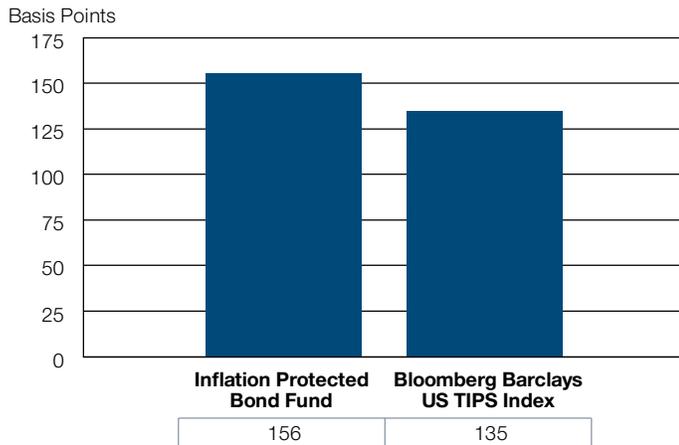
Economic growth appears to be at an inflection point with the market unsure if manufacturing will rebound from recent sluggishness or if consumer resiliency will weaken and begin a real downturn in the economy. Continued trade tensions are likely to add to market uncertainty, but if sentiment around the economy improves, inflation expectations could move higher.

Although inflation expectations are below historical averages, investors should remember that an investment in TIPS can help preserve real value in their portfolios over longer time periods—even low inflation can erode purchasing power. We will remain disciplined in our investment approach and use the firm's broad credit research capabilities to enhance the risk profile of the fund.

QUARTERLY ATTRIBUTION

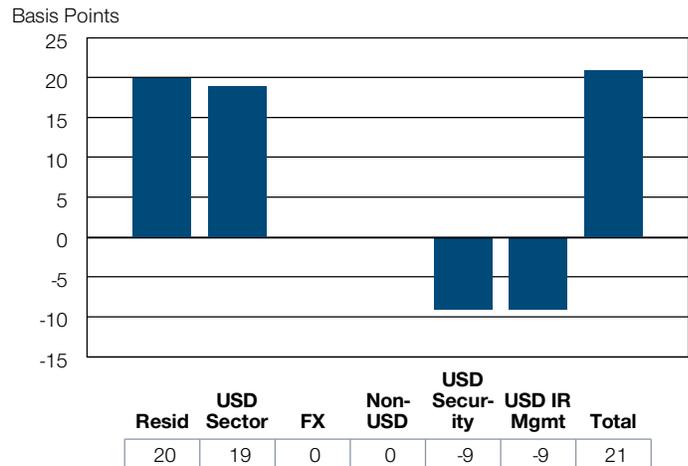
OVERALL PERFORMANCE: FUND VS. BLOOMBERG BARCLAYS US TIPS INDEX

(3 months ended September 30, 2019)



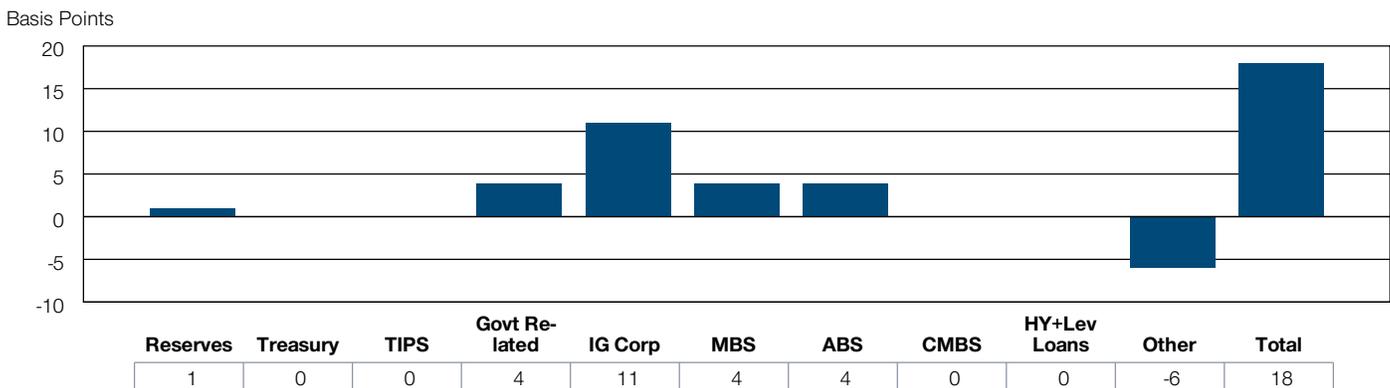
CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG BARCLAYS US TIPS INDEX

(3 months ended September 30, 2019)



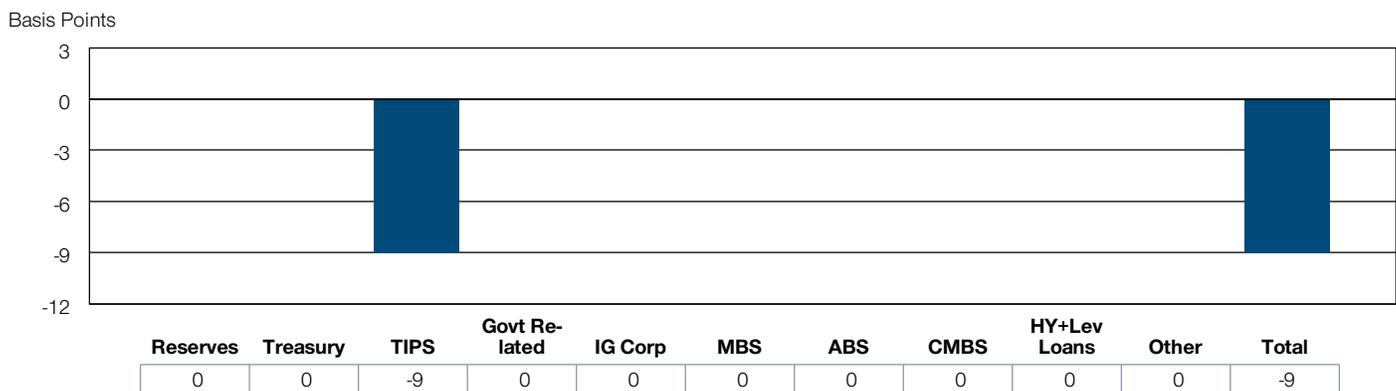
SECTOR ALLOCATION: FUND VS. BLOOMBERG BARCLAYS US TIPS INDEX

(3 months ended September 30, 2019)



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

(3 months ended September 30, 2019)



Past performance is not a reliable indicator of future performance.

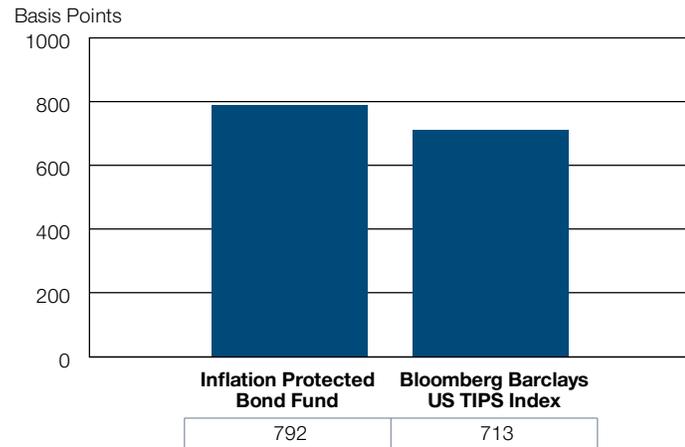
Source: Bloomberg Index Services Limited.

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

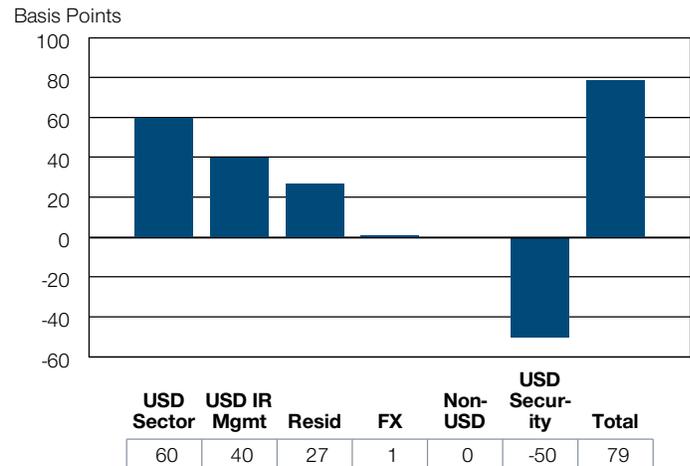
OVERALL PERFORMANCE: FUND VS. BLOOMBERG BARCLAYS US TIPS INDEX

(12 months ended September 30, 2019)



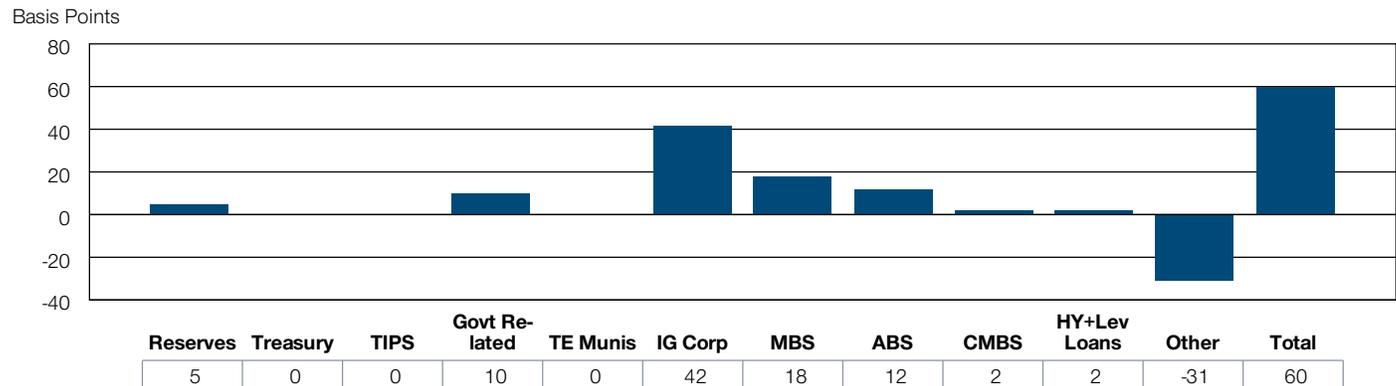
CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG BARCLAYS US TIPS INDEX

(12 months ended September 30, 2019)



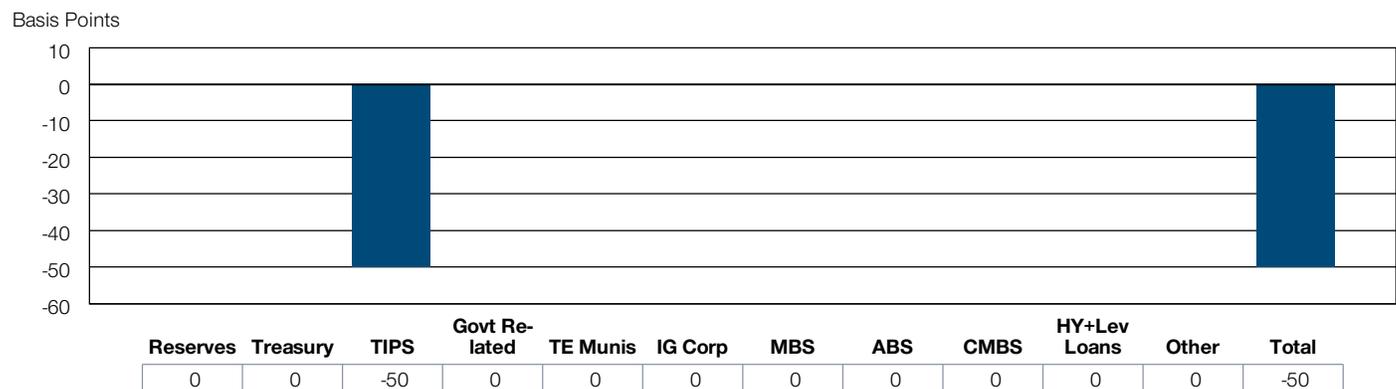
SECTOR ALLOCATION: FUND VS. BLOOMBERG BARCLAYS US TIPS INDEX

(12 months ended September 30, 2019)



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

(12 months ended September 30, 2019)



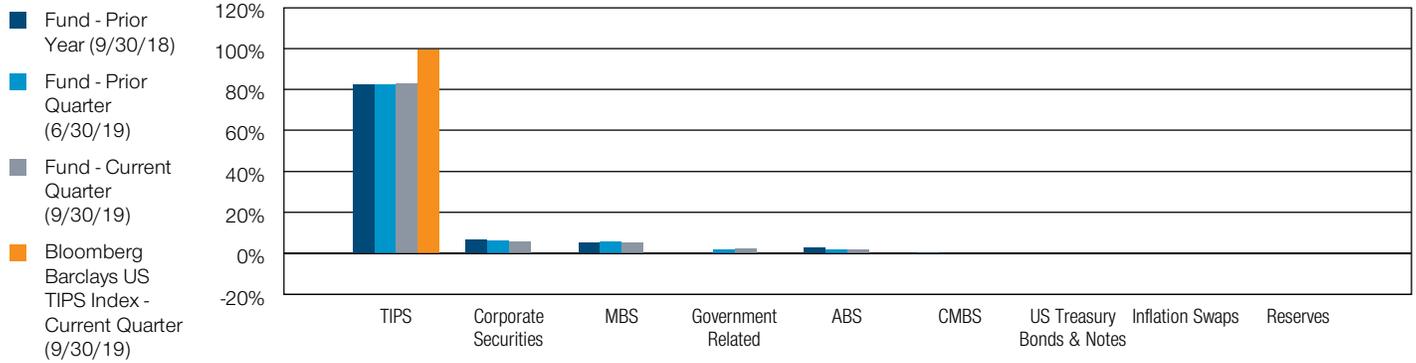
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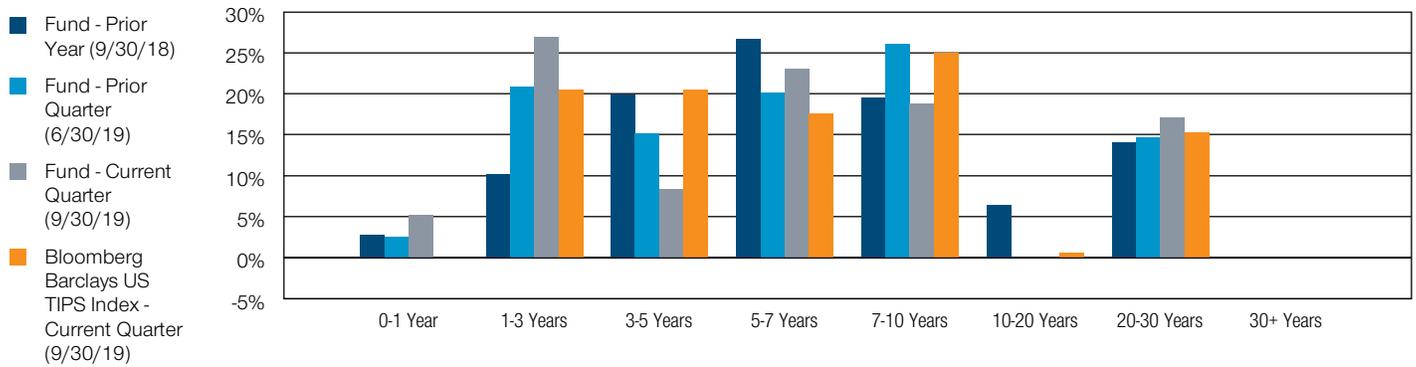
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PORTFOLIO POSITIONING

SECTOR DIVERSIFICATION – CHANGES OVER TIME



MATURITY DIVERSIFICATION – CHANGES OVER TIME



PORTFOLIO MANAGEMENT



Portfolio Manager:
Stephen Bartolini

Managed Fund Since:
2016

Joined Firm:
2010

Additional Disclosures

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Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.

Source for Maturity Diversification: T Rowe Price.

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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