REFINITIV STREETEVENTS

EDITED TRANSCRIPT

AMG.N - Affiliated Managers Group Inc at Goldman Sachs Financial Services Conference (Virtual)

EVENT DATE/TIME: DECEMBER 05, 2023 / 3:40PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Thomas M. Wojcik *Affiliated Managers Group, Inc. - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Alexander Blostein *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

PRESENTATION

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

I think we will get started. Up next, it's my pleasure to welcome Tom Wojcik, CFO of Affiliated Managers Group. AMG operates a unique model as many folks in this room know with over 35 Affiliates, an increasing presence in alternative strategies, which now comprise over 50% of the firm's EBITDA. In addition, AMG's operating structure, high cash flow generation and robust capital deployment framework create a differentiated financial profile, which was once again very evident over the last couple of years with fairly stable results despite lots of market volatility.

So we look forward to getting an update from Tom on how AMG is positioned into 2024, key areas of focus and key strategic priority. So thank you for being here. Always great to see you in December downtown.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Thank you, Alex.

QUESTIONS AND ANSWERS

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

So why do I jump in? We generally like starting these conversations given the time of the year with broader outlook on capital allocation trends. And look, this has clearly been a pretty turbulent year given what rates have done. But now that we're sort of seeing the light at the end of that tunnel, let's spend a couple of minutes on how client allocations are evolving heading into 2024.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

So look, the world has changed substantially over the course of the last couple of years. And the portfolio that a client would have set up, whether it was an institution or a wealth client, in order to be successful in 2020 or 2021 looks a lot different, kind of staring at 2024 and trying to think about what markets are likely to deliver. I think in a lot of ways that plays really into AMG's strengths and the way that we've positioned and built our business. We think independent partner-owned firms continue to offer something incredibly unique and different to clients across the spectrum.

And when you're building a portfolio in the face of volatility, in the face of an uncertain future environment, whether it's with respect to rates or geopolitical tensions or inflation, there's really an opportunity to adjust your overall risk budget in a way that incorporates unique and specialized alpha streams. And in a way, right, that's what we're specialists in. I think more and more, you're seeing clients think about what the ups and downs of the COVID period, the GFC, what happened in 2022, the way in which that impacted portfolios, and there was a lot of complacency, candidly, ahead of those times that seeped into portfolios.

You saw a lot of diversification sort of move its way out. You've obviously seen the 60%-40% portfolio and the desire to have something like that change materially. So what's replacing that, right? Private markets have grown substantially. And I think there continues to be a unique opportunity to see more growth and more change in the way people allocate assets to private markets, and liquid alternatives in a lot of ways, I think for a period of time in the post-GFC period, particularly as you got into '19, '20, '21, I think people forgot about just how valuable some of those alpha streams and some of the uncorrelated opportunities that exist in those markets can be the portfolio.

So we see clients being much more intentional in terms of thinking about not only sort of chasing market returns in the beta markets, but really being thoughtful about portfolio construction, about risk management and using some of the specialized independent partner own firm alpha streams in their portfolio to try and create better long-term outcomes and solutions.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Well, it's a good setup. Let's talk about the alts a little bit. Now as I mentioned earlier, AMG continues to pivot the business towards more secular growth areas like the alts. I think over 50% of EBITDA now is coming from the alts portfolio for you guys. So let's spend a couple of minutes there. And starting with private markets, so liquid alts, I think, is about 17% of EBITDA for you guys and we have seen some challenges in private equity and to some extent in real estate fundraising, and that's been sort of amplified maybe by strength in private credit and rising opportunities in infra, so given your mix of Affiliates, can you spend a couple of minutes on the organic growth you see in the illiquid part of the business over the next 1 to 2 years?

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Yes, absolutely. And maybe first a second on why 50% of our business is now in alternatives. So that certainly has been intentional and a really important part of our strategy, in particular, over the last 5 years. So AMG historically, I think we've been very good at finding great management teams who combine an entrepreneurial business leader, along with great alpha generation opportunities. And I think you can be very successful as an organization investing in those types of businesses. I think those types of businesses tend to outperform over time.

However, you can be even more successful if you can pair great entrepreneurial independent partner-owned firms with the right long-term secular trends where client demand is likely to be high. And that's really the crux of AMG's strategy. So we're focused on private markets, liquid alternatives, wealth management, sustainable investing and Asia as the 5 primary secular growth themes. And there are a lot of kind of mega trends that are also sitting behind some of those themes, whether it's energy transition and decarbonization, whether it's demographic changes and the impact of healthcare, whether it's digital communication and the rise of data and all of those things play into the types of firms that we want to invest in.

So when you talk about private markets, think about what happened over the course of the last 10 or 15 years, right? Private markets was obviously a very robust asset class coming into the GFC. But coming out of the GFC, it really changed pretty dramatically in terms of the type of demand you were seeing for clients. And many, if not most clients were extremely under-allocated to private markets in the early 2010s.

And you saw a ramp into the areas that were most easy to access, right, which tended to be first private equity, and what I would call sort of regular way corporate private equity. And second, direct lending, and in particular, sponsor backed direct lending, right? There was a lot of capital going into those businesses for good reasons because there are great returns being made there, but there was also a lot of opportunity to scale.

So clients who felt like they were behind in terms of building their allocations throughout much of that time period, moved a lot of capital into those spaces. And then the world changed. And we've talked a lot about the denominator effect and what you're seeing in terms of headwinds and candidly, those headwinds are strongest in the areas that have grown the most over the course of the last decade. At AMG, a big part of our strategy has been avoiding what we would call commoditized areas where we don't see a significant opportunity for us to add value to our Affiliates or for our Affiliates to necessarily stand out from the pack.

So if you think about the investments and the partnerships that we're entering into they tend to be in more specialized areas where it's very clear that an independent partner-owned firm should exist and should thrive. So I'll just talk for a moment maybe about the last 3 private markets investments we've made all within the last calendar year or so.

The first was Peppertree, which is in the communications infrastructure space, largely in cell towers. And cell towers are one of, if not, perhaps the most unique and valuable long-term infrastructure private markets asset that you can have. Because what happens with the cell tower is you build it, you get one provider to put their equipment on the tower, then you lease space to a second provider, a third provider. It's an incredible asset in terms of its ability to grow over time. It's recession-resistant and the need for data in some of those mega trends supporting artificial intelligence and the like provide tremendous tailwinds.

There aren't a lot of people who are in the digital infrastructure space. So when you think about the overall allocations that clients have, many of them love the characteristics of digital infrastructure, but there are only so many ways to access it, right? It's a very capacity-constrained area. So we're seeing very strong fundraising at a business like Peppertree because they're just well positioned for every market environment and because they're not competing against 200 other firms who effectively do something very similar to what they do.

The second investment that we made earlier this year was in Forbion, our first partnership in the venture capital space. And Forbion is really in the biotech space, both venture capital and growth equity. Tremendous scientific advancement over the course of the past decade or so in new therapies, new drugs, aging demographics in terms of population and there's just tremendous demand long term for more and more healthcare and more and more solutions.

And Forbion is one of the leading players in Europe, where a tremendous amount of research is being done. And again, capacity-constrained space, lots of demand, the ability to scale on the growth equity side and not the same portfolio concentration issues as you might see in some of the asset classes we started with. And then lastly, and sorry, I'll sound like a broken record, but these themes are somewhat similar, we just made an investment in a new partner called Ara Partners in the industrial decarbonization private equity space.

Tremendous amount of technology. You're reading in the headlines today about everything that's happening with the Climate Summit the last couple of days. Energy transition is a theme that's here to stay, whether your politics are to the left or to the right, this is something that is going to happen over the course of the next 50 years, and Ara is really playing into a lot of these themes.

And again, fundraising has been incredibly strong there because there just aren't that many people who are doing it, and they've been doing it for a long time. They have a tremendous amount of expertise and there's a really big market that can be carved out there. So this idea in the private market space of trying to find firms that are the best in the world at what they do, and then adding some of the unique capabilities that AMG brings to the table in terms of distribution, in terms of dynamic capital, in terms of succession planning and strategy, we think, is an excellent combination. And we think it's a really scalable combination for us to continue to make those types of investments in a permanent partnership structure.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. That makes sense. Let's stay with private markets for another minute, but let's talk about the channels and switch it up a little bit. So obviously we've seen many firms in the space, both traditional firms with alt capabilities and alt firms pushing further into the retail channel. I think generally, there's a consensus view. There's a lot more runway there. AMG has footprint, obviously, in this business as well. Your Pantheon fund, I think, is about $2.5 billion of AUM and has been seeing actually pretty healthy flows for that size of a fund in the last couple of quarters.

So can you talk us through what role AMG played in driving kind of product growth like that, but also how can you take this playbook and apply that to grow in other strategies within the private wealth channel?

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Absolutely. I'll start by saying that the wealth management business that we have at AMG, sort of what we've built in terms of our ability to build products, to operate product and ultimately sell product into the U.S. wealth ecosystem is probably one of our most underappreciated and underutilized assets, and we have a tremendous strategy, I think, to pivot that business more and more towards the opportunity in alternatives on the back of the success that we've seen with the AMG Pantheon fund. So just to talk for a moment at a high level about the opportunity. The U.S.

REFINITIV

wealth market is about a $30 trillion market, today, 2% to 3% penetrated by alternatives and the largest players in that market have gone on record with stated goals of wanting to get that penetration level to 15% to 20%, if not more, over time.

In order to do that, a tremendous amount of sort of net new growth needs to occur in the U.S. wealth space. Part of that has been through the pioneering of some of these new limited liquidity wrappers like the AMG Pantheon fund in the interval space. Part of it is through more drawdown funds being made available on these platforms. But the reality is servicing that channel and ultimately being able to appropriately provide product to that channel is very different from selling even to some of the largest and most sophisticated institutions in the world. It requires a very different coverage model. It's a much more regulated business. And it requires a level of expertise and a level of investment that, frankly, all but the largest stand-alone private market players really are the only ones who can do that.

So AMG, I think is on the cusp of something really interesting here, where if you think about most of the private markets firms that we're investing in or that we're having conversations with around partnership, you're talking about firms with $3 billion, $5 billion, $10 billion, $20 billion in AUM for the most part. Those businesses don't have the resources to be able to build a full vertically integrated U.S. wealth coverage model. And that's exactly what we have at AMG.

Today, we have about $40 billion on that platform. We've been in this business for more than 20 years and we have a great presence at the largest wirehouses, at the largest RIAs, we are a known brand in the space. Most of that business historically has been on the long-only side, mutual funds and SMAs. In the mid-teens, we co-branded and created a new fund with Pantheon, which was one of the first interval private equity funds. So think about it, limited liquidity vehicle, providing quarterly liquidity and at that point in time, it was a relatively slow build, right? The market was still starting to understand these products and we were really on the front lines of educating the market on what these products were alongside our partners at Pantheon.

That fund is now $2.5 billion today. It's up on the largest wirehouse in the alternatives space. It will grow almost $1 billion over the course of 2023 to get to that $2.5 billion level and the way that we operate is really in a general specialist type model. So we have all the capabilities to be able to build the fund, build the wrapper, strike a NAV, run the fund admin process, run the fund board. We also have coverage at all the national offices. So the Merrills, the Morgan Stanleys of the world, being able to actually cover the buying centers at the top of the house and research at the top of the house. We have a wholesaling force that covers the country out in the field that's actually talking to advisers and RIAs every day.

We have a full staff marketing team that's being able to provide materials and ultimately help tell the story. That's something frankly, what we have on the U.S. wealth side is larger in terms of people and resource right than many of our Affiliates. So we have the ability to let each individual Affiliate effectively joint venture with us to tap into the U.S. wealth space without having to build that on their own. It's been incredibly successful thus far with Pantheon and we recently launched or registered for a second fund with Pantheon on the private credit secondary side.

And we're also working with a handful of our other existing Affiliates as well as in discussions with a number of new potential Affiliates where this is just a really unique value proposition. If you look at the market as a $10 billion alternatives manager and you say, "I really want to be in the U.S. wealth space, there just aren't a lot of ways to make that happen." And I think AMG offers an incredibly unique opportunity to tap into the single largest growth market in the world for private markets product. And I think we're doing it with a level of expertise and a level of experience that's incredibly credible in the space, and I think will drive a lot of growth over time.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Do you expect that to be a '24 event, not in terms of the growth, but in terms of getting more products out there? I know you said -- you mentioned the second Pantheon fund. Do you expect to have more product on the shelf in '24?

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

I think '24 should be a good year for us in terms of bringing things out of the lab and sort of into the forefront. But I don't think we're going to stop in 2024. I think this is really a long-term strategy for us. And we've built a presence in the U.S. wealth space as the leading provider of independent partner-owned active product. We'd also like to build side by side with that platform to be the leading provider of independent alternative solutions to that space. And I think given the relationships that we have as well as the Affiliate investment capabilities that we have today and that we believe we will have in the future, we're really well positioned to be able to do that.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Let's talk about liquid alts for a couple of minutes. It's the largest component of your EBITDA a little bit over 30%. But underneath that, there's obviously a lot of diversification within that bucket with many different strategies. Now over the last few years, to your point earlier, that kind of category of funds has struggled in terms of growth. There's been some turbulence in performance, but generally, things have gotten better, and you talked about actually positive organic growth in terms of net flows in the third quarter for that category as a whole. What, I guess, some of the organic growth expectations for AMG's liquid alt managers from here? What are the bigger drivers?

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

And so actually, the last couple of years have not struggled from a performance perspective. We've actually seen a really strong now kind of last 3-year period, but the 3 to 5 years before that was definitely a tougher time in that space. So if you think about liquid alternatives, in a lot of ways, I think it's one of the most poorly understood sort of aspects of the asset management ecosystem. Just saying liquid alternatives is kind of a new category. There's a lot going on under the hood there.

If you think about our exposure to liquid alternatives, we are in that space in a number of ways. One, we have a couple of excellent Affiliates in the relative value fixed income space in Capula and Garda. These are very uncorrelated return streams, capacity constrained, high active value-add. They play a really unique dampening role in portfolios and they're all-weather strategies. They tend to do really well regardless of what the macro environment looks like. And having those types of strategies are having a really good year again this year.

We have some more long bias strategies. Those who are generally not running match duration type books or capital structure arbitrage, but rather tend to run more long. Look, a year like 2021 is a lot better than a year like 2022 for strategies like that. But again, it provides sort of more to the diversification pie. And then we have a series of quantitative strategies.

And frankly, even within our quantitative strategy book, the breadth is pretty incredible from trend following to global macro to a variety of different absolute return strategies. So 2021 and 2022 were really tremendous performance years for us on the liquid alternative side and tremendous performance fee earnings years for us as well. We actually grew our earnings in 2022. I think we were one of -- we may have been the only asset manager to grow earnings in 2022. And that was because of some of the balance that was provided by those liquid alternatives managers.

And importantly, go back to the first question you asked in terms of portfolio construction and how clients are and should be building portfolios right? In a way, we've built our portfolio to be able to withstand and prosper in lots of different markets. And it's not dissimilar to the way clients are thinking about it because putting these liquid alternative strategies in your portfolio really allows you to push out that efficient return curve in terms of what you're able to do in a variety of different market environments.

So for us, we get the benefit, one of great performance, continues to grow the asset base there, which continues to grow the opportunity for more performance fee earnings; and two, continued strong performance, I think, is driving a lot of interest from clients in terms of where these products should live.

So I think the liquid alternatives part of our book. We talk a lot about private markets and there are a lot of really great trends there. But the liquid alternatives part of our portfolio is incredibly unique. It's incredibly high-quality. And we think there's a lot of long-term opportunity to continue to see more representation in client portfolios both on the institutional side, also on the wealth side, as clients think more about not necessarily managing through a decade that looked like the last decade where markets seem to go up every year, but a decade that looks like what the next decade may, which is probably some more volatility and some more choppiness and wanting to have a more balanced portfolio allocation.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Yes. And I guess given where they came from, just that relative rate of change in flows could really move, given how big that bucket is.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Absolutely.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

All right. Let's talk about active equities for bit. That's been an area that you guys have had some challenges this year. The whole industry obviously had a really rough time with active equity flows for many years, but in particular, the last 2 years have been pretty challenging. So there are some performance issues that are maybe a little bit more idiosyncratic to you guys with a handful of managers. But when you look broadly, where are we in the kind of redemption cycle? Are you seeing any ease of pace of outflows and more importantly, as you look out into next year, should we think 2023 being kind of the bottom for flows in active equities or some of these challenges could linger?

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Look, I think we've seen a pretty meaningful reset in terms of the industry and asset allocation over the course of the last 2 years. I think that people's portfolios on the active equity side, not even necessarily through decision-making but grew substantially in 2020 and 2021, given where markets ran. And coming into 2022, I think some of the market headwinds had a pretty dramatic impact on the way people were thinking about portfolio construction.

And you saw a lot of outflows industry-wide in the equity space. And coupled with what's happening around the world, the global equity space was one of the harder hit subcomponents of the overall active equity space. I think as we stand here today, the setup is very different, right, than it was 2 years ago. And a lot of that maintenance now has kind of been done in portfolios. People are much closer to an appropriate place in terms of the balance of where they want to be between fixed income, equities, alternatives. So I think the setup is in a better place overall. In terms of our own Affiliates, look, we have some of the highest quality independent partner-owned firms in the world with 10, 20, 30, 40, 50, in some cases, 100-year track records of being able to manage risk and return across cycles.

So I think we're very well positioned in terms of just the overall quality of the brands and the partnerships that we have. I think a couple of things probably need to happen. One, a little bit more certainty in terms of where the world and markets are going, rates, inflation, geopolitics and overall risk appetite. But two, I think, some stabilization in terms of client expectations for a lot of those factors, right?

So I was just talking in an earlier meeting this morning with another global equities manager, who was hearing more of the AMG story. And 2023 has been sort of an interesting year, right, because if I told you that in 2023, we'd be sitting here at 420 on the 10-year and the S&P at the level that it is and up pretty substantially for the year. I think you might have said it was a pretty good active equities flow year, and it hasn't been. It's been a much more challenging flow year. And a lot of that has been because overall client expectations for what the next couple of years are going to look like and what the markets have done have been misaligned, right? And you sort of need both of those things to happen, a view of some forward stability in markets and a view from a client perspective that it's time to sort of step into that forward stability as well.

So I think those combination of factors, again, better positioned today than we were 2 years ago as an overall industry combined with really strong long-term track records across our Affiliates, leave us bullish over the long term. But look, we're still working through some things certainly in the short term here.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

All right. Let's talk about the inorganic picture. And look, over the last couple of years, AMG's acquisition strategy has largely been doing smaller deals, but doing them more frequently and then plugging them in to kind of scale the opportunity set for those Affiliates. Is that the likely path going forward as well? So more of these smaller frequent deals? And maybe you can help us characterize your acquisition pipeline and the way you kind of think about next year as well.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Yes. I wouldn't say we have to necessarily do smaller deals, but I think we have a really strong history of firms that are at a certain point in their growth curve, aligning very well with AMG's capabilities over the long term. And if you look back over our 30-year history, many of our smaller partnerships have proven to be some of our most successful. And in particular, they've been some of our most successful where AMG has really been able to add a lot of value. So many of the firms that we're investing in today, they're probably somewhere between $250 million and $1 billion enterprise value type businesses.

If you just use private markets, as an example, we're not looking at a lot of businesses that are raising their first fund or their second fund. We're kind of looking at businesses that are in their third or fourth vintage. Maybe they've launched their first adjacency. That's a really good time for AMG to get involved because you're past sort of the initial part of the J curve, but there's a lot of opportunity ahead. And a lot of times, those businesses are really interested in some of the things we can bring to the table.

They've been very successful in the family office foundation and endowment space, raising Fund I and Fund II as Fund III and Fund IV need to be substantially bigger to continue to grow the franchise. They need to start to tap into an incremental client base, whether that's pensions in the U.S. or moving into a different geography to unlock more capital and we bring each of those things to the table. Similarly, a $3 billion, $4 billion, $5 billion business that has a plan to grow to a $20 billion business, those partners want to invest alongside their clients and the GP capital need there is pretty substantial.

So if we can bring capital to the table and fundraising and introductions to new clients to the table, those can be pretty interesting places to be. So if you take that $250 million to $1 billion enterprise business, and we're owning anywhere between 20% and maybe 50% of the economics, look, somewhere between $100 million and $500 million is probably an appropriate investment size for us. I think we'll be more active towards the lower end of that scale in the $100 million to $200 million range just because there are more opportunities there.

But I think we absolutely have the capacity to do things at or above the higher end of that range, right? By nature, the bar just goes up. And if we're going to commit that much capital, the business needs to be diversified, there needs to be a really strong thesis and a lot of conviction that that's the right use of our shareholders' capital and it really fits within the discipline, one of making excellent growth investments, but two, having the discipline of also returning capital to shareholders at a time when our stock price suggests that that could be a good long-term investment for our shareholders as well.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Sure and we'll get to that in a minute, but I did want to hit on just the organic growth algorithm broadly. And you and I spent a lot of time talking about this in the past over the years. But organic growth is a funny kind of characteristic for AMG because the typical flow framework that could be applied to most traditional asset manager is just less relevant for you guys given the different stream of economics from various managers.

So from what we could say, it's still been probably organic EBITDA growth in the company has been more negative than positive recently. What are your aspirations of getting that into a better place? Kind of what's the path? And kind of how would you think about the framework of telling the market, hey, here is our growth algorithm and organically in EBITDA.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

All right. I'll have to take the opportunity to evangelize our growth algorithm before I get to our organic growth algorithm, as I know we've also spent a lot of time talking about, but I will certainly talk about the flow side. So AMG is very different than any other asset manager in terms of the shape of our cost structure and the quantum of capital that we generate every year relative to the size of our business. We don't run an operating business, right? We don't run at a 40% margin. And our business is very different from that.

So as a result, the overall growth algorithm for AMG is quite different. Certainly, we're exposed to all of the betas and alpha of our underlying Affiliates. And that's a much more diverse group of betas and alphas than really any other asset manager out there in terms of about half of it being in traditional markets, half of it being an alternative market. We tend to be much more resilient through cycles, both up and down in terms of our overall exposures and the diversification. The second growth driver of our business is organic growth, and I'll come back to that in a second.

The third is capital allocation in terms of what we deploy into growth investments, whether that's new investments, seed capital and ultimately bringing new products to market, buying incremental pieces or making investments in existing businesses. We're adding a pretty significant amount of EBITDA every year by making those capital investments into our business. I'd argue in a lot of ways, your ability to trust that over a rolling 3- or 5-year cycle that AMG is going to add several points of growth annually through our capital allocation is as under-writable, if not more under-writable than any organic growth story in the industry. We've been doing it for 30 years. We're going to continue doing it and we continue adding value that way.

And then lastly is our capital return program and we'll talk more about that. But we've been buying back about 10% of our stock every year on average over the course of the past 4 or 5 years. So when you think about the overall growth algorithm, it's really betas and alphas, plus organic growth, plus what we can generate in terms of our capital investments for growth, plus what we can generate in terms of reducing our share count by buying back stock. And that EBITDA per share experience that a shareholder has been extremely positive over the course of the past 5 years. And I think as you look forward, you can underwrite a very positive opportunity set.

Now the biggest variable in there, of course, is the organic growth piece. And that is the piece that our industry has for the last 30 years and probably will for the next 30 years, continue to be most fascinated with. It is a little bit different for us. If you think about a regular normal kind of asset management operating model, you really have the combination of assets and fees. And then you have the next variable, which is do those things have performance fees, you're kind of dealing with 3 variables. We add a fourth variable, which is how much of the business do we own, which to your point, is what sort of makes things a little bit more complicated.

Overall, if you think about our strategy and we've talked about this a lot over the course of the past 30 minutes or so, we're investing more in these 5 major secular growth areas, private markets, liquid alternatives, Asia, wealth management and sustainable investing.

With 50% of our portfolio on an EBITDA basis in those areas today and on a path to 2/3 and 3/4, hopefully, over time, as we continue to execute against that all those areas are growing organically much faster than some of the traditional asset classes. So if we execute well on our strategy, the output of that is stronger organic growth over time as we're naturally finding our business right more in areas that are producing long-term growth.

In the near term, it's going to be a function of 2 things, right? One, how much those secular growth businesses grow; and two, what we just talked about in terms of active equities. We don't need active equities to turn around and be 5% organic growers. We've got a lot of organic growth coming through our business on the alternative side. We obviously do need to see some of those outflows abate and ultimately stabilization there and positive growth would be very constructive, but it's not a required part of the story to get to positive organic flows overall. We did see positive flows in 2021. We sort of know that, that algorithm works. And the business has actually advanced quite a bit even from a couple of years ago in terms of which sectors of the market our secular growth focuses are in and the overall concentration.

So I think we're well on a path, but we have to keep executing. And I think that's what's most important to us is to keep executing that strategy to get more and more of our business into areas of secular growth and also keep investing in our existing businesses, both traditional long-only businesses, where we can be really helpful on the client and product side as well as our alternatives and other secular growth businesses where we can add value.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

So as a subcomponent to what you were just saying with respect to the mix of the business and kind of the pivot towards the alts is obviously the performance fee dynamic. And that's another probably more sustainable part of the earnings stream that the market probably thinks and the market typically doesn't describe a big multiple performance fees, but stability matters. And over the last several years, you've sort of demonstrated not only it's been fairly stable, it's been growing. And you kind of have this long history of like $120-ish million of earnings from performance fees, you've been doing well above that in the last 2 years. How sustainable is that? And should we really be thinking about a much higher structural run rate in performance fees as more of the product mix shift towards the alts and private market alts in particular.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Yes. So I think performance fee earnings are again often painted probably with too broad a brush in our industry. We have about $200 billion in performance fee eligible AUM across sort of 3 broad buckets, more beta-sensitive strategies where primarily long bias and the ability to generate performance fees, absolute return strategies, so liquid alternatives. We talked about a number of these earlier and then our private markets businesses.

On that third bucket, generally speaking, when we invest in a private markets business, we tend not to buy legacy in the ground carry. We tend to align ourselves with forward carry opportunities as these businesses raise capital. So given the amount of private markets investing, we've done over the last 5 years, a lot of that opportunity is sort of building and on the come, and that will be a further addition to what our performance fee earnings capabilities will be 2, 3, 4 years down the road, and we'll continue adding to that bucket over time.

But I think what's really important is the diversification of that book. We're not dependent on 1 or 2 funds. We're dependent on dozens of funds and they tend to be different funds each year. And you've seen that in the stability of that earnings stream over time. So when we think about what you should be able to capitalize as a shareholder, you've mentioned about $120 million on average over the course of 10 years, well over $1 billion of cash that's come into the business that we're obviously deploying through that capital allocation paradigm that we just talked about.

And our guidance for this year is, call it about $150 million. That $150 million is probably a pretty good sort of run rate type view through a, call it, a rolling 3-year cycle. And that's been very consistent, it's very diverse. I think it's actually a lot easier to underwrite than the industry sort of gives us credit for because we keep repeating it, right? And again, if you were to look at, there's a page in our investor material that sort of shows the mix, mix changes a little bit every year because some things do a little bit better, and that's the beauty of building a portfolio and having the diversification that you have exposure to when you own AMG stock.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Well, let's talk about the stock for a second. I know we've got maybe a minute left or so. But AMG on track to buy back, I think, at least $550 million worth of stock this year. That's over 12% of your market cap. I know there are some idiosyncratic things that added to that number with the ASR. But even excluding that, I think you're buying back almost 7% of your market cap this year. So what do you think -- how are you thinking about share repurchases going forward? What are your sort of early thoughts for '24?

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Yes. So importantly for us, share repurchases really are an output of our strategy more than an input to our strategy. We've generated over the last couple of years about $1 billion of EBITDA. And we have a pretty manageable amount of expense up against that, that we know we need to invest in every year, right? So that gives us a tremendous amount of discretionary free cash flow.

Ideally, we'd like to put as much of that discretionary free cash flow as we can to work in growth investments. Over the course of the past 4 or 5 years, we've put out about $1.6 billion in growth investments, a combination of new investments and investments in existing Affiliates and we've returned about $2 billion of capital through repurchases. We'd love to see that mix shift a little bit and do a little more in growth opportunities and a little less, but the reality is there's always going to be a mix of both and every year will look a little bit different.

Importantly, that buyback opportunity really serves to keep us very disciplined. We know exactly what our business looks like. I think we know it better than anyone else. We know what the return profile looks like on being able to buy back our own stock. And we think about that as we're making growth investments and what the right return thresholds are that are required to ensure that that is the best and highest use of our capital.

So again, we've raised our guidance for buybacks a couple of times this year. Part of that is a function of some unique things that have happened in the business that have unlocked some more cash. Those things seem to be happening a little bit more often as there are just more and more opportunities for AMG to create cash flow and I think as you look at us over time, you should really think about an ability to put a lot of capital to work in growth investments and also an ability to continue to return substantial capital to shareholders at a time when the market, I think, is giving us an opportunity to do that at a multiple that we don't think reflects the long-term fair value of the business.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Well, with that, we'll end it there. Thank you so much. Thanks for being here. Appreciate it.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Thank you.
