



PORTFOLIO UPDATE

# Inflation Protected Bond Fund

As of September 30, 2020

Portfolio Manager:	Managed Fund Since:	Joined Firm:
Stephen Bartolini	2016	2010
Michael Sewell	2020	2004

## INVESTMENT OBJECTIVE

The fund seeks to provide inflation protection and income by investing primarily in inflation-protected debt securities.

## 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) 0.40% (Net)
Fiscal Year End	May 31
12B-1 Fee	-

\*The Fund operates under a contractual expense limitation that expires on September 30, 2021.

## PERFORMANCE

(NAV, total return)

	One Month	Three Months	Year-to-Date	Annualized					30-Day SEC Yield	30-Day SEC Yield w/o Waiver <sup>o</sup>
				One Year	Three Years	Five Years	Ten Years	Fifteen Years		
Inflation Protected Bond Fund	-0.38%	2.83%	9.13%	9.79%	5.82%	4.29%	3.18%	3.85%	3.50%	3.34%
Bloomberg Barclays U.S. TIPS Index	-0.37	3.03	9.22	10.08	5.79	4.61	3.57	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](http://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](http://troweprice.com). Read it carefully.** The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any. Yields have not been adjusted for inflation. Because inflation fluctuates, it cannot be projected into the future precisely enough to be included in the yield calculation.

<sup>o</sup>Excludes the effect of contractual expense limitation arrangements. If the expense waiver was not in effect for the 30-Day period shown, there may not be a difference in the 30-day SEC yields shown above. 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. For Sourcing Information, please see Additional Disclosures.

## MARKET COMMENTARY

After rallying since April, Treasury inflation protected securities (TIPS) faltered during September. At the broad sector level, TIPS posted negative returns and underperformed nominal Treasuries, which produced modest gains driven by coupon return.

The Federal Open Market Committee (FOMC) left its policy interest rate unchanged in September, as expected. In its official statement, the committee reiterated that it will allow inflation to run "moderately above 2 percent for some time," consistent with its new framework of flexible average inflation targeting. Front-end nominal yields were little changed over the month as the FOMC signaled that its policy rate will likely stay near 0% through at least 2023. Intermediate- and long-term nominal yields decreased slightly, led lower by sell-offs in equity and credit markets as well as waning expectations through most of the month for another fiscal stimulus package. The 10-year Treasury note yield declined to 0.69% from 0.72% at the end of August.

By contrast, real yields broadly increased, which caused inflation breakeven rates to fall. The 10-year break-even spread tightened to 1.63% from 1.80% over the month, aided by weakness in equity and oil markets and a stronger U.S. dollar. Actual inflation measures released during September showed some upward momentum in consumer prices and slightly surpassed estimates. Both the headline and core consumer price index (CPI) readings advanced 0.4% in August. However, gains in select CPI categories appeared to be temporary and driven mostly by pandemic-related demand, which disappointed investors and led to more selling activity in TIPS.

The latest data pointed to continued growth but slowing momentum in the U.S. economy, with jobless claims remaining at elevated levels. Nonfarm payrolls grew by 1.37 million in August, which was just shy of consensus forecasts and down from the pace of hiring in July. However, housing sales and homebuilder sentiment remained robust in August, and manufacturing surveys released in September showed further expansion for the sector.

**RISK RETURN CHARACTERISTICS**

(Five Years ended September 30, 2020)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Inflation Protected Bond Fund	3.53%	-0.25%	0.98	0.98	-0.58	0.88	0.55%
Bloomberg Barclays US TIPS Index	3.54	0.00	1.00	1.00	0.00	0.97	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**

	Inflation Protected Bond Fund	Bloomberg Barclays US TIPS Index
Number of Holdings	127	42
Weighted Average Maturity	8.57 years	8.39 years
Weighted Average Effective Duration	5.20 years	5.18 years
Weighted Average Coupon	0.78%	0.75%
Yield to Maturity	0.81%	0.68%
Percent of Portfolio in Cash	0.8%	-
Total Assets (all share classes)	518,271,415	-

**SECTOR DIVERSIFICATION**

	TIPS	Government Related	MBS	ABS	CMBS	Corporate Securities	Inflation Swaps	Reserves
Inflation Protected Bond Fund	86.8%	4.2%	4.8%	1.2%	0.1%	2.0%	0.2%	0.5%
Bloomberg Barclays US TIPS Index	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Over/Underweight</b>	<b>-13.2</b>	<b>4.2</b>	<b>4.8</b>	<b>1.2</b>	<b>0.1</b>	<b>2.0</b>	<b>0.2</b>	<b>0.5</b>

**CREDIT QUALITY DIVERSIFICATION**

	U.S. Treas*	U.S. Govt Ag**	AAA	AA	A	BBB	Not Rated	Reserves
Inflation Protected Bond Fund	86.8%	2.1%	5.1%	0.3%	1.5%	3.3%	0.2%	0.8%
Bloomberg Barclays US TIPS Index	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Over/Underweight</b>	<b>-13.2</b>	<b>2.1</b>	<b>5.1</b>	<b>0.3</b>	<b>1.5</b>	<b>3.3</b>	<b>0.2</b>	<b>0.8</b>

\*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.

**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
Inflation Protected Bond Fund	4.1%	21.0%	11.6%	22.5%	25.2%	0.0%	15.6%	0.0%
Bloomberg Barclays US TIPS Index	0.0	20.7	24.2	14.6	23.0	1.7	15.9	0.0
<b>Over/Underweight</b>	<b>4.1</b>	<b>0.3</b>	<b>-12.7</b>	<b>7.9</b>	<b>2.3</b>	<b>-1.7</b>	<b>-0.3</b>	<b>0.0</b>

For Sourcing Information, please see Additional Disclosures.

## 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.

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

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