



PORTFOLIO UPDATE

# Short-Term Bond Fund

As of February 28, 2023



**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 1-3 Yr US Gov/Credit Index
Expense Information (as of the most recent Prospectus)	0.43%
Fiscal Year End	May 31
12B-1 Fee	-

## MARKET COMMENTARY

The U.S. investment-grade (IG) fixed income market, as measured by the Bloomberg U.S. Aggregate Bond Index, recorded negative results in February that erased most of the gains produced during January's strong rally. Treasury yields rebounded during the month as surprisingly robust employment and inflation data led investors to price in a longer period of high interest rates than previously expected.

Yields in the two- to five-year portion of the Treasury curve increased the most during the month, leading to a deeper inversion in the closely watched 2-year/10-year segment of the curve. After starting the month at 3.52%, the yield of the benchmark 10-year Treasury note increased to 3.92% by period-end, the highest level since November, according to Treasury Department data.

The month opened with the Federal Reserve raising its short-term lending rate by a quarter point, as was widely expected; however, market expectations for the future path of rate hikes were jolted by several upside economic data surprises. Notably, the Labor Department's monthly jobs report showed that employers added 517,000 nonfarm jobs in January, roughly triple consensus estimates and the biggest gain in six months, while the unemployment rate slipped to 3.4%, its lowest level since 1969. In addition, retail sales jumped 3.0% in January, the biggest increase in 10 months and well above expectations. Meanwhile, the producer price index and core PCE price index slowed from previous highs but were larger than expected.

Rising Treasury yields weighed on total returns in all the major sectors in the benchmark, while excess returns were mixed. IG corporates delivered the weakest excess returns, weighed down by heavy issuance, record outflows from major corporate bond exchange-traded funds, and an equity downturn following four months of surprisingly strong performance, while mortgage-backed securities faced headwinds amid elevated interest rate volatility. Conversely, asset-backed securities produced positive excess returns amid strong demand for high-quality short-term issues.

## 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	-0.88%	0.92%	0.45%	-2.84%	-0.47%	1.15%	1.00%	1.69%	4.32%
Bloomberg 1-3 Year U.S. Government/Credit Bond Index	-0.74	0.24	0.05	-2.51	-0.75	1.00	0.87	1.37	-

The **1-, 5-, and 10-year** annualized returns as of **12/31/22** were **-4.52%, 1.04%** and **0.96%** for the fund. **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.

**RISK RETURN CHARACTERISTICS**

(Five Years ended February 28, 2023)

	Annualized Std. Deviation	Alpha	Beta	R-Squared	Information Ratio	Sharpe Ratio	Tracking Error
Short-Term Bond Fund	2.43%	0.20%	1.12	0.51	0.09	-0.08	1.71%
Bloomberg 1-3 Yr US Gov/Credit Index	1.60	0.00	1.00	1.00	0.00	-0.21	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 7.8% of total net assets.

	% of Fund
Morgan Stanley	1.1%
Bank of America	0.9
Energy Transfer	0.9
Vistra	0.8
Goldman Sachs	0.8
AbbVie	0.7
JPMorgan Chase	0.7
Wells Fargo	0.7
Celanese	0.6
Verizon Wireless	0.6

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

**PORTFOLIO CHARACTERISTICS**

	Short-Term Bond Fund	Bloomberg 1-3 Yr US Gov/Credit Index
Number of Holdings	872	1,913
Weighted Average Maturity	2.30 years	1.88 years
Weighted Average Effective Duration	1.87 years	1.78 years
Weighted Average Coupon	3.38%	2.28%
Yield to Maturity	5.82%	5.05%
Percent of Portfolio in Cash	0.7%	-
Total Assets (all share classes)	4,768,850,721	-

**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	17.5%	2.0%	48.5%	11.9%	5.9%	13.4%	1.1%
Bloomberg 1-3 Yr US Gov/Credit Index	66.4	9.6	24.0	0.0	0.0	0.0	0.0
<b>Over/Underweight</b>	<b>-48.9</b>	<b>-7.7</b>	<b>24.5</b>	<b>11.9</b>	<b>5.9</b>	<b>13.4</b>	<b>1.1</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	17.4%	3.4%	15.1%	10.4%	24.1%	27.5%	0.8%	0.1%	1.0%
Bloomberg 1-3 Yr US Gov/Credit Index	66.4	3.5	4.7	5.6	11.0	8.8	0.0	0.0	0.0
<b>Over/Underweight</b>	<b>-48.9</b>	<b>0.0</b>	<b>10.4</b>	<b>4.8</b>	<b>13.2</b>	<b>18.7</b>	<b>0.8</b>	<b>0.1</b>	<b>1.0</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	18.0%	56.8%	16.6%	4.7%	2.1%	1.8%	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.

**Additional Disclosures**

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