



PORTFOLIO UPDATE

U.S. Bond Enhanced Index Fund

As of September 30, 2019



Portfolio Manager:
Rob Larkins

Managed Fund Since:
2007

Joined Firm:
2003

INVESTMENT OBJECTIVE

The fund seeks to provide a total return that matches or incrementally exceeds the performance of the U.S. investment-grade bond market.

FUND INFORMATION

Symbol	PBDIX
CUSIP	741495105
Inception Date of Fund	November 30, 2000
Benchmark	Bloomberg Barclays US Agg Index
Expense Information (as of the most recent Prospectus)	0.30%
Fiscal Year End	October 31
12B-1 Fee	-

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	
U.S. Bond Enhanced Index Fund	-0.66%	2.34%	8.59%	10.40%	2.95%	3.38%	3.72%	4.18%	2.40%
Bloomberg Barclays U.S. Aggregate Bond Index	-0.53	2.27	8.52	10.30	2.92	3.38	3.75	4.21	-

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.

MARKET COMMENTARY

The investment-grade U.S. fixed income market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, produced negative returns in September amid rising Treasury yields and stronger risk appetite.

U.S. Treasuries posted the worst absolute returns among major sectors in the aggregate index. Treasury yields snapped back after declining significantly in August. The yield on the 10-year U.S. Treasury note reached an intramonth peak around the middle of September on the back of cooling trade tensions between the U.S. and China but retreated lower as market volatility picked back up. As expected, the FOMC cut the fed funds target by 25 bps to a range of 1.75%-2%. Nonfarm payrolls came in below expectations and expanded by 130,000 in August. In other headlines, the New York Fed was forced to conduct its first overnight and term repurchase operations since the financial crisis to relieve funding pressures in money markets and keep the fed funds rate within its target band.

Investment-grade corporate bonds generated negative absolute returns as rising yields weighed on the higher-duration sector. However, in terms of excess returns, corporate bonds were positive and outperformed all major sectors in the index as spreads tightened over the month. New issuance surged but was met with more-than-adequate demand. Returns were mixed for securitized sectors. Agency mortgage-backed sectors (MBS) performed the best among securitized debt. Higher Treasury yields relieved some prepayment risk for MBS, and relative valuations looked attractive after underperforming Treasuries so far this year. The higher-duration commercial mortgage-backed securities (CMBS) sector posted weak total returns, but excess returns were slightly positive as CMBS spreads were mostly unchanged. A lower-duration profile helped asset-backed securities (ABS) during the month, but heavier supply weighed on the sector and led to slightly wider spreads and modestly negative excess returns versus comparable Treasuries.

RISK RETURN CHARACTERISTICS

(Five Years ended September 30, 2019)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
U.S. Bond Enhanced Index Fund	3.15%	-0.06%	1.03	0.99	0.01	0.76	0.33%
Bloomberg Barclays US Agg Index	3.05	0.00	1.00	1.00	0.00	0.79	0.00

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

PORTFOLIO CHARACTERISTICS

	U.S. Bond Enhanced Index Fund	Bloomberg Barclays US Agg Index
Number of Holdings	1,039	10,793
Weighted Average Maturity	8.05 years	7.86 years
Weighted Average Effective Duration	5.82 years	5.69 years
Weighted Average Coupon	3.56%	3.27%
Yield to Maturity	2.60%	2.27%
Percent of Portfolio in Cash	0.5%	-
Total Assets (all share classes)	1,195,991,615	-

SECTOR DIVERSIFICATION

	Corporate	Mortgage	U.S. Treasury	Government Related	ABS	CMBS	High Yield	Reserves	U.S. Municipal	Emerging Market
U.S. Bond Enhanced Index Fund	34.8%	29.6%	21.6%	7.1%	3.2%	2.1%	1.1%	0.5%	0.1%	0.0%
Bloomberg Barclays US Agg Index	26.0	22.6	42.6	6.2	0.5	1.3	0.8	0.0	0.0	0.1
Over/Underweight	8.8	7.0	-21.1	0.9	2.7	0.8	0.4	0.5	0.1	-0.1

CREDIT QUALITY DIVERSIFICATION

	U.S. Treas*	U.S. Govt Ag**	AAA	AA	A	BBB	BB	Not Rated	Reserves
U.S. Bond Enhanced Index Fund	21.6%	31.5%	4.9%	6.1%	14.1%	20.2%	1.1%	0.0%	0.5%
Bloomberg Barclays US Agg Index	42.3	23.7	5.0	3.5	11.2	13.5	0.8	0.0	0.0
Over/Underweight	-20.7	7.9	-0.1	2.6	2.9	6.6	0.3	0.0	0.5

*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
U.S. Bond Enhanced Index Fund	3.4%	17.8%	32.5%	17.0%	12.2%	3.9%	12.6%	0.6%

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

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

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

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Source for Maturity Diversification: T Rowe Price.

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Unless indicated otherwise the source of all data is T. Rowe Price.

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