



PORTFOLIO UPDATE

Short-Term Bond Fund

As of October 31, 2019



Portfolio Manager:
Michael Reinartz

Managed Fund Since:
2015

Joined Firm:
1996

INVESTMENT OBJECTIVE

The fund seeks a high level of income consistent with minimal fluctuation in principal value and liquidity.

FUND INFORMATION

Symbol	PRWBX
CUSIP	77957P105
Inception Date of Fund	March 02, 1984
Benchmark	Bloomberg Barclays 1-3 Yr US Gov/Credit Index
Expense Information (as of the most recent Prospectus)	0.44%
Fiscal Year End	May 31
12B-1 Fee	-

MARKET COMMENTARY

The investment-grade U.S. fixed income market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, produced positive returns in October led by strong performance from investment-grade corporate bonds.

U.S. Treasuries generated mostly flat performance in October and underperformed other major sectors. The Treasury curve steepened as longer-term yields rose while shorter-maturity rates fell. The yield on the 10-year U.S. Treasury note ended the month up about one basis point at 1.69% but traded in a range from 1.52% to 1.85%. The 10-year yield rose throughout most of the month on optimism for a trade deal between the U.S. and China. Demand for lower-risk securities recovered at month-end, though, driving the 10-year Treasury yield down to 1.69% from 1.84% over the last two days of October. Investors reacted to news that Chinese officials were doubtful about reaching a comprehensive long-term trade deal with the U.S. despite the initial progress. As expected, the FOMC lowered the fed funds target rate at a third straight meeting by 25 basis points to a range of 1.5% to 1.75%. The Fed also announced its decision to start re-expanding its balance sheet to address recent spikes in overnight lending rates.

Investment-grade corporate bonds generated solid results in October and generated the strongest returns among major sectors in the index. Corporate spreads grinded tighter before giving up some ground at the end of the month. The sector benefited from mostly positive developments in the U.S.-China trade negotiations. Supportive technicals and generally encouraging quarterly earnings reports were additional tailwinds.

Securitized sectors outperformed Treasuries but lagged investment-grade corporate bonds. Agency mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities all posted moderately positive absolute returns but mostly flat excess returns amid minimal movements in spreads.

PERFORMANCE

(NAV, total return)

	One Month	Three Months	Year-to-Date	One Year	Annualized				30-Day SEC Yield
					Three Years	Five Years	Ten Years	Fifteen Years	
Short-Term Bond Fund	0.41%	1.04%	4.12%	4.79%	2.15%	1.71%	1.76%	2.59%	2.05%
Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index	0.35	1.10	3.78	4.89	1.95	1.60	1.52	2.43	-

The **1-, 5-, and 10-year** annualized returns as of **9/30/19** were **4.36%, 1.69%** and **1.77%** for the fund. **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.

RISK RETURN CHARACTERISTICS

(Five Years ended October 31, 2019)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Short-Term Bond Fund	0.89%	0.21%	0.82	0.70	0.22	0.80	0.48%
Bloomberg Barclays 1-3 Yr US Gov/Credit Index	0.91	0.00	1.00	1.00	0.00	0.67	0.00

Past performance is not a reliable indicator of future performance. Figures are calculated using monthly data and are net of fees.

TOP ISSUERS

Comprising 8.0% of total net assets.

	% of Fund
Ford Motor	1.2%
GE	1.0
Citigroup	0.9
Synchrony Financial	0.9
Celgene	0.7
Bank of America	0.7
Williams Companies	0.7
Goldman Sachs	0.7
Capital One Financial	0.6
Cigna	0.6

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

PORTFOLIO CHARACTERISTICS

	Short-Term Bond Fund	Bloomberg Bar- clays 1-3 Yr US Gov/Credit Index
Number of Holdings	903	1,659
Weighted Average Maturity	2.02 years	1.88 years
Weighted Average Effective Duration	1.91 years	1.79 years
Weighted Average Coupon	3.06%	2.37%
Yield to Maturity	2.35%	1.70%
Percent of Portfolio in Cash	0.3%	-
Total Assets (all share classes)	5,472,274,979	-

SECTOR DIVERSIFICATION

	US Treas- ury Bonds Notes	Govern- ment Re- lated	Corporate Bond Notes	Mortgage- Backed Securities	CMBS	Asset- Backed Securities	Reserves
Short-Term Bond Fund	15.0%	2.8%	49.2%	14.7%	2.8%	15.1%	0.3%
Bloomberg Barclays 1-3 Yr US Gov/Credit Index	66.3	10.0	23.7	0.0	0.0	0.0	0.0
Over/Underweight	-51.3	-7.2	25.5	14.7	2.8	15.1	0.3

CREDIT QUALITY DIVERSIFICATION

	U.S. Treas*	U.S. Govt Ag**	AAA	AA	A	BBB	BB	Not Rated	Reserves
Short-Term Bond Fund	15.0%	6.9%	16.7%	6.1%	16.3%	34.2%	4.4%	0.1%	0.3%
Bloomberg Barclays 1-3 Yr US Gov/Credit Index	66.3	2.9	5.5	4.8	10.5	9.2	0.7	0.0	0.0
Over/Underweight	-51.3	4.0	11.3	1.2	5.8	24.9	3.7	0.1	0.3

*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.

MATURITY DIVERSIFICATION

	0-1 Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	10-20 Years	20-30 Years	30+ Years
Short-Term Bond Fund	22.6%	59.7%	15.3%	1.8%	0.2%	0.4%	0.0%	0.0%

Definitions

Weighted Average Effective Duration is a calculation that seeks to measure the price sensitivity of a bond Fund to changes in interest rates. In general, the longer the average duration, the greater the Fund's sensitivity to interest rates.

Additional Disclosures

Source for Bloomberg Barclays index data: Bloomberg Index Services Ltd. Copyright 2019, Bloomberg Index Services Ltd. Used with permission.

The Top Issuers excludes U.S. Treasuries, institutional funds, agencies and securitized products.

T. Rowe Price uses a custom structure for diversification reporting on this product.

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.

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.

This material should not be deemed a recommendation to buy or sell any of the securities mentioned.

This material has been prepared for informational purposes only. The views and opinions stated in this commentary are those of the portfolio managers listed as of the date indicated. These views and opinions are subject to change based on market or other conditions and may differ from those of other T. Rowe Price associates. Actual market and investment results may differ materially from expectations.

© 2019 T. Rowe Price. All rights reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the bighorn sheep design are, collectively and/or apart, trademarks or registered trademarks of T. Rowe Price Group, Inc.

T. Rowe Price Investment Services, Inc., Distributor.

2017-US-29265 201911-1003702