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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

Participants

- **Brian Bedell**; Deutsche Bank; Analyst
- **Michael Cyprys**; Morgan Stanley; Analyst
- **Glenn Schorr**; Evercore ISI; Analyst
- **Daniel Fannon**; Jefferies; Analyst
- **Ivory Gao**; Bank of America; Analyst
- **Benjamin Budish**; Barclays Capital; Analyst
- **Patrick Davitt**; Autonomous Research; Analyst
- **Alexander Blostein**; Goldman Sachs; Analyst
- **Kenneth Worthington**; JPMorgan; Analyst

Presentation

Operator: Good morning. My name is Daniel, and I will be your conference facilitator today. Welcome to T. Rowe Price's Second Quarter 2025 Earnings Conference Call. (Operator Instructions)

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. Our Chair, CEO, and President Rob Sharps and CFO Jen Dardis will discuss the company's results for about 15 minutes. 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 June 30, 2025. Now I'll turn it over to Rob.

Rob Sharps: Thank you, Linsley. And thank you for joining today's call.

Despite a challenging quarter, we are building momentum for the long-term—growing our ETF business, leveraging partnerships to extend our reach, and expanding our leadership in retirement.

We have developed a broad and ongoing plan to reduce our expense growth over time while continuing to invest in capabilities and client reach. Jen will discuss these efforts in more detail in a moment, but we believe that our plan will drive efficiency to fund investment in the future of the business. While we acknowledge the short-term headwinds, we are confident we are positioned to take advantage of the opportunities ahead.

I will turn now to investment performance. Equity markets began the quarter with a sharp sell-off in April followed by strong gains in May and June. There was a return to growth outperforming value and large cap outperforming small cap, while the margin of international outperforming US narrowed from the first quarter. This environment proved a challenging quarter for some of our strategies, however long-term performance remains solid, with over half our funds beating their peer groups for the 3-, 5- and 10- year time periods. And on an asset-weighted basis, results were stronger with 65 percent, 58 percent, and 78 percent of assets beating peer group medians on a 3-, 5- and 10- year basis.

Within our equity division, US Equity Research, Diversified Mid Cap Growth, International Value, and Integrated Global Equity all added to their strong 3-, 5-, and 10- year track records. We saw continued improvement in Blue Chip Growth which is now in the top quartile versus peers over 3 years, and Japan Equity is in the first quartile versus peers for the one-year time period. That said, a number of our value strategies underperformed this quarter.

The long-term performance of our target date funds is strong. The nearer dated vintages, which make up the bulk of our AUM and where our glide path approach is more differentiated than peers, continue to have top quartile performance vs peers for the 3-, 5-, and 10- year time periods.

In fixed income, performance remains strong versus peers with a majority of funds beating their peer group medians over all time horizons, led by the high yield and low duration segments. Our emerging market

segment had a weaker quarter vs. peers, but over longer time periods performed better vs. the benchmark.

Shifting to alternatives, where credit markets posted solid returns in the quarter, our private credit and structured credit portfolios produced strong gains, while liquid strategy portfolios performed largely in line with benchmarks. New deal flow has been muted due to limited private equity activity; however, the near-term pipeline is starting to see some positive developments.

Across our business, we continue to see progress in the areas where we are investing for growth.

Fixed income is growing, with six consecutive quarters of positive net flows.

Our target date suite surpassed half a trillion dollars in assets under management—ending the quarter with over 520 billion dollars across our broad range of offerings. We continue to see strong momentum in our retirement solutions and added 2070 vintages to our retirement suite.

Outside the United States, we have seen increased client interest in our US Equity Research strategy after launching with a large online-broker in Japan and winning a mandate from a top Swiss bank.

In the first half of the year, we saw over 6 billion dollars in inflows to our ETF products—bringing AUM in our ETF franchise to 16.2 billion dollars as of June 30. Eleven of our ETFs have scaled to over 500 million dollars in AUM.

We are also growing our ETF product line up with the recent launch of two diversified equity ETFs—Global Equity and International Equity Research—and three sector ETFs—Financials, Health Care, and Natural Resources. This brings our ETF range to 24, with more in the pipeline.

We continue to expand private market alternatives in our wealth channel and evaluate the potential to bring private market alternatives to the retirement channel.

Before I turn to Jen, I want to take a moment to recognize David Giroux. For the third time in his 19 years as a portfolio manager at T. Rowe Price, David was named U.S. Morningstar Outstanding Portfolio Manager for the Allocation category. Well done to David and the entire Capital Appreciation team.

We are grateful for our associates' steadfast focus on delivering value for our clients. It is their commitment that is powering our progress.

And now Jen will discuss our second quarter financial results.

Jen Dardis: Thanks, Rob, and hello everyone. I'll review our second quarter results before opening the line for questions.

Our adjusted diluted earnings per share of two dollars and twenty-four cents (\$2.24) for Q2 2025 is in line with prior quarter's two dollars and twenty-three cents (\$2.23) and our Q2 2024 EPS of two dollars and twenty-six cents (\$2.26).

As previously reported, we had 14.9 billion dollars in net outflows, which similar to last quarter, were driven by U.S. equities, along with the timing of a few client redemptions and rebalancing activity that coincided with the snap-back in equity markets.

We had positive net flows across fixed income, multi-asset, and alternatives. And within our growing ETF suite, we saw 2.5 billion dollars of net flows into our products.

This quarter also included two multi-asset solutions wins of about 15 billion dollars that are reported in assets under advisement. For these solutions, T. Rowe Price leverages our target date insights to recommend strategic asset allocation, but does not select the underlying assets, which is why we do not report these assets and flows as AUM. As of June 30, the assets under advisement in these multi-asset solutions portfolios totaled a little over 24 billion dollars.

Despite a challenging backdrop for flows in the second quarter, July had a stronger start and included a large managed account model delivery win for our U.S. Equity Research strategy. This is a result of our efforts to expand the delivery options for our strategies, allowing us to more effectively meet the needs of some of our largest clients.

The model delivery accounts mirror the holdings in other versions of the strategy and are priced similarly to model types where we have discretion. Given the increasing size of this capability and its similarities to the other model types, we will start including model delivery assets and flows in our AUM, beginning with the July AUM release on August 12th. Previously, these model delivery assets were reported in assets under advisement. As of June 30, total assets in these portfolios were a little over 9 billion dollars.

Client outflows during the quarter and equity market volatility in April drove our average equity AUM down 5 percent, while our overall average AUM was down 2 percent from Q1 2025. This mix shift between asset classes, combined with flows into lower priced products, lowered our Q2 annualized effective fee rate, excluding performance-based fees, to 39.6 basis points.

As a result, our investment advisory fees decreased 2 percent compared to Q1 2025, while adjusted deferred carried interest of 36.5 million dollars was up from 9.2 million in the same period.

Our Q2 2025 adjusted net revenue of 1.76 billion dollars is flat to Q2 2024 and down marginally from Q1 2025.

Looking at our expenses, our Q2 2025 adjusted operating expenses of a little over 1.1 billion dollars were up 1 percent from Q1 2025 and up 3.7 percent from Q2 2024. Notably, adjusted compensation and related costs of 662 million dollars in Q2 2025 were essentially flat to Q1 2025 as higher deferred carry compensation more than offset the decrease in compensation, benefits, and other costs.

Technology, occupancy and facility costs were up 7 percent from Q1 2025, driven by increases in technology costs, including depreciation and hosted solutions, and costs related to the first full quarter in our new headquarters. We now expect 2025 adjusted operating expenses, excluding carried interest expense, to be up 2 to 4 percent over 2024's 4.46 billion dollars.

Recent market increases and the associated impact on our market-related expenses alone would have resulted in a higher range, but expense reduction efforts offset this in part.

As Rob mentioned, we have developed a broad and ongoing plan to further align our expense growth with our anticipated revenue growth. This will allow us to continue investing in our future, while keeping our non-market driven expense growth rate in the low single digits in 2026 and 2027. As a reminder, these expenses make up about two thirds of our total expense base.

This expense management program will enable us to realign resources to our areas of strength, while also helping to offset ongoing inflationary pressure on salaries and contractual spending.

As part of this work, we eliminated a number of roles in mid-July. While these reductions affected all business areas, there was limited impact on our investment professionals and client-facing roles.

We are also leveraging trusted vendor partnerships to outsource and expand some of our technology capabilities, in our efforts to modernize how we work and deliver for our clients.

We are in the process of closing a small number of sub-scale strategies, which will be phased over the coming months. These strategies combined have less than 100 million dollars of external client assets, so we expect limited client impact from their closure.

And finally, we are continuing to evaluate our global real estate footprint to provide optionality in how we leverage our space and slow our occupancy and facilities expense growth.

Shifting to capital management, our balance sheet remains strong with 3.8 billion dollars of cash and discretionary investments. We returned over 395 million dollars to stockholders in the first half of 2025, with 286 million dollars supporting the quarterly dividend of one dollar and twenty-seven cents (\$1.27). This quarter, we bought back 109 million dollars' worth of shares, bringing our average weighted share count to 220.4 million.

We continued to buy back in July, purchasing almost 23 million dollars' worth of additional shares. This brings our year-to-date total to nearly 349 million dollars, which exceeds our full year 2024 buy backs of 334.5 million dollars.

Delivering new capabilities and executing on behalf of our clients is a key area of focus for our business. We are confident in our plan to reduce expense growth over time, which will allow us to continue investing in growth opportunities in the market.

And now I'll ask the operator to open the line for questions.

Questions and Answers

Operator: (Operator instructions) Our first question comes from Brian Bedell with Deutsche Bank.

Brian Bedell: Maybe just to start the conversation on the 401(k) business. Obviously, T. Rowe is a leader in defined contribution, maybe some updated thoughts, Rob, on this? I know you spoke about this on the first quarter call, but we've had some obviously additional information since then in terms of partnerships and speculation around the executive order. So maybe just your view on potential timing of adoption in private markets, what some of the large plan sponsors really need to see to begin allowing those products in? And then your plan in particular, given your really strong position, not only in the 401(k) business, but obviously the target date business, how you see potentially weaving private products into those? And would that be exclusively through OHA or are you looking at other partnerships as well? I know you have the Aspida partnership with Ares, but I don't know if that can be expanded to 401(k)s or not.

Robert Sharps: Brian, thank you for the question. We talk a lot about being a client-first organization, and that means our guiding principle is to deliver the best outcome for our clients and in the 401(k) channel, that means plan sponsors and participants. We really think about ourselves as a retirement solutions provider globally, and we're constantly evolving and improving our offerings and solutions. So, our range of retirement date offerings, custom models, like PRM, and through various retirement income offerings. As we evaluate the evolution of each of those offerings, there's no reason whatsoever that we wouldn't consider enhancing those solutions with private assets.

I think with the benefit of three more months of work on both the investment and commercial case, we remain encouraged, I'd say perhaps even more so on the long-term potential to improve participant outcomes. Our work shows that the investment case for select exposure to private investments as an option in DC plans, and in particular, as a building block in retirement date funds, is pretty sound. So given that, we continue to do more work on product design and answering important questions like, which private assets, what would the allocations look like at various stages along the glide path?

We're also -- we also continue to do work on the commercial case. It's clear to me that there are still concerns about fees and fiduciary risks. Our sense is that we'll get more clarity on those issues in coming months, which could inform our next steps.

As you referenced, it's highly speculated that we're likely to get an executive order from the Trump administration to the DOL and SEC to provide more guidance to fiduciaries with regard to their responsibility around including private assets in defined contribution plans. We're going to have to wait and see what the DOL and SEC provide. I think our team's view is that in the end, legislation would be preferable to agency guidance because it would be more likely to endure changing administrations.

So, for that reason, my view is that plan sponsors will be interested in this, but they'll continue to approach it somewhat cautiously. We're okay not having the first product in market or issuing the first press release. We think this is going to take some time to play out. But we do think that this is the direction of travel and what we really want is to have the very best product. If the investment case is compelling and there's demand, we're going to be there with a solution.

In terms of how we would deliver it, we'll absolutely consider OHA's private credit capabilities. And beyond that, we're going to look for a best-in-class partner or partners, and we're having those discussions right now.

Operator: Our next question comes from Michael Cyprys with Morgan Stanley.

Michael Cyprys: Maybe just picking up on some of the commentary around the expense initiatives. Just curious, given all the advancements and new technology from AI to blockchain, also for stablecoins in there too, I guess just as you look out over the next 5, 10 years, just curious how you see the industry evolving given the advancements here? Curious how you're adjusting your business model? Maybe you can unpack some of the initiatives underpinning the expense you look forward to? And what steps are you taking in the coming years and what this might all mean for your business?

Robert Sharps: Yes, Mike, thank you. I'll start on expenses, maybe make a few comments with regard to AI and then ask Eric and Jen for their perspective. In terms of expenses, we're laser-focused on driving long-term value for clients, associates, and shareholders, and that means delivering compelling net of fee investment solutions and outcomes for our clients, but it also means running our business as efficiently as we can.

To assure we're doing that, as Jen referenced in her opening comments, we're implementing a multiyear plan that will involve improving processes and really driving efficiencies to fund incremental investment in the business that will allow us to hold our expenses to low single digits over the next couple of years. The elements of that include reassessing our org structure and workspaces, streamlining processes and leveraging technology, including AI as well as partnerships, and I think much of this work will play out this

year and next. But my expectation is that we'll develop a discipline that will drive continuous improvement beyond that.

And specifically, as it relates to AI, I think we're really just scratching the surface. AI can clearly help drive productivity and cost savings. And beyond that, I think if it's adopted in the right way and incorporated into our strategy, it can help us drive growth. I mean as an example, I think AI can have a very large impact on how we create investment solutions and deliver real-time curated advice and service across channels, whether that's to major intermediary partners and institutions or Individual Investors or DC plan participants. I think it's going to allow much greater customization at scale, and we can already see the potential there and some of what we're doing around decumulation with Retiree Inc.'s underlying technology.

There are a number of examples internally where AI tools are making us faster, sharper, or more efficient. One example would be in the way we respond to RFPs. I think it's important to note that none of this will just happen, right? You have to test and adopt the right tools, make them available to your associates, build the right use cases, and then drive adoption. And it's a challenge to keep pace with how quickly these tools and capabilities are evolving.

I do think it's going to have a huge impact on how investment research is done as well, and maybe I'll let Eric talk a little bit about that.

Eric Veiel: Yes. Thanks, Michael. Good question. So, thinking about AI first. From an investments perspective, I think it's a game changer. And I would put it into three categories. The first is productivity gains. The second is alpha generation. Then the third would finally get to cost savings as we think about it from an investment perspective. Along productivity gains, I mean, you're going to see increased speed of the more mundane tasks that we've all done over time, from note writing to model updating to industry trend analysis, meeting prep, et cetera, the list goes on.

Where it really gets exciting I think is in the alpha generation space, where we'll all have access to lots and lots of data, but proprietary data and how you use it I think will be a key source of differentiation. With a 400-plus person global research team digging up unique insights and a 20-year history of notes and investments' decisions to look at, we have a robust and unique data set to draw upon. So yes, it's going to help us in processing all that data that we have but also in helping us analyze how we make decisions. And I think that will be a really powerful tool for us as we think about generating alpha for clients. And that ultimately will get to cost savings, I think over time and there may be some in labor, but there could also be some in other places like how we source external data and how we use it.

Your question also gets to blockchain and stablecoin as well. If you just kind of bucket that into tokenization more broadly, we've been developing our digital asset capability since 2022, when we started building our own unique proprietary research. We continue to build that fundamental research, and we followed tokenization very closely over the past several years. We participated in several tokenization proof of concepts and pilots, and we're comfortable with the technology and the infrastructure. It has advanced significantly, and we're seeing the regulatory framework change as well. So tokenization is a tool and our focus on how we can best use that tool strategically to be accretive for clients and for the firm.

Robert Sharps: Can I just make one more point, going back to the expense initiative. While we are bumping our expense growth outlook for the year, I think it's important to remember that the market's up mid-teens since we gave guidance and that we've always said that we have roughly a third of our expenses that are

market-driven. So, if you model that, it's pretty clear that the market-driven expenses explain more than all of the increase in the annual expense guidance.

Operator: Our next question comes from Glenn Schorr with Evercore ISI.

Glenn Schorr: Looking at Slide 13, I appreciate the breakdown, and it really highlights the success you've had on the retirement channel. So, with two-thirds of AUM being retirement-related, looking at U.S. DC is up the most. It's up almost like 50% in 2.5 years. My question is, when we look at the ongoing equity outflows that we've been working through over the last couple of years, is there a story to tell in terms of -- is there any concentration of that in the other accounts versus all the retirement accounts? Does it matter from a fee rate perspective? Is there less churn in certain parts of the retirement channel? Just curious if we can parse through some of that.

Robert Sharps: Yes, Glenn, I'll start and then get some perspective from Eric and Jen. And maybe I'll zoom out a little bit and talk about flows more broadly and then specifically address equity in the retirement channel. I think we're not satisfied with where things stand overall or even at the pace of improvement from a flow perspective. We do continue to face elevated outflows in our equity franchise with impacts from both rebalancing and performance in certain strategies.

Regardless, I do think we're making substantial progress beneath the surface. So, in the second quarter, we had \$1.7 billion in retirement date inflows. As we noted in the prepared remarks, our sixth consecutive quarter of inflows in fixed income and over \$1 billion in alternative flows. We're also seeing very strong flows in our ETF franchise which continues to build momentum with over \$2 billion of inflows this quarter and \$6 billion year-to-date.

Looking ahead, we do expect outflows to continue in the second half, although our leading indicators would suggest that second half outflows will be lower than first-half levels. Global distribution weighted pipeline improved modestly. Q3 is off to a very solid start, with July flows coming in at roughly flat to maybe slightly negative. But it's really going to take some time to offset the headwinds in active equity and mutual funds. But I'm confident that we will get there with strong performance and continued growth in the retirement franchise in fixed income, in vehicles like ETFs and SMAs, growth in alternatives, and the strong global equity franchise featuring strategies like Capital Appreciation, U.S. Equity Research, and Integrated Equity. So, I do think there is improvement beneath the surface, and we're making substantial progress.

Specifically, as it relates to retirement and DC and equity flows, the substantial majority of flows in defined contribution really since the Pension Protection Act in 2006 have gone to QDIA and retirement date funds. So, you've seen less flows in the stand-alone strategies. I would also say with a lag, the DC investment-only channel is very performance-sensitive. So, we've seen over the course of the last couple of years the impact of periods of subpar performance impact our flows in equities in that defined contribution channel.

Broadly, I do think our biggest opportunity in the channel is with retirement solutions and retirement date funds. But stable value is also of a meaningful opportunity. There are instances where we continue to get new placements for stand-alone equity strategies as defined contribution options. So, it is an area that has been under pressure, I would say kind of perhaps more so than other areas over call it a 3 or 4-year time period, and that's a trend that I would say, given the trend toward retirement date fund, is probably likely to continue going forward.

Jen Dardis: Yes. I think the only thing I would add is that -- you asked about concentrations, and we've had the strategy to make sure that even though the -- within the Target Date franchise, we've been diversifying both our client base by type of client, size of client, and whether it's clients that we record keep versus ones that we are going through other defined contribution investment-only channels. We serve clients with target date products all the way from very small kind of small handfuls of employees all the way up to very, very large mega plans on a DCIO basis. And then within the investment strategies, we've expanded from the flagship to a blend strategy and others in between so that we're able to access many different parts of the market and different client outcomes.

Operator: Our next question comes from Dan Fannon with Jefferies.

Daniel Fannon: I wanted to just kind of follow up on that last question in the areas where you're seeing some demand and strength. Think about the fee rate associated with those products. You also mentioned in the prepared remarks model delivery, I assume SMAs are also part of it. So, can you talk about just the kind of impact of the fee rate over time based on where the business sits today and where it's going with ETFs and these other kind of products versus the back book and how we should think about fees in that context?

Robert Sharps: Yes, Dan, thanks for the question. The fee rate in Q2 was pressured mostly by mix. So, equity as a percent of our average AUM was lower in Q2 than it was in Q1 or last year's Q2, driven both by market and by flows. Specifically to your question, I think we're planning and running the business with the assumption that fees will trend down at a steady or declining rate. It's related to many of the things that you pointed out in the question. The areas that are growing, whether it's by asset class or vehicle, bring lower fees than the areas that have been under pressure and in particular, active equity and mutual funds.

For many of our ETFs, the management fee rate is largely similar to what it would be for a mutual fund, particularly for our semitransparent clone strategies. For model account submission in SMAs, the fee is also largely consistent with what we would get from other vehicle offerings or other approaches with those strategies.

The biggest impact is a shift from funds to trust in defined contribution. So as plan sponsors get scale, they qualify for trust minimums. Then as they grow, the trusts have breakpoints. So, unlike mutual funds, you pass on more of the benefit of scale in a trust to the underlying clients. So, the shift from fund to trust is one thing that we think will continue to bring the fee rate down.

I think there are puts and takes from a mix perspective, right? I mean equity markets tend to go up over time. So that's helpful from a mix perspective. Obviously not going to be true in each and every period. As we grow our alternatives business, that's fee enhancing, but fixed income is significantly lower fee than equity as an asset class. So, kind of as the relative growth of fixed income from a flow perspective is higher than equity, that will have an impact.

I would say the other impact is overall from a mix perspective, across our retirement date suite, the fee level is less than what it is in equity. So, there are a lot of puts and takes here. But in general, I think it's a fair characterization that the areas where we're bringing new assets in have slightly lower fees than the areas where we're facing outflows.

It's an important point that -- I really feel that our net of fee value proposition is resonating with clients because we're growing our gross sales on a year-over-year basis. The pressure on flows is elevated redemptions. And as I've said before, it's -- there are -- we understand kind of what's driving that and kind of

ultimately, I think there are things that we can do to mitigate it. But those elevated redemptions are in areas where the fee rate is rich. Again, that's largely active equity and in mutual funds.

Jen Dardis: I think it's also worth pointing out that Rob talked about the institutional pricing and how some of these model delivery accounts are more in the institutional pricing space versus retail. We're also serving those clients differently. So, the cost to serve those large institutional accounts at scale is lower than an individual retail account that you would service. And as well on model delivery, we're not executing or distributing those on behalf of individual clients, so those are costs we don't have to incur that we might in other channels. So, it's just worth thinking about the cost to serve as well as the revenue.

Operator: Our next question comes from Craig Sieganthaler with Bank of America.

Ivory Gao: This is Ivory Gao on for Craig. On the call you've noted you're growing ETF pipeline with your recent ETFs launched in June, and your growth in active ETF has been strong. Is some of the growth cannibalization coming from investors in a legacy fund? Or is it mostly new investors, including from channels like RIAs, where it was tougher to penetrate with a traditional mutual fund?

Jen Dardis: Thanks for the question. I'll start. I'd say it's a combination of both. It's difficult for us, in many cases, to see a direct tie from a client moving from one vehicle to another. In many cases, it's someone has left one and then when they reenter the market or rebalance, they're coming back in an ETF rather than a mutual fund format. Some of the industry data that we've seen would suggest that about 25% of it is clients that move over time and it's recaptured in an ETF format. But I'd say for us, we see both.

Eric Veiel: I'd just add as well that we did file eight new ETFs this morning, including four in equities and four in fixed income. Two of the equity strategies that we launched, the T. Rowe Price Active Core U.S. Equity ETF and the T. Rowe Price Active Core International equity ETF, specifically come in at lower price points targeting a part of the market where we have not been active which we think will be incremental new business for us and we're really excited about what that opportunity could be. We also launched four new fixed income ETFs, really rounding out our municipal suite, which we're excited about as well in a multi-sector income ETF.

(Clarification note: T. Rowe Price filed initial registration for 8 new ETFs on August 1, 2025. Launches of these 8 ETFs will be at a later date.)

Robert Sharps: Yes. I'd add a handful of things. One, I think we're just scratching the surface on the model opportunity. I think we really do expect momentum to continue to build as the ETF suite builds track record, scales and gets platform placement. With the eight that were announced this morning, we have 32 in-market with over \$16 billion in AUM. And several of those are scaled, I think 11 of them are over \$500 million in AUM.

My sense is that much of this is new business that we're reaching RIAs or ETF users that historically would not have used our open-ended mutual funds. I also know that we have platform placements of many of our ETFs, with strategies that aren't placed -- where we don't have placement with the mutual funds. So, there are certain -- whether it's broker-dealers or platforms, where we're getting ETF placement where historically, they've not distributed our funds. So, I mean that leads me to believe that we're reaching different clients with our ETF suite than we historically have reached with our open-ended 40-Act mutual funds.

Operator: Our next question comes from Ben Budish with Barclays.

Ben Budish: Rob, in some of the earlier Q&A, you talked a little bit about blockchain and tokenization and you've clearly been doing a lot there on the research side. I'm just curious, how about you think about additional opportunities in that space? We've seen a number of your peers launch crypto-asset ETFs. We've seen a couple of launch tokenized funds. Where do you see the most interesting potential opportunities over the next couple of years as we continue to get more regulatory clarity?

Eric Veiel: Yes. I'll take that one. This is Eric. Look, we believe active management, and frankly operational alpha, will play an important role over time in digital asset investing. They are really currently only two digital assets approved for inclusion in retail products, Bitcoin and Ethereum. We'd like to see a broader investable universe to generate value for clients. When that happens, as I said earlier, we're building out the research capabilities to do that. So, we're going to continue to monitor the area. We think that there over time will be opportunity there, but we want to do it in a way that's consistent with our core culture of a research-led product.

Operator: Our next question comes from Patrick Davitt with Autonomous Research.

Patrick Davitt: A follow-up on the model delivery points. Firstly, what kind of drove the shift in thinking on bringing that into AUM, given the fee rates are similar? Could you frame the organic growth of that \$9 billion AUM base, given the size of the win in July? Then looking forward, is there now a bigger pipeline of these coming in?

Jen Dardis: Thanks for the question. So, I'll start with why we decided now to bring that into AUM. First of all, this was a smaller portion of the business when it started out for us and it's kind of built in slow ways over time. I'd say second, as we now think about going forward, we've talked a lot about making sure that we're able to deliver for clients in whatever vehicle makes sense for us. So, we're agnostic in many ways, whether we deliver this in a model-delivered format, in an SMA, or in a packaged product, if that's what the client prefers.

So again, I think as the underlying value that we're delivering for the client, even though we're not exercising discretion, that was the line that we used before. We're delivering the same model-delivered results that we would deliver if we were executing on an SMA and the fee is relatively similar.

So, if you think about us, we might pitch something that's in an SMA or offered in a model, that sale would result one side or the other. We just want to make sure we're giving you a sense for the health of that business and how it's growing over time.

We were not intending to give the size of the win. You'll see it come into the assets under management when we release in July. So, you'll see it in the asset flow number as it comes through built into that number.

Robert Sharps: Yes. I think it's important ultimately that we incorporated into the AUM and flow base because it's a meaningful trend in the market. Particularly in taxable accounts, technology has brought down minimums for SMA and allowed for customization, including tax-loss harvesting. Increasingly, it's a vehicle that is preferred across the wealth channel.

Similar to ETF, we've been -- we've really prioritized over the last several years building out our SMA capability and offering. So again, as we develop track record and scale those capabilities, we think -- and are seeing additional platform placement, and ultimately as that grows, it will become a more meaningful and material part of the business. And as Jen noted, the economics -- I mean, we're largely indifferent from

an economic perspective or a fee perspective. So, we think it's appropriate that we incorporate it into our commentary with regard -- and disclosure with regard to flows and AUM.

Jen Dardis: And maybe just to add from a relative size perspective, we mentioned that at June 30 before this new account came in, we had about \$9 billion that would move from AUA to AUM. To put that into context, the SMA business that is already part of AUM is just over \$10 billion. So, you put those two things together.

Operator: Our next question comes from Alexander Blostein with Goldman Sachs.

Alexander Blostein: Rob, I was hoping to get your latest views on acquisitions for T. Rowe with respect to both, thinking about opportunities in the 401(k) channel eventually assuming that's the direction of travel, as well as broadly to sort of accelerate organic growth for the platform as a whole. OHA is obviously there and will be helpful as you sort of think about the 401(k) and the targeted opportunity for privates, but it's relatively narrow. So just curious how you're thinking about extension of that suite of products?

Robert Sharps: I'll start and then maybe ask Jen to add her perspective. We have a very, very high bar for M&A. What we've said is that we don't believe that we need to do acquisitions for scale and that we won't do acquisitions that are disruptive to our ability to deliver on our commitments to our existing client base. But recognizing that the industry is consolidating, we've had a lot of discussions with our leadership team and with our Board with regard to what our role in industry consolidation would be.

What we've said is that we'll do deals that are culturally aligned, that are consistent with our strategy, that either bring us new capability or allow us to reach or further gain share -- reach new clients or further gain share with our existing client base. I think if you think about OHA or Retiree, both of those are very clear examples of new capabilities and an opportunity to more deeply penetrate client base or reach new clients.

I do think that as we think about our strategy going forward, retirement is very important. We would like to continue to enhance and evolve our advice capability. We're very, very interested in, again, how kind of customization at scale can help us deliver investment solutions. So, we evaluate a number of different things. But anything that we would do would be ultimately to bring new capability or to help us get closer to our end client. And it may include any of the things, Alex, that you suggested.

Jen Dardis: Yes. The only thing I would add is, as Rob mentioned as he was talking about alternatives in DC that increasingly, if the conversations spanned the realm of kind of full acquisition all the way down to some level of minority investment in our partnership. So, I think the range of options has certainly increased over time and so we would consider any of those things to add to capabilities.

Robert Sharps: Yes. I mean as I mentioned earlier, I mean we'll consider whether it's partnering, acquiring or doing things organically, and we've kind of demonstrated the capacity to do each of those in the past.

Operator: Our next question comes from Ken Worthington with JPM.

Kenneth Worthington: It's been 5 years of outflows in what's been a volatile but generally good period for investing. Is organic growth necessary for T. Rowe price over time?

Robert Sharps: I think it is. I think Ken, it's a matter of defining the timeframe. But my view is that for us to be a successful and dynamic organization and drive value for our shareholders, create opportunities for our associates, and to be able to invest in the capabilities that will allow us to deliver great outcomes for our

clients, we need to have some level of organic growth. I don't think that you can exist in perpetuity with a declining base of AUM or at least a declining flow rate.

I mean to some extent, I guess that would depend on what the market return look like and what the fee rate. I mean the arithmetic is pretty straightforward. But philosophically, I don't think as -- I don't think our leadership team would be happy with a multiyear outlook that didn't give us a path to getting back to organic growth.

Operator: Thank you. This concludes our question-and-answer session and today's conference call. Thank you for participating. You may now disconnect.