



STRATEGY HIGHLIGHTS

As of 30 June 2019

## US Core Bond Strategy

**Total US Core Bond Assets:**<sup>1</sup> \$39.7 billion<sup>2</sup>

Figures shown in U.S. Dollars

### INVESTMENT APPROACH

- Focuses primarily on investment-grade, U.S. fixed income securities, with the ability to integrate non-index sectors and securities for additional diversification and yield.
- Integrates proprietary credit and capital market research to identify market inefficiencies and relative value opportunities.
- Add value primarily through sector allocation and individual security selection. Can also adjust duration and term structure positioning to enhance return potential and defend against rising rates.
- Employs a risk-aware approach, with risk exposures based on conviction levels and available opportunities.
- Exploits market inefficiencies through opportunistic trading conducted by specialist teams.
- Excess Return Target of 75 basis points over a market cycle. (Not a formal objective and it can be changed without prior notice.)
- The excess target represents the portfolio manager's goal of outperforming the stated standard benchmark for the strategy, employing its standard investment guidelines. A strategy's standard benchmark may be different from a client benchmark. The target is based on an analysis of a strategy's historical performance, investment universe, anticipated future market conditions, peer performance, benchmark characteristics, investment guidelines, and other factors. The target reflects the current views of the portfolio manager and is subject to change. There is no guarantee that the target will be realized or achieved and actual results experienced by clients may vary from the target shown.

### PORTFOLIO CONSTRUCTION

- Duration is managed within +/- 20% of benchmark
- Sector exposure will typically range +/- 25% relative to the benchmark
- Non-index exposure: 0% to 5% high yield, 0% to 20% non-dollar (hedged and unhedged), 0% to 5% below investment-grade emerging markets
- Average credit quality of the portfolio is A or better
- Target tracking error should range between 0.75% and 1.50% in most market environments

### BENCHMARK

- Bloomberg Barclays U.S. Aggregate Bond Index

### PORTFOLIO MANAGEMENT

#### Stephen Bartolini, CFA<sup>®</sup>

- 19 years of investment experience; 8 years with T. Rowe Price.
- M.B.A., University of Maryland, Robert H. Smith School of Business
- B.S., George Washington University

#### PORTFOLIO SPECIALISTS

#### Jeff DeVack, CFA<sup>®</sup>

- 19 years of investment experience; 8 years with T. Rowe Price.
- B.B.A., Loyola University Maryland, Sellinger School of Business

Portfolio Specialists do not assume management responsibilities.

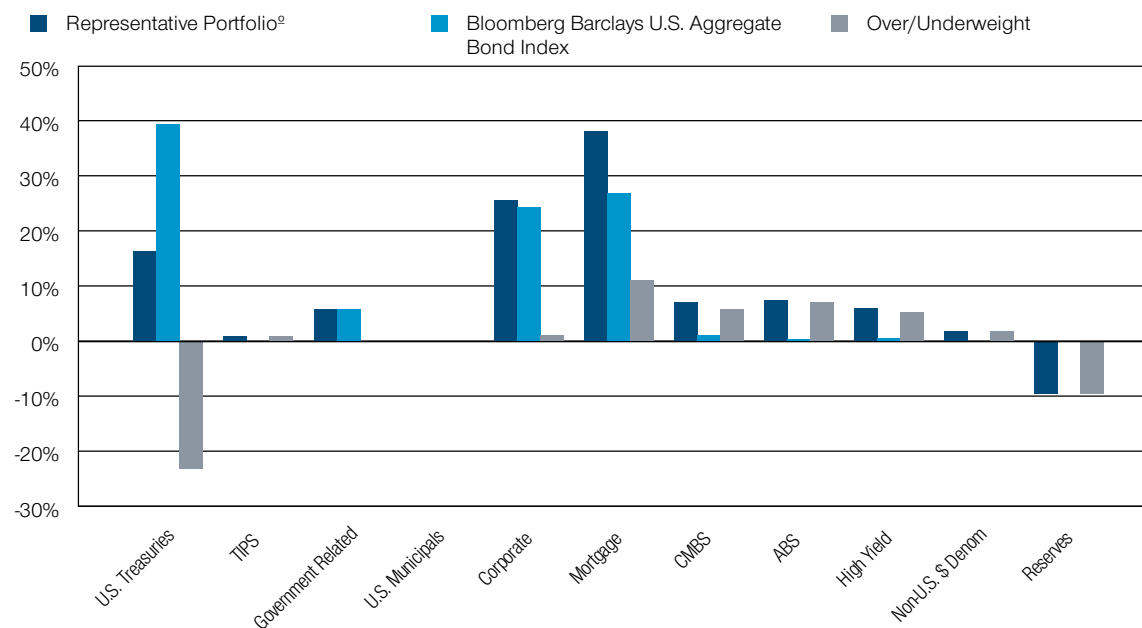
<sup>1</sup> Includes U.S.-registered mutual funds, a common trust fund, separate accounts, and sub-advised portfolios.

<sup>2</sup> Assets reported are as of 31 March 2019.

**TOP ISSUERS**

	<b>% of Representative Portfolio<sup>2</sup></b>
Republic of Colombia	1.0%
Becton, Dickinson & Company	0.7
Comcast, Special Class A	0.7
Cigna	0.6
CVS Health	0.6
GE	0.6
Vodafone	0.6
Brixmor Property	0.6
State of Israel	0.6
Verizon Wireless	0.6
<b>Total</b>	<b>6.6%</b>

**SECTOR DIVERSIFICATION**



**PORTFOLIO CHARACTERISTICS**

	<b>Representative Portfolio<sup>2</sup></b>	<b>Bloomberg Barclays U.S. Aggregate Bond Index</b>
Weighted Average Coupon	4.08%	3.28%
Weighted Average Maturity	10.31 years	7.83 years
Weighted Average Effective Duration	5.84 years	5.66 years
Yield to Maturity	3.35%	2.50%
Average Credit Quality	AA-	AA1/AA2
Number of Holdings	1,470	10,493

<sup>2</sup>Please see Additional Disclosures section for further information.

**PERFORMANCE**

	<b>Three Months</b>	<b>Year-to- Date</b>	<b>One Year</b>	<b>Annualized</b>			
				<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>	<b>Fifteen Years</b>
US Core Bond Composite (Gross)	3.31%	6.78%	8.29%	2.94%	3.34%	4.69%	5.05%
US Core Bond Composite (Net)	3.24	6.63	7.99	2.66	3.05	4.40	4.76
Bloomberg Barclays U.S. Aggregate Bond Index	3.08	6.11	7.87	2.31	2.95	3.90	4.27
Value Added (Gross)	0.23	0.67	0.42	0.63	0.39	0.79	0.78
Value Added (Net)	0.16	0.52	0.12	0.35	0.10	0.50	0.49

**Past performance is not a reliable indicator of future performance.**

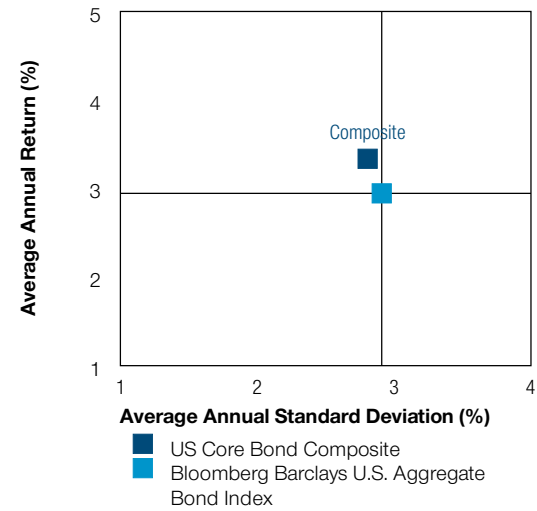
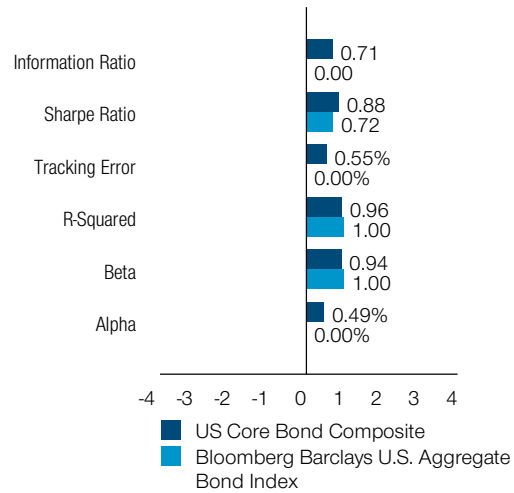
Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the highest applicable management fee that would be charged based on the fee schedule contained within this material, without the benefit of breakpoints. Gross and net performance returns reflect the reinvestment of dividends and are net of all non-reclaimable withholding taxes on dividends, interest income, and capital gains.

Supplemental information. Please see the GIPS® Disclosure page for additional information on the composite. Monthly Composite performance is available upon request.

Source for Bloomberg Barclays data: Bloomberg Index Services Limited. See additional disclosures.

**RISK/RETURN CHARACTERISTICS**

Five Years ended 30 June 2019



**Past performance is not a reliable indicator of future performance.** Statistics based on monthly gross returns. Returns would have been lower as the result of the deduction of applicable fees.

**FEE SCHEDULE****US Core Bond Composite**

The US Core Bond Composite seeks current income and capital appreciation primarily through investment in sectors and securities within the Bloomberg Barclays U.S. Aggregate Bond Index. The strategy may also invest in high yield and non-dollar bonds (hedged and unhedged). (Created June 2006) (Formerly known as Core Plus Limited Composite and U.S. Core Plus Limited Fixed Income Composite) SUB

First \$50 million	27.5 basis points
Next \$50 million	22.5 basis points
Above \$100 million	20 basis points*
Above \$250 million	15 basis points*

\*A transitional credit is applied to the fee schedule as assets approach or fall below the break point.

## GIPS® Disclosure

## US Core Bond Composite

Period Ended June 30, 2019

Figures Shown in U.S. dollar

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD 2019
Gross Annual Returns (%)	13.19	7.84	6.83	6.50	-1.64	6.37	0.74	3.23	4.54	-0.17	6.78
Net Annual Returns (%) <sup>1</sup>	12.88	7.55	6.54	6.21	-1.91	6.08	0.46	2.95	4.25	-0.44	6.63
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	6.11
Composite 3-Yr St. Dev.	4.41	4.40	2.82	2.27	2.89	2.84	3.02	2.94	2.73	2.71	2.90
Bloomberg Barclays U.S. Aggregate Bond Index 3-Yr St. Dev.	4.11	4.17	2.78	2.38	2.71	2.63	2.88	2.98	2.78	2.84	2.99
Composite Dispersion	N/A	N/A	N/A	N/A	0.12	N/A	0.05	0.05	0.09	0.04	N/A
Comp. Assets (Millions)	11,228.2	17,072.4	19,600.5	25,241.1	27,431.4	33,461.0	34,883.3	39,220.1	45,315.4	39,378.2	40,456.7
# of Accts. in Comp.	3	5	6	6	6	6	8	8	8	8	7
Total Firm Assets (Billions)	395.2	485.0	493.1	579.8	696.3	749.6	772.4	817.2	1,000.2	972.7	1,136.4 <sup>2</sup>

<sup>1</sup>Reflects deduction of highest applicable fee schedule without benefit of breakpoints. Investment return and principal value will vary. Past performance is not a reliable indicator of future performance. Monthly composite performance is available upon request. **See below for further information related to net of fee calculations.**

<sup>2</sup>Preliminary - subject to adjustment.

T. Rowe Price (TRP) has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). TRP has been independently verified for the 22-year period ended June 30, 2018 by KPMG LLP. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

TRP is a U.S. investment management firm with various investment advisers registered with the U.S. Securities and Exchange Commission, the U.K. Financial Conduct Authority, and other regulatory bodies in various countries and holds itself out as such to potential clients for GIPS purposes. TRP further defines itself under GIPS as a discretionary investment manager providing services primarily to institutional clients with regard to various mandates, which include U.S., international, and global strategies but excluding the services of the Private Asset Management group. The minimum asset level for equity portfolios to be included in composites is \$5 million and prior to January 2002 the minimum was \$1 million. The minimum asset level for fixed income and asset allocation portfolios to be included in composites is \$10 million; prior to October 2004 the minimum was \$5 million; and prior to January 2002 the minimum was \$1 million. Valuations are computed and performance reported in U.S. dollars.

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the highest applicable management fee that would be charged based on the fee schedule contained within this material, without the benefit of breakpoints. Gross and net performance returns reflect the reinvestment of dividends and are net of nonreclaimable withholding taxes on dividends, interest income, and capital gains. Effective June 30, 2013, portfolio valuation and assets under management are calculated based on the closing price of the security in its respective market. Previously portfolios holding international securities may have been adjusted for after-market events. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within a composite for the full year. Dispersion is not calculated for the composites in which there are five or fewer portfolios.

The strategy utilizes on a regular basis a variety of derivative instruments such as (but not limited to) currency forwards, fixed income futures, interest rate swaps, credit default swaps, synthetic indices, and options on all mentioned instruments, primarily to hedge certain market risks associated with the strategy's objective, to express directional opportunities on specific markets and to facilitate liquidity management.

Benchmarks are taken from published sources and may have different calculation methodologies, pricing times, and foreign exchange sources from the composite.

Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow greater than or equal to 15% of portfolio assets. The temporary removal of such an account occurs at the beginning of the measurement period in which the significant cash flow occurs and the account re-enters the composite on the last day of the current month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request.

The firm's list of composite descriptions and/or a presentation that adheres to the GIPS® standards are available upon request.

A portfolio management change occurred effective January 31, 2018. There were no changes to the investment program or strategy related to this composite.

## ADDITIONAL DISCLOSURES

Portfolio Construction: There is no guarantee that the investment will remain within the anticipated ranges of exposure.

Weighted Average Maturity is an average of the maturities of the underlying bonds, with each bond's maturity weighted by the percentage of Composite assets it represents. Weighted Average Effective Duration is a calculation that seeks to measure the price sensitivity of the Composite to changes in interest rates. In general, the longer the average maturity or duration, the greater the Composite's sensitivity to interest rates. Duration is a better indicator of price sensitivity because it takes into account the time value of cash flows.

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

The specific securities identified and described do not represent all of the securities purchased or sold for this Composite. This information is not intended to be a recommendation to take any particular investment action and is subject to change. No assumption should be made that the securities identified and discussed were or will be profitable.

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

Unless otherwise noted, returns are shown with gross dividends reinvested.

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

Source for Sector Diversification: T. Rowe Price

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.

The representative portfolio is an account in the composite we believe most closely reflects current portfolio management style for the strategy. Performance is not a consideration in the selection of the representative portfolio. The characteristics of the representative portfolio shown may differ from those of other accounts in the strategy. Please see the GIPS Disclosure page for additional information on the composite.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.

## Risks

The following risks are materially relevant to the portfolio.

### General Portfolio Risks

**Capital risk** - The value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different. **Counterparty risk** - An entity with which the portfolio transacts may not meet its obligations to the portfolio. **Geographic concentration risk** - To the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area. **Hedging risk** - A portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended. **Investment portfolio risk** - Investing in portfolios involves certain risks an investor would not face if investing in markets directly. **Management risk** - The investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably). **Operational risk** - Operational failures could lead to disruptions of portfolio operations or financial losses.

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