T. Rowe Price Q2 2026
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Corporate Speakers

- **Linsley Carruth**; T. Rowe Price; Director of Investor Relations
- **Rob Sharps**; T. Rowe Price; Chair of the Board, Chief Executive Officer
- **Jen Dardis**; T. Rowe Price; Chief Financial Officer
- **Eric Veiel**; T. Rowe Price; co-Head of Global Investments, CIO, and President

Participants

- **Bill Katz**; TD Cowen; Analyst
- **Michael Cyprys**; Morgan Stanley; Analyst
- **Glenn Schorr**; Evercore; Analyst
- **Alexander Blostein**; Goldman Sachs; Analyst
- **Daniel Fannon**; Jefferies; Analyst
- **Benjamin Budish**; Barclays; Analyst
- **Alexander Bond**; KBW; Analyst
- **Patrick Davitt**; Autonomous Research; Analyst
- **Michael Cho**; JP Morgan; Analyst

Presentation

Operator: Good morning, my name is Howard and I will be your conference facilitator today. Welcome to T. Rowe Price's Second 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 second 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 and CEO, Rob Sharps; CFO, Jen Dardis, and President, Co-head of Global Investments and CIO, Eric Veiel discussing the company's results. Then we'll open it up to your questions. 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 June 30, 2026.

Now I'll turn it over to Rob.

Rob Sharps: Thank you, Linsley. I am joined today by Jen Dardis, Chief Financial Officer, and Eric Veiel, co-Head of Global Investments, Chief Investment Officer, and newly-named President of T. Rowe Price. Before Jen and Eric provide an overview of our financials and investment performance, I'd like to share a few thoughts on the quarter and the progress we are seeing across the business.

Markets rebounded in the second quarter after a difficult start to the year. We ended the quarter with 1.9 trillion dollars in assets under management and 6.5 billion dollars in Q2 net outflows.

Fundamental active equity remains under pressure, and we expect that to continue in the second half of the year. Positive flows in May and June—including a large subadvisory win—reflect client demand in areas where we are investing and gaining traction.

For example, we are seeing growing demand for strategies that integrate our fundamental and quantitative platforms and directly leverage our equity research platform.

- Our integrated equity and fixed income strategies combine fundamental research, quantitative insights, and aim to generate differentiated, consistent returns. Earlier this year, we extended this franchise with two lower tracking error active core equity ETFs.

- We have also expanded our longstanding Equity Research franchise, applying our analyst-driven fundamental investment approach across a broader set of markets and asset classes. In addition to our flagship U.S. strategy, the platform now includes international, global, emerging markets, U.S. mid-cap, and SMID strategies.

- We believe these integrated and risk-controlled active approaches—offered through a variety of investment vehicles—appeal to clients seeking the benefits of active management with lower tracking error.

- Together, these approaches account for about 200 billion dollars of our assets under management and have added 16 billion dollars of net inflows year to date.

We're also seeing momentum in active ETFs and SMAs where we are expanding to meet the evolving needs of clients primarily in the wealth channel.

- In June, we launched the T. Rowe Price Capital Appreciation Market Opportunities ETF, further extending one of our well-established investment suites.

- In mid-July, we launched the T. Rowe Price Active Crypto ETF, which is an actively managed multi-token exchange-traded product and our first non-investment company ETF.

- With these launches, our ETF business has grown to 34 funds and 30 billion dollars in assets under management. In addition, we celebrated the three-year anniversary of our first four fully transparent ETFs.

- Our SMA platform now includes 43 products and 20 billion dollars in assets under management.

We are also advancing our strategic alliance with Goldman Sachs.

- On July 1, we launched the T. Rowe Price Goldman Sachs Private Markets Fund, our first interval fund in collaboration with Goldman Sachs.

- We completed the first filing for the second fund - a public-private equity interval fund - that we expect to launch later this year.

- And we are hearing positive client feedback on the target date sister series and are operationally ready to launch as a CIT when client demand materializes.

Finally, we continue to see strong interest in our T. Rowe Price managed late-stage venture fund and expect to exceed our target fund size later this year, providing a foundation to build on this platform with a second fund anticipated in 2027.

We are making meaningful progress in how we use artificial intelligence across the firm.

- We are moving beyond isolated use cases and tools embedding AI directly into end-to-end business workflows—with more than 130 AI solutions deployed across the firm and over 70 percent associate adoption.

- We are scaling advanced, agent-driven capabilities—from AI-powered investment research and portfolio insights to sales and client workflows—enhancing decision-making speed and consistency while keeping investment judgment and fiduciary responsibility firmly with our associates.

Importantly, this progress is supported by a robust governance framework, strong controls, and ongoing associate upskilling, so we can scale AI responsibly.

Before I turn to Jen, I want to highlight several recent leadership appointments.

- As I mentioned, Eric Veiel has been named President. In his expanded role, Eric will help drive enterprise execution of our most critical initiatives and strengthen connection across Investments, Global Distribution, and Technology, Data, and Operations. He will retain his leadership responsibilities in Global Investments.

- And Sebastien Page, Head of Global Multi-Asset, is now Co-Head of Global Investments. With his deep multi-asset experience, Seb is well positioned to advance our work on solutions and outcomes.

As we approach our 90th anniversary next year, these changes will sharpen execution across our highest-priority initiatives and position the firm for continued growth in the years ahead.

Finally, I want to thank our associates for their focus, teamwork, and commitment to our clients. Their work is building momentum and strengthening the firm for the long term.

With that, I will ask Jen to cover our financials.

Jen Dardis: Thank you, Rob, and hello everyone. I'll review our second quarter financial results before turning it over to Eric for comments on investment performance.

Our adjusted diluted earnings per share for Q2 2026 was two-dollars and fifty-seven cents ($2.57) up from two-dollars and fifty-two cents ($2.52) in Q1 2026 and two-dollars and twenty-four cents ($2.24) in Q2 2025. The increase over both prior periods was driven primarily by higher average AUM and higher investment advisory revenue, coupled with lower share count, offset in part by higher expenses.

As previously reported, we had 6.5 billion dollars in net outflows in Q2. While we experienced elevated outflows in April, we saw positive flows in both May and June. May flows were driven by a large defined contribution investment only win into our hybrid target date series, and June flows benefited from a large sub-advisory win into two of the research and integrated equity strategies that Rob discussed.

We also saw positive flows from clients in both EMEA and APAC during the quarter. Fixed income, multi-asset, and alternatives each delivered positive net flows in Q2, continuing to demonstrate the breadth of client demand across several areas of our business. Within our growing ETF business, we had 4.4 billion dollars in net inflows. We also continue to see success in our hybrid and blend retirement strategies which now account for about 25 percent of our overall target date assets.

Our Q2 adjusted net revenue was 1.9 billion dollars, up 2.7 percent from Q1 2026 and up 8.5 percent from Q2 2025. The increase was driven by higher AUM, partially offset by a lower change in accrued carried interest, which now includes the carry earned on our late-stage venture fund, in addition to the private credit strategies.

Investment advisory revenue for the quarter was 1.7 billion dollars, up from both the prior quarter and the prior year quarter on higher AUM levels.

Our annualized effective fee rate, excluding performance-based fees, was 38.1 basis points, compared with 38.4 basis points in Q1 2026. The ongoing trend in our effective fee rate continues to reflect changes in asset and vehicle mix, including client demand for lower-fee strategies and vehicles, as well as continued pressure from redemptions in higher-fee equity strategies and mutual funds.

Turning to expenses, Q2 adjusted operating expenses were 1.2 billion dollars, up 4.2 percent from Q1 2026 and up 4.9 percent from Q2 2025.

Compared to both prior periods, higher market-driven expenses, product and recordkeeping, and non-recurring G&A costs were primary drivers of the increase. As a reminder, market-driven expenses correlate to changes in AUM or revenue and include variable compensation and costs related to assets distributed through third party intermediaries. The increase in product and recordkeeping costs is largely related to cost-reimbursed from our products and offset in administrative fee revenue.

Also contributing to the increase from Q2 last year, were higher technology, occupancy and facilities expenses, partially offset by cost savings initiatives. As we noted in Q1 2026, to better reflect technology spend executed by third parties, we began reporting technology related professional fees in technology, occupancy and facilities and we adjusted all prior periods presented.

Based on the sustained average AUM and revenue trend in the first half of the year, we now expect full year adjusted operating expenses, excluding carried interest expense, to be up 4 to 7 percent over 2025's 4.6 billion dollars.

This increase, coupled with ongoing savings efforts, will allow us to continue to invest in areas of future growth including ETFs and SMAs, delivering outcome-oriented solutions for clients, enhancing our advice-led offerings, and investing in AI to improve research, decision-making, and operational efficiency.

Turning to capital management, during Q2, we bought back 157 million dollars worth of shares, bringing year-to-date buybacks to over 497 million dollars or nearly 2.5 percent of our outstanding shares. This brought our share count at the end of Q2 to 213.3 million shares.

Our balance sheet remains strong with 4.4 billion dollars of cash and discretionary investments. Our ample cash position gives us the ability to invest in the business and also pursue opportunities that strengthen our long-term competitive position.

And now, I'll turn it over to Eric for comments on investment performance.

Eric Veiel: Thank you, Jen. I'll start by saying that our investment platform remains strong, with deep research capabilities, a long-term track record of outperformance, and expanding capabilities across equities, fixed income, multi-asset, and alternatives. Powered by world-class talent and driven by a steadfast commitment to clients, investment excellence remains our top priority.

Turning to performance, in the second quarter, over half of our funds beat their peer groups for the 1-, 3-, and 10-year time periods, while the 5-year missed this mark, with 44 percent of funds beating their peer groups. On an asset-weighted basis, 10-year performance remained strong, with 79 percent of funds outperforming. On a 1-, 3-, and 5-year basis, 44, 57, and 43 percent outperformed respectively.

Our equity funds mirrored the overall fund range, with over half of the equity funds beating their peers for the 1-, 3-, and 10-year time periods, while the five-year time period fell below this threshold. On an asset-weighed basis, equity funds continued to deliver strong performance for the 10-year time period, while the nearer term time periods are more challenged. Within our equity franchise, US Equity Research, Global Stock, Global Value and Mid-Cap Value stood out as strong performers, with top quartile performance for the 3-, 5-, and 10-year time periods.

Our fixed income funds continued to deliver strong performance. On an asset-weighted basis, over 75 percent of the funds outperformed for all reported time periods. Within our fixed income franchise, Global Multi-sector, Institutional Floating Rate, and several of the muni strategies stood out as strong performers, with top quartile performance for the 3-, 5-, and 10-year time periods.

In our target date franchise, long term performance remained strong, with 80, 54, and 98 percent of AUM outperforming their peers on a 3-, 5-, and 10-year basis. The one-year target-date performance rebounded with 80 percent of (fund) AUM outperforming peers, driven by strong performance in the second quarter when 79 percent of AUM outperformed peers. Last quarter’s strong performance was due to our Retirement glide path’s higher relative equity exposure, as well as our tactical asset allocation decisions.

Turning to alternatives, despite the negativity continuing to surround private credit, OHA’s funds generated gains across both institutional and wealth products. CLO strategies rebounded following challenging performance in Q1 but remain down on a year-to-date basis. Distressed and opportunistic funds mostly generated losses in Q2 and had mixed first half results reflecting the uneven market environment. OHA’s liquid credit funds and mandates generated gains on an absolute basis but underperformed their benchmarks largely driven by several high conviction positions that experienced increased volatility.

Before we take questions, I want to say a word about the 2026 Russell reconstitution.

What we saw with the reconstitution in June was not a routine rebalance. It was a significant reshaping of benchmark risk characteristics. There was over 300 billion dollars of turnover, but more importantly, there was substantial migration of AI-related exposures, momentum factors, and technology leadership across benchmarks.

As a result, in the Russell large and mid-cap growth benchmarks, AI-related exposure increased materially, while small-cap and value benchmarks simultaneously lost exposure to many of the recent market's strongest performance drivers. The rebalance did not simply ‘reshuffle’ stocks—it effectively reassigned exposure to some of the most influential themes and factors.

That reassignment brought new buyers and sellers into stocks moving across benchmarks, adding volatility to both the broader market and individual names. When benchmark changes are this abrupt and risk profiles shift meaningfully, it creates opportunity for active management to assess changes through a research-driven lens.

And now we will open the line for questions.

Questions and Answers

Operator: (Operator Instructions) Our first question will come from the line of Bill Katz from TD Securities. Mr. Katz, your line is open.

Bill Katz: Okay. Thank you very much for taking the questions. And Eric, once again, congratulations on a new position. Maybe a big picture question for you. As I listen to your prepared comments, I hear a lot of growth in lower fee vehicles and your comments said active equities remained under pressure. So, how are you thinking strategically to reshape the business given the fee rate is going down and the expense growth is still pretty high, all else being equal? And how might M&A help shape that thought process? Thank you.

Rob Sharps: Yeah, Bill, I'll start. From a strategic perspective, we want to make sure that we're delivering world-class investment capabilities in ways that are aligned with our clients' needs. So, I would acknowledge that over a relatively long period of time, active equities lost meaningful share to passive, and you've had a pretty meaningful vehicle migration away from open-ended mutual funds in the taxable wealth channel, in particular to ETF and SMA, which has put pressure on fees.

In retirement, I would say we're seeing a similar trend where you have a shift from fully active to blend and hybrid, which also is putting pressure on fees. I think strategically, what we'd really like to do is, first of all, invest in maintaining our world-class capabilities from an investment perspective and make sure that we can deliver on our existing client commitments that we have the talent and resources to continue to generate great results. The active equity business, even though it's been an outflow, is extraordinarily important to us. $900 billion of our AUM is in direct active equity and it also has an impact on the underlying target date fund business. So, we're in no way, shape or form going to de-emphasize that business. We think it's going to continue to be important for a very, very long period of time.

That said, we do want to grow in fixed income, which is balancing just from a market exposure perspective. Active fixed income continues to grow, and I think we're making very substantial progress there. We want to grow in alternatives, and we've talked about our approach to that, whether it's organic with our late-stage venture capability, whether it's through acquisition, for example, OHA or through partnership with our Goldman collaboration. And in each of those instances, I feel we're making substantial progress.

I would say strategically we also want to invest in our direct platforms. We see having modern digital interface and capability advice in our direct to individual and our recordkeeping platforms as increasingly important and as a substantial opportunity. Advice is an opportunity to diversify the revenue stream of the organization.

And I would say in each of those priorities, whether it's diversification from an asset class and capability perspective, fixed income and alternatives, whether it's diversification from a vehicle perspective, ETF and SMA, or as we lean into our direct platforms, there will be organic investment in those businesses. And that may be part of what you're referring to with regard to expense growth and we can go into that a little bit more detail to the extent that there is interest.

But we'll also continue to evaluate inorganic opportunities. Industry consolidation continues at pace. We see a lot of things. We have a very high bar. But to the extent that there are things that we think are financially compelling and strategically aligned with those objectives, then I can certainly see strategic M&A playing a part in reshaping the business.

Operator: Thank you. Our next question or comment comes from the line of Michael Cyprys from Morgan Stanley. Mr. Cyprys, your line is now open.

Michael Cyprys: Great. Thank you. Good morning. With the launch of your actively managed crypto ETF, you're taking a big step in building your digital asset capabilities. As you look out over the next several years, how do you see that strategy evolving alongside potential emergence of tokenized stocks and bonds? And if tokenized assets become more widely adopted, do you expect digital wallets to become an important client interface? And how does that influence your long-term distribution and wallet strategy?

Eric Veiel: Yeah. Hi, Mike. Good morning. This is Eric. Happy to take that one. We think tokenization represents a structurally important evolution in the investment management industry overall. And our digital assets group, which we stood up four years ago, is actively engaging with industry groups, partners and intermediaries as we explore opportunities in tokenization.

To your question specifically, if tokenized assets become more widely adopted, then yes, I think digital wallets will become an increasingly important client interface. The direction of travel here, seen in the growth of tokenized stocks and the work that the DTCC is pursuing towards tokenizing underlying securities and ultimately funds I think is real. We have hands-on digital asset capabilities. We've been working with digital asset wallets and we see the potential here.

Ultimately, as with our broader digital asset approach, our goal is to align our tokenization strategy with our broader firmwide objectives. That means identifying ways to use this technology I would say in three ways. First, helping us to meet the needs of our clients; second, reaching new investors; and then third, increasing operational efficiency. And I think there's opportunities in all of these areas. Digital asset wallets and tokenized assets and funds will ultimately, I think, allow us to deliver more customized solutions across client relationships. So, we recognized this is going to take time, but we do think it's an incredibly promising area and we are investing behind it.

Operator: Thank you. Thank you. Our next question or comment comes from the line of Glenn Schorr from Evercore. Mr. Schorr, your line is open.

Glenn Schorr: Thanks so much. So, I guess a question wrapping up some of the flow stuff. So, maybe you had the large DC win in May, you had the big equity strategies in June. Maybe you could size those as we build towards the second half outlook. Meaning active equity, less outflow is good, but you do have some seasonality potentially and rebalancing in the back half in equity land. And then a little color on July flows, the institutional pipeline and your thoughts on second half overall. That would be great. Thanks.

Rob Sharps: Yeah, Glenn, thank you for the question. So, we're pleased that we made some progress and brought some substantial new relationships into the organization in the second quarter. But I would say we clearly have more work to do. We expect net flows in the second half of the year to be meaningfully more challenging than the first half, primarily due to a number of the things that you've cited, ongoing outflows in active equity, especially in open-ended mutual funds and a handful of our growth strategies. The absence of those outsized mandates, which funded in May and June and benefited first half flows, as you alluded to, portfolio rebalancing away from equities reflecting the significant year-to-date gains and that will largely impact flows in the third quarter.

And then, finally, I'd note that despite the fact that our overall target date pipeline is up substantially, there's an air pocket in the late-stage pipeline, which would suggest that we'll see a lull in RDF flows in the second half. So that should kind of give you a sense for what we see in Q3 and Q4.

I do want to highlight, though, that we see significant positives. We expect 2026 to be a record year for gross flows, reflecting strong interest in a broad range of our investment strategies. As I talked about in my earlier remarks, we have very strong interest in our lower tracking offerings, integrated equity and our equity research suite. We're seeing substantial progress in active ETFs and we think there's a very long runway there.

In fixed income, I think we're anticipating consistent and sustained net flows across a range of strategies and vehicles. We're anticipating building momentum in alternatives as OHA and our late-stage venture capability, invest committed capital and continue to raise additional capital. And we begin to scale the T. Rowe Price Goldman Sachs public/private strategies. I'd also note the good work that our EMEA and APAC teams are doing and the fact that we have had positive net flows in those geographies.

So, there's a lot of good in a number of areas. But given the size of our active equity book and our mutual fund book, you know, as I said at the outset, we've got substantial more work to do.

Glenn Schorr: Thanks so much, Rob.

Operator: Glenn, thank you. Our next question or comment comes from the line of Alexander Blostein from Goldman Sachs. Mr. Blostein, your line is now open.

Alexander Blostein: Oh, hi. Good morning. Thank you. Thank you for taking the question. I wanted to get your perspective on maybe a longer-term expense management approach, especially in light of some of the advances we see with technology and AI broadly to or had a fairly consistent framework. I think about a third of your expense base is variable. About two-thirds is fixed. You guys are investing in the business, obviously, to improve the growth. But in light of your comments around the top line and we obviously know the organic growth challenges there, are there more significant actions you could take to bring down the pace of expense growth more structurally?

Jen Dardis: Thanks for the question. So, you know, we'll start by saying we have been focused on purposeful expense management, looking at ways to drive productivity and efficiency. And as you mentioned, technology and AI are a critical part of that. What we've been doing, though, is allowing – having steps to be able to allow us to both invest behind our strategic priorities and maintain controllable expense growth in the low-single digits. We focused right now on 2026 and 2027. That was some guidance we gave last year, and we continue to stand behind those numbers.

As you mentioned, about a third of our expense base is market driven and that'll correlate with asset or revenue growth over time. Those controllable expenses make up about two-thirds of our expense base. As we think about that third of expenses, the two biggest item in there, year-end variable compensation and expenses related to assets distributed through third parties. And the variability of those expenses is what's driven the guide to 4% to 7% in 2026.

As we think about the expense management efforts we're taking, we do want that to be a balance, again, focused on things that will drive longer-term productivity and efficiency. Things that we've talked about over the last two years have been things like leveraging trusted third parties for tech functions where they can provide scale, either things like our help desk and infrastructure.

We've been doing broader reviews of processes to streamline and leverage technology to introduce automation. We've had a thoughtful review of certain vehicles and strategies where we have minimal client interest or impact to be able to close those and then managing down some of our excess capacity in our real estate portfolio to match our associate population and where we've had changes in head count.

So, I think, you know, we'll continue to take those steps to be able to balance. But again, the purpose of doing this is to allow us to continue to invest back in the business in areas for growth. So, on a net basis, you know, we think that puts us in a low-single-digit posture for controllable expense.

Rob Sharps: Yeah. I'll add a little bit here. We're balancing the short term and the long term. In the short term, we are laser-focused on using shareholder resources efficiently and continuing to drive cost savings. But we need to create the capacity to invest in our business. As Jen mentioned, we have a program underway which we've talked about in the past from a cost savings perspective, and I think we're executing against that.

And directly to your question, I believe we'll find ways to extend that, leveraging technology and in particular AI. I think that should allow us to limit growth in our base expenses and free up resources for us to continue investing in the business. We want to invest in our talent, we want to invest in new capabilities, we want to invest in deeper connectivity with clients.

We've talked about a number of those areas and a number of those priorities. And I think that AI is a differentiating technology that will allow us to accelerate the pace of improvement in those areas and with those priorities.

Operator: Thank you. Our next question or comment comes from the line of Dan Fannon from Jefferies LLC. Mr. Fannon, your line is now open.

Dan Fannon: Yeah. Great. Thanks. Good morning. So, I wanted to talk about the SMA opportunity. I think you mentioned, Rob, you've got $20 billion in AUM. It's pretty small relative to your peers. And in kind of we think about tax efficiency in the kind of growth and demand for that process and/or investment strategy, can you talk about your go to market or how you expect to or plan to kind of scale the SMA business for you over the next couple of years?

Rob Sharps: Sure. Thank you for the question. You know, we see a lot of interest and a lot of opportunity here. As you said, $20 billion in AUM, yeah, maybe small relative to peers. And I'd say we were a late comer to this business, but we're building momentum rapidly. We've got 43 strategies in market placed with 35 sponsors. We're available on a number of partner platforms.

From a tax efficiency perspective, next week, we will launch our own capability in conjunction with a vendor partner. And we're developing partnerships with most of the existing platforms. So T. Rowe Price managed SMAs will be available with tax optimization broadly as we work our way throughout the rest of this year and into next year.

So, this is a priority for us. And as I said, I would acknowledge that it is comparatively small when you look at our overall business and perhaps some of our peers that have met with success. But we're getting very, very encouraging feedback and very encouraging receptivity as we place more emphasis on this and have invested behind it. We've made it a pretty significant priority. We brought on some talent from the outside to focus on this, and I'm looking forward to the progress that we'll make going forward.

Dan Fannon: Thank you.

Operator: Thank you. Our next question or comment comes from the line of Ben Budish from Barclays. Mr. Budish, your line is now open.

Ben Budish: Hi. Good morning and thanks for taking the question. I wonder if you could talk maybe a little bit about the distribution strategy for the T. Rowe/Goldman Sachs fund. Just curious how the, you know, marketing and distribution coordination will work. Any kind of economic details you can share? I know it's still quite early, but I'm just curious, you know, what we should maybe expect as we watch this fold out over the next couple of months. Thank you.

Rob Sharps: Yeah. If you take a step back, there are a number of components to the work that we're doing with Goldman. And I would say that overall, we're very pleased with the joint progress.

From a model account perspective, we have five models launched. We're approaching $0.5 billion in AUM. They continue to grow. We're very, very focused on platform placement. So, that was the product that was first to market and the one where, you know, I would say that we've made the most progress.

We are in market also with a T. Rowe Price advised multi-alternatives interval fund. So that really just went effective at the beginning of the month. We and Goldman are taking that directly to the wealth channel. We're kind of educating our regional investment consultants and the opportunity here and feel like the feedback that we've gotten so far is encouraging. But it's very, very early days.

We're also in registration for a public/private equity interval fund that we hope to bring to market later this year. And again, distribute responsibility is joint. But as the advisor, T. Rowe Price will be on point for coordinating that. Goldman's more taken the lead with regard to the model accounts. And then, the final component is the target date series, which will incorporate alternatives.

T. Rowe Price is on point for that. It will launch as a CIT. We're operationally ready and at this point we've engaged with a number of clients and prospects. I would say the feedback is strong and the clients are interested. So, you know, kind of stay tuned for more updates with regard to progress there. I'm not sure Eric or Jen, you'd have anything to add?

Jen Dardis: The only thing I might say from an economic perspective, I mean, we designed this so that we were each contributing, both from an investment management perspective and from a distribution perspective, so that it would be, you know, fair and balanced in terms of the economics that are shared between the two firms.

Rob Sharps: Yeah. I do think we have some complementary strengths, which was one of the reasons that made Goldman Sachs an attractive partner here. You know, there are a number of places in wealth where we have very deep relationships in a number of places where Goldman has very deep relationships. So I think, together, we should be able to drive adoption and get more attention than either of us would be able to individually.

Ben Budish: Alright, I thank you both.

Operator: Thank you. Our next question or comment comes from the line of Alex Bond from KBW. Mr. Bond, your line is now open.

Alex Bond: Hey. Good morning, everyone. Thanks for taking the question. I wanted to ask around the ETF suite. You highlighted the $4 billion of flows in the quarter and with momentum continuing to grow there, just wondering if you can update us on how you're thinking about the path forward here in terms of launching new funds versus focusing on scaling your existing funds. And also, maybe if there are other areas here, I guess in light of the recent launch of the actively managed crypto strategy where you think you can provide differentiated products that can drive client demand. Thank you.

Rob Sharps: Yeah. First I thank you for the question. I mean, this is among our top priorities and I would say among our biggest opportunities. I mean, active ETFs are – it's a category that we still think is in relative early innings, has a very long runway and very substantial growth in an area where we believe we have the right to win. As you mentioned, $4.4 billion inflows in the quarter, over $30 billion in AUM. We have 34 ETFs in our lineup now with strong overall investment performance.

I would say from a product roadmap perspective, this is a priority that you should anticipate that the pace of launch will slow to an extent, particularly as it relates to the US. We're looking at ETFs in other geographies, and we're really going to focus on scaling our existing portfolios of ETFs. We feel like we're in a place where we have coverage of all of the key Morningstar categories.

We have component building blocks for asset allocation models, which we think is a very big opportunity and a big driver of the growth of active ETFs. And we also have a number of innovative offerings, including satellite and thematic offerings. I would point to what we're doing with our active crypto offering, what we're doing in a number of sector-oriented or thematic ETFs with things like innovation leaders or in healthcare technology or in natural resources.

So, we think this is a very big opportunity. We think it's an area that we really can deliver differentiated performance and a differentiated value proposition. So, ultimately, it's our objective to make this a much, much bigger business than it is today.

Eric Veiel: Yeah, I would just add. Specific to our crypto aspirations, you know, we intentionally designed the strategy TKNZ to have an investable universe that can expand over time to provide broad asset class exposure in this, you know, very rapidly evolving market. So, we'll consider additional follow-on strategies there as and when we see the opportunity to add value through active management.

We're also looking at different opportunities for ETF conversion, where we think that makes sense, where it fits in with our existing clients and we can do it in a way that is beneficial, both to them and to us. So, we're looking at some other opportunities as well.

Rob Sharps: I would say that one of the areas that we're really focused on unlocking is ETFs' building blocks in model accounts. You know, there's a lot of work that that we're doing here to make sure that we're partnered with the right platforms, that we have the right sales specialists supporting our regional investment consultants in the field, that we're leveraging our multi-asset and strategic portfolio design, tactical asset allocation capability. And this is a big opportunity for us to really bring all of our credentials as a solutions provider to our partners in the wealth channel and deliver kind of across a number of value drivers.

Alex Bond: Great. Thank you for the color there.

Operator: Thank you. Our next question or comment comes from the line of Patrick Davitt from Autonomous Research. Mr. Davitt, your line is open.

Patrick Davitt: Hey. Good morning, everyone. Jen, on the expense guide, I think you said it was based on first half average AUM. So, if we're modeling off of end of period, which is 5% higher, should we be thinking like 1% to 2% higher than that guide or is that not the right way to think about it? Thank you.

Jen Dardis: No, thanks for the question. I mean, this is always tricky given volatility in markets. But we try to set the range based on the ranges of market levels that we see during the quarter. So we said, you know, we think about the middle based on the average and then there's a range around that.

Operator: Thank you. Our next question or comment comes from the line of Michael Cho from JPMorgan. Mr. Cho, your line is open.

Michael Cho: Hi. Good morning. And thanks for squeezing me in here. Thanks for taking my question. Just I wanted to follow up on the active ETF discussion. You gave some color around the product focus and priorities. And I guess, as you think about demand and areas for incremental or further penetration from a distribution perspective, I also think you mentioned non-US as well. But I was wondering if you have more opportunities or thinking about areas for deeper partnerships where T. Rowe can actually drive more growth and take some more share. Thanks.

Eric Veiel: Yeah, Michael, thanks for the question. I think it's really important to just re-emphasize something that we were discussing earlier, which is that when you look at the active ETF industry, a significant amount of that growth is coming through model delivery. And in model delivery, you have both custom models and you have off-the-shelf models. We're pushing hard on both of those areas. And in those areas, your relationships with the different technology providers is really important.

So, we're working hard on building out those relationships and developing those as deep as we can because that ultimately gets you access to those advisors. And we're also working on some technology that will give our portfolio managers the ability to use that solutions capability that we have developed through the years, through our multi-asset team, in a more effective and efficient way, we think to really do well in the customized model area.

So, we are certainly looking at partnerships and engagements with different providers in the ecosystem to try to drive that ETF growth specific to models.

Rob Sharps: Yeah. I would highlight a handful of other things. I mean, one, I think if you look at areas where we've got a very strong investment track record and we've been strong in mutual funds and where there's a big opportunity in ETFs, I would highlight municipal in fixed income is an area where we think there's a very, very substantial opportunity.

I think our equity research offerings, we have the US equity research offering in market as an ETF. I think we'll look to expand that range over a period of time. I would also say where you've seen substantial growth where you have category leaders with a unique investment proposition or a unique value proposition that kind of give people access to a risk reward profile or an asset class that they otherwise might not be able to get access to as conveniently. And I do think we have a number of things that we're developing or have launched but are yet to scale that would fit into that category.

So, again, as I said at the outset, this is one of our biggest opportunities and one of our highest priorities. And I think the opportunity as it stands primarily is in the US wealth channel, but we are looking at opportunities outside of the US where this is a trend in other geographies as well.

Michael Cho: Great, thank you.

Operator: Thank you. I'm showing no additional questions in the queue at this time. Ladies and gentlemen, this concludes today's presentation. We'd like to thank you for your participation. You may now disconnect. Everyone, have a wonderful day.