

T. Rowe Price Short-Term Bond

Ticker: PRWBX Status: Open Yield: 2.3% SEC Yield: 1.56% Total Assets: \$5,627 mil Mstar Category: Short-Term Bond

Morningstar Analyst Rating 11-15-11



Morningstar Pillars

- Process + Positive
- Performance + Positive
- People + Positive
- Parent + Positive
- Price + Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Pillar Spectrum

Positive Negative Neutral

Performance 12-31-11

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2007	1.30	0.72	1.57	1.78	5.48
2008	1.70	0.18	-0.66	0.02	1.23
2009	2.49	2.87	2.56	0.80	9.00
2010	1.10	0.89	1.27	-0.16	3.13
2011	0.38	0.96	-0.24	0.35	1.46

Trailing	Total Return%	+/- BC Agg Bnd	+/- BarCap Gt/Ct 1-5TR	%Rank Cat	Growth of \$10,000
3 Mo	0.35	-0.77	-0.08	60	10,035
6 Mo	0.11	-4.87	-1.24	54	10,011
1 Yr	1.46	-6.38	-1.68	51	10,146
3 Yr Avg	4.48	-2.29	0.54	57	11,405
5 Yr Avg	4.02	-2.48	-0.82	32	12,178
10 Yr Avg	3.67	-2.11	-0.63	34	14,339
15 Yr Avg	4.55	-1.77	-0.62	28	19,492

Tax Analysis

	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	3.45	55	0.98	56
5 Yr (estimated)	2.78	31	1.19	56
10 Yr (estimated)	2.38	33	1.24	56

Potential Capital Gain Exposure: 0% of assets

Morningstar's Take by Kathryn Young 11-15-11

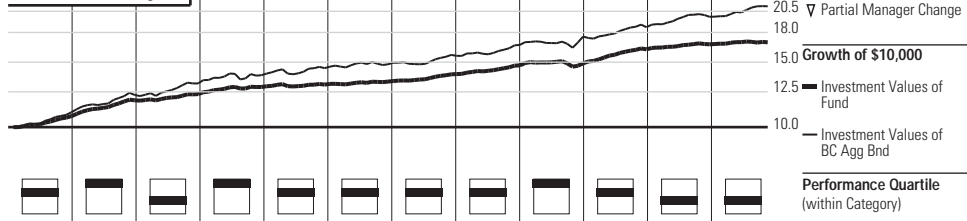
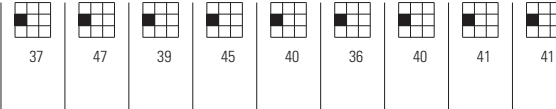
T. Rowe Price Short-Term Bond plays defense, even when optimistic.

As economic headlines seem increasingly dour, this fund's portfolio looks rather sanguine. It holds roughly 50% in corporate issues, pushing the upper bound of how much manager Ted Wiese will devote to that sector. Almost half of that (22% of assets) is staked in bonds rated BBB while the typical short-term bond fund has 15% in that tier. Wiese acknowledges the economic recovery may be slowing but expects corporate earnings to remain strong for the near future at least.

The fund's returns lately don't reflect an aggressive stance though. It has lagged its typical peer somewhat since the market recovery began in 2009 despite this focus on corporate bonds at a time when credit-sensitive issues have generally excelled. That's because Wiese's cautious approach has kept the fund out of the junk-rated or fundamentally dicey issues that would have really juiced returns. He's also focused on relatively defensive sectors, such as health care. But

Historical Profile

Return: Above Avg
Risk: Below Avg
Rating: ★★★★★
Above Avg



Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	History
NAV	4.65	4.77	4.80	4.82	4.76	4.68	4.69	4.73	4.59	4.83	4.85	4.81	NAV
Total Return %	8.48	8.47	5.32	3.72	1.49	1.74	4.38	5.48	1.23	9.00	3.13	1.46	Total Return %
+/- BC Agg Bnd	-3.15	0.03	-4.94	-0.38	-2.85	-0.69	0.05	-1.49	-4.01	3.07	-3.41	-6.38	+/- BC Agg Bnd
+/- BarCap Gt/Ct 1-5TR	-0.45	-0.56	-2.80	0.37	-0.36	0.30	0.16	-1.79	-3.90	4.38	-0.95	-1.68	+/- BarCap Gt/Ct 1-5TR
Income Return %	6.17	5.86	4.65	3.31	2.75	3.44	4.15	4.60	4.28	3.71	2.73	2.30	Income Return %
Capital Return %	2.31	2.61	0.67	0.41	-1.26	-1.70	0.23	0.88	-3.05	5.29	0.40	-0.84	Capital Return %
Total Rtn % Rank Cat	26	12	54	14	48	32	26	29	24	49	67	51	Total Rtn % Rank Cat
Income \$	0.27	0.27	0.22	0.16	0.13	0.16	0.19	0.21	0.20	0.17	0.13	0.11	Income \$
Capital Gains \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	0.72	0.59	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.54	Expense Ratio %
Income Ratio %	5.74	5.99	5.11	3.85	2.67	2.85	3.62	4.30	4.37	4.00	2.88	2.20	Income Ratio %
Turnover Rate %	51	78	50	110	70	56	40	70	59	32	28	71	Turnover Rate %
Net Assets \$mil	467	599	904	1,288	1,516	1,262	1,439	1,561	1,860	3,865	5,110	5,328	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	1.46			
3 Yr	4.48	Avg	-Avg	★★★★
5 Yr	4.02	+Avg	-Avg	★★★★★
10 Yr	3.67	+Avg	-Avg	★★★★★
Incept	5.80			

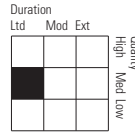
Other Measures

	Standard Index	Best Fit Index
Alpha	2.7	1.6
Beta	0.25	0.71
R-Squared	19	53
Standard Deviation	1.60	
Mean	4.48	
Sharpe Ratio	2.69	

Portfolio Analysis 09-30-11

	Date of Maturity	Amount \$000	Value \$000	% Net Assets
Total Fixed-Income: 545				
FNMA 5.5%	05-01-40	260,241	282,719	4.98
FHLMC 0.875%	10-28-13	60,655	61,222	1.08
FHLBA 1.625%	11-21-12	59,045	59,926	1.06
FNMA 4.5%	08-01-25	51,560	54,905	0.97
Goldman Sachs Grp FRN	02-07-14	44,295	42,079	0.74
Morgan Stanley FRN	01-24-14	44,100	41,567	0.73
FHLMC 5%	12-01-23	37,691	40,595	0.72
FNMA 4%	02-01-25	36,001	38,094	0.67
General Elec Cap Corp Mt	04-07-14	38,805	37,827	0.67
Citigroup	04-01-14	39,015	37,239	0.66
Verizon Va 4.625%	03-15-13	34,052	35,593	0.63
J P Morgan Chase & Co Mt	05-02-14	35,260	34,559	0.61
US Treasury Note 0.5%	04-15-15	31,879	33,154	0.58
Metlife Instl Fdg li 144	04-04-14	32,955	32,944	0.58
FNMA 4.5%	08-01-24	30,143	32,108	0.57
Directv Hldgs Llc / Dire	10-01-14	28,665	31,031	0.55
Barclays Bk 5.2%	07-10-14	30,230	30,925	0.55
FNMA 5.5%	10-01-24	28,422	30,854	0.54
B.A.T. Int Fin 144A 8.12	11-15-13	26,945	30,543	0.54
Royal Bank Of Canada Bd	04-17-14	30,635	30,478	0.54

Current Investment Style



Avg Eff Duration ¹	1.6 Yrs
Avg Eff Maturity	2.3 Yrs
Avg Credit Quality	A
Avg Wtd Coupon	3.67%
Avg Wtd Price	103.58% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	93.9	1.1
6% to 8%	3.5	0.4
8% to 10%	2.6	1.3
More than 10%	0.0	0.0

1.00=Category Average

Credit Analysis

	% bonds 09-30-11
AAA	49
AA	12
A	14
BBB	23

Sector Breakdown

	% of assets
US Treasury	0
Non US Government	0
Government Related	6
Corporate	41
Agency MBS Pass-Through	19
Agency MBS ARM	1
Agency MBS CMO	1
Non-Agency Residential MBS	2
Commercial MBS	2
Asset-Backed	11
Municipal	1
Cash & Equivalents	15
Other	0

Composition - Net

Cash	15.1	Bonds	84.5
Stocks	0.0	Other	0.4

Special Securities

Restricted/Illiquid Secs	7
Exotic Mortgage-Backed	0
Emerging-Markets Secs	Trace
Options/Futures/Warrants	No

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 Web Address: www.troweprice.com
 Inception: 03-02-84
 Advisor: T. Rowe Price Associates, Inc.
 Subadvisor: None
 NTF Plans: N/A

Minimum Purchase: \$2500
 Add: \$100
 IRA: \$1000
 Add: \$100

Sales Fees: No-load
 Management Fee: 0.10%
 Actual Fees: Mgt:0.40%
 Expense Projections: 3Yr:\$173, 5Yr:\$302, 10Yr:\$677
 Income Distribution: Monthly