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AMG.N - Q2 2024 Affiliated Managers Group Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Greetings, and welcome to the AMG second quarter 2024 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Patricia Figueroa, Head of Investor Relations. Thank you. You may begin.

Patricia Figueroa - *Affiliated Managers Group Inc - Head of IR*

Good morning, and thank you for joining us today to discuss AMG's results for the second quarter of 2024. Before we begin, I'd like to remind you that during this call, we may make a number of forward-looking statements, which could differ from our actual results materially, and AMG assumes no obligation to update these statements.

A replay of today's call will be available on the Investor Relations section of our website, along with a copy of our earnings release and a reconciliation of any non-GAAP financial measures, including any earnings guidance announced on this call. In addition, this morning we posted an updated investor presentation to our website, and encourage investors to consult our site regularly for updated information.

With us today to discuss the company's results for the quarter are Jay Horgen, President and Chief Executive Officer; Tom Wojcik, Chief Operating Officer; and Dava Ritchea, Chief Financial Officer.

With that, I'll turn the call over to Jay.

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

Thanks, Patricia, and good morning, everyone. Our strong results for the first half of 2024 reflect the continued momentum in our business, driven by the ongoing organic growth of our private markets Affiliates, the excellent performance of our liquid alternatives managers, and the positive impact of our disciplined capital allocation strategy.

During the quarter, we invested our capital and resources, alongside our Affiliates, to enhance their growth, including seeding a number of new alternative products in the wealth channel, we advanced several discussions with new investment prospects, and we accelerated our share repurchase activity, repurchasing at more than twice our historical pace.

Through the disciplined execution of AMG's strategy to invest our capital and resources in the areas of highest growth and return, we have invested $1.8 billion over the past five years in areas of secular growth, including in durable trends, such as the expanding digital economy, breakthroughs in biotechnology, industrial decarbonization, the emerging opportunities in wealth management, and the expanding opportunities in non-bank asset management, including in private credit.

We have invested in new and existing Affiliates in specialized areas where independent partner-owned firms thrive. And we have built AMG's resources in areas where our engaged partnership approach can meaningfully amplify our Affiliates' efforts, including in product development, distribution, capital, and strategic capabilities. AMG's strategy has accelerated the evolution of our business toward private markets and liquid alternatives. And today, approximately half of our EBITDA is generated by alternative strategies.

With a significant contribution from each of private markets, liquid alternatives, and differentiated long-only strategies, AMG's business profile is unique and increasingly well-positioned to capitalize on both long-term secular trends and the opportunities unfolding in the current environment.

Our diversified portfolio of high-quality Affiliates, operating across each of private markets, liquid alternatives and differentiated long-only strategies is a competitive advantage, that not only enhances our earnings stability -- given the complementary nature of these strategies -- it also supports our capacity to continue investing in the areas of highest growth and return.

Since the beginning of the year, we have continued to advance several new investment opportunities, in both private markets and liquid alternatives, and our transaction pipeline of potential new investments is building.

As we look to make additional growth investments through new Affiliate partnerships, AMG's unique approach continues to resonate with prospective Affiliates given our proven ability to strategically magnify the competitive advantages of partner-owned firms, while also preserving their independence. And as we form new partnerships in areas of secular growth, we expect the earnings contribution from alternative strategies to continue to increase, further evolving our distinctive business profile.

Stepping back, the execution of our strategy has enhanced AMG's future growth prospects. Our business momentum is accelerating -- as evidenced by our robust earnings growth and improving flow profile -- and our opportunities to invest for growth through new and existing Affiliates continue to expand. Given our conviction in our strategy and our confidence in our forward prospects, juxtaposed against the low valuation of our shares, since the beginning of the year, we have repurchased nearly $500 million, or approximately 10% of our shares outstanding.

Disciplined capital allocation is fundamental to our strategy. And given the strength of our balance sheet and significant ongoing liquidity, we expect to execute on our growth opportunities, including investments in new partnerships, while also repurchasing shares at an elevated pace in 2024. AMG enters the second half of 2024 in a position of strength. And given our differentiated partnership model, proven strategic capabilities, and significant financial flexibility, we see increasing opportunities to invest for growth and create meaningful shareholder value.

And with that, I'll turn it over to Tom.

Thomas Wojcik - *Affiliated Managers Group Inc - Chief Operating Officer*

Thank you, Jay, and good morning, everyone. AMG's growth strategy is driving an evolution of our business mix toward secular growth areas, most notably in private markets and liquid alternatives. Over the last five years, our EBITDA contribution from alternative strategies has grown from one-third to approximately half.

And over the last 12 months, our total alternatives AUM has grown by 14%, driven by private markets AUM growth of 24%, while differentiated long-only AUM has remained roughly flat, furthering AMG's positive mix shift trajectory.

Over the long term, we expect that our continued business evolution will lead to more durable and predictable growth trends. Over the past five quarters, the improvement in our flow profile has been primarily driven by ongoing momentum in private markets fundraising, improving trends in quantitative strategies, and further stabilization in differentiated long-only products.

For the second quarter, our Affiliates generated $1 billion in net client cash inflows. AMG's nine private markets Affiliates now manage $125 billion in client assets and operate in areas of significant long-term demand, including private credit, infrastructure, private market solutions, and specialty areas like industrial decarbonization, life sciences, and multi-family real estate.

In the quarter, supported by their outstanding long-term performance track records, our private markets Affiliates generated $6 billion in net inflows, primarily in private credit and infrastructure. At a time when more commoditized private markets firms are struggling to attract capital, two aspects of AMG's strategy are driving our results -- first, our focus on specialized, thematic investment strategies with strong long-term client demand trends; and second, our significant strategic push into alternatives in US wealth, which is a multi-decade growth opportunity and a differentiator for AMG.

Flows and liquid alternatives were flat in the quarter. Our Affiliates are well-positioned to capture growing demand trends given their outstanding long-term performance across a range of products. In addition to beta-sensitive strategies, our Affiliates manage absolute-return strategies, including quant, global macro, relative value fixed income, and trend following -- all of which generate returns that have low or no correlation to the broader markets. As clients continue to focus on portfolio construction to address the changing market environment, and more fully recognize the value of these strategies in their portfolios, we expect increasing allocations to liquid alternatives.

Within differentiated long-only strategies, AMG benefited from positive beta and improving industry flow trends in the quarter. We saw net outflows of approximately $6 billion in equities and inflows of nearly $1 billion in multi-asset and fixed income. Our Affiliates managing differentiated long-only strategies have built enduring franchises with specialized investment expertise and long-term track records across market cycles. And as client demand trends continue to evolve, we are collaborating with our Affiliates on developing new vehicles, including active ETFs, to optimize the delivery of their strategies.

Over the last several years, AMG has broadened its strategic capabilities to magnify Affiliates' efforts, most prominently in product development and capital formation, and we are seeing tangible results. On our US wealth platform, several years ago, we launched one of the first evergreen funds in the private equity space, the AMG Pantheon Fund, and have successfully scaled the strategy to more than $3.5 billion in assets under management.

Building on that success, earlier this year, we seeded a new private equity fund for the non-US wealth market and launched the AMG Pantheon Credit Solutions Fund, which is the first Private Credit Secondaries Interval Fund available in the market and is off to a strong fundraising start. More broadly, our continued collaboration with Affiliates to develop and support alternative products for the U.S. wealth market drove more than half a billion in flows in the quarter, and we continue to work with our Affiliates to bring new products to market.

Given our confidence in AMG's and our Affiliates' ability to capitalize on the increasingly attractive opportunities for growth in US wealth, we continue to invest to further enhance AMG's product development and distribution capabilities. We built a dedicated distribution team to focus on the RIA channel, which is critical to successfully incubate and introduce new solutions, especially for alternative products.

We are also enhancing our marketing resources to facilitate the education and training of advisors, a key element to driving high adoption rates for new products. Overall, we are providing unique investment opportunities to AMG's strategic client partners, including large institutions, family offices, select intermediaries, and RIAs to magnify our Affiliates' access to and success in U.S. wealth.

As we continue to deploy our capabilities to facilitate access to the wealth market, we will also further differentiate AMG to prospective new Affiliates. Our proven ability to create value together with our existing Affiliates is an increasingly important consideration for independent firms as they seek a strategic partner.

Each key element of our strategy, investing in our existing Affiliates, investing in new Affiliate partnerships, and investing in and distributing new products, is driving the continued shift of our business more toward secular growth areas, with a focus on liquid alternatives and private markets. That change in our business mix is enhancing our future growth profile, both in terms of our expectations for organic growth and earnings growth.

With that, I'll turn the call over to Dava to discuss our second quarter results and guidance.

Dava Ritchea - *Affiliated Managers Group Inc - Chief Financial Officer*

Thank you, Tom, and good morning, everyone. We continue to see strong momentum in our business given improving organic growth over the past several quarters, increasing average assets under management, and our flexibility to deploy capital in both growth investments and in repurchasing AMG shares.

In the second quarter, we had Adjusted EBITDA of $218 million, which included $11 million in net performance fee earnings. These results primarily reflect higher average AUM for the period and recent new investments that contributed to our results. This was offset by lower performance fees in the quarter compared to Q2 2023. Economic earnings per share of $4.67 grew 5% year-over-year, benefiting from the impact of share repurchases partially offset by higher cash taxes as last year we had a discrete foreign tax benefit run through our results.

Given the seasonality in our performance fee earnings throughout the year, it is helpful to evaluate our year-to-date results in addition to our quarterly results. We reported Economic Earnings per share of $10.06 in the first half, up 17% year-over-year, driven by an increase in Average AUM, Affiliate performance fees, and the positive impact of our capital allocation strategy, including new investment activity and share repurchases.

Now moving to third quarter guidance. We expect adjusted EBITDA to be between $210 and $220 million based on current AUM levels reflecting our market blend, which was up 2% quarter-to-date as of Friday, and including net performance fee earnings of up to $10 million.

As a reminder, the second and third quarters are seasonably low performance fee quarters. The vast majority of our performance fees typically crystallize in the fourth quarter and impact our earnings primarily in either the fourth quarter or the first quarter of the following year, given that several Affiliates report on a one-quarter lag. We expect third quarter Economic Earnings per share to grow and be in the range of $4.68 to $4.91, assuming an adjusted weighted average share count of 31.7 million shares for the quarter.

A guidance reconciliation slide has been posted to the Investor Relations section of our website, where you can find detailed modeling items for the third quarter. I will note here that our amortization and impairment line was elevated in the second quarter, which resulted in a higher GAAP tax rate, and we expect our GAAP tax rate to return to normal on a go-forward basis.

Finally, turning to the balance sheet and capital allocation. In the second quarter, we opportunistically repurchased $327 million in shares, bringing repurchases to $477 million in the first half of the year. For the full year 2024, we now expect to repurchase at least $700 million in shares, subject to market conditions and new investment activity.

Importantly, this elevated repurchase activity for the first half of the year does not limit our ability to invest in growth opportunities. With the recurring annual cash flow generated by our business, the strength and duration of our balance sheet, and our current leverage position, we have ample capital flexibility to make both growth investments in new and existing Affiliates and continue to repurchase our shares.

Our long-dated capital structure, with an average debt duration of more than 20 years, and access to both our $1.25 billion undrawn revolver and the institutional capital markets, supports our ability to continue to deploy capital when attractive opportunities materialize.

Looking ahead, given our disciplined capital allocation framework, strong balance sheet, and distinct competitive advantages, we remain well-positioned to execute on our growth strategy and generate shareholder value over time.

Now, we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Alex Blostein, Goldman Sachs.

Alex Blostein - *The Goldman Sachs Group, Inc. - Analyst*

Hi. Good morning, everybody. Thanks for the question. Maybe we could start with momentum you guys are seeing in the alts business. Quite a bit of discussion on that on the call this morning, including the flattish, I guess, flows you highlighted from the liquid alt book. So can we talk a little bit about the areas of strength that you're seeing, whether there was anything sort of lumpy this quarter in your outlook for organic growth in the alts book for the rest of the year?

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

Good morning, Alex. Thanks for your question. I'm going to let Tom take that one.

Thomas Wojcik - *Affiliated Managers Group Inc - Chief Operating Officer*

Thanks, Alex. Maybe I'll talk about our overall flow momentum and certainly touch on both private markets and liquid alternatives in that context. As you heard in my prepared remarks, I think really the main point to take away on flows is that our overall growth strategy is continuing to drive an evolution of our business mix more toward secular growth areas, most importantly alternatives and really with a focus on private markets, which is where a lot of the strength is that we've been seeing.

And as we continue to execute against that strategy over time, we expect to enhance the long-term organic growth, and earnings growth profile of the business. And you've seen that over the last five years as alternatives have gone from roughly one-third to more than half of our business on an EBITDA basis. And really, that's an intentional output of our strategy.

In terms of the nearer-term flow profile, there's a really nice page, actually, in our investor materials, where you can see over the past five quarters, the improvement in our flow profile. And that's been primarily driven by a few areas -- one, ongoing momentum in private markets, and I'll talk a bit more about that in a moment; two, improving trends in quantitative strategies as well as liquid alternatives overall; and then thirdly, some further stabilization in our differentiated long-only product areas. And this past quarter, that resulted in about $1 billion in positive net client cash flows.

So now to talk about a couple of the areas you focused on specifically. In private markets, we continue to benefit from the diversity as well as the depth of our Affiliates. And they're raising assets across a number of well-positioned strategies. Those include infrastructure, credit, private markets solutions, as well as specialty areas like industrial decarbonization, digital infrastructure, life sciences, and multi-family real estate.

And as you know, Alex, those flows are highly valuable given their fee rate, their long duration, and the potential to generate carried interest. And we're helping to drive an acceleration of flows there through a lot of the work that we're doing in the U.S. wealth space, including launching new products, leveraging our balance sheet to seed those products, and really creating new business lines for a number of our Affiliates who otherwise wouldn't be in the U.S. wealth space with private markets.

In terms of liquid alternatives, we have seen stabilization there and we are looking forward to long-term growth opportunities in liquid alternatives. We see really strong growing demand trends given the outstanding long-term performance, as well as the uncorrelated nature of those returns. As clients continue to focus on portfolio construction to deal with the changing market environment and recognize the value of these strategies, we do expect to see an increasing allocation to liquid alternatives.

Importantly, I'll also point to the fact that we did see a nice uptick in gross sales in liquid alts this past quarter, and we think that that's a good leading indicator going forward in terms of client demand for those types of strategies.

In terms of differentiated long-only, just to round it out, we're seeing better trends overall, positive beta, a little bit of improvement in overall industry trends, and we again saw strength in multi-asset and fixed income.

So when you put it all together, you have a sizable portion of our business that's inflowing today and very well-positioned for the future, particularly in private markets as well as liquid alternatives. And we feel really confident in our ability to generate growth and that our strategy is going to continue to push our business mix even more toward client demand trends over time.

Operator

Dan Fannon, Jefferies.

Dan Fannon - *Jefferies & Company Inc. - Analyst*

Thanks. Good morning. So I wanted to follow up just on capital. The buyback number is quite strong, obviously, in the second quarter, and now, as you look at through the rest of the year, raising that guidance. I was hoping to get a little bit more perspective on what's different today versus when you started the year to kind of drive that increase in buybacks.

And then in the context of new investments, the commentary seems quite similar to what we've heard from you in terms of the prospects of capital deployment and dialogues progressing. As we think about the election in the back half of the year, do you think there's any pause or decision-making maybe delayed as a result of change in White House or other external factors as opposed to kind of normal course of business?

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

Yeah. Good morning, Dan. Thanks for your question. Let me start with the buybacks in the quarter and our rationale. So let me start with the rationale for elevated share repurchases in the quarter and really for the year, and then I'll move on to the new investment question and talk about what we see for the remainder of the year.

Maybe just to level-set, we've been buying back our shares for some time now. Really, over the past five years, we've averaged just under $500 million per year, which is about 10% of our share count per year. But this half of year, the first half of 2024, we've significantly increased the pace in quantum. We're doing about double that rate now.

And a combination of factors have come together really to compel us to take more of an opportunistic view on these share repurchases. I think the first factor I'll highlight to you is the significant excess liquidity we've had on our balance sheet, really since the Baring / Veritable transactions.

And really the other thing that Dava mentioned, is that we've strengthened our balance sheet over the last couple of years, issued a number of 40-year securities. And given the earnings growth and balance sheet movements that we've had, we've driven our leverage well below our 2 to 2.5 times target. So we have lower leverage than 2 times today.

So the second thing, and Tom touched on it, we see accelerating momentum in our business, and this is probably the most significant factor here. Just driven by the mix shift towards secular growth areas and alternative strategies generally. And that's been evidenced in our earnings growth over the past 12 months, and importantly, our improving growth profile over the past five quarters, which led to the positive flows this quarter.

I think you all know it's been two and a half years since we've had an inflow quarter. And so we're feeling pretty good just about the trend, and the positive trajectory. Really, ultimately though, it's because we are deploying our capital in a very intentional way. We continue to strategically evolve AMG by deliberately investing in managers in areas of secular growth, and we think that'll pay off, not just in the near term, but really over the long-term.

And then finally, we see increased opportunities to invest in new Affiliates, but also in existing Affiliates in areas that will help us grow our overall top line and bottom line and specifically, on new investments, which was the second part of your question. We have been progressing steadily a couple of new investments since the beginning of the year. So the commentary is the same, as you note. And we have made good progress on those discussions and continue to be constructive on those.

It also turns out that our pipeline is expanding. And I don't know that it's election-driven per se. I think our competitive position in the market is really unique today relative to other strategic paths for independent firms.

Really, the landing point on that, I would say, is it's our ability to both be strategic and also preserve independence. That stands out against both financial buyers who are passive and are not strategic, and consolidators who want to integrate businesses. So when you look at our pipeline today, it has matured, but it's also expanded. So we're very constructive on it, and that is similar commentary.

And I'd like to say I have a crystal ball, but I don't really think the election at this moment will have too much to do with the actual supply. Oftentimes, we have seen, when there's been a change in the view of taxes in particular, that drives new investment activity. But at this point, there's nothing on the horizon that's overwhelming, that's driving an uptick in supply. But there could be, so I think any change, we need to watch out for it.

But as it relates to our ability to fund new investments, and maybe I'll turn it to Dava just to talk about our capacity on the balance sheet and our ability to fund investments. We see that we can continue to repurchase at this elevated rate, which we expect to do in 2024, but also execute on our growth investments.

So with that, maybe, Dava, I'll let you pick it up on the balance sheet.

Dava Ritchea - *Affiliated Managers Group Inc - Chief Financial Officer*

Great. Thanks, Jay. So given the recurring cash flow generated by our business, the strength and duration of our balance sheet, and our current leverage position, we have ample capital flexibility to make both growth investments in new and existing Affiliates, and to continue to repurchase our shares.

Just to give you a few numbers and a little more color on this. Our balance sheet generates approximately $1 billion in pre-tax cash flow annually, which we expect to deploy in either growth investments, or return of capital each year. Our net debt position is approximately $1.6 billion, given we have nearly $600 million of available cash, and $400 million of balance sheet investments in products and securities that will be returned to AMG over time.

Finally, our leverage ratio of 1.7 times continues to be much lower than our target of 2 to 2.5 times. And with our $1.25 billion revolver, we have access to additional liquidity and leverage capacity to execute on our pipeline of growth investments. Taken together, we have plenty of capacity to execute on elevated growth investments and repurchases in the near term, and also over the long-term as well. Thanks for the question.

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

Dan, I'll just finally say that the combination of all those factors that I just mentioned, new investments, the momentum in our business, and really the capacity that Dava just mentioned, juxtaposed against the low valuation of our shares. And we've had a low valuation for some time, but relative to the momentum that we're seeing in our business, I think that's really the answer to your question. That's what compelled us to be opportunistic.

Operator

Bill Katz, TD Cowen.

Bill Katz - *TD Cowen - Analyst*

Okay. Thank you very much for the comments and guidance. Just coming back to deals, Jay, just in terms of -- I certainly appreciate the sort of laser-like focus on some of the faster growth areas. I wonder if you could maybe frame out the pipeline in terms of maybe size and shape of some of the things you might be looking at.

And then unrelated and separately, I was wondering if you could talk a little bit about on the wealth management side, maybe just an update of where we are in terms of number of distributors you're working with today, and where you think that can get to and how many incremental sort of sales folks you're looking to add on over the next ex number of quarters? Thank you.

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

Yeah, thanks for your question, Bill, and I'll start with the new investments. Just maybe rounding out what we're looking for and try to touch on the size and I'll have Tom talk about our efforts in wealth.

So maybe the first thing that I'll just pick up where you left off, is we are focused on areas of secular growth, primarily within private markets and liquid alternatives, and then just selectively in differentiated long-only strategies, and what we're really focused on is trying to find capital formation businesses that are in demand around these long-term secular themes that Tom mentioned. I won't go through the litany of them, but it includes things like the digital economy, breakthroughs in biotechnology, industrial decarbonization, just to name a few.

And I think we've been successful in doing so over the last five years. You can look back at our new investments and see that almost every one of them, I guess all of them, really do follow those themes. And that's what's driving, I think, our business momentum and our organic flow profile as well. And as it stands today, about half of our business comes from private markets and liquid alternatives and we think we're going to go well over half, both from new investments, but also growth with the existing Affiliates.

When you look at our pipeline today, and just pausing for a moment to think about it, we do see a pretty good variety of size in the pipeline. We actually have a few transactions on the larger size. For us, a larger size check is probably $250 to $450/500 million.

And underneath that, we still have a number of high-growth firms that the check size would be a bit lower. I mean, maybe to size it out again, I've said this on prior calls, we try to buy growing businesses in secular areas that can double or triple.

And so we typically target size in the $250 million to $1 billion enterprise value range. Sometimes we go over that. It often depends on how much of the partnership we're investing in from a percentage perspective. Typically, that's between 20% and 70% of the equity. So our transaction size usually is $50 million to $500 million, just to frame it all out for you. But we see some on the top half of that and a few that are on the bottom half of that. So we have pretty good diversity.

What really matters to us is the opportunity for growth. So some of our most successful investments tended to be some of our smaller investments, because of kind of a $5 billion business, they get to $15 to $20 billion. Oftentimes, it's a lot easier to imagine that a $50 billion business getting to $100 billion. So I think we've got the right approach from a growth perspective, a lot of high quality. Quality really matters over the long-term.

So this quality growth in independent firms, and our ability to strategically magnify their efforts has really helped us in the new investment area. We're very well positioned in that way. And so we're excited about both quality in the private markets and liquid alts area. And like I said, we're very constructive on our pipeline.

So maybe what I'll do now is turn it over to Tom to talk about your second question.

Thomas Wojcik - *Affiliated Managers Group Inc - Chief Operating Officer*

Thanks, Jay. And Bill, thanks for the question. Look, the U.S. wealth channel is one of the things that we're really excited to talk about, both with our existing Affiliates as well as new Affiliates. We've been making a big investment there, and we really think that that investment is starting to pay off and we have a uniquely positioned offering that is a real differentiator for AMG.

As part of our overall capital formation capabilities, we have this vertically integrated U.S. wealth platform that enables our Affiliates to access the large and growing wealth market. And when you think about it, that's something that's extremely difficult for an independent firm to do on its own, given the resources required to be effective in that channel.

If you think of many of our private markets Affiliates, we have firms with $5 to $10 billion in AUM, maybe 30 to 50 employees. We have more client-facing individuals than some of our Affiliates have employees and that is the way you have to play in U.S. wealth. You really have to have the scale to be able to cover that market from the top down.

The buying centers at the top of the house, at the large wires and the large sophisticated RIAs, but also with boots on the ground in the field in terms of wholesaling resources, desk resources, marketing resources to really be able to penetrate the channel. And that's something that most independent firms just can't do on their own, and in partnership with AMG, that can be really, really powerful.

You asked about the number of platforms we're on. Remember, we're not new to the U.S. wealth space. We have a $40 billion business in that space. And through our predecessor firms, we've really been at this for 30 years. So we operate across a number of different types of platforms: wirehouses, independents, bank channel, RIA, self-directed.

Ultimately, we're trying to build the best wrappers with the unique investment capabilities that exist at our Affiliates. And then use our own distribution resources, as well as the excellent distribution resources at our Affiliates to try and penetrate the appropriate channels and the appropriate platforms where these products and wrappers can have the biggest impact for clients.

Product development is a really important part of the way that we're attacking this channel. And since we launched the AMG Pantheon Fund, and on the back of the success that we've had there, and you've heard us talk about that over the last couple of years, initially going over $1 billion, then $2 billion, now north of $3.5 billion, we're continuing to invest more capital and more resources alongside our Affiliates to bring new products to market to build on that strength.

Just in 2024, we've done this already a number of times and we have more that we're working on. We seeded a new Pantheon private equity vehicle for the non-U.S. wealth market. We've partnered with Pantheon to launch, seed, and distribute a first-of-its-kind Private Credit Secondaries fund for the U.S. wealth market, the AMG Pantheon Credit Solutions Fund.

Extremely interesting thematically when you think about the growth of private credit, and where we're seeing the market going. So we have a real first-mover advantage on that product in the market, and fundraising has been very strong out of the box. Also, with our focus on liquid alternatives, we've partnered with Systematica to launch a new trend-following fund that we've also seeded, giving them an opportunity to expand their reach in the U.S. wealth market.

And we continue to advance our work with Comvest to bring non-sponsor-backed middle-market lending to wealth clients as well. You also asked about the investment that we're making. And as I discussed in my prepared remarks, when we see something at AMG that's working, I think we really try to put our shoulder behind it and continue to press where we see an advantage, and that's exactly what we're doing in U.S. wealth.

We built a dedicated distribution team to focus on the RIA channel, and that's critical to successfully incubating and introducing new solutions, especially for alternative products. We're also focused on enhancing our marketing resources to facilitate the education and the training of advisors. And those are key elements to driving high adoption rates for new products.

Overall, we think we have a really unique investment opportunity that we're delivering to AMG's Affiliates as well as our strategic client partners across large institutions, family offices, select intermediaries and RIAs, and collectively all of those position as well to magnify our Affiliates' access to, and success in U.S. wealth over time.

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

Yeah. So I wanted to just emphasize or amplify one of the things that Tom said here. The wealth opportunity for private markets Affiliates, liquid alternative Affiliates, and our ability to get our Affiliates access to that channel is a huge strategic advantage for us. I guess we can't underscore it enough. When you think about it, right, an independent firm who's seeking a partner, oftentimes they will have a criteria for seeking that partner, and almost always they don't want to be consolidated. There are times where they will turn over the keys, if you will, but most of the time they do not.

So for us to win the space of being strategic while allowing them to continue to preserve their independence, is really -- there's not really anyone in the world that does that and I think we are running to that as fast as we can, especially given our opportunity in wealth.

Operator

Patrick Davitt, Autonomous Research.

Patrick Davitt - *Autonomous Research LLP - Analyst*

All my topical questions have been asked, so I just have a couple of cleanup items. Could you give some more color on the intangible noise you highlighted, and if it was related to any specific Affiliate? And secondly, to what extent were there any alts catch-up fees in the 2Q result? Thank you.

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

All right, thanks for your question, Patrick. Dava, do you want to start?

Dava Ritchea - *Affiliated Managers Group Inc - Chief Financial Officer*

Sure, I can take that. On the impairment side, we had a modest re-evaluation event at one of our small equity method Affiliates in the second quarter. And to your second question, there were no catch-up fees in the second quarter.

Operator

Brian Bedell, Deutsche Bank.

Brian Bedell - *Deutsche Bank AG - Analyst*

Maybe just going back to the organic growth and private wealth theme. If you assume your long-only business and your quant business is stable, what's your confidence level in generating sustainable positive flows just from both the private markets and the alts business? Just trying to get a sense of the durability of that, obviously notwithstanding seasonal patterns that we typically get, let's say, in the fourth and first quarters. And then on the wealth distribution side, how do you share those costs between the Affiliates, or do they mostly run through the EBITDA P&L at AMG, or is there a method where you share that distribution cost with the Affiliates you're working for?

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

I think both Tom and I will weigh in on the answer to this. But I'm going to just set the stage that I think we see organic growth from private markets, and we have been for some time. You can see it on our chart in the IR deck. I think liquid alts, it's been both positive and negative. But I think when we look forward, we think liquid alts is generally a positive organic growth story for us, mainly because performance is really good. And what I think is important to note is the complementary nature of liquid alternatives to both long-only differentiated strategies and private markets.

And so when you see upward-sloping markets, you tend to have probably slower growth in liquid alts. When you see choppier, more volatile markets, that's when you really see liquid alts turn on from a performance perspective and oftentimes from a flow perspective. So we kind of like the complementary nature of it. We think that that is a good balance going forward. But the combination of both private markets and liquid alts, we do see as a long-term secular positive flow story.

And then, I'm going to just make one comment, but I'll turn it over to Tom, who will give you more detail. We are seeing, consistent with the industry trends, lower gross outflows on long-only equities, which I guess is a positive for us, and that actually does help stabilize that part of our business. So maybe, Tom, I'll let you pick it up from there.

Thomas Wojcik - *Affiliated Managers Group Inc - Chief Operating Officer*

Yeah, thanks, Jay. And thanks for your questions, Brian. I actually don't have much to add in terms of the organic growth story. I think Jay covered a lot of it as well as in our prepared remarks and the answer to some previous questions. I'll touch just briefly on your question on the wealth model. We've built a pretty sizable team, and I think we do think about effectively joint venturing, right, with our Affiliates when we enter this market, particularly in these limited liquidity products or when we're doing a drawdown fundraise in the wealth channel.

So we have a good economic model. Obviously, where we're benefiting from the investment that we make in the Affiliates at the top of the house, but also with some cost and revenue sharing at the product level where it makes sense in order to both create the right alignment and incentives and also to enable us to continue to invest for the long-term growth of the business on behalf of our Affiliates.

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

Yeah, and I'll just punctuate that by saying, given that it's a JV and given that we have product revenue as well as Affiliate revenue, just to be clear, there are two sources of revenue that come back to AMG, we have an opportunity with scale to earn profit on both. Thanks for your question.

Operator

Thank you. This brings us to the end of the question-and-answer session. I'll turn it back over to Mr. Horgen for closing comments.

Jay Horgen - *Affiliated Managers Group Inc - President and Chief Executive Officer*

Thank you all again, for joining us this morning, and we look forward to speaking with you next quarter.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines at this time, and enjoy the rest of your day.
