

## Bond Trust I (Class T1)



### Investment Approach

Bond Trust I (the "Trust") seeks to provide the highest level of income consistent with the preservation of capital over time by investing primarily in marketable debt securities. Under normal circumstances, the Trust will invest at least 80% of total assets in income-producing debt securities, including, but not limited to, U.S. government and agency obligations, mortgage- and asset-backed securities, corporate bonds, foreign securities, collateralized mortgage obligations, Treasury Inflation Protected Securities, and on occasion, equities. The Trust focuses primarily on investment-grade fixed income securities. The Trust may be appropriate for retirement plan investors seeking an attractive level of income and who are willing to accept the risk of a declining unit price, particularly when interest rates rise.

### Portfolio Performance

	Annualized			
	Three Months	One Year	Three Years	Since Inception 8/2/10
<b>As of December 31, 2013</b>				
<b>Bond Trust I (Class T1)</b>	<b>0.18%</b>	<b>-2.20%</b>	<b>3.30%</b>	<b>3.13%</b>
Barclays U.S. Aggregate Bond Index	-0.14	-2.02	3.26	2.94

### Trustee Fee and Assets

#### As of December 31, 2013

Trustee Fee	<b>0.40%</b>
Assets (\$mm)	\$1,348.9

### Management

Dan Shackelford is a vice president of T. Rowe Price Group, Inc., and T. Rowe Price Trust Company. He is a portfolio manager and member of the portfolio strategy team for the core and core plus mandates in the Fixed Income Division. Dan is president and chairman of the Investment Advisory Committee of the New Income Fund and the Inflation Protected Bond Fund. He also chairs the Fixed Income Derivatives Committee and is a member of the firm's Asset Allocation Committee. He earned a B.S. in business administration from the University of North Carolina at Chapel Hill and an M.B.A. in finance from Duke University, The Fuqua School of Business. Dan also has earned his Chartered Financial Analyst designation.

#### Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results.

NOTE: The T. Rowe Price Bond Trust I (the "Trust") is not a mutual fund. It is a common trust fund established by T. Rowe Price Trust Company under Maryland banking law, and its units are exempt from registration under the Securities Act of 1933. Investments in the Trust are not deposits or obligations of, or guaranteed by, the U.S. government or its agencies or T. Rowe Price Trust Company and are subject to investment risks, including possible loss of principal. Performance figures reflect the deduction of a 40 basis point annual trustee fee, which is used primarily to pay normal operating expenses of the Trust, including custodial, accounting, and investment management fees. When assessing performance, investors should consider both short-term and long-term returns. Information regarding trustee fees is available upon request. Returns include changes in principal value and reinvested dividends. Investment return and principal value will vary, and units of the Trust may be worth more or less at withdrawal than at original purchase. Information regarding trustee fees is available upon request. The offering circular contains complete information on the Trust's objective, investment program, and other information, and plan sponsors should read it carefully before deciding to include the Trust as an investment option for plan participants. The Barclays U.S. Aggregate Bond Index listed in the Returns table above is the Trust's benchmark.

**Sector Diversification – Top 10**

Mortgage	30.7%
Corporate	24.5
U.S. Treasuries	18.0
ABS	5.8
CMBS	5.3
Government Related	4.8
Non-U.S. \$ Denominated	3.5
High Yield	3.4
U.S. Municipals	1.8
Reserves	1.4

Source: T. Rowe Price.

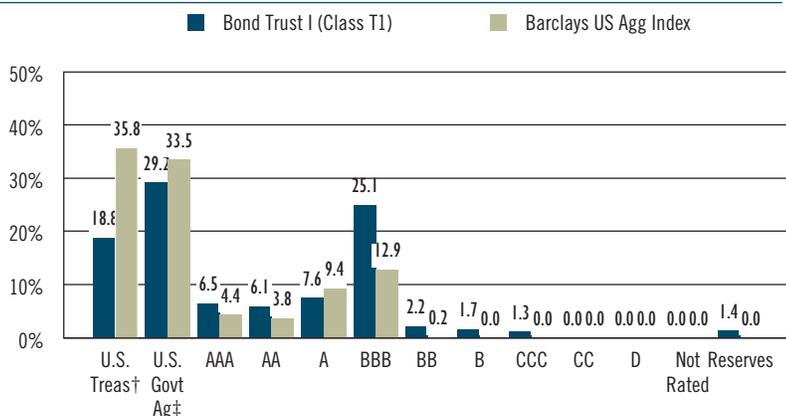
**Portfolio Characteristics**

	Bond Trust I (Class T1)	Barclays US Agg Index
Weighted Average Coupon	3.62%	3.34%
Weighted Average Maturity	7.82 years	7.54 years
Weighted Average Effective Duration	5.24 years	5.47 years
Yield to Maturity	3.18%	2.47%
Number of Holdings	1,116	8,701

**Risk/Return Characteristics**

	Three Years ended December 31, 2013	
	Bond Trust I (Class T1)	Barclays US Agg Index
Annualized Std. Deviation	2.85%	2.71%
Alpha	0.11%	0.00%
Beta	0.98	1.00
R-Squared	0.86	1.00
Information Ratio	0.10	0.00
Sharpe Ratio	1.12	1.16
Tracking Error	1.07%	0.00%

**Credit Quality**



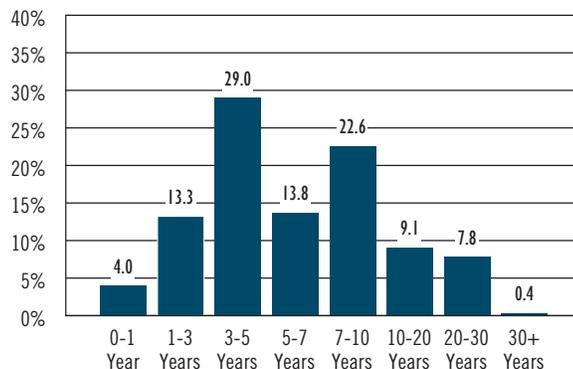
Sources for Credit Quality Diversification: Moody's Investors Service; if Moody's does not rate a security, then Standard & Poor's (S&P) is used as a secondary source. When available, T. Rowe Price will use Fitch for securities that are not rated by Moody's or S&P.

Numbers may not add due to rounding.

†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.

**Effective Maturity Ranges**



## Environment

U.S. investment-grade bond returns were mixed in the fourth quarter as longer-term interest rates increased. The 10-year Treasury note yield rose to 3.03% by the end of December- the highest level in about two-and-a-half years- as economic data were generally strong and the Fed prepared to reduce its asset purchases. In the investment-grade universe, long-term Treasuries posted moderate losses, while agency mortgage-backed securities fell to a lesser extent. Asset-backed and municipal securities were mostly flat, but corporate bonds edged higher. High yield bonds decisively outperformed high-quality issues for the quarter and for the year.

## Portfolio Highlights

The portfolio has a modest allocation to bonds not included in the benchmark, including high yield bonds and leveraged loans. High yield performed well in the period as investors continued to search for yield amid an improving economic environment, which has led to healthy corporate cash flows and sound fundamentals. Leveraged loans have also seen consistent demand from investors attracted by their floating rate feature and solid fundamentals. We also maintain non-benchmark positions in foreign currencies, which detracted for the quarter. The portfolio's position in the Brazilian real weighted on performance as investors remained concerned about slowing growth and elevated inflation in Brazil.

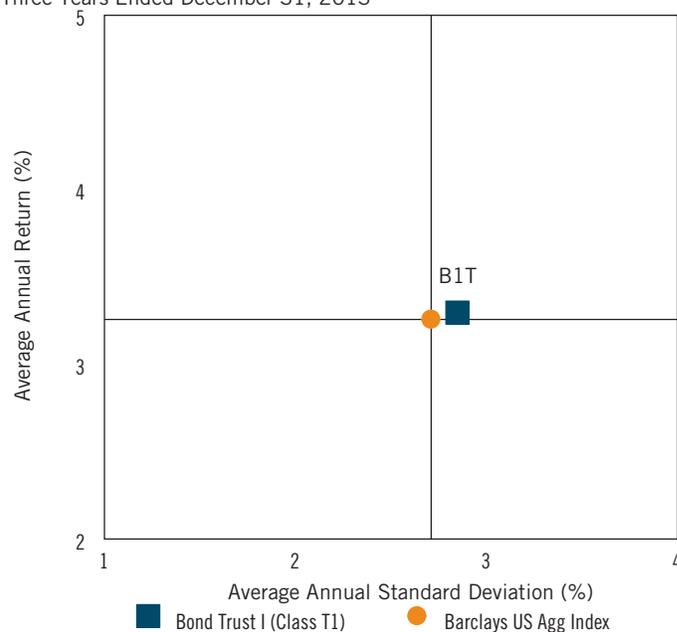
## Outlook

Fixed income markets appear to have reached an inflection point early last year, and it appears unlikely that bond investors will enjoy a broad pattern of falling yields and rising bond prices again soon. Nevertheless, we still believe that bonds deserve a place in most investors' portfolios. The recent upward adjustment to longer-term bond yields has been substantial, and valuations are much more reasonable in light of the persistence of low inflation.

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.

## Risk/Return

Three Years Ended December 31, 2013



Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results.

Holdings are presented to illustrate examples of industries and securities in which the Trust invests and may not be representative of the Trust's current or future investments, which may change at any time.

T. Rowe Price Associates, Inc. serves as investment adviser to the trustee, T. Rowe Price Trust Company.

Weighted Average Maturity is an average of the maturities of the underlying bonds, with each bond's maturity weighted by the percentage of fund assets it represents. 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 maturity or duration, the greater the fund's sensitivity to interest rates. Duration is a better indicator of price sensitivity because it takes into account the time value of cash flows.

Annualized Standard Deviation - This indicates the volatility of a portfolio's total returns as measured against its mean performance. Unlike alpha and beta, which are relative to a benchmark index, standard deviation is an absolute measure. In general, the higher the standard deviation, the greater the volatility or risk.

Alpha: The premium an investment earned above a set benchmark, adjusted for risk. An alpha of 1.0 means an investment has outperformed its benchmark on a risk adjusted basis by 1%. A negative alpha of 1.0 means an investment has underperformed its benchmark on a risk adjusted basis by 1%.

Beta: A measure of market risk of an investment option showing how responsive the investment is to a given market index, such as the S&P 500 Index. By definition, the beta of the benchmark index is 1.00. An investment with a beta of 1.10 is expected to perform 10% better than the index in up markets and 10% worse in down markets. Usually, higher betas represent riskier investments.

R-Squared: Measures the percentage of a strategy's movement that is explained by movements in the benchmark index. R-Squared helps to indicate the accuracy of a strategy's alpha and beta.

Information Ratio: A measure of the significance or quality of alpha. It is defined as the ratio of alpha to the standard deviation of alpha. A larger number is better — either a very strong alpha score or a consistent alpha with low standard deviation.

Sharpe Ratio: A measure of the risk-adjusted return of a portfolio. Generally, the larger the number, the better the portfolio's historical risk-adjusted return.

Tracking Error: The standard deviation of monthly excess returns of the portfolio over the benchmark.

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