

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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FILER

PRICE T ROWE GNMA FUND

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Fellow Shareholders

Fixed-income markets and your Fund posted weak results for the three months ended February 28, as bond investors responded unfavorably to the economy's fourth quarter surge and the increase in the federal funds rate in early February.

Market Environment

The swing in the economy's thrust reverberated through the credit markets. The combination of perceived weakness in the economy through the autumn of 1993 and the Federal Reserve's aggressively easy monetary policy encouraged a substantial decline in note and bond yields. For example, between the end of February 1993 and mid-October, the yield on the Treasury's 30-year bond dropped more than one full percentage point, reaching a low of 5.78%. However, as it became increasingly apparent late last year that the economy was entering a new phase of stronger growth, interest rates began to rise. In early February, the movement toward higher rates was accelerated by the Fed's dramatic announcement of a tightening. Short- and intermediate-term interest rates ended the Fund's fiscal year 30 to 85 basis points higher than at the start, though long-term Treasury bond yields remained a bit lower.

The chart shows the general decline in rates over the first eight months, followed by the subsequent two-stage rise.

While mortgage-backed securities benefited to some extent from the rate decline, their appreciation potential was limited by high prepayments in the spring and summer, as mortgage rates reached successive lows. As the gap widens between the coupon of an existing mortgage-backed bond and new mortgage rates, the mortgage bond becomes more susceptible to early prepayment. With rates falling for much of 1993, the prices of mortgage securities were rising above par almost as soon as they were issued. Since mortgages are paid off at par, the higher prepayments caused losses to investors.

Chart 1: Yield Comparison (see appendix)

The picture changed in October of 1993 when interest rates reached their lows. As rates rose in the fourth quarter and refinancing activity showed signs of slowing, mortgage-backed securities performed better than comparable Treasury bonds.

Performance Review

The relentless tide of prepayments during most of 1993 resulted in lackluster returns for mortgage-backed securities. Nevertheless, your Fund's drop in share price was more than offset by income to provide positive but modest gains for the three- and 12-month periods. The dividend distribution of \$.68 for the 12 months was a bit below the previous year's \$.75 due to the generally lower level of rates.

Performance Comparison

	Periods Ended 2/28/94	
	3 Months	12 Months
GNMA Fund	0.45%	3.71%
Lipper GNMA Fund Average	0.77	3.78

Strategy

Our portfolio decisions have centered on three main concerns: minimizing the effects of prepayments on portfolio holdings; maintaining the level of income close to current levels; and, more recently, protecting the Fund from excessive principal erosion in the face of rising rates.

We pursued two strategies for reducing the negative effects of prepayments on the portfolio. The first was to underweight GNMA holdings in the coupon ranges experiencing the highest refinancings, 8 1/2% and 9%. The second was to adjust the Fund's overall interest rate sensitivity through

changes in our investments in long maturity Treasury bonds.

By holding older, high-coupon mortgages in the portfolio, we have been able to modify the downward pressure on income that resulted from the prolonged rate decline. The portfolio weighting of these securities has gradually been decreased by regularly scheduled principal payments and modest prepayments, but they still represent a significant holding.

Chart 2: GNMA Holdings by Coupon (see appendix)

The chart shows that the average coupon of the Fund's mortgage holdings continued to drop as we added new positions in 6 1/2%, 7%, and 7 1/2% pools. This shift benefited the portfolio for two reasons: first, prices of new, lower-coupon mortgages were more responsive to falling interest rates than seasoned mortgages; and second, these lower-coupon mortgages were (and are) less vulnerable to prepayments.

Both to capture appreciation generated by declining long-term rates during much of 1993 and to position the Fund for a potential future environment where short-term rates rise more than long-term, we had maintained a sizable Treasury position at 23% of net assets going into the Fund's fourth quarter. This was reduced to 10% by the end of the fiscal year as rates climbed across the board. With the drop in prepayments, we redeployed these assets into more defensive, intermediate-coupon mortgages.

Outlook

Fed Chairman Alan Greenspan has made clear his intention to raise short-term interest rates from what he termed "abnormally low" levels to contain inflation as the economy approaches labor and capital constraints over the next year or two. As the Fed implements its new policy during 1994, short-term interest rates will climb. The initial reaction of bond markets to the Fed's tightening was decidedly negative, with yields climbing rapidly. Inflation currently does not look threatening, and insofar as the Fed's strategy works, bond investors should be reassured by the Fed's anti-inflation stance. However, commodity prices are moving up, labor markets could tighten later this year or early next, and the global economy is strengthening. Against this background, the bond market's reaction is understandable.

On balance, we look for a modest upward trend in bond yields from current levels, but we expect the path to be choppy, even turbulent, in 1994 as inflation expectations wax and wane. In this environment, the mortgage refinancing rush should continue to abate, enabling mortgage-backed securities, with their higher income, to achieve competitive returns.

Respectfully submitted,

(signature)

Peter Van Dyke
President and Chairman of the Investment Advisory Committee

March 21, 1994

Statistical Highlights
T. Rowe Price GNMA Fund / February 28, 1994

Key Statistics

Dividend Yield<F1>	Periods Ended 2/28/94
3 Months	6.89%
12 Months	7.15

Dividend Per Share	
3 Months	\$0.16
12 Months	0.68

Change in Per-Share Value	
3 Months (From \$9.72 to \$9.60)	-\$0.12
12 Months (From \$9.92 to \$9.60)	-0.32

<F1>Dividends earned and reinvested for the periods indicated are annualized and divided by the average daily net asset values per share for the same period.

Income return and principal value represent past performance and will vary. Shares may be worth more or less at redemption than at original purchase.

Maturity Diversification<F1>

Range	Percent of Net Assets		
	2/28/93	11/30/93	2/28/94
Short-Term (0 to 1 Year)	1%	11%	0%
Short Intermediate-Term (1+ to 5 Years)	37	46	52
Long Intermediate-Term (5+ to 10 Years)	53	28	29
Long-Term (Over 10 Years)	9	15	19
Weighted Average Maturity (Years)	6.4	6.7	7.4
Weighted Average Effective Duration (Years)	3.8	3.9	4.5

<F1>Based on prepayment-adjusted life of GNMA securities.

Quality Diversification

TRPA Quality Rating<F1>	Percent of Net Assets		
	2/28/93	11/30/93	2/28/94
1	100%	100%	100%
2	0	0	0
3	0	0	0
4	0	0	0
Weighted Average	1.0	1.0	1.0

<F1>On a scale of 1 to 10, with Grade 1 representing highest quality.

Sector Diversification

	Percent of Net Assets		
	2/28/93	11/30/93	2/28/94
GNMA Securities	92%	77%	89%
U.S. Treasury Securities	7	23	10
Other Government Agency Securities	1	1	1
Other Assets Less Liabilities	0	-1	0

Duration as a Guide to Interest Rate Risk

Starting with this report, we've added a new measure to the statistical tables that more accurately defines a fund's interest rate sensitivity. Unlike maturity, which indicates when the bond issuer must repay principal, "duration" incorporates the cash flows of all interest and principal payments over the life of the bond to reflect the recovery of your original investment. Future payments are discounted to reflect their present value. These payments are then multiplied by the number of years they will be received to produce a value that is expressed in years, i.e., the duration. Effective duration is an even better measure of a bond's sensitivity to interest rate changes because it takes into account call features and sinking fund payments which may shorten a bond's life.

You can multiply the duration by the potential change in interest rates to estimate the change in principal value. For example, the price of

a bond or bond fund with a duration of five years would rise or fall roughly 5% in price if rates fell or rose by one percentage point.

Chart 3: Fiscal Year Performance Comparison (see appendix)

Calendar_Year Performance

Periods Ended December 31, 1993

Average Annual
Compound Total-Return

1 Year	5 Years	Since Inception (11/26/85)
6.15%	10.27%	8.74%

Fiscal_Year Performance

Periods Ended February 28, 1994

Average Annual
Compound Total-Return

1 Year	5 Years	Since Inception (11/26/85)
3.71%	10.10%	8.54%

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Investment Record
T. Rowe Price GNMA Fund

The table below shows the investment record of one share of the T. Rowe Price GNMA Fund, purchased at the initial offering price of \$10.00. Over this time, interest rates have been volatile. The results shown should not be considered a representation of the dividend income or capital gain or loss which may be realized from an investment made in the Fund today.

Fiscal Year Ended	Net Asset Value	Income Dividends	Capital Gain Distributions	With Dividends Reinvested	With Dividends and Capital Gains Reinvested	Total Return
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1986<F1>	\$10.12	\$0.26		\$10.39	\$10.39	3.89%
1987	10.27	0.90		11.51	11.51	10.82
1988	9.55	0.92	\$0.02	11.78	11.80	2.49
1989	8.93	0.90		12.14	12.16	3.06
1990	9.16	0.85		13.64	13.67	12.41
1991	9.47	0.83		15.42	15.45	13.02
1992	9.79	0.80		17.31	17.35	12.28
1993	9.92	0.75		18.93	18.97	9.36
1994	9.60	0.68		19.63	19.67	3.71
Total		\$6.89	\$0.02			

<FN>
<F1>From inception 11/26/85 to 2/28/86.
</FN>
</TABLE>

Statement of Net Assets (Amounts in thousands)
T. Rowe Price GNMA Fund/February 28, 1994

U.S. Government Guaranteed Obligations _ 90.1%		
Federal Housing Authority, 9.95%, 10/1/32	Face Amount \$4,998	Value \$5,033

Government National Mortgage Assn.,

I, 6.00%, 11/15-12/15/23	10,159	9,597
6.50%, 5/15/23 - 1/15/24	39,382	38,398
7.00%, 4/15/17 - 1/15/24	83,641	84,009
7.50%, 10/15/16 - 8/15/23	88,822	91,712
8.00%, 3/15/14 - 12/15/23	73,836	78,027
8.50%, 12/15/04 - 5/15/21	54,915	58,836
9.00%, 4/15/16 - 7/15/23	103,457	111,571
9.50%, 6/15/09 - 11/15/22	54,159	58,792
10.00%, 12/15/13 - 8/15/21	41,019	45,312
10.50%, 1/15/13 - 7/15/20	5,788	6,501
11.00%, 3/15/10 - 6/15/19	1,985	2,263
11.50%, 6/15/10 - 4/15/19	4,414	5,087
12.00%, 12/15/10 - 6/15/16	19,152	22,216
12.50%, 4/15/10 - 12/15/15	4,885	5,715
13.00%, 1/15/11 - 8/15/15	2,478	2,949
13.50%, 5/15/10 - 2/15/15	3,065	3,679
II, 8.00%, 4/20/22	4,368	4,553
8.50%, 4/20/16 - 2/20/23	40,541	42,644
9.50%, 2/20/16 - 7/20/22	13,669	14,558
10.00%, 7/20/18 - 3/20/21	3,610	3,915
11.00%, 1/20/16 - 9/20/20	3,768	4,201
11.50%, 12/20/13 - 7/20/20	3,351	3,779
12.50%, 10/20/13 - 1/20/16	482	552
13.00%, 10/20/13 - 9/20/15	1,922	2,240
Graduated Payment Mortgage, I, 8.75%, 6/15/17-6/15/22	2,281	2,367
9.00%, 5/15/09 - 3/15/14	1,012	1,049
9.25%, 5/15/16 - 8/15/21	14,966	15,559
9.50%, 6/15/09 - 11/15/09	4,424	4,644
9.75%, 4/15/16 - 9/15/21	20,445	21,461
10.75%, 1/15/16 - 7/15/19	5,680	6,202
12.00%, 10/15/10 - 2/15/13	1,123	1,265
12.25%, 9/15/13 - 5/15/15	1,169	1,323
12.50%, 4/15/10 - 1/15/13	1,622	1,837
12.75%, 10/15/13 - 5/15/15	1,450	1,660
II, 9.75%, 12/20/20 - 7/20/21	939	979
12.25%, 1/20/14 - 12/20/15	962	1,081
12.75%, 10/20/13 - 7/20/15	799	909
Project Loan, I, 9.25%, 10/15/23	9,995	10,683
10.00%, 2/15/30	10,945	11,951
10.75%, 3/15/26	6,192	6,892

Total U.S. Government Guaranteed Obligations
(Cost - \$774,651)

796,001

U.S. Government Obligations - 9.7%

U.S. Treasury Bonds, 6.25%, 8/15/23	80,000	75,687
U.S. Treasury Stripped Cert., Zero Coupon, 2/15/09-8/18/10	29,900	10,127
Total U.S. Government Obligations (Cost - \$92,783)		85,814

Total Investments in Securities - 99.8% (Cost - \$867,434) 881,815

Other Assets Less Liabilities - 0.2% 1,576

Net Assets Consisting of:

Accumulated realized gains/losses-net of distributions	(21,880)
Unrealized appreciation of investments	14,381
Paid-in-capital applicable to 91,980,143 no par value shares of beneficial interest outstanding; unlimited number of shares authorized	890,890

Net Assets - 100.0% \$883,391

Net Asset Value Per Share \$9.60

The accompanying notes are an integral part of these financial statements.

Statement of Operations

T. Rowe Price GNMA Fund / Year Ended February 28, 1994

Amounts in Thousands

INVESTMENT INCOME

Interest income \$71,508

Expenses

Investment management fees	\$4,626
Shareholder servicing fees & expenses	1,773
Custodian and accounting fees & expenses	520
Prospectus & shareholder reports	86
Registration fees & expenses	74
Legal & auditing fees	42
Trustees' fees & expenses	19
Miscellaneous	23
Total expenses	7,163

Net investment income 64,345

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS

Net realized gain	2,925
Change in unrealized appreciation or depreciation	(32,931)
Net loss on investments	(30,006)

INCREASE IN NET ASSETS FROM OPERATIONS \$34,339

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

T. Rowe Price GNMA Fund

	Year Ended Feb. 28, 1994	Year Ended Feb. 28, 1993
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Amounts in Thousands

INCREASE (DECREASE) IN NET ASSETS

Operations

Net investment income	\$ 64,345	\$ 62,367
Net realized gain (loss) on investments	2,925	(1,844)
Change in unrealized appreciation or depreciation of investments	(32,931)	13,295
Increase in net assets from operations	34,339	73,818

Distributions to shareholders

Net investment income	(64,288)	(62,455)
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Capital share transactions

Sold 27,861 and 38,366 shares	274,783	377,519
Distributions reinvested of 5,689 and 4,645 shares	55,910	45,634
Redeemed 33,688 and 23,985 shares	(331,125)	(235,993)

Increase (decrease) in net assets from capital share transactions	(432)	187,160
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Total increase (decrease)	(30,381)	198,523
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NET ASSETS

Beginning of year	913,772	715,249
End of year	\$883,391	\$913,772

Note 1 - Significant Accounting Policies

T. Rowe Price GNMA Fund (the Fund) is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company.

A) Security valuation - Debt securities are generally traded in the over-the-counter market. Investments in securities with remaining maturities of one year or more are stated at fair value as furnished by dealers who make markets in such securities or by an independent pricing service, which considers yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Securities with remaining maturities less than one year are stated at fair value which is determined by using a matrix system that establishes a value for each security based on money market yields.

Assets and liabilities for which the above valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by, or under the supervision of, the officers of the Fund, as authorized by the Board of Trustees.

B) Premiums and Discounts - Premiums and discounts on debt securities are amortized for both financial and tax reporting purposes.

C) Other - Income and expenses are recorded on the accrual basis. Investment transactions are accounted for on the trade date. Realized gains and losses are reported on an identified cost basis. Distributions to shareholders are recorded by the Fund on the ex-dividend date. Income and capital gain distributions are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles.

D) Accounting Change - Effective as of the beginning of the year, the Fund adopted a recently issued accounting standard related to shareholder distributions. This change resulted in a reclassification to paid-in-capital of permanent differences between tax and financial reporting of net investment income and net realized gains/losses. The cumulative effect of this change as of February 28, 1993, decreased Accumulated net investment income-net of distributions by \$5,434,000 increased Accumulated net realized gains/losses-net of distributions by \$6,076,000 and decreased Paid-in-capital by \$642,000. The results of operations, shareholder distributions and net assets were not affected by this change.

Note 2 - Financial Instruments

As a part of its investment program, the Fund loans its portfolio securities to brokers. The nature and risk of these loans and the reasons for using them are set forth more fully in the Fund's Prospectus and Statement of Additional Information. Although risk is mitigated by obtaining collateral, the Fund could experience a delay in recovering its securities and possibly incur a capital loss if the borrower fails to return them. At February 28, 1994, the market value of securities on loan to brokers was \$74,515,000 for which the Fund has collateral of \$78,761,000, consisting of cash and U.S. Treasury securities.

Purchases and sales of U.S. Government securities, other than short-term, aggregated \$859,269,000 and \$856,530,000, respectively, for the year ended February 28, 1994.

Note 3 - Federal Income Taxes

No provision for federal income taxes is required since the Fund intends to

continue to qualify as a regulated investment company and distribute all of its taxable income. The Fund has unused realized capital loss carryforwards for federal income tax purposes of \$20,209,000 at February 28, 1994, which expire in 1996 through 2000.

At February 28, 1994, the aggregate cost of investments for federal income tax and financial reporting purposes was \$867,434,000 and net unrealized appreciation aggregated \$14,381,000, of which \$25,939,000 related to appreciated investments and \$11,558,000 to depreciated investments.

Note 4 - Related Party Transactions

The investment management agreement between the Fund and T. Rowe Price Associates, Inc. (the Manager) provides for an annual investment management fee, computed daily and paid monthly, consisting of an Individual Fund Fee equal to 0.15% of average daily net assets and a Group Fee. The Group Fee is based on the combined assets of certain mutual funds sponsored by the Manager or Rowe Price-Fleming International, Inc. (the Group). The Group Fee rate ranges from 0.48% for the first \$1 billion of assets to 0.31% for assets in excess of \$34 billion. The effective annual Group Fee rate at February 28, 1994, was 0.34%, and for the year then ended was 0.35%. The Fund pays a pro rata portion of the Group Fee based on the ratio of the Fund's net assets to those of the Group.

T. Rowe Price Services, Inc. (TRPS) and Retirement Plan Services, Inc. (RPS) are wholly owned subsidiaries of the Manager. TRPS provides transfer and dividend disbursing agent functions and shareholder services for all accounts. RPS provides subaccounting and recordkeeping services for certain retirement accounts invested in the Fund. The Manager, under a separate agreement, calculates the daily share price and maintains the financial records of the Fund. The Fund is one of several T. Rowe Price mutual funds (the Underlying Funds) in which the T. Rowe Price Spectrum Income Fund (Spectrum) invests. In accordance with an Agreement between Spectrum, the Underlying Funds, the Manager and TRPS, expenses from the operation of Spectrum are borne by the Underlying Funds based on each Underlying Fund's proportionate share of assets owned by Spectrum. For the year ended February 28, 1994, the Fund incurred fees totalling approximately \$1,589,000 for these services provided by related parties. At February 28, 1994, investment management and service fees payable were \$540,000.

<TABLE>

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Financial Highlights

T. Rowe Price GNMA Fund

	For a share outstanding throughout each year ended				
	Feb. 28, 1994	Feb. 28, 1993	Feb. 29, 1992	Feb. 28, 1991	Feb. 28, 1990
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF YEAR	\$9.92	\$9.79	\$9.47	\$9.16	\$8.93
Investment Activities					
Net investment income	0.68	0.75	0.80	0.83	0.85
Net realized and unrealized gain (loss)	(0.32)	0.13	0.32	0.31	0.23
Total from Investment Activities	0.36	0.88	1.12	1.14	1.08
Distributions					
Net investment income	(0.68)	(0.75)	(0.80)	(0.83)	(0.85)
NET ASSET VALUE, END OF YEAR	\$9.60	\$9.92	\$9.79	\$9.47	\$9.16
RATIOS/SUPPLEMENTAL DATA					
Total Return	3.71%	9.36%	12.28%	13.02%	12.41%
Ratio of Expenses to Average Net Assets	0.77%	0.79%	0.86%	0.85%	0.90%
Ratio of Net Investment Income					

to Average Net Assets	6.93%	7.65%	8.25%	8.94%	9.19%
Portfolio Turnover Rate	92.5%	94.2%	66.0%	91.8%	170.8%
Net Assets, End of Year (in thousands)	\$883,391	\$913,722	\$715,249	\$468,969	\$386,193
Number of Shareholder Accounts, End of Year	41,000	43,000	37,000	30,000	29,000

</TABLE>

Report of Independent Accountants

To the Shareholders and Board of Trustees of
T. Rowe Price GNMA Fund

In our opinion, the accompanying statement of net assets and the related statements of operations and of changes in net assets and the selected per share data and information (which appears under the heading "Financial Highlights") present fairly, in all material respects, the financial position of T. Rowe Price GNMA Fund at February 28, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the selected per share data and information for each of the five years in the period then ended, in conformity with generally accepted accounting principles. These financial statements and selected per share data and information (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at February 28, 1994 by correspondence with custodians and brokers and, where appropriate, the application of alternative auditing procedures for unsettled security transactions, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE

Baltimore, Maryland
March 17, 1994

T. Rowe Price No-Load Mutual Funds

STABILITY

Prime Reserve
Summit Cash Reserves
U.S. Treasury Money
California Tax-Free Money
New York Tax-Free Money
Summit Municipal Money Market
Tax-Exempt Money

CONSERVATIVE INCOME

Adjustable Rate U.S. Government
Short-Term Bond
Short-Term Global Income
Summit Limited-Term Bond
U.S. Treasury Intermediate
Florida Insured Intermediate Tax-Free
Maryland Short-Term Tax-Free Bond
Summit Municipal Intermediate
Tax-Free Insured Intermediate Bond

Tax-Free Short-Intermediate

INCOME

Global Government Bond
GNMA
New Income
Spectrum Income
Summit GNMA
U.S. Treasury Long-Term
California Tax-Free Bond Georgia Tax-Free Bond
Maryland Tax-Free Bond
New Jersey Tax-Free Bond
New York Tax-Free Bond
Summit Municipal Income
Tax-Free Income
Virginia Tax-Free Bond

AGGRESSIVE INCOME

High Yield
International Bond
Tax-Free High Yield

CONSERVATIVE GROWTH

Balanced Capital Appreciation Dividend Growth
Equity Income
Growth & Income
Spectrum Growth
Growth
Blue Chip Growth
European Stock
Growth Stock
International Stock
Japan Mid-Cap Growth
New Era
Small-Cap Value

AGGRESSIVE GROWTH

International Discovery
Latin America
New America Growth
New Asia
New Horizons OTC
Science & Technology

Call if you want to know about any T. Rowe Price fund. We'll send you a prospectus with more complete information, including management fees and other expenses. Read it carefully before you invest or send money.

Officers and Trustees

George J. Collins, Chairman
Peter Van Dyke, President
Robert P. Black, Trustee
Calvin W. Burnett, Trustee
Anthony W. Deering, Trustee
F. Pierce Linaweaver, Trustee
James S. Riepe, Vice President/Trustee
John Sagan, Trustee
John G. Schreiber, Trustee
Robert P. Campbell, Vice President
Henry H. Hopkins, Vice President
Veena A. Kutler, Vice President
Heather R. Landon, Vice President
James M. McDonald, Vice President
Edmund M. Notzon, Vice President

Charles P. Smith, Vice President
Lenora V. Hornung, Secretary
Carmen F. Deyesu, Treasurer
David S. Middleton, Controller

Shareholder Services

To help shareholders monitor their current investments and make decisions that accurately reflect their financial goals, T. Rowe Price offers a wide variety of information and services_at no extra cost.

Telephone Services

Access Your Account 24 Hours a Day by Calling 1-800-638-2587.

Tele*Access(R)_Gives you your account balance, date and amount of your last transaction, latest dividend payment, and fund prices and yields. Also, lets you purchase, exchange, or redeem shares.

Shareholder Service Representatives are available from 8:00 a.m. to 10:00 p.m., Monday- Friday, and Saturday from 9:00 a.m. to 5:00 p.m., E.T. Call 1-800-225-5132.

Shareholder Service Center_Call to exchange shares or move money between your bank and fund accounts.

Account Services

Checking_Write checks for \$500 or more on any money market and most bond fund accounts.

Automatic Investing_Build your account over time by investing directly from your bank account or paycheck. A low, \$50 minimum makes it easy to get started.

Automatic Withdrawal_If you need money from your fund account on a regular basis, you can establish scheduled, automatic redemptions.

Dividend and Capital Gains Payment
Options_Reinvest all or some of your distributions or take them in cash. We give you maximum flexibility and convenience.

Investment Information

Combined Statement_A comprehensive overview of your T. Rowe Price accounts. The summary page gives your earnings by tax category, provides total portfolio value, and lists your investments by type_stock, bond, and money market. Detail pages itemize account transactions by fund.

Quarterly Shareholder Reports_Portfolio managers review the performance of the funds in plain language and discuss T. Rowe Price's economic outlook.

The T. Rowe Price Report_A quarterly newsletter with relevant articles on market trends, personal financial planning, and T. Rowe Price's economic perspective.

Insights_A library of information that includes reports on mutual fund tax issues, investment strategies, and financial markets.

Detailed Investment Guides_Our widely acclaimed Asset Mix Worksheet, College Planning Kit, Retirees Financial Guide, Retirement Planning Kit (also available on disk for PC use) and Guide to Risk-Adjusted Performance can help you determine and reach your investment goals.

Discount Brokerage

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Appendix

Chart 1: Yield Comparison

A line graph compares the yields on the Current Coupon GNMA and the 10-Year Treasury Note from 2/28/93 to 2/28/94.

Chart 2: GNMA Holdings by Coupon

A bar graph illustrates the percentages of GNMA holdings (as of 2/28/93 and 2/28/94) in each of seven coupon ranges (from 6% through 12%+).

Chart 3: Fiscal Year Performance Comparison

GNMA Fund Performance Comparison

A line graph compares the 2/28/94 value of a hypothetical \$10,000 investment made in the GNMA Fund at its inception (11/26/85) and a similar investment made concurrently in the Lipper GNMA Index and the Salomon GNMA Index. At 2/28/94, the Fund investment would have worth \$19672, the Lipper Index investment would have been worth \$20059, and Salomon GNMA Index investment would have been worth \$22478.