QUARTERLY REVIEW

U.S. Treasury Intermediate Index Fund

As of December 31, 2023

PORTFOLIO HIGHLIGHTS

The portfolio produced positive returns over the three-month period but underperformed the Bloomberg U.S. 4-10 Year Treasury Bond Index.

Relative performance drivers:

- Interest rate management hindered performance.
- Selection within Treasuries hampered returns on the margin.
- Out-of-benchmark positions generated negligible results.

Additional highlights:

- Key indicators hinted at the potential for a soft landing with inflation continuing to cool and employment data signaling strength.
- U.S. Treasury yields decreased over the fourth quarter, most notably for intermediate- and long-term Treasuries, reflecting the Fed's dovish pivot, cooling employment data, and lower oil prices.

FUND INFORMATION

Symbol	PRTIX
CUSIP	77957T107
Inception Date of Fund	September 29, 1989
Benchmark	Bloomberg US 4-10 Yr Treasury Index
Expense Information (as of the most recent Prospectus)	0.27%
Fiscal Year End	May 31
12B-1 Fee	–
Total Assets (all share classes)	$821,442,387
Percent of Portfolio in Cash	0.0%

PERFORMANCE

(NAV, total return)

			Annualized				
	Three Months	One Year	Three Years	Five Years	Ten Years	Fifteen Years	30-Day SEC Yield
U.S. Treasury Intermediate Index Fund	5.26%	2.98%	-4.33%	0.17%	0.92%	1.54%	3.78%
Bloomberg U.S. 4-10 Year Treasury Bond Index	5.41	4.21	-3.56	0.76	1.50	1.95	–

CALENDAR YEAR PERFORMANCE

(NAV, total return)

	Inception Date	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
U.S. Treasury Intermediate Index Fund	Sep 29 1989	4.39%	1.08%	0.62%	1.38%	1.01%	6.56%	8.06%	-3.01%	-12.33%	2.98%
Bloomberg U.S. 4-10 Year Treasury Bond Index		5.23	1.76	1.20	1.82	1.28	6.86	8.33	-2.77	-11.47	4.21

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. 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.

PERFORMANCE REVIEW

Fed Increased Rate Cut Projection for 2024

Policymakers also slightly lowered their inflation projections for 2024 in December, expecting core and headline inflation to both end the year at 2.4%, down from 2.6% and 2.5%, respectively, in the September release.

- Core PCE inflation, the Fed's favored price measure, rose by less than expected in November, dropping from 3.4% to 3.2%, the lowest since mid-2021.
- While consumer inflation continued to cool, the November CPI report painted a mixed picture, although it was broadly in line with expectations. Headline CPI edged down to 3.1% year over year, while core CPI held steady at 4.0%. Goods prices continued to deflate, but shelter costs modestly accelerated, suggesting that the road to sustainably lower inflation will be bumpy.
- As inflation continued to moderate, the Fed left rates unchanged at its November and December meetings, leaving the target range at 5.25% to 5.50%.
- Attracting more attention at the December meeting was the release of updated economic projections, which showed a median fed funds rate forecast of 4.6% for year-end 2024, implying three rate cuts opposed to the two penciled in previously.

Key Indicators Hinted at a Soft Landing

Key indicators hinted at the potential for a soft landing with inflation continuing to cool and headline employment data still strong.

- The flash composite PMI was resilient throughout the quarter and climbed to 51.0 from 50.7 in November. The services sector drove the growth rebound, while the manufacturing sector fell into a deeper slump.
- Consumer sentiment markedly improved in December according to the Univ. of Michigan's survey. Both expectations and the assessment of current conditions rose as one-year forward inflation expectations fell sharply from 4.5% to 3.1%. Longer-term inflation expectations moderated to 2.9% after climbing to 3.2% in October.
- Housing starts jumped 14.8% MoM in November, far surpassing low expectations. On the heels of a large decrease in October, existing home sales bounced by 0.8%, aided by lower mortgage rates. However, new home sales tumbled 12.2%, the fourth decline in the past six months.
- November's nonfarm payrolls were revised lower, from 199,000 to 173,000. Ten of the last eleven payrolls have been downwardly revised. Meanwhile, the unemployment rate fell from 3.9% to 3.7% despite an uptick in the labor force participation rate, suggesting that demand for workers remains relatively solid despite a reduced pace of hiring.

Rates Decreased as Fed Pivoted Dovish

U.S. Treasury yields decreased over the fourth quarter, most notably for intermediate- and long-term Treasuries, reflecting the Fed's dovish pivot, cooling employment data, and lower oil prices.

- Early in the quarter, Treasury yields rose amid unexpectedly strong employment, an uptick in housing data, and political uncertainty. The inversion of the closely watched 2-year/10-year segment of the curve narrowed as the 10-year Treasury yield increased 36 basis points (bps) and finished the month at 4.93% after briefly breaching the 5% level for the first time since 2007. The two-year Treasury yield, meanwhile, increased just four bps to 5.09%.
- In November, Treasuries fell toward the end of the month, encouraged by softer employment data, declining inflation, and dovish comments from the Fed. The Treasury Department's quarterly refunding announcement revealed that increases in the size of upcoming longer-term Treasury auctions would be slightly less than expected, which helped fuel November's rally.
- U.S. Treasury bill yields decreased further in December following the notable shift in rhetoric from the Fed toward the end of November. The Fed's dovish pivot was confirmed during December's FOMC meeting, continuing the downward yield trajectory.

Relative Performance

The portfolio generated positive returns but underperformed its benchmark, the Bloomberg U.S. 4-10 Year Treasury Bond Index. The following factors impacted relative performance:

Security Selection Hampered Returns

We maintained a structural bias for "on-the-run" Treasuries, which are the most recently issued U.S. government debt securities, and for that reason, tend to be more liquid than older, "off-the-run" counterparts from the same tenor.

- Our bias for newer Treasuries hampered performance on the margin. The highly liquid securities underperformed amid the falling rate volatility environment seen over most of the fourth quarter.
- Convexity also affected performance. The fund's bias for on-the-run securities means it has a higher average price for its securities compared with the benchmark. Because of this, the benchmark had more price upside when rates rallied, hindering the fund's performance.

Interest Rate Management Detracted Overall

As financial conditions eased significantly among falling rates, we believed a decrease in interest rate volatility was likely to follow. Decreasing volatility environments typically lead to outperformance of off-the-run securities, which, in our view, was likely to present a small headwind to our structural preference for on-the-run securities. Seeking to minimize the expected drag, we initiated a modest options position that we believed would act as a hedge against falling interest rate volatility. Though the position helped add value from a sector allocation point-of-view, the shorter duration posture that arose from our trade was ultimately a headwind to performance this quarter.

Curve positioning also detracted modestly over the period. Our overweight exposure to the front-end of the yield curve and underweight exposure to more intermediate tenors was a drag on relative results after news of softer employment data and declining inflation drove longer-dated yields lower.

Non-Benchmark Exposures Produced Flat Results

During the quarter, the portfolio held small, non-benchmark positions in Ginnie Mae mortgage-backed securities (MBS) and Treasury inflation protected securities (TIPS). Though they ultimately detracted from relative performance on the margin, the small size of our positions meant their impact was minimal.

PORTFOLIO POSITIONING AND ACTIVITY

Interest Rate Management
We continued to make modest adjustments to the portfolio's duration and curve positions based on incoming economic data, inflation measures, and Fed policy signals.

- During the Fed's early November meeting, the Fed maintained a "higher for longer" narrative. However, during the December FOMC meeting, the introduction of a third rate cut in 2024 sent rates downwards.
- The fund held a neutral posture until mid-November when we went short due to our belief that yields would rise again following the substantial increase that occurred during September and October. Toward the end of the year, we operated with a modest short bias on the belief that rates had fallen too far, too fast. The market priced in six rate cuts in 2024 compared with the fed's projection of three.
- We removed the fund's curve steepener in November on the belief that the rally in risk assets would ease financial conditions and force the Federal Reserve to push back on rate cut expectations, flattening the Treasury curve in the process.
- Looking ahead, we continue to expect yields to fall and the curve to steepen over the coming year. As such, we're looking for the right time to reinitiate long duration and steepener positions once better levels present themselves.

Positioning TIPS for a Break-Even Trade
During the fourth quarter of 2023, we initiated a tactical 10-year break-even trade using TIPS. With falling rates and dovish fed commentary loosening financial conditions, we believe there is a possibility of a reacceleration of inflation.

- Currently, we believe the soft-landing outcome is overpriced. This break-even trade is a low-cost method to benefit from the possibility of a "no-landing" scenario, or a reacceleration in inflation. In our view, for breakevens to expand, it would require economic data to surprise upside locally and for commodity prices to rise.
- We believe that December's dovish tilt by the Fed is what qualifies this trade to work up until a point where financial conditions begin to tighten. Had the Fed not shifted dovish, their previously hawkish reaction function would have served as a cap, in our view. When financial conditions begin to tighten, we have several stop-loss triggers in place to help ensure a safe bet.

MANAGER'S OUTLOOK

While economic data have recently cooled, we haven't seen a significant deterioration that would suggest an imminent recession. However, we do believe there is a case for a "garden variety" recession in 2024 as overly restrictive monetary policy, tighter financial conditions, and fading consumer demand affect the economy. Similarly, the Fed appears to be prepping the market for precautionary cuts rather than keeping rates higher for longer, as it previously communicated.

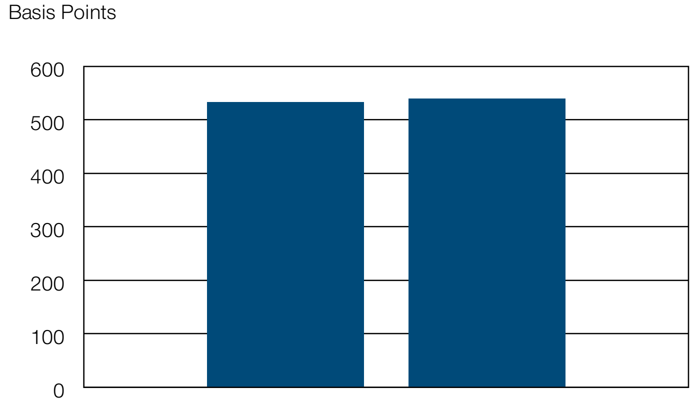
Investors flocked back to risk assets after the Fed's dovish pivot in November, which was crystallized at the December FOMC meeting. With inflation falling at a faster rate than expected, the Fed's primary concern appears to have shifted to the economic growth trajectory. In our view, the market may be overestimating the probability of a soft landing, and the recent melt-up in risk assets could lead to a risk-off event in early 2024. Because of this, we believe the Fed could begin rate cuts sooner than what its latest projections imply. If a "garden variety" recession occurs, we will likely see the Fed grant 300 basis points of rate cuts over the next two years before financial conditions ultimately stabilize and we start a new business cycle. With yields sitting at relatively high levels, such a scenario could result in strong Treasury returns as policy easing commences.

While more time and data are needed to confirm how the economy is responding to the Fed's dovish pivot and the market's risk-on attitude, we believe this is an opportune time for Treasuries that are managed with active duration and curve positioning. In our view, the convexity and asymmetry of intermediate-term Treasuries look particularly attractive for investors seeking high yields and less return volatility, while longer-term Treasuries could be attractive risk diversifiers. As always, we will rely on our broad and deep global research platform to parse the complex macro environment and inform portfolio positioning accordingly.

QUARTERLY ATTRIBUTION

OVERALL PERFORMANCE: FUND VS. BLOOMBERG US 4-10 YR TREASURY INDEX

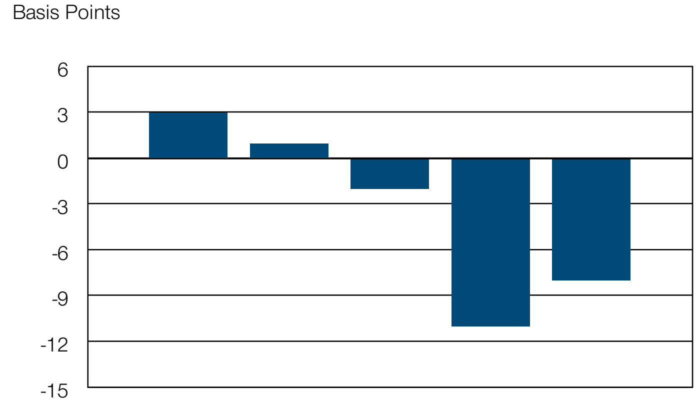
(3 months ended December 31, 2023)



U.S. Treasury Intermediate Index Fund	Bloomberg US 4-10 Yr Treasury Index
533	541

CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG US 4-10 YR TREASURY INDEX

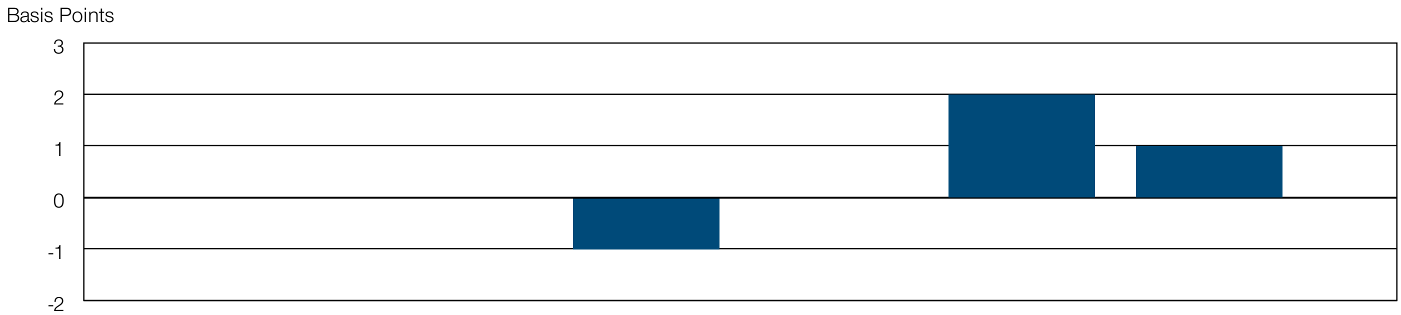
(3 months ended December 31, 2023)



Resid	Sector	Security	IR Mgmt	Total
3	1	-2	-11	-8

SECTOR ALLOCATION: FUND VS. BLOOMBERG US 4-10 YR TREASURY INDEX

(3 months ended December 31, 2023)



Reserves	Treasury	TIPS	MBS	Other	Total
0	0	-1	0	2	1

SECURITY SELECTION DETAILS: FUND VS. BLOOMBERG US 4-10 YR TREASURY INDEX

(3 months ended December 31, 2023)

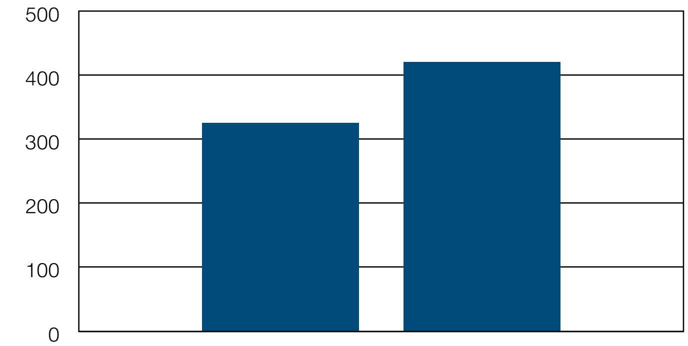
Reserves	Treasury	TIPS	MBS	Other	Total
0	-1	0	0	0	-2

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.

12-MONTH ATTRIBUTION

OVERALL PERFORMANCE: FUND VS. BLOOMBERG US 4-10 YR TREASURY INDEX

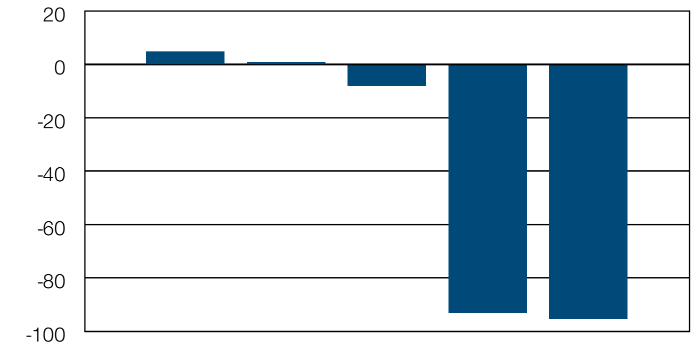
(12 months ended December 31, 2023)



U.S. Treasury Intermediate Index Fund	Bloomberg US 4-10 Yr Treasury Index
326	421

CONTRIBUTION TO EXCESS RETURN: FUND VS. BLOOMBERG US 4-10 YR TREASURY INDEX

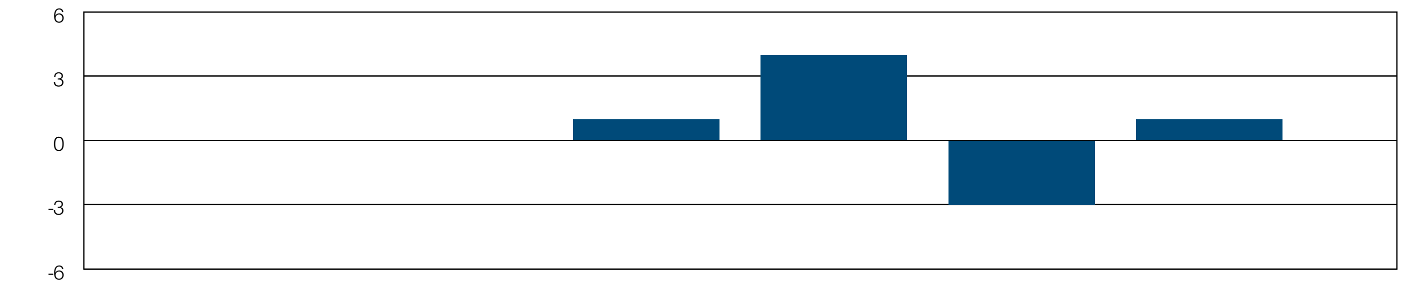
(12 months ended December 31, 2023)



Security	Sector	Resid	IR Mgmt	Total
5	1	-8	-93	-95

SECTOR ALLOCATION: FUND VS. BLOOMBERG US 4-10 YR TREASURY INDEX

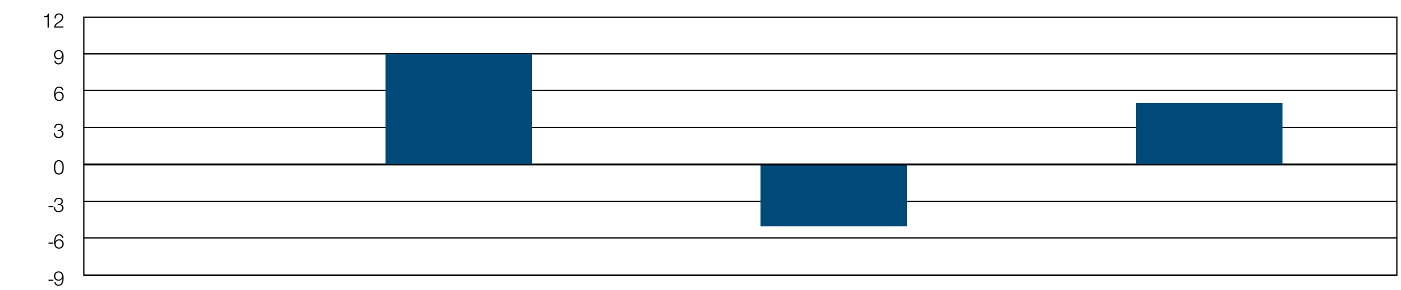
(12 months ended December 31, 2023)



Reserves	Treasury	TIPS	MBS	Other	Total
0	0	1	4	-3	1

SECURITY SELECTION DETAILS: FUND VS. BLOOMBERG US 4-10 YR TREASURY INDEX

(12 months ended December 31, 2023)

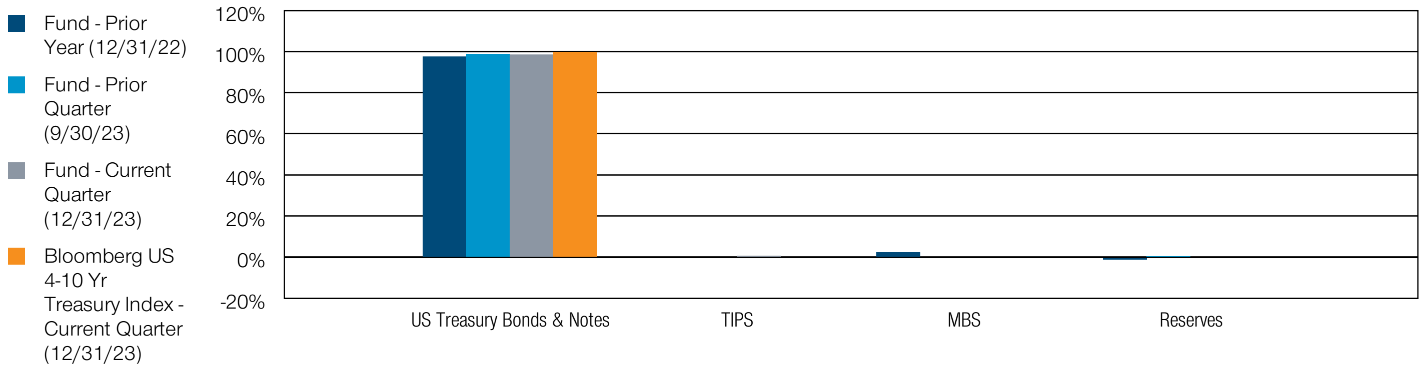


Reserves	Treasury	TIPS	MBS	Other	Total
0	9	0	-5	0	5

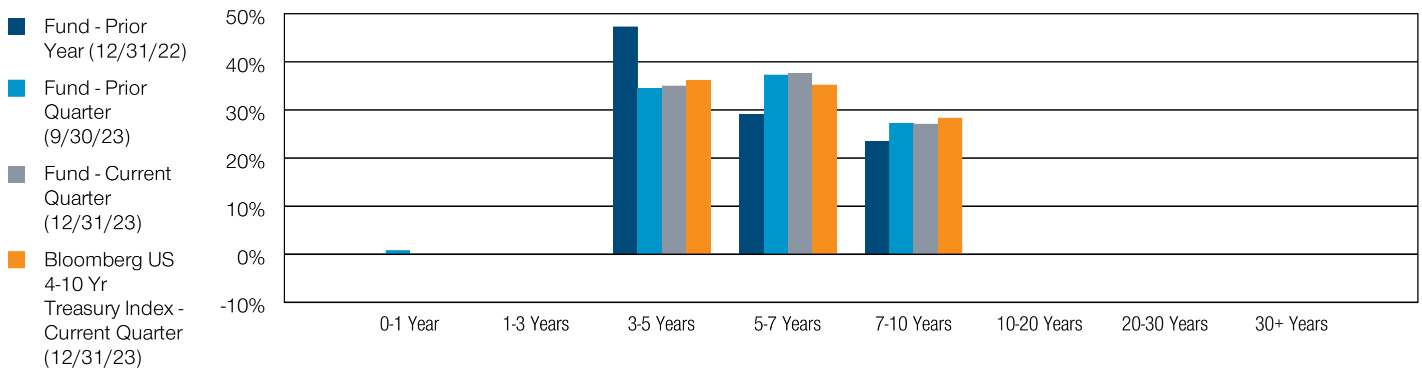
Past performance is not a reliable indicator of future performance.
Source: Bloomberg Index Services Limited.
Analysis represents the performance of the portfolio compared to its benchmark as calculated by the Bloomberg attribution model. Performance is attributed to a set of portfolio decisions such 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.

PORTFOLIO POSITIONING

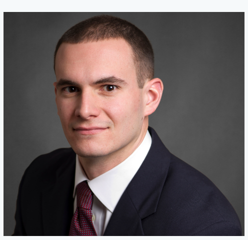
SECTOR DIVERSIFICATION – CHANGES OVER TIME



MATURITY DIVERSIFICATION – CHANGES OVER TIME



PORTFOLIO MANAGEMENT



Portfolio Manager:
Michael Sewell

Managed Fund Since:
2022

Joined Firm:
2004

Additional Disclosures

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.

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Source for Maturity Diversification: T Rowe Price.
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