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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
- **Dee Sawyer**; T. Rowe Price; Head of Global Distribution
- **Eric Veiel**; T. Rowe Price; co-Head of Global Investments, CIO, and President

Participants

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

Presentation

Operator: Good morning, my name is Daniel and I will be your conference facilitator today. Welcome to T. Rowe Price's Third 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 third quarter earnings call. The press release and a supplemental materials document can be found on our IR website at investors.troweprice.com.

We'll start the call with our Chair and CEO, Rob Sharps and CFO, Jen Dardis, discussing the company's results. Dee Sawyer, our head of Global Distribution will then share an update on our ETF, SMA and Models businesses. Then we'll open it up to your questions at which time we'll be joined by President, Co-head of Global Investments and CIO, 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 September 30, 2026.

Now I'll turn it over to Rob

Rob Sharps: Thank you, Linsley. I'm joined today by Dee Sawyer, Head of Global Distribution, who will share an update on our ETF, SMA, and model portfolio businesses—areas where we are investing, innovating, and gaining traction. Before we hear from Dee, I will share a few thoughts on the quarter, and then Jen Dardis, our Chief Financial Officer, will take you through our financial results.

We ended the quarter with 1.86 trillion dollars in assets under management and 28.3 billion dollars in net outflows. Looking ahead, we anticipate some sequential improvement in net flows in the fourth quarter, with outflows moderating from third quarter levels, but remaining elevated. Regardless, we are making notable progress with improving performance, innovative product launches, and continued advancements across our partnerships.

Let me start with investment performance.

Over 50 percent of our fund assets beat their peer groups on the 1-, 3-, and 10-year time periods. The 5-year time period fell short of that mark, with 44 percent of fund assets outperforming. Results improved notably from last quarter for the 1- and 3-year time periods, particularly in equities with 48 and 58 percent of fund assets outperforming their peers, respectively. For the 5- and 10-year, 37 and 60 percent outperformed.

Our large cap growth suite delivered a strong quarter, with all three funds beating their peer group, reversing the underperformance we saw in the prior quarter. US Equity Research remains a top-quartile performer for the 3-, 5-, and 10-year time periods, and the 1-year just missed, coming in at the 26th percentile. Both Capital Appreciation and Global Stock beat their peer groups across all reported time periods. Capital Appreciation is top decile for the 5- and 10-year, and Global Stock is top decile for the 1- and 10-year.

Fixed income performance remained strong, with 85, 74, 76, and 82 percent of fund assets beating their peer groups for the 1-, 3-, 5-, and 10-year time periods, respectively. Global Multi-Sector, Floating Rate, and several municipal strategies stood out.

In target date, 80 percent of assets outperformed their peers for the 1- and 3-year time periods, 55 percent for the 5-year, and 98 percent for the 10-year. Nearly all the target date assets outperformed in the third quarter, driven by the Retirement glide path's higher relative equity exposure, a tactical underweight to bonds, and our allocation to inflation-mitigating assets.

Shifting to alternatives, performance across OHA strategies was strong in Q3. Among the underlying drivers was strength in software exposures, both public and private. This dynamic contributed to strong performance across private credit, both in institutional and wealth, and CLOs, as well as positive relative performance in loans and multi-asset credit. Distressed and Opportunistic funds also generated gains driven by positive idiosyncratic developments.

In addition to strong investment performance, there were a number of other highlights from the quarter:

In August, we announced that we plan to acquire F/m Investments, with the closing expected early in 2027. F/m is a fixed income asset manager and ETF specialist with approximately 20 billion dollars in assets under management across exchange-traded funds, institutional separate accounts, and both taxable and municipal separately managed accounts. With this transaction, we will enhance our fixed income platform and accelerate growth in our ETFs and solutions. This is consistent with our overall approach to M&A: extending our capabilities with limited overlap, strengthening our competitive position, and adding top talent.

We are also growing our fixed income franchise organically; where we had another strong quarter with 3.4 billion dollars of net inflows. Earlier this year, we extended our platform with two T. Rowe Price managed CLOs. The most recent CLO, which closed in August, issued approximately 400 million dollars in notes.

We are also making progress through our strategic partnerships. As part of our relationship with Aspida, we launched the first index strategy in Aspida's Fixed Index Annuity suite - which extends our investment capabilities into the growing retirement and insurance marketplace.

We also reached several milestones in our collaboration with Goldman Sachs. We launched two interval funds in the quarter. The T. Rowe Price Goldman Sachs Private Markets Fund launched early in the quarter and is now available on several external platforms. The All-Equity Access Fund received SEC approval in late August and launched in early September. The fund brings together our public equity research and late-stage venture investing experience with Goldman Sachs Asset Management's institutional private equity expertise.

We added a sixth model—the Goldman Sachs T. Rowe Price Dynamic ETF and Alts Portfolio—which includes the private markets interval fund as a building block.

And we continue to build momentum toward the launch of our target date sister series, T. Rowe Price Goldman Sachs Retirement Blend Plus. We have an active pipeline of interested plan sponsors, with several progressing toward implementation. The product is operationally ready, and we are working closely with these sponsors to finalize launch timelines.

In early October, Robinhood announced plans to bring tokenized versions of actively managed ETFs onchain for eligible investors outside the U.S. We are pleased that Robinhood has chosen T. Rowe Price's active ETF strategies to be first. This initiative offers a valuable opportunity to learn how tokenization is

developing and how investors may engage with established investment strategies in new ways. Being able to explore this opportunity with Robinhood reflects the growing strength of our active ETF capabilities and our commitment to innovation.

We are also advancing our use of AI through our strategic relationship with Anthropic. The relationship is expanding our enterprise capabilities by giving portfolio managers and analysts access to Claude and Cowork and developers access to Claude Code.

AI is moving into the core of how we invest, helping our teams enhance research, synthesize information, and create capacity for the judgment that drives client outcomes. We are moving beyond broad adoption toward AI-enabled workflows with measurable business value across Investments, Distribution, and Operations. Every application is governed by the firm's standards for responsible use and built to keep human judgment and accountability at the center of our work.

We also refined our AI leadership model, embedding AI leaders in Investments and Global Distribution and charging T. Rowe Price Labs, our enterprise AI innovation hub, with evaluating and scaling AI across the firm, with strong governance and risk oversight.

While the environment for active equity is difficult, we are broadening how clients can access our capabilities and investing in the partnerships and technology that will differentiate us over time. I remain confident in where we're headed.

I want to thank our associates for their focus and commitment to our clients. And now Jen will share an update on our financial results.

Jen Dardis: Thank you, Rob, and hello everyone. I'll review our third quarter financial results before turning the call over to Dee.

Our adjusted diluted earnings per share for Q3 2026 was two dollars and eighty six cents (\$2.86), up from two dollars and fifty seven cents (\$2.57) in Q2 2026 and two dollars and eighty one cents (\$2.81) in Q3 2025. The increases over both prior periods were driven by higher average AUM. A lower share count was also a factor in the year-over-year increase.

As Rob mentioned, we had 28.3 billion dollars in net outflows during the third quarter. This was driven by continued outflows from our equity strategies and mutual funds. Multi-asset net outflows were 7.6 billion dollars, primarily from our target date strategies. This included a previously disclosed large redemption from a defined contribution plan in our active target date series in September.

Fixed income and alternatives were positive during the quarter, and we saw net inflows from clients in APAC. Within our expanding ETF lineup, net inflows were 3.8 billion dollars, bringing year-to-date ETF net inflows to 11 billion dollars. These results demonstrate the breadth of client demand across several areas of our business.

Moving to the income statement, our third quarter adjusted net revenue was 2 billion dollars, up 5.3 percent from Q3 2025 and up 5.1 percent from the prior quarter. Investment advisory revenue of 1.8 billion dollars was up 5.8 percent from Q3 2025 and 3 percent from the prior quarter, on higher average AUM, partially offset by a lower effective fee rate.

Adjusted carried interest was 63.1 million dollars compared with 15.2 million in Q2 2026. This includes carry earned on OHA's private credit products, in addition to our late-stage venture fund that launched in Q1 2026.

Our Q3 annualized effective fee rate, excluding performance-based fees, was 37.8 basis points, compared with 38.1 basis points in Q2 2026. About two-thirds of the decline was driven by the continued growth in our target date blend and hybrid suite, with the remainder reflecting ongoing outflows from US equities and vehicle mix shift. These trends continue to reflect client demand for solution-oriented products and lower-fee vehicles. We continue to invest in these areas and broaden our range of offerings.

Looking at expenses, Q3 adjusted operating expenses, excluding carried interest expense, were nearly 1.2 billion dollars, down 1.6 percent from Q2 2026 and up 5.7 percent from Q3 2025.

The decrease from the prior quarter reflects lower compensation and related costs. The third quarter of 2026 also included the reversal of about 10 million dollars of accrued technology-related expenses for work that's now expected to occur in future periods.

The increase from Q3 of last year was primarily due to expenses that track with aum and revenue including higher compensation and related costs, and higher distribution and servicing expenses. Based on the third quarter's average AUM, we continue to expect 2026 adjusted operating expenses, excluding carried interest expense, to be up 4 to 7 percent over 2025's 4.6 billion dollars. We are trending toward the middle of that range.

Turning to capital management, our balance sheet remains strong, with 4.9 billion dollars in cash and discretionary investments. From this position, we can continue to invest in growth initiatives and seed capital, support our dividend, and opportunistically repurchase shares.

And now, I'll turn it over to Dee.

Dee Sawyer: Thank you, Jen. I'm pleased to join today's call to highlight how we're expanding the ways clients can access our investment capabilities through ETFs, SMAs, and model portfolios.

Across our global wealth channels, clients tell us that they want more choice, more personalization, more tax efficiency, and more control. And advisors need ways to deliver that consistently and efficiently across their entire client base. ETFs, SMAs and models are a few of the ways we are meeting these needs.

Our active ETF franchise has become an important growth platform for us, with strong recent flows and market share momentum in the rapidly growing active ETF marketplace. And we're investing in our ETF franchise by adding sales roles to further this growth.

We've launched 6 new ETFs in the third quarter: 2 new fixed income ETFs – Securitized Income and Dynamic Emerging Markets Bond; 3 new Equity ETFs – Mid-Cap Equity Research, Small-Cap, and Biotech; and our active Crypto ETF. That brings our lineup to 39 ETFs, including 11 with more than 1 billion dollars in assets under management.

Our total ETF AUM has grown to 33.8 billion dollars, up from just 6.9 billion dollars two years ago. That growth - which was driven by over 23 billion dollars of net flows over those 2 years - demonstrates strong demand for the products we've launched.

We generated 3.8 billion dollars in ETF net inflows this quarter, and we've averaged over 1 billion dollars a month since the start of the year. We are pleased that our organic growth rate has outpaced the active ETF industry every month since March and we're now the 13th largest active ETF manager.

Put those together, and it tells you two things: we're gaining share in a market that's growing quickly, and we're winning in a market where assets remain concentrated among a relatively small number of firms.

Our goal isn't to maximize the number of ETFs we offer. It's to build a coherent lineup around client portfolio needs—focusing on areas where we have differentiated capabilities and a credible path to scale.

That starts with covering the core. We have offerings across the major categories, asset classes, and style boxes that form the foundation of most client portfolios. This includes our fully transparent growth, value, international equity, and small-mid cap ETFs that all reached 3-year track records in June, as well as 12 taxable and municipal fixed income ETFs.

From there, we innovate to meet client needs, adding satellite and differentiated exposures where we have a strong investment proposition behind them. That includes:

- our Active Crypto ETF which is an actively managed multi-token exchange traded product,
- sector ETFs that include technology, health care, natural resources, financials, and the recently launched Biotech ETF,
- and our Multi-Sector Income ETF that leverages our deep credit research capabilities to identify differentiated sources of income across a broad range of fixed income markets

In addition to new standalone ETFs that we've launched, selective mutual-fund-to-ETF conversions are a key priority. We are focusing on funds where the ETF wrapper has the potential to improve outcomes for existing fund shareholders - including potentially lower costs and greater tax efficiency, while maintaining continuity of the strategy and performance history.

And now that there is regulatory approval, we are considering opportunities for ETF share-classes, however we hear from intermediaries and other industry participants that the broader ecosystem is not yet fully ready to support dual share classes at scale.

We're also starting to extend our active ETF capabilities beyond the United States, and we're doing it in the same disciplined way we've built our U.S. based lineup—starting with the core.

In Europe, we're beginning with core equity building blocks in the largest categories. Earlier this month, we launched Integrated Global Equity and Integrated U.S. Equity Enhanced Index as UCITs ETFs. These first two ETFs build on proven strategies. By combining quantitative and fundamental research insights, our Integrated Equity approach broadens the sources of potential alpha, as well as enabling downside protection. We plan to launch additional core exposures first, and then move into more differentiated thematic, outcome-oriented strategies.

Additionally, Robinhood announced, pending regulatory approval, that they are planning to launch a Stock Token that has economic exposure to T. Rowe Price active ETFs.

SMA's are another important way we're delivering our active capabilities into the wealth channel. In an SMA, the client owns the underlying securities directly, rather than shares in a pooled fund. That distinction matters for tax management and customization.

We've expanded our SMA lineup—launching U.S. Core Bond, U.S. Short-Duration Bond, U.S. Investment Grade Corporate Bond, Active Core U.S. Equity, and Diversified Mid-Cap Growth SMA's in the third quarter—bringing us to 44 externally available SMA strategies.

On scale, SMA assets reached 20.6 billion dollars as of the end of September, up from 16.8 billion dollars at year-end, driven in part by 2.2 billion dollars in net flows to our SMA's year to date. We now have roughly 36,000 funded SMA accounts, up over 50 percent from the prior year, and more than double where we were in mid-2023.

Currently, these strategies are available across 40 wealth and platform relationships, and we continue to add new relationships and expand the number of strategies available across existing platforms.

At the heart of it, we're combining T. Rowe Price's fundamental active investment capabilities with technology that can personalize implementation at the individual account level. That means, to the extent possible: daily tax-loss harvesting, tax-aware transitions, concentrated-position management, client-specific restrictions, and tax reporting. We use each client's own cost basis and realized gains, as we seek to preserve the active exposure that they look to us to provide.

As Rob mentioned, we are excited about the pending F/m acquisition. This will accelerate growth in both our ETF and SMA businesses, building on the strong momentum that I've described.

I'll turn now to models—which are becoming one of the most important ways advisors construct and manage client portfolios and therefore create a significant distribution opportunity for both our ETFs and SMA's.

We participate in models in two ways:

First, we build our own T. Rowe Price-developed asset allocation models that combine our investment building blocks into complete portfolio solutions. These include our risk-based and completion models.

- In our retail-direct business, T. Rowe Price-developed models, which use our mutual funds and ETFs as building blocks, are the foundation of our Retirement Advisory Services.
- Through our financial intermediary partners, these models help advisors deliver consistent portfolio construction, while they retain responsibility for the broader client relationship.
- We also have a team within our multi-asset division that works with advisors to develop custom models based on their objectives or constraints.

Second, our products show up as building blocks inside other firms' models. Our ETFs, SMA's, and other capabilities get selected as components within intermediary or partner models.

- For example, in the third quarter, our International Value SMA was selected for placement in a large wealth management firm's models.

- And winning a position inside a model is a different kind of win than winning an individual account. It's broader and more repeatable as it extends across many accounts and has the potential to build over time.

In addition, models are an important part of our collaboration with Goldman Sachs. T. Rowe Price products—including OHA-managed strategies—are building blocks across six Goldman models.

Overall, we aim to earn a place in the portfolio construction frameworks that advisors rely on to manage client portfolios.

Let me close with four key points.

- Clients increasingly want choice, personalization, tax efficiency, and greater control. Advisors want scalable ways to deliver those capabilities to their clients. T. Rowe Price is combining deep active investment expertise with ETFs, SMAs, and models to meet these needs.
- We're investing thoughtfully to build durable growth platforms for the long term.
- We believe ETFs, SMAs, and models represent important long-term growth opportunities for T. Rowe Price. They let us meet clients where clients want to invest, and help advisors deliver increasingly personalized solutions at scale. Importantly, they let us extend T. Rowe Price's active investment management expertise to more clients, through a broader range of solutions.
- We see substantial runway ahead in ETFs, SMAs, and models, and we're committed to continuing to invest in the capabilities that will sustain that growth.

Now we'll open the line for questions.

Questions and Answers

Operator: [Operator Instructions] Our first question comes from Glenn Schorr with Evercore. Your line is open.

Glenn Schorr: Hi. Thanks very much. I thought that was a very helpful conversation in ETF, SMAs, and models. It's interesting because I have a similar question for the institutional side. So, I wanted to pick your brains on how we should be thinking about LP thought process as we go into next year. The active to passive trend is probably a dominant theme and is going to continue. But leveraging the conversation you just had on ETFs, SMAs, and models, LPs are also thinking about having control and taking a big portfolio solution approach. As they're balancing the AI CapEx food chain and the move up in interest rates, I'm curious on how you see allocations changing as we head into 2027. Is it the same old, same old? Or are these same themes taking place? I'm just curious how much of that conversation applies to the institutional side? Thanks, guys.

Rob Sharps: Glenn, thank you for the question. I think the facts and circumstances of each individual institutional client often are different. It's hard to discern an overall theme; at a high level, as you said, the shift from actively managed equity portfolios to index-based portfolios is something that's been underway across client type for some period of time. I think that's partly reflective of the composition of market returns and perhaps is something that's likely to continue.

I think we have seen a resurgence in interest in broader strategy approaches, more interest in value-based approaches. We've shifted away from the returns being dominated just by hyperscalers and broadening out to all of the beneficiaries of AI CapEx.

I think there is also a greater interest in fixed income. As you said, rates are higher. I think there's a greater sensitivity to inflation. So, among certain client types, we've seen a real interest in portfolios that provide exposure to inflation hedges or asset classes that will be resilient in an environment where you have more persistent inflation.

Within alternatives this year, I think we've seen more interest in infrastructure or more interest in secondaries than we certainly have in traditional PE and in private credit. I do think that there is pretty significant opportunity from a private credit perspective. The last thing I would say is that there is, I think, significant opportunity in late-stage venture, which is an area where we're active, given a lot of the really dynamic, newer businesses and business models that AI is enabling.

Operator: Thank you. Our next question comes from Alex Blostein with Goldman Sachs. Your line is open.

Alex Blostein: Hi. Good morning. Thank you for taking the question. So, lots of interesting growth dynamics underneath the surface. So, Rob, I was hoping if you take a slightly broader step back and you think about all the new wrappers and new partnerships, new initiatives. And as you think about T. Rowe's organic growth over the next two to three years, how much do you expect these initiatives to ultimately add to the organic growth profile, acknowledging that obviously the active equity business continues to be still somewhat challenged?

Rob Sharps: Alex, thank you for the question. We're clearly navigating significant structural change. And we do expect pressure on active equities and mutual funds to persist. We fully recognize these trends and we're investing to compete successfully as the industry evolves.

And as Dee's comments reflected, I do think we're seeing tangible results, not just in ETF, SMA, and models, but I would point out in fixed income we've had 11 quarters of net inflow. As you noted, we continue to expand our alternative offerings, late-stage venture, the collaboration with Goldman, a lot of growth opportunity with OHA. We're strengthening distribution to go-to-market and connect with clients in all of those areas, and we're also broadening our retirement offerings.

I would say, in each of these areas, we have the opportunity and, frankly, need to be bigger. We need to deliver great performance, which will allow the more mature businesses to be more stable. And then we need to scale these businesses where client demand is growing.

I would also say that given the growing importance of distribution, we have a significant opportunity to invest in our direct business, our recordkeeping platforms and our advice capabilities to drive great, more direct wealth and workplace experiences with our clients.

So, we're very focused on all of these. And I think not to confuse the near-term flow outlook with our confidence in the business over time. I do think that we have a very solid foundation and we have the opportunity to return the business to growth. We're getting traction in a number of these things. They need to be bigger. I think we have the opportunity to make them bigger organically, but we will also use M&A as a tool where appropriate and, again, selectively and with a high bar to allow us to evolve the overall portfolio and business mix.

Operator: Thank you. Our next question comes from Dan Fannon with Jefferies. Your line is open.

Dan Fannon: Thanks. Good morning. So, just sticking with you, Rob and your comments around a sequential improvement in flows, just unpacking that a bit, is that just the lack of a large redemption which happened in third quarter? Or is there some gross sales trends that maybe are improving that you could talk about? Obviously, ETFs, I would assume, as part of that. And then also just in the fourth quarter, typically there are some DC changes, and wondering just how that pipeline looks at this point in time as well? Thank you.

Rob Sharps: Dan, thank you. As you said, we do expect sequential improvement in Q4 relative to Q3 and relative to Q4 2025. But given the trends in active equity in particular, we would expect flows to remain at an elevated level relative to the run rate that we experienced in the first half of the year. October's weak, but we see, based on the pipeline, better results in November and December.

As you said, there's a lot of year-end related plan activity. And that makes Q4 difficult to predict in the sense that there are instances where operationally those things can slip into early next year. But we have a really good engagement with clients and I think a very healthy set of opportunities across the business to at least partially offset the ongoing active growth equity and mutual fund related headwinds.

In terms of the specifics, sequentially, we did have an RDF plan termination in Q3 that impacted the results. It's probably worth spending a few minutes on the target date flow dynamic. I think there are two trends that we see impacting retirement date flows.

The first is participant flows, where contributions and distributions are increasingly reflecting an aging participant base. So, you have baby boomers retiring, taking distributions or rolling plan balances over into IRAs, and often, particularly given the market dynamic of the last couple of years, those balances are quite large. That means that there's less of a tailwind from participant net contributions than there has been in the past. And I think that's an industry-wide trend that's likely to persist for a couple of years. What that means is that our growth opportunity will be more dependent on winning net new plans.

And the second trend, I would say, is in that area we're seeing tremendous interest in blend and hybrid right now. I would say across our lineup, we feel very good about the investment performance over all timeframes, but particularly, I think if you look at 98% of our AUM outperforming over a 10-year time horizon, we feel it's a very compelling value proposition. We'll continue to innovate in the retirement area with retirement income-oriented solutions with the Goldman Sister Series incorporating alternatives into the target date building blocks.

So, we see substantial opportunity in retirement solutions going forward. But I think it would be fair to characterize our target date flows as more dependent on winning new plans, which means they'll be more uneven. And you saw that unfold over the difference between Q2 and Q3, where in Q2 we brought on a sizable new plan. And in Q3 we had, as I said, a sizable termination.

Operator: Thank you. Our next question comes from Michael Cho with JPMorgan. Your line is open.

Michael Cho: Hi. Good morning. Thanks for taking my question. I just wanted to drill down on the active ETF conversation. We appreciate all the discussion and comprehensive overview there on the active ETFs. You noted that T. Rowe is the 13th largest active ETF manager, and when you think about the initiatives in place in terms of magnitude of impact, can you just help us think through the execution roadmap from a

distribution perspective from taking T. Rowe on 13th on the list to maybe getting to top 5, if that's even a goal? Thanks.

Dee Sawyer: Sure. Thank you for the question. So, as I said earlier, we do have 39 ETFs in the market, which represent 72% of the Morningstar categories. So, we feel really good about our lineup, but we will continue to add to our lineup, particularly where we see opportunities to meet client needs.

And you've seen that we have really good momentum in the lineup that we have. We have 11 ETFs that have more than \$1 billion in AUM. And we have, even if you look at our net flows for the past year for ETFs, have \$1 billion in net flows over the course of the year. So, we feel really good about where we are.

We aren't particularly focused in terms of where we are on the leaderboard. What we really want to make sure is that we have a lineup that is meeting client needs and that we continue to see the strength in our lineup by the assets and the net flows that come as a result of meeting those client needs. So, we don't have a particular goal in terms of the leaderboard, but we are looking to continue to accelerate our overall flows, and we have good momentum and expect that to continue over time.

Rob Sharps: I would just say I think we do expect to move up the leaderboard in the sense that I think we have a significant opportunity to gain share in the category. Our growth over the course of the last couple of years has been substantial. And as we've broadened our lineup, as we scale that lineup, as we get more placement on wealth platforms, as we get more placement in models, as more of our ETF models are placed on those platforms, we think there's a very significant opportunity to move up the ranks, although, as Dee said, there isn't a specific objective to be top 3 or top 5, I think we have a big opportunity to gain market share.

I would also say that we've been able to build this business largely organically without converting existing mutual fund assets or doing ETF as a share class. But as Dee said in her prepared remarks, those are also opportunities and we'll do that where we think that it's the right thing to do for the underlying client and where we have the opportunity to preserve a track record and potentially access a broader base of clients and client interest for a set of strategies that have particularly compelling underlying investment results. And I think there are a number of things in fixed income that we're evaluating in that regard right now.

Operator: Thank you. Our next question comes from Alex Bond with KBW. Your line is open.

Alexander Bond: Hey, good morning, everyone. Thanks for taking the question. I wanted to follow up on the model portfolio buildout. So, as this buildout continues, can you elaborate on the different opportunity set that you see between the T. Rowe designed asset allocation models versus having your ETFs fit into third party models? I think this was touched on a little bit but hoping to drill down there. Also just wondering where you're seeing greater traction to date between those two routes, and then also how you're thinking about the distribution investment between those two avenues as well moving forward? Thank you.

Dee Sawyer: So, a couple of things to note. We think about models in multiple ways, as I mentioned earlier. And one of the things that we're seeing traction on is our own proprietary developed models. And as I mentioned, we see this in our Individual Investor retail direct business, but we also see this in the intermediary channel, and we expect continued growth there.

The second part that I think is exciting and compelling and we're investing behind it is continued growth in home office models. So, this is where T. Rowe Price participates as a building block.

But the last one that I think is most compelling and exciting, where we see incredible demand from advisors, is around customized models, and customized models are designed to meet specific client needs. This is an area of focus, and this is where you can see greater customization at the client level, which we think is really compelling.

And so, what I think is exciting about our value proposition is that we have multiple ways to deliver models and we're investing behind it. From your question on distribution, you may have seen that we recently announced that we're adding to our intermediary business with an additional 50 associates, and that also is about our belief and expansion of our model business.

Operator: Thank you. Our next question comes from Ben Budish with Barclays. Your line is open.

Benjamin Budish: Hi. Good morning and thanks for taking my question. I want to ask one on the buyback. I noticed that there wasn't any this quarter. It looks like you've been very consistently buying back your shares for, I think many, many quarters now. So, just curious if there's any color there and if there is anything you could add that would be helpful. Thank you.

Jen Dardis: Thanks for the question. You broke up a little bit at the end, but I think we got the gist of the question is: where are we on the buybacks and any change in posture? So, thanks for the question.

Taking a step back, there is no change in our posture. Our priorities for capital haven't changed. Our goals are to maintain financial strength, invest in the business, make sure we have seed capital available to be able to invest for growth, support the dividend, and then return excess capital to stockholders over time.

So, if you look at where we are at this quarter, sitting at just about \$4.9 billion in cash and discretionary investments, I guess one thing to point out is that's a high watermark for us during the year; we have fourth quarter payouts of our variable compensation plans and the quarterly dividend that all come in the fourth quarter, so this is a high watermark from a capital perspective.

But specifically, from the buybacks, we made really good progress in the first half of the year. We bought just about 5.3 million shares for just under \$500 million. So, as we got into the third quarter, we took a bit of a pause.

Rob Sharps: I'd just add that we've been pretty consistent in describing our approach to share repurchase as opportunistic, which means that the activity can vary from quarter to quarter. We continue to have the same approach where we have every intention of returning excess capital to shareholders through the regular dividend, through repurchases, but also want to maintain a very strong balance sheet, which we think gives us flexibility and optionality around whether it's M&A or the ability to seed and launch new strategies.

For instance, providing the equity behind the CLOs that were mentioned earlier in the prepared remarks, seeding things like the interval funds that we launched through the Goldman Sachs collaboration. Ultimately, that seed capital, which as those strategies scale, will be recycled. But it is a commitment of capital.

So, we have a holistic approach to basically how we use our balance sheet and how we return capital to shareholders. And as I said, our buyback approach will continue to be opportunistic, but it is our intent to continue to return excess capital to shareholders.

Operator: Thank you. Our next question comes from Michael Cyprys with Morgan Stanley. Your line is open.

Michael Cyprys: Hey, good morning. Thanks for taking the question. I wanted to circle back to some of the commentary earlier on AI. I was hoping you could elaborate a little bit on the AI-enabled workflows, where that is today relative to where you'd like that to be, talk about the steps you guys are going to be taking over the next 12 to 24 months. I'm just curious, any sort of early lessons learned on that and ultimately how you see this translating to top and bottom line results at T. Rowe? Thank you.

Eric Veiel: Thanks. I'll take that. This is Eric here. We've invested heavily in our AI capabilities, and I would focus on two main areas. First is on our investment process and getting these tools into the hands of our teams so that they can use it across their work to enhance research, synthesize information, and frankly, create capacity for the judgment that drives client outcomes.

The second area that we're very focused on is value creation for clients, and part of that is some of these workflow discussions that you're talking about there. That work is really important, but to do it really well, you have to think about your processes from a ground-up basis and think about them from scratch. I was just at an event with a bunch of executives across different industries, and this is a journey that every company in every industry is going on as they think about the workflows that they have.

For us, specifically, I think there's a lot of opportunity for some of the things that we do in our middle and back office, and we've engaged in those journeys right now with some of our best people working on those. And they're going to come through over the next 12 to 24 months, as we really think thoughtfully about how to improve our processes. So, you'll see impact on the investment side, and you'll also overtime see impact on the efficiency side.

Rob Sharps: I would just add quickly to that: I think investing in AI is a competitive necessity. Everybody is going to have access to these tools. I think the nature of how they're used, the context is really going to be the opportunity to differentiate.

And we believe, particularly in investments, that we have the opportunity to deliver differentiated results. If you combine the power of these tools with the insight that our research platform brings into the organization, we really can improve the outcomes that we're delivering for clients. And I'd say we're beginning to see some early signs of that, but it'll take time for that to prove out.

Eric Veiel: It's a really good point, Rob. And one of the things I should have mentioned is ultimately, what's going to drive differentiation and success here is your data -- your proprietary data. Everybody's going to have access to the same public sources. We have 20 years of unique research and trading information proprietary to us, and we're reloading that every year with thousands of new research insights, meetings with CEOs. That proprietary data coupled with our tools, I think, will be something that's special for us.

Operator: Thank you. Our next question comes from Bill Katz with TD Cowen. Your line is open.

Bill Katz: Great. Thank you very much for taking the questions and all the comments this morning. So, I just want to come back to capital management for a moment. A couple of things aren't really adding up to me. You mentioned that you didn't buy any stock back since June, but the stock is down significantly from the July highs. So, I'm sort of curious as to how you're thinking about value opportunity? But I think the broader question is, as I think about your business model, the active equity book is going down at very high fee rates and probably high incremental margins. You're growing nicely, but small in ETFs and SMAs, and you seem subscale in the credit platform with Oak Hill, even though that's growing a little bit. Why not more strident in terms of M&A opportunity to potentially accelerate the reshift of the business, particularly given your

comments on a target date fund and how that seems the second derivative slowing down, and it will be more aggressive on buyback to help shrink the share count? Thank you.

Rob Sharps: Bill, thanks for the question. I would say, first, you should maybe look at the pattern of the share price over the period of time since the end of the second quarter. And I think that would probably inform your answer. There's also a blackout period associated with certain things that occurred during the quarter, as well as from the period of time from quarter end until we report earnings. So I think there's really nothing more to read into it than that.

In terms of understanding the challenges around active equity and the need to make some of these higher growth areas bigger, we understand it. As I said, I view M&A as a tool. I think you can do more harm than good if you do M&A for M&A sake. I don't think M&A can be a strategy.

We have a very high bar, but where we see opportunity to accelerate our growth in whether it's Alts, ETF, SMA, to expand our investment capabilities, to reach more clients, or to really garner more share with existing clients, then we absolutely will lean in. The pace of activity in the industry right now is frenetic. So, I think there is a lot of potential opportunity. And our teams are very, very busy evaluating that.

But again, we're going to have a high bar. To do M&A and do it right, you have to have alignment culturally; it has to be financially compelling; it has to fit with your strategy; you have to be very careful not to disrupt your existing client, your existing commitment to clients.

So, we understand the question. We understand that the industry is consolidating. And all I would say is that we do have a vision to evolve the business, to be bigger in many of these areas that are growing. And M&A is a tool that is available where we see a compelling opportunity to deploy it.

Operator: Thank you. And our final question comes from Patrick Davitt with Autonomous Research. Your line is open.

Patrick Davitt: Hi. Good morning, everyone. I have a follow-up on the sequential 4Q flow improvement comment. As you said, October looks pretty bad, in the public data, we can see. As we think about December, where you typically have some lumpier redemptions and/or plan losses, when do you usually find out about those year-end redemptions when they come through? How much lead time do you usually get? Thanks.

Dee Sawyer: Thanks for the question. We typically do see a fair amount of lead time in the short-term around new plan wins as well as plan terminations. And so, there's a fair amount of visibility in the quarter around that. And it depends, of course, on the client. It depends on whether that's consultant-driven search, but we tend to get a fair amount of lead time looking for in four to six months, is would be the approximate time I would give you.

Rob Sharps: Patrick, I would say there is some variability, particularly right around year end. And while that can impact our quarterly reported results, whether we get the business the last week of December or the first week of January really doesn't have much of an impact fundamentally on the underlying business.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.