T.RowePrice®
INVEST WITH CONFIDENCE

QUARTERLY REVIEW

Short-Term Bond Fund

As of June 30, 2020

PORTFOLIO HIGHLIGHTS

The portfolio outperformed its benchmark, the Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index, for the three-month period ended June 30, 2020.

Relative performance drivers:

- Our overweight to corporate credit and underweight to Treasuries benefited the portfolio as risk assets rallied and spreads tightened.
- Out-of-benchmark allocations to the securitized sector also contributed amid the broad risk-on market sentiment.
- Our cash allocation, which is necessary for portfolio liquidity, was the only notable detractor.

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.
- Valuations have tightened across our opportunity set due to unprecedented stimulus from the Fed and strong cash flows into short-term bonds.

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)	$5,423,456,302
Percent of Portfolio in Cash	0.5%

PERFORMANCE

(NAV, total return)

				Annualized				
	Three Months	Year-to-Date	One Year	Three Years	Five Years	Ten Years	Fifteen Years	30-Day SEC Yield
Short-Term Bond Fund	4.20%	2.79%	4.06%	2.91%	2.25%	1.83%	2.72%	1.37%
Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index	1.17	2.88	4.20	2.87	2.11	1.63	2.59	–

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Short-Term Bond Fund	Mar 02 1984	3.13%	1.46%	2.86%	0.30%	0.60%	0.60%	1.58%	1.33%	1.38%	4.31%
Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index		2.80	1.59	1.26	0.64	0.77	0.65	1.28	0.84	1.60	4.03

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 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.

PERFORMANCE REVIEW

Short-Term Bonds Produce Positive Results
Short-term debt within the Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index produced positive performance in the second quarter as credit sectors widely outperformed U.S. Treasuries. The overall tone of economic data improved throughout the quarter, helping market sentiment. The May jobs report showed that employers added back 2.5 million workers, defying consensus expectations for a decline of around 8 million jobs. Retail sales also rebounded in May, and several indicators suggested a recovery in manufacturing.

The Treasury curve steepened during the period, as short- and intermediate-term yields decreased due to the Federal Reserve's ongoing policy support while long-end yields modestly increased amid strengthening economic data. After starting the period at 0.23%, the yield of the two-year Treasury note declined to 0.16% by the end of June.

Investment-grade corporate bonds recovered from the March sell-off with a strong rally, and spreads and bidask levels approached the levels that existed before the coronavirus impacted financial markets. Credit spreads in the short-term credit index peaked at 390 basis points on March 23 and have since tightened over 300 basis points, driven by optimism surrounding the reopening of economies and continued support from the Fed.

Securitized credit sectors also performed well and outpaced U.S. Treasuries. Commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) benefited from the Fed's launch of the Term Asset-Backed Securities Loan Facility, broader risk-on market sentiment, and gradually easing lockdown measures in many parts of the United States.

The T. Rowe Price Short-Term Bond Fund generated positive returns and outperformed the Bloomberg Barclays 1-3 Year U.S. Government/Credit Bond Index in the second quarter of 2020. Relative performance was driven by the following factors:

Sector Allocations Benefited the Portfolio
Sector allocation was the largest contributor to the portfolio's outperformance. Our overweight to corporate credit and underweight to Treasuries benefited as risk assets rallied and spreads tightened. High-grade corporates saw steady global demand, with increased interest in new supply. The market also reacted favorably to the Federal Reserve's decision to begin buying a broad basket of individual corporate bonds in addition to earlier purchases of exchange-traded funds.

Out-of-benchmark allocations to the securitized sector also contributed amid the broad risk-on market sentiment. Positions in MBS, CMBS, and ABS all added value.

Security Selection Added Value
Security selection within investment-grade corporates further added to gains. The portfolio benefited from its industrial holdings, which is an area where we have added securities with five-year maturities in recent months.

Yield Curve Positioning Modestly Contributed
Positioning on the yield curve modestly contributed to portfolio performance.

Cash Allocation Weighed on Relative Results
Our cash allocation, which is necessary for portfolio liquidity, was the only notable detractor from relative results during the period.

PORTFOLIO POSITIONING AND ACTIVITY

Relative to the benchmark, we continue to underweight U.S. Treasuries, while aiming to add yield by overweighting non-Treasury sectors and taking out-of-benchmark positions in higher-yielding securitized debt. After increasing the portfolio's option-adjusted spread duration in response to the volatility in March, we maintained our exposure to risk during the period based on our view that, while the pandemic remains a concern, fiscal support will keep markets steady.

Corporate Bonds
Corporate debt continued to represent our largest absolute and relative position. BBB rated bonds, which is often debt that our research analysts believe is mispriced and represents attractive relative value, remained a significant holding. As bonds matured or were called, we redeployed proceeds into corporate credits that we believed offered compelling relative value.

Other Allocations
As securitized credit issuance picked up again, we participated in ABS, CMBS, and non-agency MBS deals. We also purchased taxable municipal bonds during the period as we believe the segment offered attractively priced risk.

MANAGER'S OUTLOOK

Valuations have tightened across our opportunity set due to unprecedented stimulus from the Fed and strong cash flows into short-term bonds. We are balancing the need to put new cashflows to work against this tighter backdrop, while also trimming names with less conviction given that the recovery from the economic damage done by the pandemic may be long.

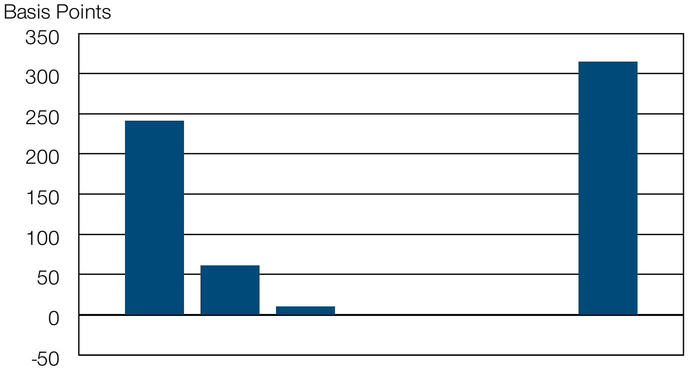
Moving forward, risk sentiment will be closely correlated with COVID-19 developments. At the moment, markets are dealing with conflicting forces. On the one hand, COVID-19 statistics are providing bearish fodder, while on the other hand economic data is delivering more optimism. Although the risk of a second wave of infections has not gone away, the impact on markets could be less severe, due to the improvements in the efficacy of policy and medical response, which could allow for more targeted (as opposed to blanket) restrictions on economic activity. So, while near-term uncertainty abounds, there is a growing argument that investors could ignore the noise and look ahead to 2021.

In such an environment, we believe asset allocation along with credit selection is paramount and that we have the research platform to opportunistically take advantage of this situation.

QUARTERLY ATTRIBUTION

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

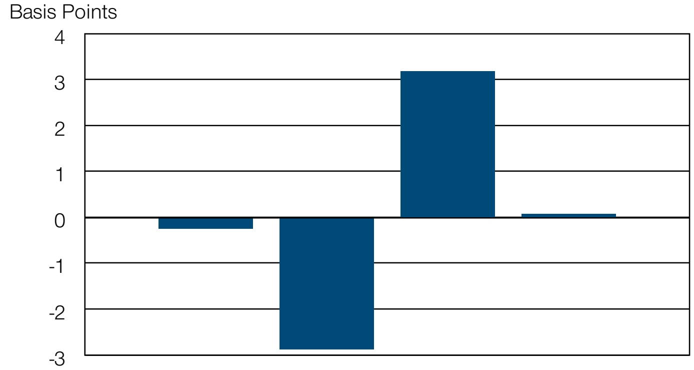
(3 months ended June 30, 2020)



USD Sector	USD Security	Resid	FX	US IR Mgmt	Country	Total
242	62	11	0	0	0	315

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

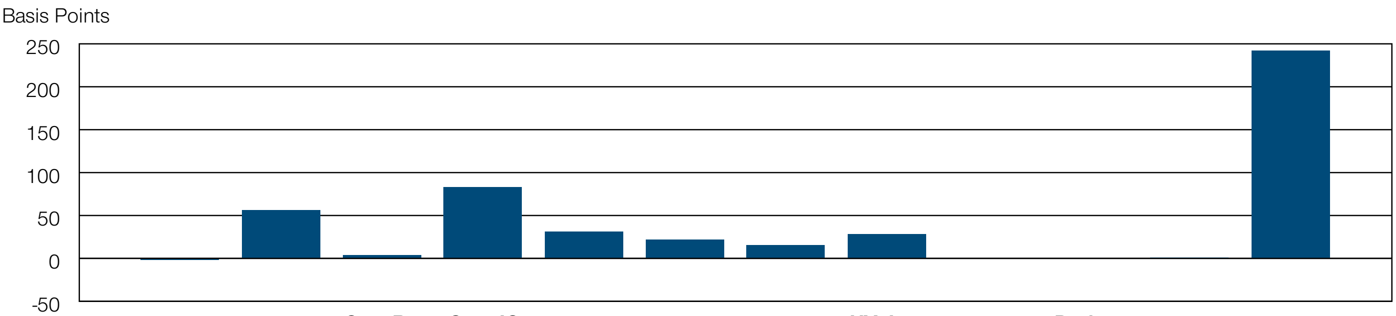
(3 months ended June 30, 2020)



Carry	Duration	Curve	Total
0	-3	3	0

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

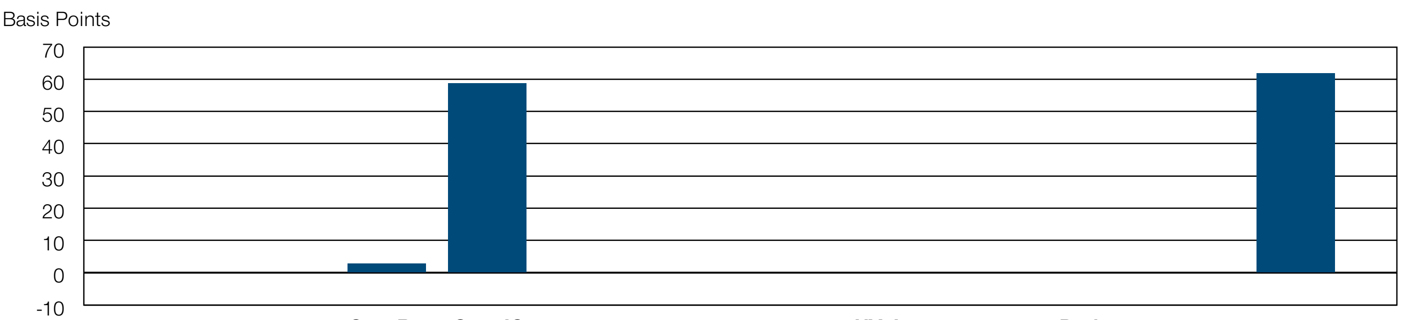
(3 months ended June 30, 2020)



Reserves	Treasury	Govt Related	Corp-IG Corp	MBS	ABS	CMBS	HY+Lev Loans	TE Muni	Derivatives	Other	Total
-1	56	4	83	32	22	16	29	0	0	1	242

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

(3 months ended June 30, 2020)



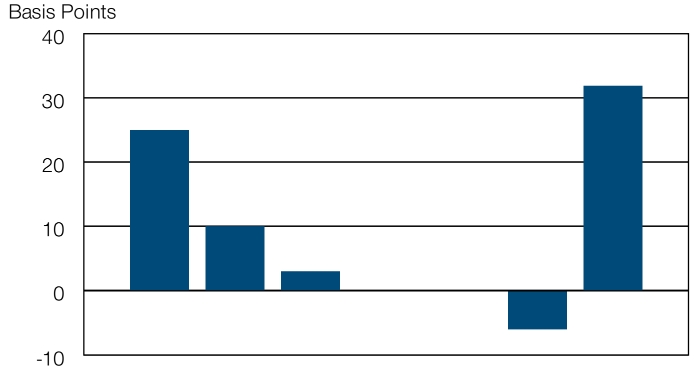
Reserves	Treasury	Govt Related	Corp-IG Corp	MBS	ABS	CMBS	HY+Lev Loans	TE Muni	Derivatives	Other	Total
0	0	3	59	0	0	0	0	0	0	0	62

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

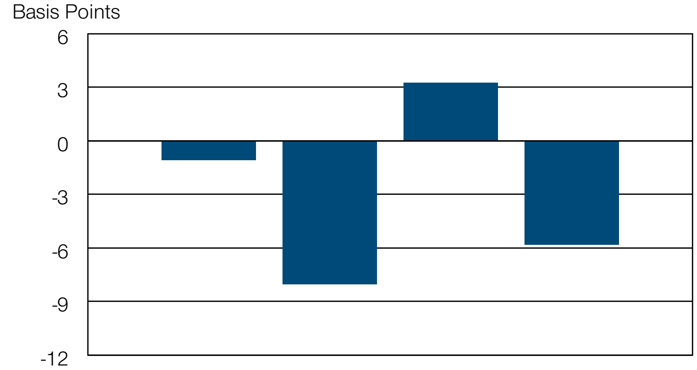
(12 months ended June 30, 2020)



USD Sector	Resid	USD Secur-ity	Coun-try	FX	US IR Mgmt	Total
25	10	3	0	0	-6	32

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

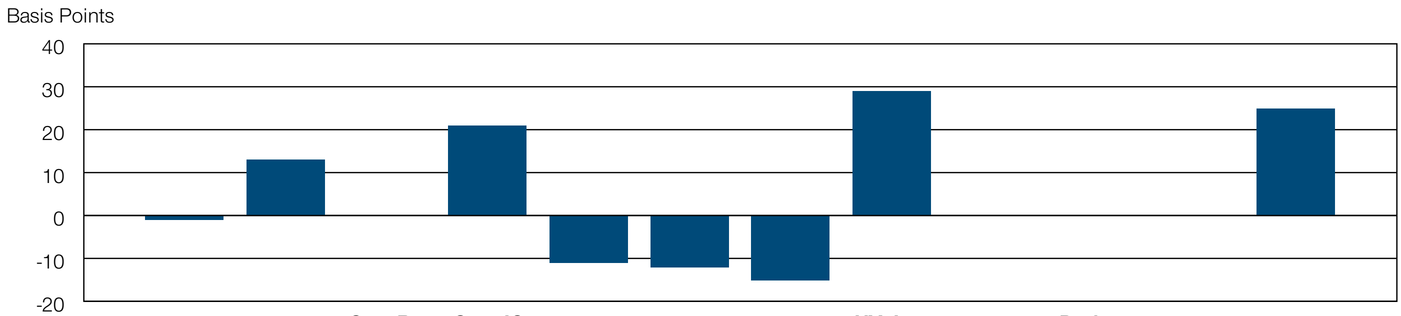
(12 months ended June 30, 2020)



Carry	Duration	Curve	Total
-1	-8	3	-6

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

(12 months ended June 30, 2020)



Reserves	Treasury	Govt Re-lated	Corp-IG Corp	MBS	ABS	CMBS	HY+Lev Loans	TE Muni	Deriva-tives	Other	Total
-1	13	0	21	-11	-12	-15	29	0	0	0	25

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

(12 months ended June 30, 2020)

Reserves	Treasury	Govt Re-lated	Corp-IG Corp	MBS	ABS	CMBS	HY+Lev Loans	TE Muni	Deriva-tives	Other	Total
0	0	0	3	0	0	0	0	0	0	0	3

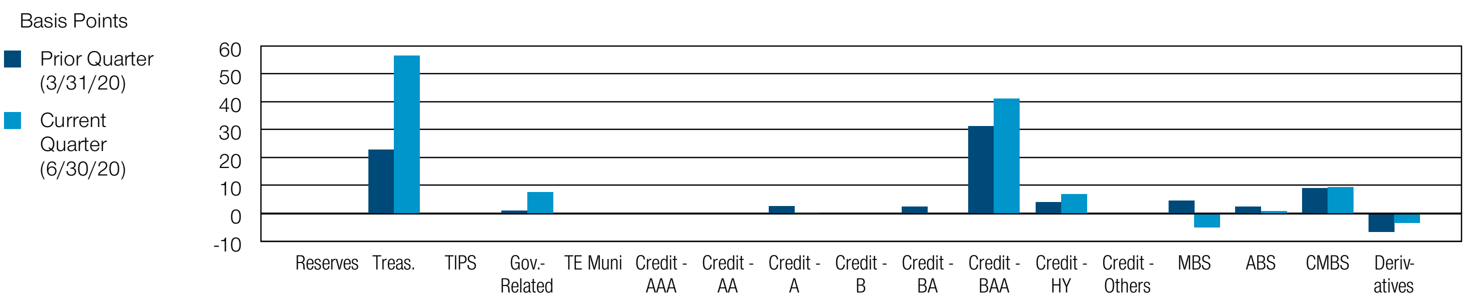
Past performance is not a reliable indicator of future performance.
Source: Bloomberg Index Services Limited.
Analysis represents the performance of the portfolio compared to its benchmark as calculated by the Bloomberg attribution model. Performance is attributed to a set of portfolio decisions such 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) 3/31/20 (Prior Quarter)	Contribution to TEV (Annualized) 6/30/20 (Current Quarter)
Systematic	73.4 bps	114.9 bps
Foreign Exchange	0.0	0.0
Curve	-7.2	0.2
Inflation Linked	0.0	0.0
Swap Spreads	3.2	1.6
Volatility	0.1	0.1
Spread Government Related	2.0	-0.2
Spread Credit and EMG	50.8	83.1
Spread Securitized	22.3	29.4
Spread Other	2.2	0.8
Idiosyncratic	1.6	0.5
Credit Default	0.2	0.0
Total	**75.3**	**115.4**

SECTOR CONTRIBUTION TO RISK VERSUS BENCHMARK

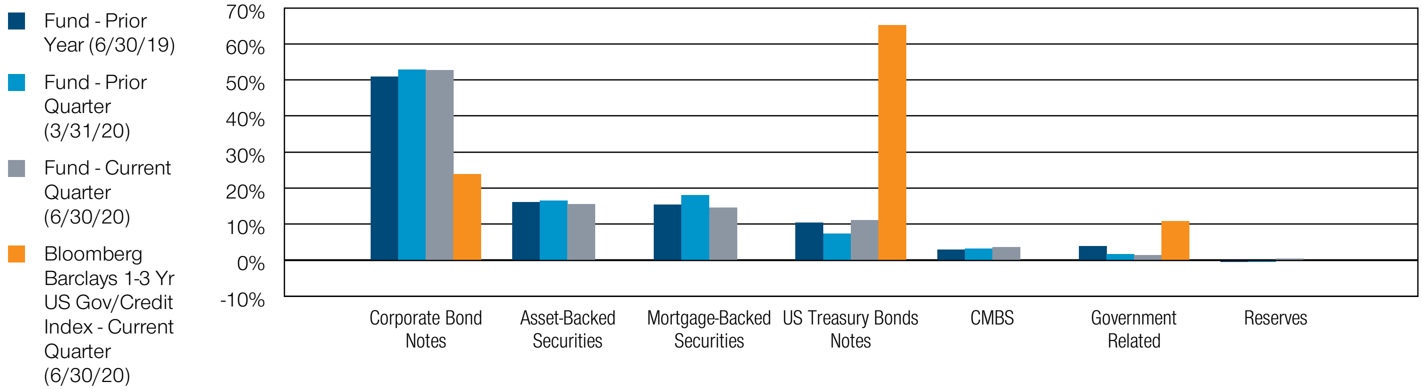


Source: Bloomberg Index Services Limited. Statistics based on monthly data. TEV, or Tracking error volatility, is the standard deviation of the difference between portfolio and benchmark returns. It is the square root of the tracking error variance, or TE variance. The TE variance is the projected variance 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.**

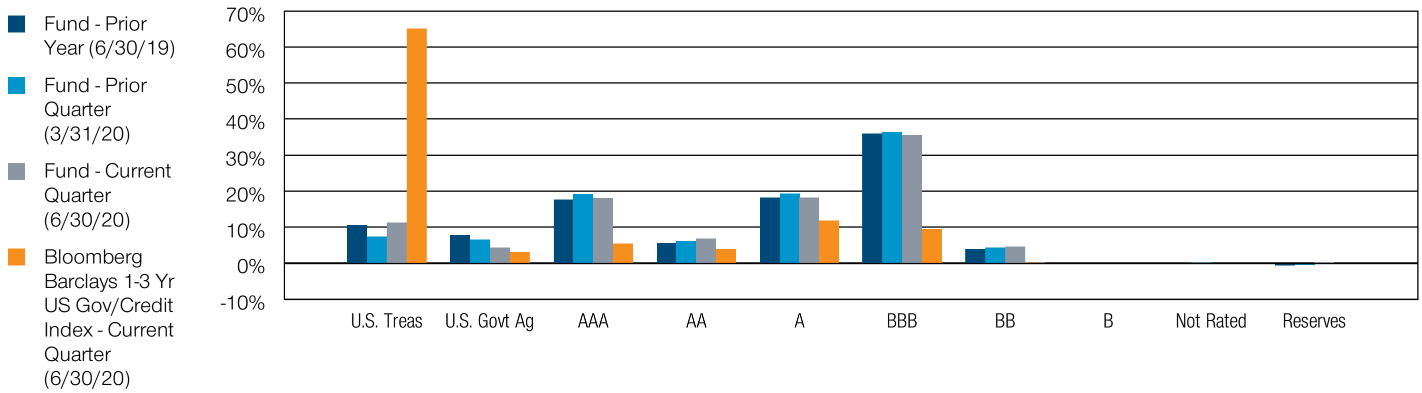
For Sourcing Information, please see Additional Disclosures.

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
General Motors	1.0%
AbbVie	0.9
Charter Communications	0.9
Bunge Limited	0.8
Wells Fargo	0.8
Cigna	0.8
GE	0.8
Citigroup	0.7
Hyundai Motor	0.7
Ford Motor	0.7

For Sourcing Information, please see Additional Disclosures.

PORTFOLIO MANAGEMENT

Portfolio Manager:
Michael Reinartz

Managed Fund Since:
2015

Joined Firm:
1996

Additional Disclosures

Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively “Bloomberg”). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, “Barclays”), used under license. Bloomberg or Bloomberg’s licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.
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: Moody’s Investors Service; if Moody’s does not rate a security, then Standard & Poor’s (S&P) is used as a secondary source. When available, T. Rowe Price will use Fitch for securities that are not rated by Moody’s or S&P. T. Rowe Price does not evaluate these ratings, but simply assigns them to the appropriate credit quality category as determined by the rating agency. T. Rowe Price uses the rating of the underlying investment vehicle for credit default swaps.
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.

T. Rowe Price Investment Services, Inc., Distributor.
202007-1224168