



T.RowePrice

T. Rowe Price Q1 2026

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Corporate Speakers

- **Linsley Carruth**; T. Rowe Price; Director of Investor Relations
- **Rob Sharps**; T. Rowe Price; Chair, Chief Executive Officer, and President
- **Jen Dardis**; T. Rowe Price; Chief Financial Officer
- **Eric Veiel**; T. Rowe Price; Head of Global Investments
- **Glenn August**; OHA; Founder and Chief Executive Officer

Participants

- **Daniel Fannon**; Jefferies; Analyst
- **Kenneth Worthington**; JPMorgan; Analyst
- **Michael Cyprys**; Morgan Stanley; Analyst
- **Glenn Schorr**; Evercore; Analyst
- **Alexander Bond**; KBW; Analyst
- **Benjamin Budish**; Barclays; Analyst
- **Brennan Hawken**; BMO; Analyst
- **Patrick Davitt**; Autonomous Research; Analyst

Presentation

Operator: Good morning, my name Victor and I will be your conference facilitator today. Welcome to T. Rowe Price's First Quarter 2026 earnings conference call. All participants will be in listen only mode until the question and answer period. I will give you instructions on how to ask questions at that time. As a reminder this call is being recorded and will be available for replay on T Rowe Price's website shortly after the call concludes.

I will now turn the call over to Linsley Carruth, T. Rowe Price's Director of Investor Relations.

Linsley Carruth: Hello and thank you for joining us today for our first quarter earnings call.

The press release and a supplemental materials document can be found on our IR website at investors.troweprice.com

Today's call will last approximately 45 minutes. We'll start the call with our Chair, CEO, and President Rob Sharps and CFO Jen Dardis discussing the company's results. After which Glenn August, CEO of OHA, will provide an update on our alternatives business. Then we'll open it up to your questions, at which time we'll be joined by head of Global Investments Eric Veiel. We ask that you limit it to one question per participant.

I'd like to remind you that during the course of this call we may make a number of forward-looking statements and reference certain non-GAAP financial measures. Please refer to the forward-looking statement language and the reconciliations to GAAP in the supplemental materials as well as in our press release and 10Q. Discussion related to the funds is intended to demonstrate their contribution to the organization's results and are not recommendations.

All investment performance references to peer groups on today's call are using Morningstar peer groups and for the quarter that ended March 31, 2026.

Now I'll turn it over to Rob

Rob Sharps: Thank you, Linsley.

Before I get started, I am pleased that Glenn August, CEO of OHA and member of our Board, is with us today. He will provide an update on our alternatives business and the opportunities we see across wealth, insurance, and the broader institutional market. We will hear from Glenn after Jen's update on our financial results.

After a relatively stable first two months of the quarter, markets declined in March in response to the conflict with Iran, which pushed energy prices sharply higher and introduced additional uncertainty into global economic growth expectations, though these declines have reversed in the early part of the second quarter with the market recently reaching new highs.

With the recent volatility and broadening of markets, our active management approach rooted in strong fundamental research and a consistent long-term focus positions us to take advantage of the opportunities this climate brings.

While we continue to face outflows in our equity and mutual fund businesses, our teams are making progress in stabilizing flows and are advancing innovative strategies, new vehicles, and compelling solutions to meet the needs of our clients.

Around half of our funds outperformed, with 39, 56, 43, and 59 percent of our funds beating their peer group medians on a 1-, 3-, 5-, and 10- year basis.

On an asset-weighted basis, our long-term performance remains strong with 71, 46, and 78 percent of our funds outperforming on the 3-, 5- and 10- year basis, however the 1- year time period remains challenged.

Across our equity funds on an asset-weighted basis, 63 percent outperformed for the 3- year and 73 percent for the 10- year time periods. Performance was softer for the 5- year, with 41 percent of fund assets outperforming and 21 percent for the 1- year.

Our fixed income funds continued to deliver strong performance. On an asset-weighted basis, over three-quarters of the funds outperformed for the 1-, 3-, 5- and 10- year time periods.

In our target date franchise, long-term performance remains strong with 94, 54 and 98 percent of fund AUM outperforming their peers on a 3-, 5-, and 10- year basis. The one-year performance remains challenged with only 8 percent of AUM outperforming, but the most recent quarter had strong performance with 86 percent of AUM outperforming peers. Last quarter's strong performance was driven by security selection in our active equity strategies as well as our tactical asset allocation decisions.

We advanced a number of important initiatives in the first quarter that strengthen our ability to deliver outcome-oriented solutions and expand our distribution relationships. A few examples of this work include:

- Our target date franchise continues to resonate in the market, with notable growth in blend and hybrid products.
- Our collaboration with Goldman Sachs is progressing, with momentum building in model portfolios and product development advancing for the launch of an interval fund and target date sister series later this year.
- Our ETF and SMA businesses continue to grow.
 - We launched two ETFs this quarter, bringing our lineup to 32 ETFs. Eight of the 32 ETFs had scaled to more than 1 billion dollars in assets under management at the end of March. Our ETFs generated over 2.8 billion dollars in net flows in the first quarter. As of last week, our ETF assets under management surpassed 25 billion dollars. We are also developing plans to launch our first ETFs in Europe.
 - Our SMA platform expanded to 42 offerings, with more than seventeen billion dollars in AUM and over 900 million dollars in net flows in the first quarter.
- We closed our first T. Rowe Price managed CLO in early April, extending our floating rate capabilities into larger markets and diversifying our opportunity set.
- We advanced our partnership with First Abu Dhabi Bank from planning into execution, with preparations underway across marketing, training, and client support for a targeted mid-2026 launch.
- We are making progress in our partnership with Aspida, for which we manage both public and private assets totaling over half a billion dollars at the end of March. Our experience with Aspida is informing our approach to the substantial opportunity in insurance more broadly.
- We also finalized a new operating arrangement with OHA and are excited about our ongoing collaboration and the capabilities their team brings to the overall T. Rowe Price business.

None of this progress would be possible without the exceptional talent and dedication of our associates, whose focus on clients and disciplined execution drives us forward.

And now Jen will share an update on our financial results.

Jen Dardis: Thank you, Rob, and hello everyone. I'll review our first quarter financial results before turning it over to Glenn.

Our adjusted earnings per share of two dollars and fifty two cents (\$2.52) for Q1 2026 is up 3 percent from Q4 2025 and up 13 percent from Q1 2025. The increase from the prior year was driven by higher revenue growth from higher average AUM, while lower expenses drove the increase in EPS from Q4 2025. A lower tax rate and a reduced share count also contributed to the increase in this quarter's adjusted EPS.

As previously reported, we ended the quarter with 1.71 trillion dollars in AUM and 13.7 billion dollars in net outflows. Our average AUM of 1.78 trillion dollars remained nearly flat from the prior quarter after market declines late in the period, and is up 9.6 percent from Q1 2025.

Multi-asset, fixed income, and alternatives all delivered positive net flows for the quarter, while equities, particularly U.S. growth-oriented strategies, remained in outflows.

Our Target Date franchise continued to deliver solid growth, with 4.9 billion dollars in net inflows driven by the sustained momentum in our blend products. International Bond and U.S. Equity Research also had strong net flows in the quarter. And our ETF and SMA businesses were positive, with 2.8 billion dollars and 962 million dollars of net inflows, respectively.

Moving to the income statement, our Q1 adjusted net revenue of over 1.8 billion dollars was up 5 percent from Q1 2025, driven by higher investment advisory fees and accrued carried interest.

Investment advisory revenue for the quarter was almost 1.7 billion dollars, up 5.3 percent from Q1 2025 and down 3.2 percent from Q4 2025. The decrease over the prior quarter primarily reflects the decline in our effective fee rate as well as two fewer days in the quarter.

Our Q1 annualized effective fee rate, excluding performance-based fees, of 38.4 basis points, is down from Q4 2025. From an investment strategy basis, the effective fee rate decline is driven by the growth of our target date franchise, including the Blend series and outflows from our higher fee equity strategies. On a vehicle basis, the growth of trusts and separate accounts, coupled with outflows from the mutual fund vehicle, are also compressing effective fee rate. These ongoing trends align with current demand for - and our investment in - solution-oriented products and lower fee vehicles.

Our Q1 adjusted operating expenses, excluding accrued carried interest, were 1.14 billion dollars, a 1 percent increase from Q1 2025 and a 7 percent decrease from Q4 2025, as certain expense categories run seasonally higher in the fourth quarter. Adjusted operating expenses in both the current and prior quarters also reflect cost savings delivered through our ongoing expense management program.

We continue to expect 2026 adjusted operating expenses, excluding carried interest expense, to be up 3 - 6 percent over 2025's 4.6 billion dollars. While it is still too early to narrow our guidance, our expense forecast, which includes our investment in strategic priorities and market-driven expenses, remains comfortably within this range, even with the market volatility experienced year-to-date.

Following the outsourcing of certain technology capabilities in connection with our expense management program, we have reclassified third-party, technology-related costs from G&A to Technology, occupancy, and facilities costs to better reflect the nature of the expenses. Page 20 of the supplement includes re-casted operating expense categories reflecting this change for 2025 and 2024.

Turning to capital management, our balance sheet is strong, with over 4.1 billion dollars of cash and discretionary investments. Returning capital to our stockholders continues to be a priority, highlighted by our 40th consecutive annual increase in the quarterly dividend to one dollar and thirty cents (\$1.30) per share.

During Q1, we leveraged periods of market dislocation to increase our level of stock buybacks, purchasing 340 million dollars' worth of stock, largely toward the end of the quarter. As of March 31, we had 214.9 million common shares outstanding.

And now, I will turn it over to Glenn.

Glenn August: Thanks, Jen. As everyone knows, we are in a particularly dynamic period for the credit markets, so I am particularly pleased to join today's call to share my perspectives on the current environment and discuss how OHA is seizing on the opportunity.

First, I'd like to provide a quick overview of OHA.

For more than 30 years, OHA has been one of the leading credit-focused alternative asset managers. We invest across four main strategies:

- **First, Private Credit:** comprised mainly of senior direct lending and junior capital for larger corporate borrowers
- **Second, Opportunistic Credit:** with a focus on distressed investments, special situations and real assets
- **Third, Structured Credit:** which is primarily OHA-managed CLOs and third-party CLO debt/equity
- **And finally, Liquid Credit** which is leveraged loans, high yield bonds and multi-asset credit

Our client base is global and predominantly institutional. We mainly serve pension funds, sovereign wealth funds, endowments and family offices. In fact, we manage capital for 7 of the 10 largest U.S. state pensions, 8 of the 10 largest global sovereign wealth funds, as well as many of the largest insurance companies. While the institutional market is the core of our business, we also have a growing presence in the wealth channel, which I will comment on later.

Geographically, North America is currently our largest market, with nearly 60% of our capital, but we also have a large investor base across Europe, the Middle East and Asia. As of March 31st, we have \$112 billion of total assets under management, which includes committed capital and leverage, up meaningfully from approximately \$88 billion at year-end 2024.

The recent volatility that we have witnessed across financial markets has been driven by a confluence of factors. First, markets were shaken by the “cockroach” risks that emerged in Q3 / Q4 last year when several high-profile frauds unraveled. This led to broader concerns that the easy financial conditions of the past several years may have resulted in lax underwriting standards, and that further issues could emerge.

At the start of this year, markets were jolted by rapid AI advancements that resulted in concerns about disruption risk among incumbent software providers. These concerns were most acute in the syndicated and private loan markets, which have financed a large number of software deals in recent years. This, in turn, created a flurry of negative headlines and elevated redemption activity in non-traded BDCs.

The Iran War introduced yet another driver of uncertainty and geopolitical risks. The war has disrupted global trade, upended energy supplies and caused a massive spike in energy prices. This has resulted in renewed inflation concerns and a recalibration of rates and Fed strategy.

The combination of all of these events has resulted in heightened volatility across markets. However, in our view, market fundamentals generally remain positive, and the economy has again shown that it can weather macro and geopolitical shocks.

And, while the impact of AI disruption will create winners and losers, these dynamics will play out over time. The strong rebound in equity markets reinforces that risk appetites remain healthy and that investors are willing to look beyond the current set of issues.

Ultimately, we believe the challenges in the credit markets (including AI risk) are idiosyncratic, not systemic. We also believe that the current market backdrop is creating opportunity for OHA to show greater differentiation among managers.

We have been engaging with our clients throughout this period. In general, they are continuing to seek the benefits of alternative / private market investments to complement other exposures in their portfolios. We are seeing significant interest across our product suite, and we are engaged in constructive dialogues on how to capitalize on the current opportunity set.

We believe there is a distinction to be made in the behavior of institutional clients versus individual investors. Institutional clients have a longer time horizon, and they are viewing the current environment as an opportunity to lean in. Meanwhile, individual investors have shown to be highly sentiment driven and more reactive to negative headlines. Requests for liquidity across non-traded BDCs, which are wealth-oriented products, have increased meaningfully across the industry, with many vehicles receiving requests in excess of the 5% quarterly limit.

However, it is important to put these developments in context. Retail products only represent approximately 20% of the broader corporate private credit market and the liquidity mechanics exist in these vehicles to prevent an asset / liability mismatch. That, combined with the cash flow generation of the underlying investments, is therefore unlikely in our opinion to result in widespread forced selling of BDC assets.

While the retail segment is a relatively small part of OHA's overall business today, we and T. Rowe Price jointly view it as an important growth opportunity, and we currently have two co-branded wealth products.

OCREDIT is our perpetual, non-traded BDC with approximately \$3 billion of investments at fair value, as of year-end. The fund was launched in 2023, has generated regular distributions and has had zero defaults since inception. In fact, the fund had redemptions well below the 5% limit during the first quarter and generated positive net flows for the period.

Our second product for the wealth channel is **OFLEX**, a new multi-strategy credit interval fund that was recently registered. This strategy has exposure to various asset classes including private credit, structured products, special situations and liquid credit, among others as part of its mandate.

On the insurance front, T. Rowe Price invested in a strategic partnership with Aspida in early 2025, and TRP and OHA now manage certain public and private assets on behalf of Aspida, a \$30 billion life insurance and annuity platform. This partnership is one example of OHA's growing presence in the insurance market and the broader convergence of asset management and insurance. We have seen interest from many insurance clients for private credit CLOs and asset-backed strategies as well, and believe the sector represents another growth opportunity.

I believe that OHA is well positioned for the current market environment. We have a 30+ year track record of generating attractive results for our investors across multiple economic cycles and market environments. We also have demonstrated the ability to introduce innovative products that provide solutions for our clients and allow us to capitalize on compelling investment opportunities.

One example is **OLEND**, a fund focused on senior direct lending. In Q4 2025, we held the final closing with a total of \$17.7 billion in capital. This was the largest single fundraise in our firm's history. OLEND contributed to two consecutive years of record fundraising at OHA, with nearly \$40 billion of capital raised in 2024 and 2025 combined, including leverage. In aggregate, we currently have over \$30 billion in dry powder across our various strategies. This positions us exceptionally well to be front-footed and opportunistic in deploying capital in an environment where spreads have widened, illiquidity premiums have increased and documentation / terms are more favorable for lenders.

We also are confident in our existing portfolios. We have always utilized a highly selective and disciplined investment approach, characterized by robust underwriting and a focus on downside protection. This rigorous approach has led to investments in resilient portfolio companies that have generally been faring well in the current environment.

We are excited about being a part of T. Rowe Price and the collaboration between the teams at OHA and T. Rowe Price continues to deepen. TRP's distribution platform, including its retirement, wealth and institutional channels, has been an important accelerant for OHA's growth, and we're still in the early innings.

The Goldman Sachs strategic collaboration announced last September further expands OHA's opportunity set, with co-branded target-date strategies, model portfolios and multi-asset offerings incorporating private investments all in development, several of which are expected to launch in mid-2026. These partnerships position our investment capabilities in front of an even broader set of investors.

None of this happens without the exceptional people at OHA. We have 435 professionals across six global offices, with deep continuity across our leadership team. Our culture of close collaboration, fundamental underwriting, and deep partnership with our clients and our borrowers is what has driven our results for more than three decades, and it's what will continue to drive them in the future.

I'm excited about the opportunities ahead. Thank you.

We will now take your questions.

Questions and Answers

Operator: (Operator Instructions) Our first question will come from the line of Dan Fannon from Jefferies.

Daniel Fannon: Glenn, I appreciate your comments and I was hoping you could expand upon a few topics, specifically on the deployment opportunity you're seeing today with spreads being a bit wider, maybe some less competition, if you could talk about that.

And then also, you talked about some of the challenges private credit's seeing. But could you discuss what OHA's exposure is to software and some of this AI disruption that's clearly an overhang here?

Glenn August: Sure. Thanks for the question, Dan. I'm delighted to be part of this call.

The market clearly has widened in spread, based on kind of classic supply-demand dynamics, with demand a little lower, or meaningfully lower in the wealth channel, the spread widening on new deals is probably in the neighborhood of 25 to 50 basis points, and it could widen out.

On the other side, the supply of new deals, the private equity market has been relatively quiet during this period given the, given the war, given the AI disruption. And so, I think that the market is waiting, I think for the war to be over to see more deal activity, and I think we'll see a lot more interest then.

With regard to the AI disruption, what I'd say is that we've been doing software credit for 40 years. We have \$40 billion track record over a 9% unlevered return. And I think there's real differentiation in the credit space in software. We've avoided ARR loans, we've avoided technology risk. Excuse me, we focus on critical -- mission-critical software and contractual recurring revenue models.

And so we feel very well positioned.

Operator: Our next question will come from the line of Ken Worthington from JP Morgan.

Kenneth Worthington: So credit spreads late last year were at record, or near record tight levels. And while spreads, as you've mentioned, have widened a little, they're still very narrow by historic standards.

Can you give us a sense of what a return to normal spreads over the course of, say a year might do to returns? To what extent are institutional and wealth investors prepared for a return to normal in credit spreads? And if we're in a more normal spread environment, how are Oak Hill products positioned to perform relative to peers?

Glenn August: So credit spreads have moved over the decades. I've been doing this now for almost 40 years, as I said.

And while credit spreads are narrower today, they're actually in line with historic averages. Again, you need to separate out the moments of spread widening during a period like COVID, or during the GFC, and the credit quality underlying today's leverage finance market is better than it was. If you look at the high-yield market as an example, over 55% of the market is BB today. And so, you really need to do that adjustment on credit spreads. You also need to look at the backdrop of the public equity market which is at record highs.

And so, from our perspective, the deals are getting done today with 50% to 60% equity cushion, the credit spreads are reasonable. So, I don't see necessarily a return to spread widening.

And in fact, we're seeing a lot of institutional demand from around the world who basically look at the opportunity to say if I can make 300 to 400 basis points in the liquid credit market or 500 basis points in the private credit market off of today's absolute rates, that's a very attractive risk-adjusted return profile.

So I don't have a major concern of a moment here of spread widening in general.

Operator: And our next question will come from the line of Michael Cyprys from Morgan Stanley.

Michael Cyprys: I was hoping to ask about ETFs and the success that you're seeing there. I was hoping maybe you could help unpack how much of your ETF growth is coming from new client acquisition versus migration from existing mutual fund assets?

And then more broadly, if you can just update us on your ETF strategy, how you're finding success and some of the key initiatives as you look out over the next 12 to 24 months? I think you mentioned Europe as well.

Rob Sharps: Yes. Thanks for the question.

Growing our ETF platform is one of our top priorities. Our data shows that we're both reaching new clients and serving existing clients, which does include some direct switching.

It's pretty clear that much of the flow into active ETFs is coming from investors that historically used open-ended mutual funds. Regardless, we believe that a significant portion, and I'd go as far as to say a majority of our ETF business is coming from investors that we would not have reached with traditional open-ended funds.

In terms of our product strategy, we have three core tenets. The first is making sure that we have compelling active ETF offerings that cover all of the Morningstar categories. The second is providing key components for asset allocation models, both proprietary models, as well as home office models given the increasing role that models are playing in overall active ETF flows. And then finally, developing innovative and new strategies to deliver our evolving investment capabilities.

We're also exploring both mutual fund ETF conversions and, over time, ETF share classes in certain of our mutual funds. And I think we're making substantial progress.

Real time we're over \$25 billion in AUM. We now have 32 tickers across asset classes, representing versions of many of our most broadly placed strategies on wealth platforms across equity and fixed income, so think large cap growth, capital appreciation, municipal bond.

Sector-oriented offerings, leveraging our deep research in areas like technology, healthcare, natural resources, but also unique offerings, things that we haven't offered in open-ended funds, such as Active Core, Capital Appreciation Premium Income, Innovation Leaders.

So as these scale and build compelling track records, we're going to invest in our ability to support our clients, emphasizing gaining placement on more platforms, earning more focus-list recommendations at the home office, while also providing more focused sales support in the field to help advisers serve their clients.

And again, we're really focused on the role that our active ETFs can play in models going forward. So, we think we have a really big opportunity there.

And I'll see if any of the rest of the team has anything to add.

Operator: Next question will come from the line of Glenn Schorr from Evercore ISI.

Glenn Schorr: Maybe a big picture one first. We have equity markets at all-time highs in a really strong April. I heard all Glenn's comments on the credit side with wider spreads and some interesting opportunities. So, my biggest question is, you could sprinkle in a little, hey, what's going on in April so far? What have you seen? But the bigger part of it is what is the institutional pipeline shaping up to be? Should we expect to see really big reallocations in client portfolios? Or is that more of a slow-moving train?

Rob Sharps: Yes, Glenn, thanks for the question.

I would characterize the institutional pipeline more as the latter. I think institutions are very deliberate, with regard to their underlying asset allocation and the construction of their overall portfolio. They tend to be relatively disciplined with regard to rebalancing. And I would say that that's true, not only for traditional institutions, sovereign wealth funds, defined benefit pension plans, endowments, foundations, but also a number of the large wealth platforms that we serve where they have home office models. They have a very disciplined approach to making sure that their clients have balanced portfolios with attractive risk reward in certain instances, employing tactical asset allocation.

I have not seen any significant shift in the nature of interest of the institutional pipeline based on the market dynamic. But what I would say is that the equity markets, in particular, feel like there is a new dynamic, where you have return from parts of the market away from the hyperscalers, where energy has performed well, where sectors that are exposed to the AI infrastructure build-out, whether it's semiconductors in technology or areas like power, or kind of certain componentry have really, really benefited from the accelerating CapEx of the hyperscalers and of the AI-oriented firms.

So, it's a dynamic where the market is broadening. We've seen better performance from some cyclical areas of the market. We've seen better performance from some different parts of the market cap spectrum. And my sense is that that can really play to our strengths, given the depth and breadth of our research coverage across equities and our active approach.

Eric Veiel: Yes. The only thing -- I agree with what Rob said. The only thing I would add is we did see a trend towards non-U.S. assets beginning back at the end of last year. There was a bit of a pause on that trend. But I think that is something that has picked back up again in the most recent sort of four or five weeks.

Glenn August: If I can make one comment on the credit front, on the institutional side.

I will tell you that during this period over the last couple of months with all the uncertainty, we are getting incredible inquiry from around the world from our largest institutional investors. Many have come to us asking to make proposals on dislocation funds. If the market softens a little bit more, many are allocating capital to us right now.

And so, it is just the juxtaposition of where the institutional market is versus the retail/wealth market is really striking to me.

Operator: Our next question will come from the line of Alex Bond from KBW.

Alexander Bond: Glenn, maybe a question for you on how you're thinking about the path forward in terms of retail offerings. You mentioned you think this is an important growth area, an opportunity for OHA despite what's going on in terms of the elevated redemption requests across the industry at the moment. Are there additional products in the prospective pipeline that maybe you can speak to?

And also, are there certain areas in the retail space where you feel like OHA can really stand out and provide a unique offering.

Glenn August: Well, I think that OHA story is still in the process of being told in the wealth channel, and we've made a lot of progress over the last couple of years. We won BDC of the Year award. T. Rowe has made additional investments in our distribution team. And I do think the whole story of OHA being one of the world's leading alternative credit managers for the institutional market, as I mentioned in my prepared remarks, having 8 of the top 10 sovereign wealth funds, having seven of the top 10 U.S. pension plans. We manage capital for the largest investors in the world. And I think we are out there telling our story. And there was a perspective in the market that there was very little differentiation between managers.

And I think when you look at the BDC market today, both public and private, you're starting to see that differentiation. And so, I'm actually quite excited about our ability to tell our story and to show what has basically been nearly four decades of differentiation in credit selection. And I do think there will be differing performances by the different managers.

In terms of new products, we're excited about our OFLEX product, which is an interval fund and a multi-strategy fund across the credit spectrum, not just senior direct lending. We think investors are looking for ways to add to their exposure and the interval fund format is exciting.

We're certainly in development with T. Rowe and at OHA internally about thinking about other products to add to the channel. And I do think that we will ultimately, together with T. Rowe, build a global brand in the wealth channel, that we are building today and we're looking forward to build meaningfully, and I'm excited about that.

Rob Sharps: And I would just add that I'm really optimistic about our opportunity to continue to work with Glenn and his team to grow our presence in alternative credit and alternatives more broadly across channels. I think we have a very big opportunity in wealth. I'm excited that Bill Cashel's joined us to lead our alternatives effort in the wealth channel. I also see substantial opportunity in insurance and retirement.

And while OHA is certainly front and center, and deeply involved with our collaboration with Goldman Sachs, I think across OCREDIT, OFLEX, other things that we have the option to develop with OHA, we have a product roadmap with Goldman, with our interval funds, with models, as well as delivering our own late-stage venture capability that's really beginning to build out our alternatives offering and giving us the opportunity to engage with and support our wealth partners, as they incorporate more private market alternatives into their solution set, from ultra-high net worth to all the way down ultimately to mass affluent.

Operator: And our next question will come from the line of Ben Budish from Barclays.

Benjamin Budish: Maybe, Jen, if you could give us a little bit color on the expense outlook for the year. It looks like in the first quarter, at least, you came in pretty below what the Street was expecting. Just anything you could share on the shape of expenses? What does the recovery in markets mean for comp in Q2? Just anything else that would kind of help us as we're fine-tuning our models here.

Jen Dardis: Yes. Thanks for the question.

I think, typically, what you'll see is Q1 expenses will be softer than Q4 because our compensation -- our year-end compensation is struck in Q4. So that's one impact that we'll typically see coming from Q4 into Q1.

The other thing I would say is we came into Q1 with some tailwinds from our expense management exercises. So things that we executed either at the late part of Q4, or the early part of Q1 where we saw some decreases in compensation related to that. Those are things like some realignment within our marketing teams, continued execution against our sourcing strategy where we've looked at certain capabilities where we can leverage vendors, and also rationalization of our real estate footprint.

Offsetting that, as we go forward for the balance of the year, setting into the 3% to 6% expense guide range is our continued investment in strategic initiatives. So I expect we'll see some of that pick up through the year as we absorb some of these tailwinds in Q1.

Rob Sharps: Yes. I would just add that we are very focused on driving efficiency but also committed to investing in our business, and particularly our strategic areas of focus. Retirement-oriented outcomes and solutions, modern portfolio building blocks with ETF, SMA and interval funds and developing advice capability for our Individual Investor and Retirement Plan Services businesses.

So I feel like we've got a lot to do. I feel like we have the capacity to drive efficiency to self-fund a significant portion of that. But we're really focused on investing in growth areas to drive the business forward.

Operator: Our next question will come from the line of Brennan Hawken from BMO.

Brennan Hawken: Glenn, I'd like to circle back on the question around software and AI disruption. It was pretty standard disclosure for all the alts to disclose the software exposure across the portfolio. I don't think you talked about it aside from talking about your comfort. So it would be great to get that number.

And also, just more importantly, process-wise, AI is not new. The disruption in the public market sort of concern about it is far more elevated than it had been. But I'd be interested in hearing about how you integrate the assessment of AI risk into your underwriting processes? Because usually the exposure to potential disruption goes way beyond software, and tech is really an integral part of a lot of private equity portfolios. So I really think that understanding the process would be really helpful here.

Glenn August: Happy to do that. So first, with regard to your first question on allocation. We are basically in line with the market. The market has been in the neighborhood of 15% to 20% allocation to software credit. There's a broad range. There's also, what I would say to your point, software and AI disruption as a theme is much broader than what's going on in software.

And I share your view that there's been all this attention on the private credit markets, but the reality is if you look at software equities, they've gone down dramatically. If you look IBM stock, which went down \$80 in a six-week period because of an AI threat to its Cobalt business. So to our perspective, AI disruption is a major, major theme, and it didn't just happen overnight. Although it seemed like in February with Anthropic issuing its new Claude version, there seem to be a lot more attention to it.

In terms of the underwriting, I want to just take a step back from the beginning question of this call and add – and really embellish a bit here. So I mentioned that we've done software investing for basically 20 years, \$40 billion of capital. And it really has all been about a theme of large-cap mission-critical players that are really embedded. And if you look at our portfolios versus many of our peers, they're very, very differentiated. We averaged probably 300 million to 350 million of EBITDA in our companies.

We are senior -- the senior positions at 40%, 35%, 35%, 40% loan to value. They're actually performing quite well today. And again, one of my comments I often make is that proving against a hypothetical and the future product that might come out in a few years is a challenge. But we feel like we have very, very good businesses.

And so, we are continually underwriting and reunderwriting. We have AI risk management tools in terms of rating each one of our companies.

And to your point, it's not just software. It's what happens in a bunch of the services sectors like accounting, and other areas. And we continuously -- we underwrite our Oak Hill's track record over four decades as having extremely low default experience, our credit selection, as an example, in the bank loan area, over 25 years in our CLO business. We averaged about 30 basis points of default rate for the market that was 2.25%.

So the reason why we believe large institutional investors have chosen us to be one of their major credit partners is because of the rigor of our underwriting process.

Rob Sharps: Yes, I would say that was a big part of what attracted T. Rowe Price to OHA when we first engaged over five years ago. I think they have deep fundamental research capabilities and are extraordinarily exacting in their credit underwriting process. And I think that's really aligned with T. Rowe Price's culture and our focus on fundamental expertise.

Operator: And our next question will come from the line of Patrick Davitt from Autonomous Research.

Patrick Davitt: You mentioned an aspiration to being bigger in alternatives and some of your competitors have been successful in becoming more relevant there inorganically. So could you update us on your appetite to use your strong balance sheet position to get more aggressive with M&A and accelerate that shift?

Rob Sharps: Yes. We have said that the industry is consolidating, and we believe that we'll participate in that consolidation over time, to the extent that we find the right opportunities. The right opportunities have to have cultural fit. They have to bring additional capabilities to us, or allow us to reach new clients or, kind of, have deeper relationships with our existing clients. And from an alternative perspective, I think we've talked

pretty consistently about acquisition, about partnership, and about organic options to develop the breadth of our capabilities.

So we continue to evaluate opportunities across each of those, and have ultimately have aspirations, not only to be bigger, but to be excellent in alternatives, to deliver differentiated investment outcomes and capabilities to partners across the different channels.

Glenn August: Yes. I might just add that clients ultimately, whether it's the wealth channel, the institutional channel, the insurance channel, they want to have deeper, stronger relationships with firms that offer multiple products. And what we've seen over the years as we've grown our product capability to OHA, we do more with the largest clients in the world.

And so again, whether it's buy, whether it's build, whether it's team lift-outs, to add additional capabilities, I think that we will look to do that over the next number of years and continue to grow-out our platform. But not growth for growth's sake, growth because we think we can service our clients better and add to our capabilities.

Rob Sharps: And to the broader question, just with regard to capital allocation, as we reported and Jen noted, we purchased \$340 million worth of T. Rowe Price stock in Q1. Year-to-date, we've repurchased over 4 million shares for just under \$400 million. And you'll note that that's a higher pace than we've had in recent history, and I think that reflects the value that we see in our share price.

We do have the capacity to deploy a significant amount of capital, both from ongoing cash flow as well as from our balance sheet, and we're constantly evaluating our options. In addition to M&A, include more share repurchase or investing in our business in multiple different ways, including through seed and co-invest.

And at a high level, we're going to be opportunistic and selective, but we should be active in each of those areas. I don't see any need for our cash levels to build from here. But I do feel strongly that having significant deployable capital has real value. And that value kind of often manifests itself during periods of market stress and dislocation.

So, we will evaluate opportunities to deploy capital. We acknowledge that we have significant cash. And we're going to be really judicious, with regard to ultimately how we deploy that.

Operator: And this concludes the question-and-answer session. Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

Everyone have a great day.