T.Rowe Price®
INVEST WITH CONFIDENCE

QUARTERLY REVIEW

Short-Term Bond Fund – Multi-Class

As of June 30, 2021

PORTFOLIO HIGHLIGHTS

The portfolio outperformed its benchmark, the Bloomberg Barclays 1-3 Year U.S. Government/Credit Index, for the three-month period ended June 30, 2021.

Relative performance drivers:

- Security selection within investment-grade corporate bonds and an overweight allocation to the sector aided relative performance. Holdings in the financials, banking, and energy sectors generated gains.
- Out-of-benchmark allocations to asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) were beneficial as securitized sectors continued to recover from liquidity issues brought on by the coronavirus pandemic and offered attractive relative yields amid tight valuations across spread sectors.
- An out-of-benchmark position in mortgage-backed securities (MBS) detracted.

Additional highlights:

- We maintain a strategic overweight to corporate bonds, along with a corresponding underweight to U.S. Treasuries, as we look to add incremental yield to the portfolio.
- Active sector and security selection are likely to play critical roles in generating yield and managing risk, and we are confident that our research platform is well positioned to capitalize on the current market environment.

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	–
Total Assets (all share classes)	$6,103,838,674
Percent of Portfolio in Cash	0.0%

Please refer to the detailed Fund Information section, at the end of the report, for additional expense information and available share classes.

PERFORMANCE

(NAV, total return)

	Inception Date	Three Months	Year-to-Date	One Year	Annualized Three Years	Annualized Five Years	Annualized Ten Years	Annualized Fifteen Years	30-Day SEC Yield
Short-Term Bond Fund	Mar 02 1984	0.10%	0.23%	1.93%	3.43%	2.33%	1.77%	2.73%	0.62%
Short-Term Bond Fund - Advisor Class	Dec 31 2004	0.23	0.28	1.82	3.18	2.06	1.49	2.44	0.28
Short-Term Bond Fund - I Class	Dec 17 2015	0.32	0.47	2.22	3.51	2.47	1.85	2.78	0.66
Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index		0.04	0.00	0.44	2.96	1.88	1.49	2.49	–

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Short-Term Bond Fund	Mar 02 1984	1.46%	2.86%	0.30%	0.60%	0.60%	1.58%	1.33%	1.38%	4.31%	4.54%
Short-Term Bond Fund - Advisor Class	Dec 31 2004	1.19	2.54	0.01	0.30	0.09	1.50	1.02	1.06	4.23	3.98
Short-Term Bond Fund - I Class	Dec 17 2015	1.46	2.86	0.30	0.60	0.39	1.90	1.64	1.49	4.18	4.64
Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index		1.59	1.26	0.64	0.77	0.65	1.28	0.84	1.60	4.03	3.33

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 1-877-804-2315 or visit troweprice.com. Read it carefully. The Fund's total return figures reflect the reinvestment of dividends and capital gains, if any.
The T. Rowe Price Fund shares the portfolio of an existing fund (the original share class of the fund referred to as the "investor class"). The total return figures for the I Class shares have been calculated using the performance data of the investor class up to the inception date of the I Class (12/17/15) and the actual performance results of the I Class since that date. Because the I Classes are expected to have lower expenses than the Investor Classes, the I Class performance, had it existed over the periods shown, would have been higher.
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.

PERFORMANCE REVIEW

Credit markets continued their broad-based rally
Coronavirus vaccine distribution and generally encouraging first-quarter earnings were key drivers of sentiment for riskier assets, and positive economic data provided further support. Retail sales improved before falling later in the period as personal spending softened. The manufacturing PMI rose alongside economic reopenings, and the services PMI reached an all-time high in May before receding. Several inflation indicators, including headline CPI, core CPI, and the core PCE price index, rose on a year-over-year basis in May.

The Federal Reserve made no significant changes to monetary policy, keeping rates unchanged and continuing asset purchases. However, the central bank was forced to consider whether rising inflation figures were the result of transitory factors. At their June meeting, Federal Reserve policymakers raised their GDP growth and inflation projections for 2021. While the central bank maintained an accommodative stance, the dot plot of interest rate projections showed two rate hikes by year-end 2023, indicating an earlier start to tightening than previously thought.

U.S. Treasuries produced positive absolute returns. Front-end yields rose, while longer-term U.S. Treasuries rallied as their yield advantage over sovereign debt in other global markets brought heightened demand. The yield of the two-year Treasury note rose from 0.16% to 0.25%, and the yield of the 10-year Treasury fell from 1.74% to 1.45% by period-end.

The U.S. investment-grade fixed income market generated positive returns in the second quarter. Corporate bonds outpaced the broader market, and short-term corporate bond spreads tightened as steady inflows countered higher-than-expected levels of new issuance. Spread movements in the securitized sector were mixed after the Federal Reserve began discussing the potential for tapering asset purchases.

The T. Rowe Price Short-Term Bond Fund generated positive returns and outperformed the Bloomberg Barclays 1-3 Year U.S. Government/Credit Index in the second quarter of 2021. Relative performance was driven by the following factors:

Sector Allocations Aided Relative Results
Sector allocation was the largest contributor to the portfolio's outperformance. Our overweight to corporate bonds and corresponding underweight to U.S. Treasuries benefited from positive market sentiment and robust demand from investors seeking a yield advantage.

Out-of-benchmark allocations to securitized credit also contributed as the sectors continued to recover from liquidity issues brought on by the coronavirus pandemic and offered an incremental yield advantage over U.S. Treasuries. Positions in ABS and CMBS were constructive.

Security Selection Helped Performance
Security selection within investment-grade corporates produced gains. Rising commodity prices supported energy credits while improving economic activity and steady balance sheets provided tailwinds for the global banking sector. Credits issued by air lessors in the financials sector performed well as economic reopenings increased mobility.

An Allocation to Mortgage-Backed Securities Detracted
Holdings in mortgage-backed securities hindered relative performance after the Federal Reserve began discussing the potential for tapering asset purchases in the segment.

PORTFOLIO POSITIONING AND ACTIVITY

Relative to the benchmark, we continued to underweight U.S. Treasuries, while aiming to add high-quality yield by overweighting non-Treasury sectors and selectively taking out-of-benchmark positions in higher-yielding securitized debt.

Risk Profile
Similar to the first quarter, the portfolio's risk profile decreased modestly throughout the period amid stretched valuations across spread sectors. To maintain yield levels, we shifted out of corporate bonds with tight valuations and invested the proceeds in credits that offer a pickup in spreads. Additionally, we capitalized on an active primary calendar in the securitized sector and have built up liquidity for use during periods of credit spread widening.

Corporate Bonds
Corporate debt continued to represent our largest absolute and relative position. BBB rated bonds remained a significant holding. Our research analysts believe these bonds are often mispriced and represent attractive relative value.

Other Allocations
We continued to hold out-of-benchmark positions in ABS, CMBS, and non-agency MBS.

MANAGER'S OUTLOOK

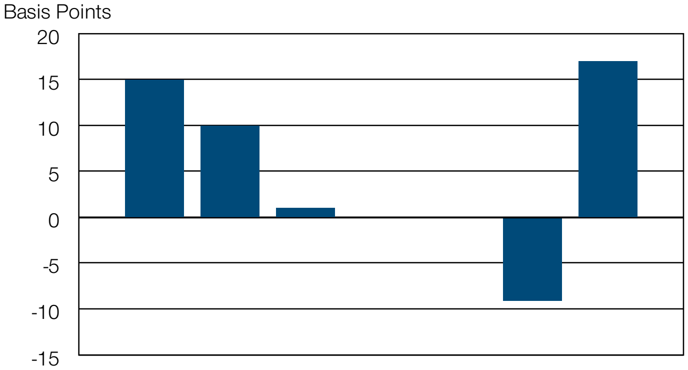
Progress in managing the coronavirus, coupled with an improving economic recovery, should provide support for credit spreads to continue their path toward tighter levels. However, we believe increasingly positive economic data will likely place upward pressure on intermediate- and long-term U.S. Treasury yields. The Federal Reserve will face difficult decisions around when to taper asset purchases and how to convey policy changes to market participants.

Given tight valuations across much of the investable universe, we believe built-up liquidity will be advantageous in periods of credit spread widening. In such a climate, active sector and security selection are likely to play critical roles in generating yield and managing risk, and we are confident that our research platform is well positioned to capitalize on the current market environment.

QUARTERLY ATTRIBUTION

CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG BARCLAYS 1-3 YR US GOV/CREDIT INDEX

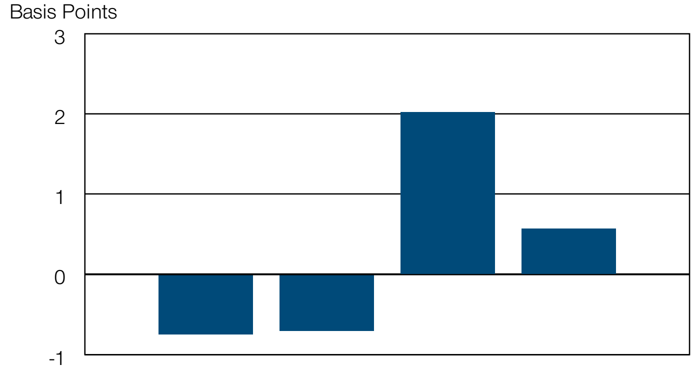
(3 months ended June 30, 2021)



USD Sector	USD Security	US IR Mgmt	FX	Country	Resid	Total
15	10	1	0	0	-9	17

INTEREST RATE MANAGEMENT: FUND VS. BLOOMBERG BARCLAYS 1-3 YR US GOV/CREDIT INDEX

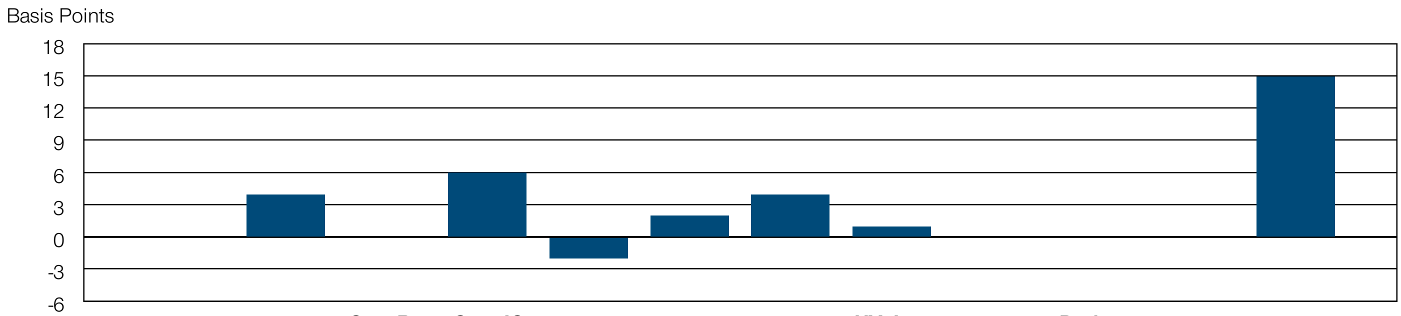
(3 months ended June 30, 2021)



Carry	Duration	Curve	Total
-1	-1	2	1

SECTOR ALLOCATION: FUND VS. BLOOMBERG BARCLAYS 1-3 YR US GOV/CREDIT INDEX

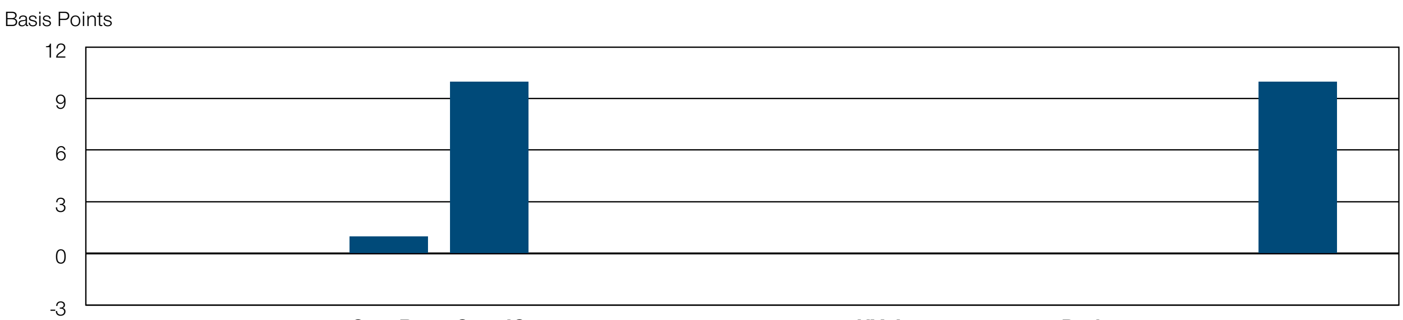
(3 months ended June 30, 2021)



Reserves	Treasury	Govt Related	Corp-IG Corp	MBS	ABS	CMBS	HY+Lev Loans	TE Muni	Derivatives	Other	Total
0	4	0	6	-2	2	4	1	0	0	0	15

SECURITY SELECTION DETAILS: FUND VS. BLOOMBERG BARCLAYS 1-3 YR US GOV/CREDIT INDEX

(3 months ended June 30, 2021)



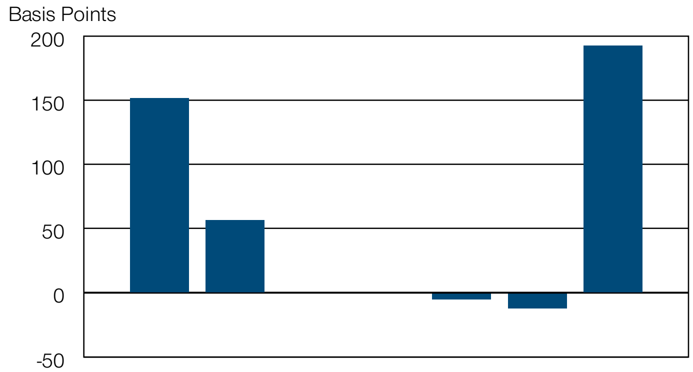
Reserves	Treasury	Govt Related	Corp-IG Corp	MBS	ABS	CMBS	HY+Lev Loans	TE Muni	Derivatives	Other	Total
0	0	1	10	0	0	0	0	0	0	0	10

Past performance is not a reliable indicator of future performance.
Source: Bloomberg Index Services Limited.
Analysis represents the performance of the portfolio compared to its benchmark as calculated by the Bloomberg attribution model. Performance is attributed to a set of portfolio decisions such as credit quality, duration and yield curve exposures, relative sector weightings, and security selection. Performance for each security is obtained in the local currency and, if necessary, is converted to U.S. dollars using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would have been lower as a result of the deduction of such fees. For Sourcing Information, please see Additional Disclosures.

12-MONTH ATTRIBUTION

CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG BARCLAYS 1-3 YR US GOV/CREDIT INDEX

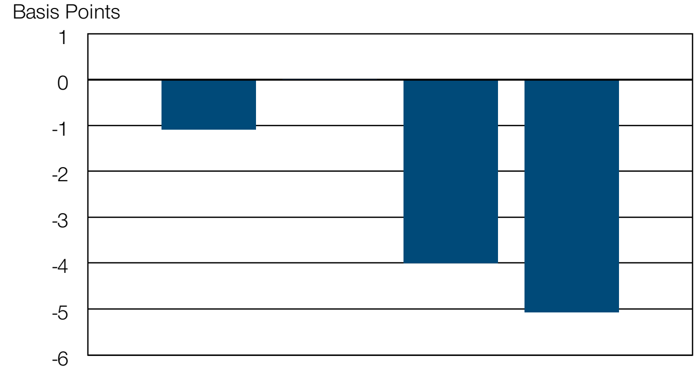
(12 months ended June 30, 2021)



USD Sector	USD Security	FX	Country	US IR Mgmt	Resid	Total
152	57	0	0	-5	-12	193

INTEREST RATE MANAGEMENT: FUND VS. BLOOMBERG BARCLAYS 1-3 YR US GOV/CREDIT INDEX

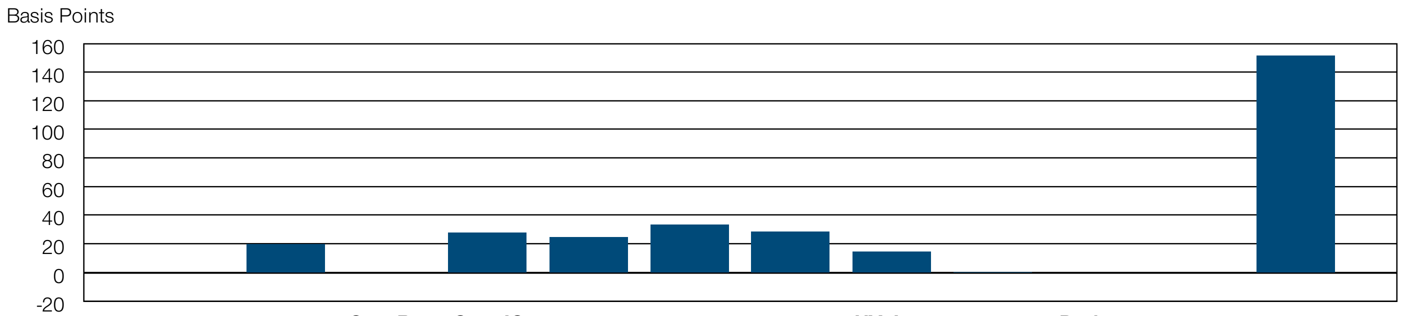
(12 months ended June 30, 2021)



Carry	Duration	Curve	Total
-1	0	-4	-5

SECTOR ALLOCATION: FUND VS. BLOOMBERG BARCLAYS 1-3 YR US GOV/CREDIT INDEX

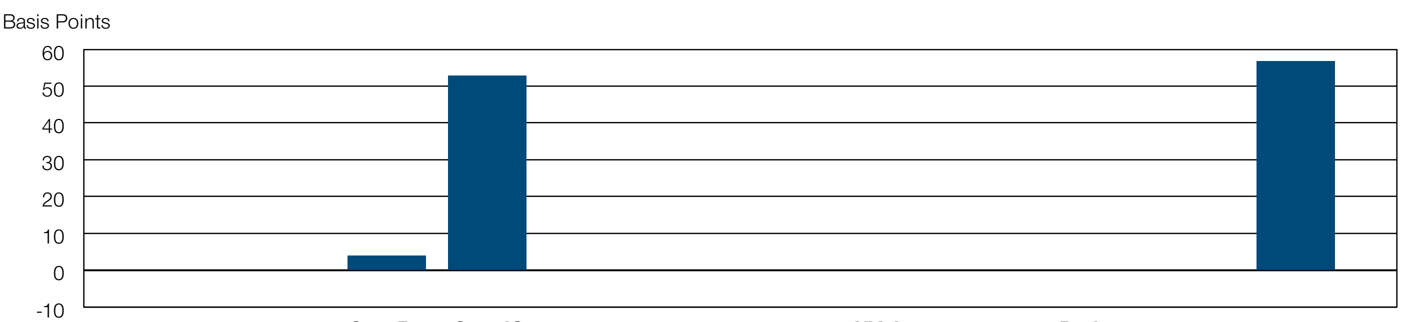
(12 months ended June 30, 2021)



Reserves	Treasury	Govt Related	Corp-IG Corp	MBS	ABS	CMBS	HY+Lev Loans	TE Muni	Derivatives	Other	Total
0	20	0	28	25	34	29	15	1	0	0	152

SECURITY SELECTION DETAILS: FUND VS. BLOOMBERG BARCLAYS 1-3 YR US GOV/CREDIT INDEX

(12 months ended June 30, 2021)



Reserves	Treasury	Govt Related	Corp-IG Corp	MBS	ABS	CMBS	HY+Lev Loans	TE Muni	Derivatives	Other	Total
0	0	4	53	0	0	0	0	0	0	0	57

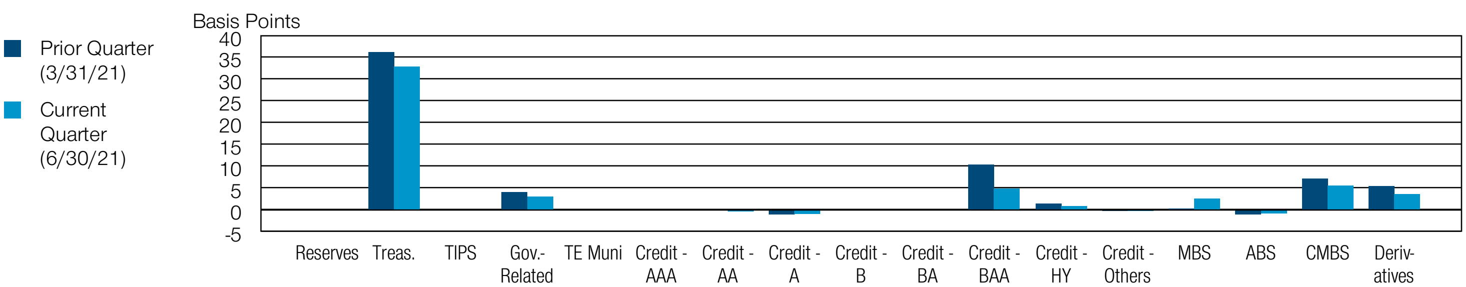
Past performance is not a reliable indicator of future performance.
Source: Bloomberg Index Services Limited.
Analysis represents the performance of the portfolio compared to its benchmark as calculated by the Bloomberg attribution model. Performance is attributed to a set of portfolio decisions such as credit quality, duration and yield curve exposures, relative sector weightings, and security selection. Performance for each security is obtained in the local currency and, if necessary, is converted to U.S. dollars using an exchange rate determined by an independent third party. Figures are shown gross of fees. Returns would have been lower as a result of the deduction of such fees. For Sourcing Information, please see Additional Disclosures.

RISK ANALYSIS

RISK FACTOR CONTRIBUTION

	Contribution to TEV (Annualized) 3/31/21 (Prior Quarter)	Contribution to TEV (Annualized) 6/30/21 (Current Quarter)
Systematic	61.8 bps	50.6 bps
Foreign Exchange	0.0	0.0
Curve	3.8	3.1
Inflation Linked	0.0	0.0
Swap Spreads	1.6	1.6
Volatility	0.1	0.1
Spread Government Related	1.2	1.3
Spread Credit and EMG	32.5	21.9
Spread Securitized	22.5	22.4
Spread Other	0.1	0.2
Idiosyncratic	0.4	0.3
Credit Default	0.1	0.1
Total	**62.2**	**51.0**

SECTOR CONTRIBUTION TO RISK VERSUS BENCHMARK

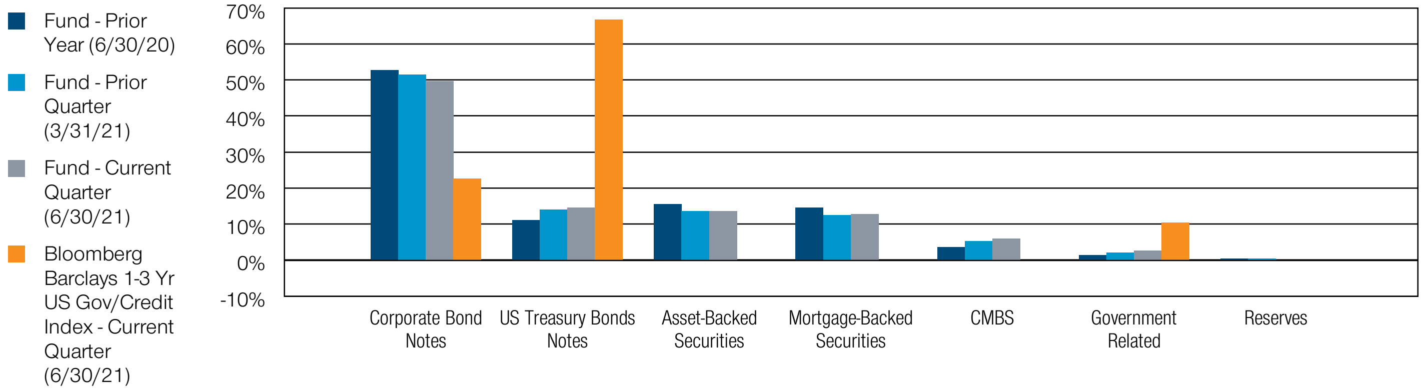


Source: Bloomberg Index Services Limited. Statistics based on monthly data. TEV, or Tracking error volatility, is the standard deviation of the difference between portfolio and benchmark returns. It is the square root of the tracking error variance, or TE variance. The TE variance is the projected variance of the difference between portfolio and benchmark returns. It is estimated from historical return data and from portfolio and benchmark characteristics. It can be decomposed into three sources: Systematic, Idiosyncratic and Default. Systematic (Market) Risk is the risk due to the effect of all systematic factors of the Bloomber risk model. Idiosyncratic (nonsystematic) risk is the risk not explained by the combination of all systematic or default factors. It represents risk due to non-default events that affect only the individual issuer or bond.
The contribution to TEV is the contribution, in basis points, of a risk factor to total TEV. This measure includes the effect of correlation. The risk factors included in this analysis and shown above are credit spreads, currency, and interest rate duration. This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment actions. **Past performance is not a reliable indicator of future performance.**

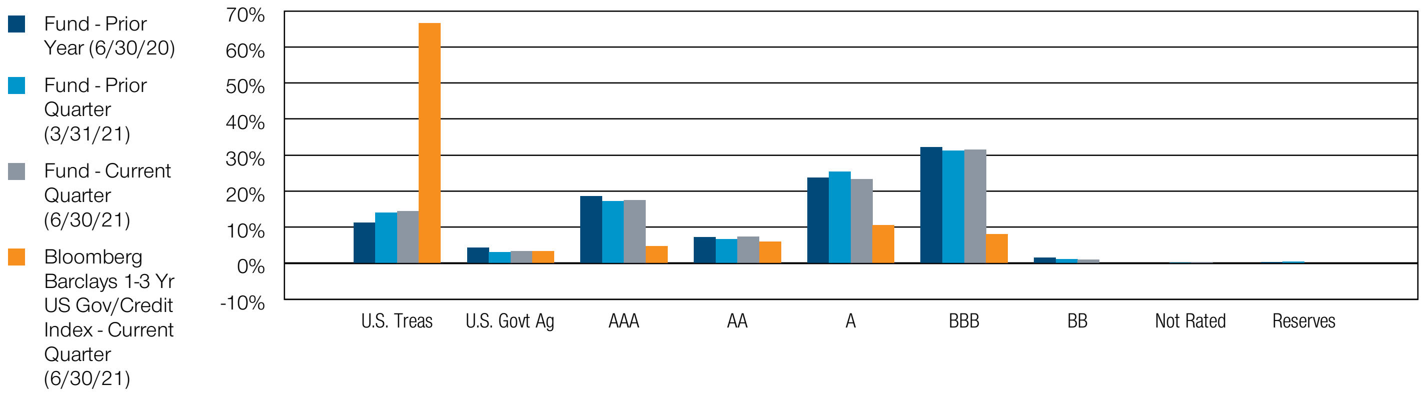
For Sourcing Information, please see Additional Disclosures.

PORTFOLIO POSITIONING

SECTOR DIVERSIFICATION – CHANGES OVER TIME



CREDIT QUALITY DIVERSIFICATION – CHANGES OVER TIME



*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.

HOLDINGS

TOP ISSUERS

Issuer	% of Fund
PG&E	1.0%
Charter Communications	0.9
AbbVie	0.8
Imperial Brands	0.8
Hyundai Motor	0.7
Energy Transfer	0.7
Synchrony Financial	0.7
Goldman Sachs	0.7
Aercap Holdings	0.7
Morgan Stanley	0.7

For Sourcing Information, please see Additional Disclosures.

FUND INFORMATION

	Short-Term Bond Fund	Short-Term Bond Fund - Advisor Class	Short-Term Bond Fund - I Class
Symbol	PRWBX	PASHX	TBSIX
Expense Information	0.44%	0.78%	0.35%
Fiscal Year End Date	5/31/21	5/31/21	5/31/21
12B-1 Fee	–	0.25%	–

The expense ratios shown are as of the most recent prospectus. The stated expense ratio for the Advisor Class includes the applicable 12b-1 fee.

PORTFOLIO MANAGEMENT

Portfolio Manager:
Michael Reinartz

Managed Fund Since:
2015

Joined Firm:
1996

Additional Disclosures

The manager’s views and portfolio holdings are historical and subject to change. This material should not be deemed a recommendation to buy or sell any of the securities mentioned. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the Fund and no assumptions should be made that the securities identified and discussed were or will be profitable.
The Top Issuers excludes U.S. Treasuries, institutional funds, agencies and securitized products.
T. Rowe Price uses a custom structure for diversification reporting on this product.
Diversification exhibits may not add to 100% due to exclusion or inclusion of cash.
Sources for credit quality: Credit ratings for the securities held in the fund/portfolio are provided by Moody’s, Standard & Poor’s and Fitch and are converted to the Standard & Poor’s nomenclature. If the rating agencies differ, the highest rating is applied to the security. If a rating is not available, the security is classified as Not Rated (NR). T. Rowe Price uses the rating of the underlying investment vehicle to determine the creditworthiness of credit default swaps. The fund/portfolio is not rated by any agency.

Certain numbers in this report may not equal stated totals due to rounding. Unless otherwise stated, data is as of the report date.
Unless indicated otherwise the source of all data is T. Rowe Price.
This material has been prepared for informational purposes only. The views and opinions stated in this commentary are those of the portfolio managers listed as of the date indicated. These views and opinions are subject to change based on market or other conditions and may differ from those of other T. Rowe Price associates. Actual market and investment results may differ materially from expectations.

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2016-US-26895