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T Rowe Price (Q2 2024)

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Corporate Speakers:
- Linsley Carruth; T Rowe Price Associates Inc; Director of Investor Relations
- Robert Sharps; T Rowe Price Associates Inc; Chief Executive Officer and President
- Jen Dardis; T Rowe Price Associates Inc; Chief Financial Officer
- Eric Veiel; T Rowe Price Associates Inc; Head of Global Investments

Participants:
- Glenn Schorr; Evercore ISI; Analyst
- Daniel Fannon; Jefferies; Analyst
- Kenneth Worthington; JPMorgan; Analyst
- Patrick Davitt; Autonomous Research; Analyst
- Brian Bedell; Deutsche Bank; Analyst
- Michael Cyprys; Morgan Stanley; Analyst
- Brennan Hawken; UBS; Analyst
- Alexander Blostein; Goldman Sachs; Analyst
- William Katz; TD Cowen; Analyst

PRESENTATION

Operator: Good morning. Welcome to T. Rowe Price's Second Quarter 2024 Earnings Conference Call. 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 CEO and President Rob Sharps and CFO Jen Dardis will discuss the company's results for about 10 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 10-Q.

All investment performance references to peer groups on today's call are using Morningstar peer groups and are for the quarter that ended June 30, 2024.

Now I'll turn it over to Rob.

Robert Sharps: Linsley, thank you. And thank you all for joining us today. As we shared in our earnings release, we ended the quarter with just under $1.57 trillion in assets under management and $3.7 billion in net outflows.

While market gains continued to support our financial results, I'm pleased to say that we are making steady progress in flows and investment performance. Our sales pipeline is healthy, redemption pressure is stabilizing and our associates are driving our strategic initiatives forward. We continue to be on track to substantially reduce net outflows this year.

Overall, our investment performance remained solid in the second quarter, with two-thirds of our funds beating their peer group 1-year medians and over 40% of our funds in the top quartile.

- In our equity franchise, U.S. Equity Research, U.S. Mid-Cap Value, International Value, Financial Services, Integrated U.S. Small Mid-Cap Core Equity, and Integrated Global Equity are all top quartile performers for the 1-, 3- and 5-year time periods.

- The transparent equity ETFs we launched last year are demonstrating strong performance with the Growth, Value and Small Mid-Cap ETFs all top quartile performers versus peers for the 1-year time period.

- In our fixed income franchise, several of our muni funds as well as our Institutional Floating Rate and Credit Opportunities funds have 1-, 3- and 5-year top quartile performance.

- Both our flagship Retirement Funds and the newer Retirement Blend version of the strategy continued to deliver strong performance across multiple time periods.

- Returns across alternative strategies continue to be strong, with alpha generated across the portfolios, primarily due to effective individual credit selection.

Jen will discuss our flows and financials in more detail shortly, but I wanted to take a moment to highlight our ETF business. As of June 30, we reached $5.3 billion in assets under management, up from $1.2 billion in June 2023. In the first half of this year, we've had $2.4 billion of inflows to our ETFs.

We are excited by this growth in our ETFs and that we are attracting diverse investors across wealth management, institutional, direct retail and investors outside the United States.

We expect that the appetite for our ETFs will continue to grow throughout the year as:

- Five of our 16 ETFs, including U.S. Equity Research and Blue-Chip Growth, have each grown to over $300 million in assets, which is the size eligible for many platforms;

- Our transparent equity ETFs now have a 1-year track record, a requirement for most platforms;

- We are broadening the product lineup including the recently launched T. Rowe Price Intermediate Municipal Income ETF, which is our sixth fixed income ETF and our first federal tax-free fixed income ETF;

- And we are planning to make additional investment strategies available as ETFs over time.

Our associates are driving this progress, and it extends beyond our ETF business. I'll highlight a few recent milestones.

- We filed to launch The T. Rowe Price OHA Flexible Credit Income Fund, or (OFLEX), our first interval fund.

- We were named a strategic partner to one of the largest independent broker-dealers in the United States, allowing us to bring our products and insights to their more than 10,000 financial advisers and their 2 million end clients.

- Our SMA franchise grew to more than $8 billion in assets as of June 30, with $1 billion in net flows year-to-date.

- After seeing strong demand for the ETF version of Capital Appreciation Equity, we launched this strategy as an SMA.

- We unveiled our Retirement Income Solutions 5D Framework. This new, patent-pending framework will help define contribution plan sponsors evaluate retirement income offerings and quantify which solutions may best fit the needs and preferences of their plan participates.

I'd like to finish by noting that I spent time in Europe, Asia and the Middle East in the second quarter. The constant across our offices is our associates' deep commitment to delivering results for our clients and to advancing our strategic initiatives.

We are seeing their efforts reflected in our results, and I want to thank associates across all of our locations for their hard work to deliver value for our clients and our firm.

I'll now turn to Jen for our financial results.

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

Our adjusted earnings per share of $2.26 was up nearly 12% from Q2 2023, driven by higher operating income and a lower effective tax rate.

As Rob mentioned, we reported $3.7 billion in Q2 net outflows. Results this quarter included a large fixed income win from an insurance client that funded in May. While these types of flows can be lumpy, we are pleased it's in a space where we've been building client relationships to help grow and diversify our business.

We had net inflows in fixed income, multi-asset and alternatives this quarter. Within alternatives, net inflows were primarily driven by deployments across several private credit funds and from CLOs.

Outflows remain concentrated in our equity products. However, we had several equity products with strong inflows including our U.S. Equity Research, U.S. All-Cap Opportunities and Global Focused Growth strategies.

Our target date franchise had another strong quarter, with net inflows of $3.7 billion. In the first half of the year, we've recorded $10.5 billion in net inflows to target date strategies. During the quarter, we also saw positive net flows from clients outside the U.S.

Looking at our income statement, Q2 adjusted net revenues were $1.8 billion, an 8.5% increase from Q2 2023 driven by higher average AUM. Compared with Q1 2024, adjusted net revenues were essentially flat, as higher investment advisory fees were offset by a decline in accrued carried interest.

Our annualized effective fee rate for Q2 2024 was 41.6 basis points, which is down from the prior quarter as client flows and transfers led to a mix shift in assets under management to lower fee products and asset classes.

Investment advisory revenue of $1.6 billion included $16.8 million of performance-based fees, predominantly from certain alternatives products.

Our Q2 adjusted operating expenses of $1.1 billion is up 7.8% from Q2 2023 due primarily to an increase in market-driven expenses, including a higher interim bonus accrual and distribution and servicing fees. This quarter also included an increase in advertising and promotional spend, as we continue executing on the investment in our brand to support future growth, and higher professional fees and travel and entertainment.

Our adjusted operating income increased 9.8% from Q2 2023 to $655 million.

We now expect 2024 adjusted operating expenses, excluding carried interest expense, to be up 6% to 8% over the comparable full year 2023 amount of $4.19 billion. The increase in the range is entirely due to the sustained rise in equity markets and the impact on our market-driven expenses.

Additionally, we are tightening our prior tax rate guidance for the full year 2024. We now anticipate our non-GAAP effective tax rate will be in the range of 23.5% to 25.5%.

Our long-term capital management philosophy remains unchanged. Returning capital to stockholders through the recurring dividend remains our top priority, and our strong balance sheet provides ample liquidity to also fund our seed capital program, buybacks and select future M&A should the opportunity arise.

We remain opportunistic in our approach to buybacks and repurchased $112 million worth of shares during the second quarter, reducing shares outstanding to less than $223 million. Combined with our quarterly dividend of $1.24 per share, we have returned nearly $761 million to stockholders during the first half of the year.

We continue to thoughtfully manage expenses while sustaining our core investment in our associates and delivering new capabilities to best serve our clients and expand in growth areas of the market.

While we have more work to do, we are encouraged by the year-over-year improvement in overall flow trends, driven by the combination of a more positive market environment, improved investment performance in certain strategies leading to lower redemptions and increasing sales pipeline and our strategic initiatives yielding results.

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

QUESTIONS AND ANSWERS

Operator: (Operator instructions.) Our first question comes from Glenn Schorr with Evercore ISI.

Glenn Schorr: So a question on cash and retirement account and target date funds. I'm sure you've seen there's been a heightened focus in the wealth management community in terms of what options and what people are getting paid on their cash.

So I'm curious on your thought process on how you handle it, are there multiple options for clients or is this all client driven? I'm just curious, you have obviously a different business and I just want to see your approach.

Robert Sharps: Yes, Glenn, this is Rob. I'll start. It's predominantly client-driven. In our individual investors business, clients have multiple options for money market funds. We don't have a big sweep business in the retirement plan services business, where we're the recordkeeper and also on other platforms.

If the plan sponsor elects, we offer stable value as a short duration option and a highly liquid option. And we also offer money market funds. So I think the issue that you're referring to is one that really doesn't touch us as much as it does many of the wealth platforms that have sweep approaches.

Operator: And our next question comes from Dan Fannon with Jefferies.

Daniel Fannon: Rob, I was hoping you could just expand upon the sales pipeline that you've talked about. Clearly, flows are getting better. You had a large institutional fixed income win.

But I was hoping you could talk about the breadth, maybe of the sales pipeline, some of the geographical differences. You had inflows outside the U.S. So just a little more granularity around not so much the quarter, but the conversations and the prospective outlook around the sales and how that compares to previous periods.

Robert Sharps: Yes. Maybe I'll zoom out a little bit and talk about flows broadly and then also talk about the pipeline. In terms of flows, I'm really pleased with the magnitude of improvement that we've had in the first half of the year.

Our net outflows were $24 billion less in the first half of '24 than they were in '23. And I think we demonstrated in the second quarter a lot of progress in really important areas.

The target date flows were strong in the first half at $10.5 billion, which was better than last year's very strong $9.9 billion. That's also an area where, from a pipeline perspective, we continue to see strength. There's an element of seasonality to target date flows, but nonetheless, I really like what we're seeing, both in the flagship retirement date funds as well as with our blend offerings in retirement date.

I think within alternatives, fee basis AUM was up 11% year-over-year, but I think there's also a lot of interesting momentum in terms of new capital commitments and opportunities with OHA, whether it's in the wealth channel as we steadily build momentum with OCREDIT, where we had $172 million of flows in the quarter and continue to bring some new platforms on and are well placed to continue to build momentum there, to OLEND, which is a dedicated senior private lending facility, where there's been very strong interest. We had a first close this month. And I think also, we'll continue to help us to show improved or accelerated growth in the alternatives area.

As I noted in the prepared remarks, we had $2.4 billion of inflows year-to-date in our ETFs, with two-thirds of that in the second quarter. And I would expect the momentum there to continue to build, given platform placements for several of our ETFs that either happen late in Q2 or are expected to happen in Q3.

I see improvement broadly. Gross sales were up in most channels and most asset classes. We had net inflows in our Americas institutional business and our EMEA business and in our APAC business.

I think if you look at the net sales pipeline, it does continue to improve broadly across channels and most geographies One element of that, though, is not just new business opportunity. I'd say it's a sharp decrease in at-risk assets corresponding largely to stronger investment performance in a lot of our well-distributed strategies.

As you said, Q2 did benefit from a sizable insurance mandate. I think we have very strong positioning with scale buyers, whether it be in insurance, in retirement, in wealth or OCIO, and I think that's likely to lead to additional large mandates down the road.

In fact, we had six new wins of greater than $1 billion in the quarter. But these will be lumpy and the one that came in, in May was particularly outsized.

So I'd say that kind with some seasonality would suggest to me that outflows are likely to be somewhat higher than the Q2 run rate in the third and the fourth quarter, but still well below the levels that we saw last year.

We're making meaningful progress, but I think we have more work to do to get to our goal of returning to positive flows at some point in calendar 2025. Hopefully, that answers the question, Dan.

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

Kenneth Worthington: I believe you said you're partnering with a new distribution broker. I think you said 10,000 representatives. A couple of questions here. Like first, can you talk about what this means, what you expect to get from the relationship, what are the costs of partnering on this platform? And are there other larger distribution relationships that you aspire to work with that may actually be your partners in the not-so-distant future?

Robert Sharps: Yes, Ken, we have partnership arrangements with most of the large wealth platforms in the U.S. Each of them is bespoke, and I'm not going to get into the particular terms.

But needless to say, I think given our breadth of offering, our scale, our investment performance and brand, we've got a big opportunity as we've continued to build out our field coverage to further penetrate those accounts.

We assess each of these individual opportunities stand-alone and kind of ultimately engage where we think there's a win-win and where it's mutually beneficial. This particular opportunity is a platform that we've worked with in the past.

But this will give us additional shelf space and placement and additional opportunity to engage with their advisers, which should allow us to grow our share.

It's a relationship where I think historically, our share isn't what it could be. And I think this gives us the opportunity to meaningfully gain share over time. I'm optimistic about the impact of it. But again, this is one of many of these sorts of relationships. I think we simply called it out because it's a new one.

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

Patrick Davitt: On the bond mandate, could you give us the actual size so we have a better idea of what the flows look like without it. And you mentioned six new wins of $1 billion plus. Should we take that to mean that those are still to fund or were those funded in the first half?

Robert Sharps: Specifically to the latter part of the question, they funded in the second quarter. Again, I call that out partly just to say that I think we're really well positioned with buyers of scale, and our pipeline would suggest that there are additional opportunities.

But again, they'll be uneven. I'm not going to talk about the size of a particular mandate. But it was quite substantial. And I don't know Jen, if we've said more about it.

Jen Dardis: No. We haven't. I mean I think you can get a sense by looking at our fixed income assets quarter-over-quarter and you can get a sense for general size.

Operator: Our next question comes from Brian Bedell with Deutsche Bank.

Brian Bedell: Maybe, Rob, if you can talk about the distribution channels that you think are most sensitive to the improved performance where you may be able to more quickly leverage the performance improvement. And in conjunction with that, the platforming of the equity ETFs and maybe just talk about the pipeline of adding new products there? And to what extent do you think these will be -- can be more bought products rather than sold products on online channels and whether that might be more sensitive to improved performance?

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Robert Sharps: Sure. I think in general, look, all underlying investors are sensitive to performance, right? That's our value proposition as an active manager, but the cadence tends to happen differently in different channels.

What I've observed is that in our direct to individual and in the wealth business, the reaction tends to happen a little bit more quickly. And in the institutional or large intermediary mandate channel, it tends to happen with more of a lag.

I think we've observed in some of the areas where we had a performance challenge improvement in those areas that tend to leverage funds or commingled vehicles first, and then subsequently have started to see some improvement on the institutional or large mandate size.

So if you think about institutional separate account, whether it's defined benefit -- whether it's defined benefit mandate or defined contribution, investment only where it's on somebody else's recordkeeping platform or a big sub-advised mandate, those tend to react a little bit more slowly.

So we first began to see improvement in the funds portion that tends to be leveraged in the wealth channel, and now we're beginning to see some improvement as well in the institutional channel.

Jen Dardis: We've talked before about the fact that you'll see redemptions pick up. When you have a performance cycle, you'll see redemptions pick up. Our sales flow first, then redemptions pick up, then you'll see redemptions start to slow, and then you'll finally see sales start to pick up.

I'd say on the redemption cycle, we're very far through seeing the improvement in redemptions, getting much closer to our more traditional levels of redemptions in those products. I'd say on the sales cycle, we're much earlier in seeing the improvement in sales.

Robert Sharps: Yes. And then with regard to ETFs and the pipeline, we launched, just recently, our 16 ETF, which is intermediate muni bond ETF offering. We've got a handful of others that we're working on launching. And we'll continue to evaluate where there is a sizable opportunity and where we believe we can deliver a differentiated or compelling offering.

It would be my intention to broaden the number of strategies that we offer as ETFs over time. But I think we'll do it in a thoughtful way. We want to do it kind of in areas that our clients value and where we can deliver something that's differentiated and durable.

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

Michael Cyprys: Maybe just continuing with the ETF topic here. You seem to be having some good traction and success there.

So I just want to drill down a little more. Hoping you could elaborate on your sales and distribution approach with ETFs. How that differs from your approach to sale of more traditional mutual funds for you.

And then more broadly, if you could just comment on your strategy and approach including the way that you are going to market with, in some cases, replications of what you already offer in mutual funds versus opportunities with other strategies that are different from what you already have. How you think about that and approach and navigate certain challenges in the marketplace that may or may not create.

Eric Veiel: Sure. This is Eric. I'll take a first cut at that one. In terms of how we go to market with our ETFs, it is, as Rob mentioned, we have 16 different strategies across asset classes.

We have a specialist ETF capability where we have dedicated expertise from a sales perspective to support our field team as they're out talking to different parts of the USI or the U.S. intermediary channel across the wealth advisers specifically, but also to target parts of the market where, historically, we haven't done as much because prior to the last several years, we didn't have much of an ETF offering.

So there are dedicated advisers out there who solely use ETFs, and we've been working to discover those advisers and reach out to them with our capabilities.

That's coincided with increased interest in active ETFs from a market perspective, and we've benefited from our capabilities as an active manager and the brand that we have in building out our presence there.

I think there's plenty more to do and we're still in, what I would say, the early stages of identifying and penetrating that unique market opportunity.

In terms of the second part of your question, where we offer clones or similar clones to our existing strategies as well as new capabilities. We want to be able to bring, as Rob said before, our full set of investment capabilities to our clients.

We started with the semi-transparent active equity ETF suite because that is what we were well known for, strategies that we believe that the market would embrace and they did up to a point.

We then wanted to make sure that we were able to bring new capabilities using our research platform to offer strategies that brought even more capabilities across the ETF suite, meaning full transparency, maximize tax efficiency into that market, and we were able to do that also then to get into categories that we weren't able to do before with semitransparent, specifically the international area where the semitransparent doesn't allow you to do some of the holdings. So that allowed us to broaden our suite out.

Robert Sharps: Yes. I'd just add, we find that there are certain clients that really value the clone semi-transparent approach because they're able to access a known strategy with a long-tenured track record in the ETF vehicle.

I think there are other clients that are much more familiar and comfortable with the fully transparent approach. And I think we are now in a place where we are comfortable delivering a range of investment strategies across both approaches and feel both approaches have merit.

Jen Dardis: And I think back to the earlier point of those relationships with larger platforms and clients, we use those relationships to help inform where people have gaps.

I mean we want to understand where things can get placement as early as possible because I think you've seen with a number of offerings in market, it's really important to try to get those strategies scale as quickly as you possibly can to make sure that they can cut through the noise. And so our focus has really been on both getting those products launched, but also getting them above those important sort of $100 million to $200 million asset raises.

Robert Sharps: I'd tell you, I've been pleased and maybe a little surprised that the range of investors that the ETFs have appealed to.

As Eric said, we're targeting a number of RIAs that are ETF power users as well as more traditional wealth platforms and broker-dealers, and we've got some interesting placements that I think kind of really present a big opportunity.

But we've also had some institutional investors and some investors based outside the U.S. that have been attracted to the ETF vehicle. So I think it's encouraging. It's still relatively small in the context of our overall AUM base. But I think it's a huge and compelling opportunity for us and one we're really leaning into.

Operator: Our next question comes from Brennan Hawken with UBS.

Brennan Hawken: I actually have a request and then a question. So one thing just to consider, many of your peers provide an adjusted income statement, which really would reduce the potential for misunderstandings and errors around interpreting your results. And I'd like to just please ask you to request putting that together because the way the disclosure now is a little -- I'm worried it could lead to some confusion.

My question is on OCRED. So we hear it's a bit of a me-too product and given that it came after some firmly established products in the marketplace. I'd love to hear you lay out for me the case for how it's differentiated from established offerings such as BCRED and maybe how you're explaining that differentiation to your distribution partners.

Robert Sharps: Yes. I think it's differentiated in a handful of ways. Look, it is a competitive marketplace, and there are a number of established offerings.

I think our approach is compelling, one, because we bring OHA's 30-year track record to delivering private credit strategies. Two, we bring T. Rowe Price's relationships with the wealth platforms and our relationships in the field.

If you think about our regional investment consultants, they work with a lot of brokers and advisers that may not have used alternatives or a BDC in the past. And when I engage with the big wealth platforms, one of their key objectives is to broaden the penetration of alternatives within their adviser and client base.

So I think what's differentiated about our approach is we can use the depth of our relationships in the field to help them further penetrate their base with a product that is being managed by a team that has a very compelling standout track record in running private credit strategies.

So look, I do think that it is difficult to stand out, particularly in an environment credit defaults have been extraordinarily low, from an investment performance perspective. And I think it's fair to say that you really have to work hard to differentiate and get attention.

I think there's a tremendous amount of power in the combination of T. Rowe Price's presence and relationships in the wealth channel, particularly with advisers that might -- where this might be a first experience or a first opportunity to engage in alternatives.

So that's the approach and the part of the market that we're really starting to attack. Look, I think this is a first offering. We're also working on OFLEX, which is an interval fund.

We're taking feedback from the wealth platforms on where there is interest and where something might be more differentiated or more attractive, and I think are hopeful that as we roll those out and build those relationships that we'll be able to leverage them and establish more momentum going forward.

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

Alexander Blostein: Question for you guys on the fee rates. It looks like the pace of fee rate compression picked up a little bit sequentially. And I know you talked about most kind of the mix of flows and just some of the transfers.

So can you help kind of go through that a little more? And as you think about the difference in the fee rates amongst some of the larger kind of transfer buckets, where does that stand today? And how do you expect that to evolve over the next couple of quarters?

Jen Dardis: Yes, Alex. I'll start. We've said that over time, we see fee compression of about 1% to 1.5%. That's what we've seen over the past several years. Quarter-to-quarter, you can see some noise.

And so in any given quarter, we can see the impact of clients choosing lower fee products, which could be vehicles or asset classes or individual strategies. You can also see periodically, we'll do some realignments of clients into vehicles, so there will be existing clients moving from one vehicle to another, and that can create kind of more noise in the specific quarter.

We saw both of that during this quarter. And again, so I think over longer periods of time, we've seen that continued trend, but this particular quarter, you saw both of those things.

Robert Sharps: Yes. Alex, as Jen said, a lot of factors impact the fee rate, asset class mix, vehicle mix, performance fees, each of those can move around a lot in any one quarter. So, I wouldn't read too much into a quarter's results favorable or unfavorable.

We want to continue to share some of the benefits of scale with our clients and invest in our value proposition and hope to win sizable new mandates, grow in fixed income, grow in some other lower fee areas including integrated equity and with our blend RDF strategy.

So I mean the arithmetic is that success in those areas will pressure the fee rate, but it's still very good business.

I would say that as we grow in alternatives, there should be some offset. And I think the net result is that we're likely to see kind of fee compression very consistent if you look over multiple quarters with what we've navigated in the past.

Operator: And our final question comes from Bill Katz with TD Cowen.

William Katz: Thank you very much for taking the question and also, thank you for the abbreviated opening remarks. I hope that's a trend for your peers.

In terms of -- just a clarifying question, you mentioned that you expect seasonally a second half pickup in redemptions. Just wondering if you could sort of highlight the reason for that.

But the broader question I have is, as you think about some of the changes that are happening in the competitive landscape, whether it be on the traditional side or more opportunity in the alternative side where I think the greater focus is, how are you thinking about the sort of attacking that on a de novo basis? And do alignments like KKR and Capital Group maybe shift your thinking about how to accelerate that opportunity?

Jen Dardis: Well I think starting with the redemptions question, I think seasonally, we look at our flows, and so it's both sales and redemptions. And I think Robert specifically referenced earlier, the target date franchise, there it's less about redemptions, it's more about the pace of sales and the pipeline that we see in the second half of the year.

We've talked in the past about it's not fully seasonal, it's not that everything happens in the first quarter of the year, but you do see more activity in the first quarter of the year. You can see plan size changes in just smaller amounts through the balance of the year.

Robert Sharps: Yes. Bill, I think what I was trying to get across isn't that I expect redemptions to pick up in the back half of the year. It's that, if you think about net flows, it's gross sales and redemptions, and gross sales in the second quarter were inflated by a lumpy sizable mandate.

So I wouldn't take the Q2 net flow rate and annualize it in the back half of the year. That's all I was really trying to say.

We actually see a trend of redemption pressure easing in some of the places where we've had some performance struggles at this point over a year and a half ago.

So again, I'm encouraged, both on the gross sales side and the redemption side with regard to the outlook, but there is a little bit of seasonality in the gross sales side of the target date fund business. And we did have the benefit of that sizable insurance mandate that funded in May. So that's really the only point that I was making there.

I think we are well positioned, whether it's across multi-asset with retirement date fund.

We've got a big opportunity to grow outside of the United States. We've got a big opportunity to grow in fixed income. We've got a big opportunity to grow in ETFs, and we've got a big opportunity with OHA.

I think we -- there are more things that we can do in alternatives. And I think we -- there are instances where we might be open to partnering, but only where I believe it would make sense.

There are things that we can do de novo that we can develop organically, and we'll continue to evaluate doing additional acquisitions like OHA. There might be instances where there is an offering that we choose not to be the manager for and to marry as part of a multi-asset offering or otherwise.

But I think my preferred approach would be to kind of ultimately have our distribution focus on selling T. Rowe Price or T. Rowe Price controlled strategies.

I think it makes things cleaner and simpler than having two investment teams coordinate delivering a strategy. And obviously it gives us a little bit more control over the caliber of outcome that we deliver on behalf of our clients.

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