



PORTFOLIO UPDATE

Limited-Term Bond Portfolio-II

As of December 31, 2021



Portfolio Manager:
Michael Reinartz

Managed Portfolio Since:
2015

Joined Firm:
1996

INVESTMENT OBJECTIVE

The fund seeks a high level of income consistent with moderate fluctuations in principal value.

PORTFOLIO INFORMATION

Symbol	N/A
CUSIP	77954R302
Inception Date of Portfolio	March 31, 2005
Benchmark	Bloomberg 1-3 Yr US Gov/Credit Index
Expense Information (as of the most recent Prospectus)*	0.95% (Gross) 0.75% (Net)
Fiscal Year End	December 31
12B-1 Fee	0.25%

*The Portfolio operates under a contractual expense limitation that expires on April 30, 2022.

PERFORMANCE

(NAV, total return)

	Annualized							30-Day SEC Yield	30-Day SEC Yield w/o Waiver [°]
	One Month	Three Months	One Year	Three Years	Five Years	Ten Years	Fifteen Years		
Limited-Term Bond Portfolio-II	-0.13%	-0.58%	-0.13%	2.79%	2.02%	1.39%	2.11%	0.70%	0.51%
Bloomberg 1-3 Year U.S. Government/Credit Bond Index	-0.15	-0.56	-0.47	2.28	1.85	1.39	2.25	-	-

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 Portfolio's total return figures reflect the reinvestment of dividends and capital gains, if any. **Figures shown do not reflect fees at the insurance product or contract level; if these fees were included, returns would be lower.**

[°]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.

The fund is subject to the risks of fixed income investing, including interest rate risk and credit risk. For Sourcing Information, please see Additional Disclosures.

MARKET COMMENTARY

The investment-grade U.S. fixed income market, as measured by the Bloomberg U.S. Aggregate Bond Index, produced negative total returns in December as yields moved higher across the Treasury curve. A risk-on environment was supported by growing evidence that the omicron variant, while highly contagious, causes less severe symptoms than prior coronavirus variants. For the calendar year, index returns were negative in 2021 for the first time since 2013.

The 2-/10-year portion of the Treasury yield curve flattened during the month as the two-year Treasury yield rose to its highest level since the start of the pandemic, while yield increases at the long end of the curve were more muted. The benchmark 10-year Treasury yield finished December at 1.52% after starting the month at 1.43%.

Besides the pandemic, investors were also focused on the Federal Reserve's December monetary policy meeting, although the hawkish outcome seemed to be largely anticipated by the market. The Fed announced it will increase its pace of tapering to USD 30 billion a month and expects to end its quantitative easing program by March 2022. In addition, the central bank now projects three rate hikes in 2022, up from the one it predicted at its September meeting.

The major credit sectors produced negative total returns as a result of rising Treasury yields. In terms of excess returns, investment-grade corporates delivered the strongest results, helped by limited supply, a stronger risk appetite, and tighter credit spreads. Agency mortgage-backed securities held up well despite the Fed's accelerated tapering and benefited from a reduction in rate volatility and light issuance. Commercial mortgage-backed securities and asset-backed securities also produced positive excess returns as risk sentiment rebounded and spreads stabilized following recent supply-driven widening.

RISK RETURN CHARACTERISTICS

(Five Years ended December 31, 2021)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Limited-Term Bond Portfolio-II	1.99%	0.16%	1.02	0.18	0.09	0.45	1.83%
Bloomberg 1-3 Yr US Gov/Credit Index	0.91	0.00	1.00	1.00	0.00	0.81	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 Portfolio
Imperial Brands	1.2%
PG&E	0.9
Hyundai Motor	0.8
Charter Communications	0.8
Synchrony Financial	0.8
Sinosing Services Pte	0.7
AbbVie	0.7
Avolon Holdings	0.7
Energy Transfer	0.7
Crown Castle International	0.7

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

PORTFOLIO CHARACTERISTICS

	Limited-Term Bond Portfolio-II	Bloomberg 1-3 Yr US Gov/Credit Index
Number of Holdings	718	1,618
Weighted Average Maturity	1.98 years	1.91 years
Weighted Average Effective Duration	1.81 years	1.85 years
Weighted Average Coupon	2.06%	1.66%
Percent of Portfolio in Cash	1.5%	-
Total Assets (all share classes)	189,952,143	-

SECTOR DIVERSIFICATION

	US Treas- ury Bonds Notes	TIPS	Govern- ment Re- lated	Corporate Bond Notes	Mortgage- Backed Securities	CMBS	Asset- Backed Securities	Reserves
Limited-Term Bond Portfolio-II	18.9%	0.5%	1.8%	46.1%	13.2%	6.4%	11.4%	1.5%
Bloomberg 1-3 Yr US Gov/Credit Index	68.2	0.0	9.7	22.1	0.0	0.0	0.0	0.0
Over/Underweight	-49.4	0.5	-7.9	24.0	13.2	6.4	11.4	1.5

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
Limited-Term Bond Portfolio-II	19.4%	3.2%	13.4%	6.8%	22.3%	32.5%	0.9%	0.1%	1.5%
Bloomberg 1-3 Yr US Gov/Credit Index	68.2	3.2	4.8	5.6	10.4	7.8	0.0	0.0	0.0
Over/Underweight	-48.9	0.0	8.6	1.3	11.8	24.7	0.9	0.1	1.5

* 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.

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
Limited-Term Bond Portfolio-II	17.3%	65.7%	15.1%	1.5%	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 Portfolio to changes in interest rates. In general, the longer the average duration, the greater the Portfolio's sensitivity to interest rates.

Additional Disclosures

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