



PORTFOLIO UPDATE

# Short-Term Bond Fund

As of September 30, 2020



**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	-

## 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	0.14%	0.86%	3.68%	4.30%	3.05%	2.40%	1.78%	2.77%	0.95%	
Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index	0.01	0.23	3.12	3.73	2.84	2.09	1.57	2.60	-	

**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. 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. For Sourcing Information, please see Additional Disclosures.

## MARKET COMMENTARY

The investment-grade U.S. fixed income market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, generated modestly negative returns in September. Treasury yields fell slightly in the intermediate and longer portions of the curve. However, corporate credit spreads widened across most subsectors, and agency mortgage-backed securities posted negative returns.

U.S. Treasuries generated moderately positive absolute returns amid slightly lower yields for most maturities. During the month, Federal Reserve Chair Jerome Powell announced that the Federal Open Market Committee (FOMC) will keep its policy rate near 0% until inflation exceeds 2% for some time, which helped keep short-term yields anchored at low levels. Growing concerns about the prospects for a fiscal stimulus package and signs that the economic recovery is moderating sent yields lower. The economy added 1.37 million jobs in August, marginally below expectations, and claims for initial unemployment benefits continued to run above 800,000 per week.

Investment-grade corporate bonds lagged other sectors in the index. Corporate spreads vacillated initially but widened later in the month. Macroeconomic uncertainty, equity losses, rising European coronavirus cases, and domestic political uncertainty fueled risk-off sentiment and pushed spreads higher. New supply was heavy for most of the period. While demand was steady at times, risk appetite decreased later in the month and led to a less-favorable technical backdrop.

Asset-backed securities and commercial mortgage-backed securities held up relatively well despite a busy month of new issuance and generated positive returns. Spreads ended the month slightly tighter for both sectors as new supply was met with strong demand. Agency mortgage-backed securities, on the other hand, posted negative returns as increased issuance and elevated prepayment and forbearance risks all weighed on the sector.

**RISK RETURN CHARACTERISTICS**

(Five Years ended September 30, 2020)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Short-Term Bond Fund	1.85%	0.35%	0.95	0.21	0.18	0.67	1.66%
Bloomberg Barclays 1-3 Yr US Gov/Credit Index	0.96	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.

**TOP ISSUERS**

Comprising 7.3% of total net assets.

	% of Fund
AbbVie	0.9%
Charter Communications	0.9
Bunge Limited	0.8
GE	0.7
General Motors	0.7
Citigroup	0.7
Goldman Sachs	0.7
UBS	0.7
Energy Transfer	0.7
British American Tobacco	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	977	1,643
Weighted Average Maturity	2.29 years	1.91 years
Weighted Average Effective Duration	1.90 years	1.83 years
Weighted Average Coupon	2.53%	2.04%
Yield to Maturity	1.26%	0.32%
Percent of Portfolio in Cash	0.5%	-
Total Assets (all share classes)	5,612,193,992	-

**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	11.8%	2.1%	51.3%	14.1%	4.6%	15.5%	0.5%
Bloomberg Barclays 1-3 Yr US Gov/Credit Index	65.5	10.9	23.6	0.0	0.0	0.0	0.0
<b>Over/Underweight</b>	<b>-53.7</b>	<b>-8.7</b>	<b>27.7</b>	<b>14.1</b>	<b>4.6</b>	<b>15.5</b>	<b>0.5</b>

For Sourcing Information, please see Additional Disclosures.

**CREDIT QUALITY DIVERSIFICATION**

	U.S. Treas*	U.S. Govt Ag**	AAA	AA	A	BBB	BB	Not Rated	Reserves
Short-Term Bond Fund	11.8%	4.0%	18.6%	7.2%	18.7%	35.2%	3.9%	0.1%	0.5%
Bloomberg Barclays 1-3 Yr US Gov/Credit Index	65.5	3.8	5.2	4.0	12.1	9.2	0.3	0.0	0.0
<b>Over/Underweight</b>	<b>-53.7</b>	<b>0.2</b>	<b>13.4</b>	<b>3.2</b>	<b>6.6</b>	<b>26.0</b>	<b>3.6</b>	<b>0.1</b>	<b>0.5</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
Short-Term Bond Fund	20.6%	55.2%	21.8%	2.0%	0.4%	0.0%	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.

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