

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)



**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2019

OR



**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-13459



Affiliated Managers Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

04-3218510

(IRS Employer Identification Number)

777 South Flagler Drive, West Palm Beach, Florida 33401

(Address of principal executive offices)

(800) 345-1100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|--|
| Common Stock (\$0.01 par value) | AMG | New York Stock Exchange |
| 5.875% Junior Subordinated Notes due 2059 | MGR | New York Stock Exchange |

There were 51,199,344 shares of the registrant’s common stock outstanding on May 7, 2019.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data)

(unaudited)

| | For the Three Months Ended March 31, | |
|--|--------------------------------------|------------|
| | 2018 | 2019 |
| Consolidated revenue | \$ 612.4 | \$ 543.1 |
| Consolidated expenses: | | |
| Compensation and related expenses | 266.7 | 228.2 |
| Selling, general and administrative | 106.4 | 95.6 |
| Intangible amortization and impairments | 23.2 | 29.6 |
| Interest expense | 21.6 | 18.2 |
| Depreciation and other amortization | 5.5 | 5.2 |
| Other expenses (net) | 12.0 | 11.0 |
| Total consolidated expenses | 435.4 | 387.8 |
| Equity method income (loss) (net) | 96.3 | (358.1) |
| Investment and other income | 14.2 | 8.0 |
| Income (loss) before income taxes | 287.5 | (194.8) |
| Income tax expense (benefit) | 63.5 | (61.8) |
| Net income (loss) | 224.0 | (133.0) |
| Net income (non-controlling interests) | (71.0) | (67.8) |
| Net income (loss) (controlling interest) | \$ 153.0 | \$ (200.8) |
| Average shares outstanding (basic) | 54.6 | 51.9 |
| Average shares outstanding (diluted) | 57.0 | 51.9 |
| Earnings (loss) per share (basic) | \$ 2.80 | \$ (3.87) |
| Earnings (loss) per share (diluted) | \$ 2.77 | \$ (3.87) |

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

(unaudited)

| | For the Three Months Ended March | |
|--|----------------------------------|------------|
| | 31, | |
| | 2018 | 2019 |
| Net income (loss) | \$ 224.0 | \$ (133.0) |
| Other comprehensive income, net of tax: | | |
| Foreign currency translation gain | 29.1 | 7.5 |
| Change in net realized and unrealized gain on derivative financial instruments | 0.3 | 1.2 |
| Other comprehensive income, net of tax | 29.4 | 8.7 |
| Comprehensive income (loss) | 253.4 | (124.3) |
| Comprehensive income (non-controlling interests) | (79.5) | (74.4) |
| Comprehensive income (loss) (controlling interest) | \$ 173.9 | \$ (198.7) |

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in millions)

(unaudited)

| | December 31, 2018 | March 31, 2019 |
|--|----------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 565.5 | \$ 305.2 |
| Receivables | 400.6 | 535.5 |
| Investments in marketable securities | 119.3 | 36.4 |
| Goodwill | 2,633.4 | 2,642.4 |
| Acquired client relationships (net) | 1,309.9 | 1,289.5 |
| Equity method investments in Affiliates (net) | 2,791.0 | 2,318.5 |
| Fixed assets (net) | 104.3 | 102.3 |
| Other investments | 201.1 | 207.5 |
| Other assets | 94.0 | 239.7 |
| Total assets | <u>\$ 8,219.1</u> | <u>\$ 7,677.0</u> |
| Liabilities and Equity | | |
| Payables and accrued liabilities | \$ 746.6 | \$ 576.5 |
| Debt | 1,829.6 | 1,780.7 |
| Deferred income tax liability (net) | 511.6 | 418.5 |
| Other liabilities | 162.7 | 386.2 |
| Total liabilities | <u>3,250.5</u> | <u>3,161.9</u> |
| Commitments and contingencies (Note 8) | | |
| Redeemable non-controlling interests | 833.7 | 754.8 |
| Equity: | | |
| Common stock (\$0.01 par value, 153.0 shares authorized; 58.5 shares outstanding in 2018 and 2019) | 0.6 | 0.6 |
| Additional paid-in capital | 835.6 | 804.4 |
| Accumulated other comprehensive loss | (109.0) | (106.9) |
| Retained earnings | 3,876.8 | 3,652.6 |
| | <u>4,604.0</u> | <u>4,350.7</u> |
| Less: Treasury stock, at cost (6.5 shares in 2018 and 7.1 shares in 2019) | (1,146.6) | (1,210.3) |
| Total stockholders' equity | <u>3,457.4</u> | <u>3,140.4</u> |
| Non-controlling interests | 677.5 | 619.9 |
| Total equity | <u>4,134.9</u> | <u>3,760.3</u> |
| Total liabilities and equity | <u>\$ 8,219.1</u> | <u>\$ 7,677.0</u> |

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions)

(unaudited)

| | Total Stockholders' Equity | | | | | | | |
|---|----------------------------|-----------------|----------------------------------|--|----------------------|------------------------------|----------------------------------|-------------------|
| | Shares Outstanding | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Treasury Stock at Cost | Non- controlling Interests | Total Equity |
| December 31, 2017 | 58.5 | \$ 0.6 | \$ 808.6 | \$ (21.8) | \$ 3,698.5 | \$ (663.7) | \$ 756.3 | \$ 4,578.5 |
| Net income | — | — | — | — | 153.0 | — | 71.0 | 224.0 |
| Other comprehensive income | — | — | — | 20.9 | — | — | 8.5 | 29.4 |
| Share-based compensation | — | — | 10.7 | — | — | — | — | 10.7 |
| Common stock issued under share-based incentive plans | — | — | (2.2) | — | — | (7.3) | — | (9.5) |
| Share repurchases | — | — | — | — | — | (150.8) | — | (150.8) |
| Dividends (\$0.30 per share) | — | — | — | — | (16.6) | — | — | (16.6) |
| Affiliate equity activity: | | | | | | | | |
| Affiliate equity compensation | — | — | 2.6 | — | — | — | 16.8 | 19.4 |
| Issuances | — | — | (1.4) | — | — | — | 8.4 | 7.0 |
| Repurchases | — | — | 14.4 | — | — | — | — | 14.4 |
| Changes in redemption value of Redeemable non-controlling interests | — | — | (168.5) | — | — | — | — | (168.5) |
| Transfers to Redeemable non-controlling interests | — | — | — | — | — | — | (4.9) | (4.9) |
| Capital contributions by Affiliate equity holders | — | — | — | — | — | — | 1.9 | 1.9 |
| Distributions to non-controlling interests | — | — | — | — | — | — | (112.4) | (112.4) |
| March 31, 2018 | <u>58.5</u> | <u>\$ 0.6</u> | <u>\$ 664.2</u> | <u>\$ (0.9)</u> | <u>\$ 3,834.9</u> | <u>\$ (821.8)</u> | <u>\$ 745.6</u> | <u>\$ 4,422.6</u> |

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

(in millions)

(unaudited)

| | Total Stockholders' Equity | | | | | | | |
|---|----------------------------|-----------------|----------------------------------|--|----------------------|------------------------------|----------------------------------|-----------------|
| | Shares Outstanding | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Treasury Stock at Cost | Non- controlling Interests | Total Equity |
| December 31, 2018 | 58.5 | \$ 0.6 | \$ 835.6 | \$ (109.0) | \$ 3,876.8 | \$ (1,146.6) | \$ 677.5 | \$ 4,134.9 |
| Impact of adoption of new accounting standards (see Note 19) | — | — | — | — | (6.6) | — | — | (6.6) |
| Net income (loss) | — | — | — | — | (200.8) | — | 67.8 | (133.0) |
| Other comprehensive income | — | — | — | 2.1 | — | — | 6.6 | 8.7 |
| Share-based compensation | — | — | 8.8 | — | — | — | — | 8.8 |
| Common stock issued under share-based incentive plans | — | — | (33.0) | — | — | 26.9 | — | (6.1) |
| Share repurchases | — | — | — | — | — | (90.6) | — | (90.6) |
| Dividends (\$0.32 per share) | — | — | — | — | (16.8) | — | — | (16.8) |
| Affiliate equity activity: | | | | | | | | |
| Affiliate equity compensation | — | — | 2.2 | — | — | — | 8.5 | 10.7 |
| Issuances | — | — | (0.9) | — | — | — | 11.0 | 10.1 |
| Repurchases | — | — | 4.6 | — | — | — | — | 4.6 |
| Changes in redemption value of Redeemable non-controlling interests | — | — | (12.9) | — | — | — | — | (12.9) |
| Transfers to Redeemable non-controlling interests | — | — | — | — | — | — | (47.3) | (47.3) |
| Capital contributions by Affiliate equity holders | — | — | — | — | — | — | 0.4 | 0.4 |
| Distributions to non-controlling interests | — | — | — | — | — | — | (104.6) | (104.6) |
| March 31, 2019 | 58.5 | \$ 0.6 | \$ 804.4 | \$ (106.9) | \$ 3,652.6 | \$ (1,210.3) | \$ 619.9 | \$ 3,760.3 |

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

| | For the Three Months Ended March 31, | |
|--|--------------------------------------|-----------------|
| | 2018 | 2019 |
| Cash flow from (used in) operating activities: | | |
| Net income (loss) | \$ 224.0 | \$ (133.0) |
| Adjustments to reconcile Net income (loss) to cash flow from (used in) operating activities: | | |
| Intangible amortization and impairments | 23.2 | 29.6 |
| Depreciation and other amortization | 5.5 | 5.2 |
| Deferred income tax expense (benefit) | 13.4 | (86.0) |
| Equity method (income) loss (net) | (96.3) | 358.1 |
| Distributions of earnings received from equity method investments | 225.7 | 96.5 |
| Share-based compensation and Affiliate equity expense | 30.1 | 19.5 |
| Other non-cash items | 1.2 | (4.4) |
| Changes in assets and liabilities: | | |
| Purchases of securities by consolidated Affiliate sponsored investment products | (9.9) | — |
| Sales of securities by consolidated Affiliate sponsored investment products | 12.5 | 1.5 |
| Increase in receivables | (92.4) | (131.3) |
| Increase in other assets | (4.0) | (0.7) |
| Decrease in payables, accrued liabilities and other liabilities | (128.0) | (172.9) |
| Cash flow from (used in) operating activities | <u>205.0</u> | <u>(17.9)</u> |
| Cash flow from (used in) investing activities: | | |
| Investments in Affiliates | — | (34.1) |
| Divestments of Affiliates | — | 28.8 |
| Purchase of fixed assets | (5.5) | (3.0) |
| Purchase of investment securities | (5.0) | (8.7) |
| Sale of investment securities | 6.6 | 16.9 |
| Cash flow used in investing activities | <u>(3.9)</u> | <u>(0.1)</u> |
| Cash flow from (used in) financing activities: | | |
| Borrowings of debt | 440.0 | 336.3 |
| Repayments of debt | (435.0) | (385.0) |
| Repurchases of common stock (net) | (170.1) | (71.0) |
| Dividends paid on common stock | (16.4) | (17.0) |
| Distributions to non-controlling interests | (112.4) | (104.6) |
| Affiliate equity issuances and repurchases (net) | (8.3) | (6.0) |
| Other financing items | (10.9) | 3.6 |
| Cash flow used in financing activities | <u>(313.1)</u> | <u>(243.7)</u> |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 6.7 | 4.0 |
| Net decrease in cash and cash equivalents | (105.3) | (257.7) |
| Cash and cash equivalents at beginning of period | 439.5 | 565.5 |
| Effect of deconsolidation of Affiliate sponsored investment products | — | (2.6) |
| Cash and cash equivalents at end of period | <u>\$ 334.2</u> | <u>\$ 305.2</u> |

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation and Use of Estimates

The Consolidated Financial Statements of Affiliated Managers Group, Inc. (the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for full year financial statements. In the opinion of management, all normal and recurring adjustments considered necessary for a fair statement of the Company’s interim financial position and results of operations have been included and all intercompany balances and transactions have been eliminated. Certain reclassifications have been made to the prior period’s financial statements to conform to the current period’s presentation. Operating results for interim periods are not necessarily indicative of the results that may be expected for any other period or for the full year. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 includes additional information about its operations, financial position and accounting policies, and should be read in conjunction with this Quarterly Report on Form 10-Q.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

All amounts in these notes, except per share data in the text and tables herein, are stated in millions unless otherwise indicated.

2. Accounting Standards and Policies

Recently Adopted Accounting Standards

Effective January 1, 2019, the Company adopted the following new Accounting Standard Updates (“ASUs”):

- ASU 2016-02, Leases (and related ASUs);
- ASU 2018-02, Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income; and
- ASU 2014-09, Revenue from Contracts with Customers (and related ASUs, effective for the Company’s equity method Affiliates)

The adoption of ASU 2016-02 was the only ASU that had a significant impact on the Company’s Consolidated Financial Statements.

The Company adopted ASU 2016-02 using a modified retrospective method and, as a result, recorded a lease liability of \$190.8 million and after certain reclassifications, primarily related to accrued lease payments and unamortized lease incentives, a right-of-use asset of \$163.6 million as of January 1, 2019. Additionally, the Company elected the transition practical expedients provided by ASU 2016-02, which allowed the Company to carryforward its historical lease classification. Having adopted ASU 2016-02, the Company updated its leases accounting policy as described below. For a complete list of significant accounting policies, see the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Leases

Leases are classified as either operating leases or finance leases. The Company and its Affiliates currently lease office space and equipment primarily under operating lease arrangements. As these leases expire, it is expected that, in the normal course of business, they will be renewed or replaced. Whether a lease is classified as an operating lease or a finance lease, the Company and its Affiliates must record a right-of-use asset and a lease liability for all leases at the commencement date of the lease, other than for leases with an initial term of 12 months or less. As permitted under ASU 2016-02, the Company and its Affiliates elect not to record short-term leases with an initial lease term less than 12 months on the Company’s Consolidated Balance Sheets. Right-of-use assets and lease liabilities are reported in Other assets and Other liabilities, respectively, on the Consolidated Balance Sheets. A lease liability is initially and subsequently reported at the present value of the outstanding lease payments determined by discounting those lease payments over the remaining lease term using the incremental borrowing rate of the legal entity entering into the lease as of the commencement date. A right-of-use asset is initially reported at the present value of the corresponding lease liability plus any prepaid lease payments and initial direct costs of entering into the lease, and reduced by any lease incentives. Subsequently, a right-of-use asset is reported at the present value of the lease

AFFILIATED MANAGERS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

liability adjusted for any prepaid or accrued lease payments, remaining balances of any lease incentives received, unamortized initial direct costs of entering into the lease and any impairments of the right-of-use asset. The Company and its Affiliates test for possible impairments of right-of-use assets annually or more frequently whenever events or changes in circumstances indicate that the carrying value of a right-of-use asset may exceed its fair value. If the carrying value of the right-of-use asset exceeds its fair value, then the carrying value of the right-of-use asset is reduced to its fair value and the expense is recorded in Other expenses (net) on the Consolidated Statements of Income. Subsequent to an impairment, the carrying value of the right-of-use asset is amortized on a straight-line basis over the remaining lease term.

Lease liabilities and right-of-use assets based on variable lease payments that depend on an index or rate are initially measured using the index or rate at the commencement date with any subsequent changes in variable lease payments reported in Other expenses (net) as incurred. Most lease agreements for office space that are classified as operating leases contain renewal options, rent escalation clauses or other lease incentives provided by the lessor. Lease expense is accrued to recognize lease escalation provisions and renewal options that are reasonably certain to be exercised, as well as lease incentives provided by the lessor, on a straight-line basis over the lease term and is reported in Other expenses (net). If a right-of-use asset is impaired, the lease expense is subsequently reported in Other expenses (net) as the straight-line amortization of the right-of-use asset and the accretion of the lease liability, thereby transitioning to a front-loaded expense recognition profile for the associated lease.

The Company and its Affiliates combine lease and non-lease components for their office space leases and separate non-lease components for their equipment leases in calculating their lease liabilities. Sublease income is reported in Investment and other income on the Consolidated Statements of Income.

3. Investments in Marketable Securities

The following is a summary of the cost, gross unrealized gains, and losses and fair value of Investments in marketable securities:

| | December 31, 2018 | March 31, 2019 |
|-------------------|----------------------|-------------------|
| Cost | \$ 126.8 | \$ 35.0 |
| Unrealized gains | 1.1 | 1.6 |
| Unrealized losses | (8.6) | (0.2) |
| Fair value | <u>\$ 119.3</u> | <u>\$ 36.4</u> |

For the three months ended March 31, 2018 and 2019, the Company received proceeds of \$13.8 million and \$15.1 million, respectively, from the sale of investments in marketable securities, and recorded net gains of \$2.8 million and \$0.5 million, respectively.

For the three months ended March 31, 2019, the Company deconsolidated an Affiliate sponsored investment product with a fair value of \$84.3 million.

4. Investments in Affiliates and Affiliate Sponsored Investment Products

In evaluating whether an investment must be consolidated, the Company evaluates the risk, rewards and significant terms of each of its Affiliates and other investments to determine if an investment is considered a voting rights entity (“VRE”) or a variable interest entity (“VIE”). An entity is a VRE when the total equity investment at risk is sufficient to enable the entity to finance its activities independently, and when the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to direct the activities of the entity that most significantly impact its economic performance. An entity is a VIE when it lacks one or more of the characteristics of a VRE, which, for the Company, are Affiliate investments structured as partnerships (or similar entities) where the Company is a limited partner and lacks substantive kick-out or substantive participation rights over the general partner. Assessing whether an entity is a VRE or VIE involves judgment. Upon the occurrence of certain events, management reviews and reconsiders its previous conclusion regarding the status of an entity as a VRE or a VIE.

The Company consolidates VREs when it has control over significant operating, financial and investing decisions of the entity. When the Company lacks such control, but is deemed to have significant influence, the Company accounts for the entity under the equity method. Other investments in which the Company does not have rights to exercise significant influence are

AFFILIATED MANAGERS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

recorded at fair value, with changes in fair value reflected within Investment and other income on the Consolidated Statements of Income.

The Company consolidates VIEs when it is the primary beneficiary of the entity, which is defined as having the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of, or the right to receive benefits from, the entity that could potentially be significant to the VIE. Substantially all of the Company's consolidated Affiliates considered VIEs are controlled because the Company holds a majority of the voting interests or it is the managing member or general partner. Furthermore, an Affiliates' assets can be used for purposes other than the settlement of the respective Affiliate's obligations. The Company applies the equity method of accounting to VIEs where the Company is not the primary beneficiary, but has the ability to exercise significant influence over operating and financial matters of the VIE.

Investments in Affiliates

Substantially all of the Company's Affiliates are considered VIEs and are either consolidated or accounted for under the equity method. A limited number of the Company's Affiliates are considered VREs and most of these are accounted for under the equity method.

When an Affiliate is consolidated, the portion of the earnings attributable to Affiliate management's equity ownership is included in Net income (non-controlling interests) in the Consolidated Statements of Income. Undistributed earnings attributable to Affiliate managements' equity ownership, along with their share of any tangible or intangible net assets, are presented within Non-controlling interests on the Consolidated Balance Sheets. Affiliate equity interests where the holder has certain rights to demand settlement are presented, at their current redemption values, as Redeemable non-controlling interests on the Consolidated Balance Sheets. The Company periodically issues, sells and repurchases the equity of its consolidated Affiliates. Because these transactions take place between entities that are under common control, any gains or losses attributable to these transactions are required to be included within Additional paid-in capital in the Consolidated Balance Sheets, net of any related income tax effects in the period the transaction occurs.

When an Affiliate is accounted for under the equity method, the Company's share of an Affiliate's earnings or losses, net of amortization and impairments, is included in Equity method income (loss) (net) in the Consolidated Statements of Income and the carrying value of the Affiliate is reported in Equity method investments in Affiliates (net) in the Consolidated Balance Sheets. Any deferred taxes recorded upon acquisition of an equity method Affiliate are presented on a gross basis within Equity method investments in Affiliates (net) and Deferred income tax liability (net) in the Consolidated Balance Sheets. The Company's share of income taxes incurred directly by Affiliates accounted for under the equity method is recorded within Income tax expense (benefit) in the Consolidated Statements of Income.

The Company periodically evaluates its equity method Affiliates for impairment. In such impairment evaluations, the Company assesses whether or not the fair value of the investment has declined below its carrying value for a period considered to be other-than-temporary. If the Company determines that a decline in fair value below the carrying value of the investment is other-than-temporary, then the carrying value of the investment is reduced to its fair value and the expense is recorded in Equity method income (loss) (net).

The unconsolidated assets, net of liabilities and non-controlling interests of equity method Affiliates considered VIEs, and the Company's carrying value and maximum exposure to loss, were as follows:

| | December 31, 2018 | | March 31, 2019 | |
|--|----------------------------------|---|----------------------------------|---|
| | Unconsolidated VIE Net Assets | Carrying Value and Maximum Exposure to Loss | Unconsolidated VIE Net Assets | Carrying Value and Maximum Exposure to Loss |
| Affiliates accounted for under the equity method | \$ 1,102.9 | \$ 2,277.8 | \$ 1,167.6 | \$ 1,822.9 |

As of December 31, 2018 and March 31, 2019, the carrying value and maximum exposure to loss for all of the Company's equity method Affiliates was \$2,791.0 million and \$2,318.5 million, respectively, including equity method Affiliates considered VREs of \$513.2 million and \$495.6 million, respectively.

AFFILIATED MANAGERS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Affiliate Sponsored Investment Products

The Company's Affiliates sponsor various investment products where they also act as the investment adviser. These investment products are typically owned primarily by third-party investors; however, certain products are funded with general partner and seed capital investments from the Company and its Affiliates.

Third-party investors in Affiliate sponsored investment products are generally entitled to substantially all of the economics of these products, except for the asset and performance based fees earned by the Company's Affiliates or any gains or losses attributable to the Company's or its Affiliates' investments in these products. As a result, the Company does not generally consolidate these products unless the Company's or its consolidated Affiliate's interest in the product is considered substantial. When the Company's or its consolidated Affiliates' interests are considered substantial and the products are consolidated, the Company retains the specialized investment company accounting principles of the underlying products, and all of the underlying investments are carried at fair value in Investments in marketable securities in the Consolidated Balance Sheets, with corresponding changes in the investments' fair values reflected in Investment and other income. Purchases and sales of securities are presented within purchases and sales by consolidated Affiliate sponsored investment products in the Consolidated Statements of Cash Flows and the third-party investors' interests are recorded in Redeemable non-controlling interests. When the Company or its consolidated Affiliates no longer control these products, due to a reduction in ownership or other reasons, the products are deconsolidated with only the Company's or its consolidated Affiliate's investment in the product reported from the date of deconsolidation.

The Company's carrying value, and maximum exposure to loss from unconsolidated Affiliate sponsored investment products, is its or its consolidated Affiliate's interest in the unconsolidated net assets of the respective products. The net assets of unconsolidated VIEs attributable to Affiliate sponsored investment products, and the Company's carrying value and maximum exposure to loss, were as follows:

| | December 31, 2018 | | March 31, 2019 | |
|---|----------------------------------|---|----------------------------------|---|
| | Unconsolidated VIE Net Assets | Carrying Value and Maximum Exposure to Loss | Unconsolidated VIE Net Assets | Carrying Value and Maximum Exposure to Loss |
| Affiliate sponsored investment products | \$ 2,216.5 | \$ 1.1 | \$ 2,208.5 | \$ 0.6 |

5. Debt

The Company's Debt consisted of the following:

| | December 31, 2018 | March 31, 2019 |
|-------------------------------|----------------------|-------------------|
| Senior bank debt | \$ 779.7 | \$ 459.7 |
| Senior notes | 742.5 | 742.8 |
| Junior convertible securities | 307.4 | 308.2 |
| Junior subordinated notes | — | 270.0 |
| Debt | \$ 1,829.6 | \$ 1,780.7 |

Long-term debt is carried at amortized cost. Unamortized discounts and debt issuance costs related to long-term debt are presented in the Consolidated Balance Sheets as an adjustment to the carrying value of the associated long-term debt.

Senior Bank Debt

On January 18, 2019, the Company amended and restated its existing credit facilities to provide for a \$1.25 billion senior unsecured multicurrency revolving credit facility (the "revolver") and a \$450.0 million senior unsecured term loan facility (the "term loan" and, together with the revolver, the "credit facilities"). The revolver matures on January 18, 2024, and the term loan matures on January 18, 2023. Subject to certain conditions, the Company may increase the commitments under the revolver by up to an additional \$500.0 million and may borrow up to an additional \$75.0 million under the term loan. The Company pays interest on any outstanding obligations under the credit facilities at specified rates, based either on an applicable LIBOR or prime rate, plus a marginal rate determined based on its credit rating. For the three months ended March 31, 2019, the interest rate for substantially all of the Company's borrowings under the credit facilities was LIBOR plus 1.10% for the revolver and LIBOR plus 0.875% for the term loan.

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Junior Subordinated Notes

On March 27, 2019, the Company issued \$280.0 million of junior subordinated notes with a maturity date of March 30, 2059. The junior subordinated notes bear interest at a fixed rate of 5.875% per annum, payable quarterly in cash, commencing on June 30, 2019, subject to the Company's right to defer interest payments in accordance with the terms of the junior subordinated notes. The junior subordinated notes were issued at 100% of the principal amount and rank junior and subordinate in right of payment and upon liquidation to all of the Company's current and future senior indebtedness. On or after March 30, 2024, at the Company's option, the junior subordinated notes may be redeemed in whole or in part, at 100% of the principal amount, plus any accrued and unpaid interest. Prior to March 30, 2024, at the Company's option, the junior subordinated notes may be redeemed in whole but not in part, at 100% of the principal amount, plus any accrued and unpaid interest, if certain changes in tax laws, regulations or interpretations occur; or at 102% of the principal amount, plus any accrued and unpaid interest, if a rating agency makes certain changes relating to the equity credit criteria for securities with features similar to the junior subordinated notes.

On April 8, 2019, the Company issued an additional \$20.0 million of junior subordinated notes pursuant to the underwriters' exercise of an overallotment option, which increased the total amount issued to \$300.0 million.

6. Equity Distribution Program

On March 27, 2019, the Company entered into equity distribution and forward equity agreements with several major securities firms under which it may, from time to time, issue and sell shares of its common stock (immediately or on a forward basis) having an aggregate sales price of up to \$500.0 million (the "equity distribution program"). This equity distribution program superseded and replaced the Company's prior equity distribution program. As of March 31, 2019, no sales had occurred under the new or prior equity distribution program.

7. Derivative Financial Instruments

The Company and its Affiliates may use derivative financial instruments to offset exposure to changes in interest rates, foreign currency exchange rates and markets.

The Company has two separate pound sterling-denominated forward foreign currency contracts (the "forward contracts") with a large financial institution (the "counterparty"). Concurrent to entering into each of the forward contracts, the Company also entered into two separate collar contracts (the "collar contracts") with the same counterparty for the same notional amounts and expiration dates as the forward contracts. Under one of the forward contracts, the Company will deliver £285.8 million for \$400.0 million in 2024 and under the other forward contract, the Company will deliver £325.3 million for \$450.0 million in 2021. Under one of the collar contracts, the Company sold a put option with a lower strike price of 1.288 U.S. dollars per one pound sterling and purchased a call option with an upper strike price of 1.535 U.S. dollars per one pound sterling. Under the other collar contract, the Company sold a put option with a lower strike price of 1.318 U.S. dollars per one pound sterling and purchased a call option with an upper strike price of 1.448 U.S. dollars per one pound sterling.

The combination of the forward contracts and the collar contracts were designated as net investment hedges against fluctuations in foreign currency exchange rates on certain of the Company's investments in Affiliates with the pound sterling as their functional currency.

Changes in the fair values of the effective net investment hedges are reported in Foreign currency translation gain (loss) in the Consolidated Statements of Comprehensive Income. The Company assesses hedge effectiveness on a quarterly basis.

The Company's Affiliates use forward foreign currency contracts to hedge the risk of foreign exchange rate movements, which were not significant for the three months ended March 31, 2018 and 2019.

Derivative financial instruments are presented in Other assets when in an unrealized gain position and in Other liabilities when in an unrealized loss position. When a right to offset exists between derivative financial instruments they are presented net in the Consolidated Balance Sheets. The following table summarizes the Company's and its Affiliates' derivative financial instruments measured at fair value on a recurring basis:

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| | December 31, 2018 | | March 31, 2019 | |
|-------------------|-------------------|-------------|----------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Forward contracts | \$ 32.0 | \$ (1.4) | \$ 17.2 | \$ (0.0) |
| Put options | — | (60.3) | — | (42.4) |
| Call options | 34.1 | — | 26.6 | — |
| Total | \$ 66.1 | \$ (61.7) | \$ 43.8 | \$ (42.4) |

The following table summarizes the effect of the derivative financial instruments on the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Income. For the three months ended March 31, 2018, the Company and its Affiliates did not have any significant derivative financial instruments.

| | For the Three Months Ended March 31, 2019 | |
|-------------------|--|---|
| | Gain (Loss) Recognized in Other Comprehensive Income | Gain Recognized in Earnings from Excluded Components ⁽¹⁾ |
| Forward contracts | \$ (16.8) | \$ 3.5 |
| Put options | 17.9 | — |
| Call options | (7.5) | — |
| Total | \$ (6.4) | \$ 3.5 |

⁽¹⁾ The excluded components of the forward contracts are recognized in earnings on a straight-line basis over the respective period of the contracts as a reduction to Interest expense on the Consolidated Statements of Income.

As of March 31, 2019, the Company and its Affiliates did not have any significant gains (losses) reclassified from Accumulated other comprehensive loss into earnings.

The terms of the Company's forward contracts and collar contracts provide net settlement rights and require the Company and the counterparty to post cash collateral in certain circumstances throughout the duration of the contracts. As of March 31, 2019, the Company did not hold any cash collateral from the counterparty and the counterparty held \$14.9 million of cash collateral from the Company.

The derivative contracts are governed by an International Swaps and Derivative Association ("ISDA") Master Agreement with the counterparty, which provides for settlement netting and close-out netting between the Company and the counterparty, which are legally enforceable rights to setoff. The Company also actively monitors its counterparty credit risk related to derivative financial instruments. The Company's derivative contracts include provisions to protect against counterparty rating downgrades, which in certain cases may result in the counterparty posting additional collateral to the Company or give the Company a termination right. The Company considers set-off rights and counterparty credit risk in the valuation of its positions and recognizes a credit valuation adjustment as appropriate. The Company's forward contracts and collar contracts include contingent features that could require the Company or the counterparty to post additional collateral or give rise to termination rights, if certain specified rating downgrades were to occur. As of March 31, 2019, there were no derivative arrangements with a contingent feature that were in a net liability position.

8. Commitments and Contingencies

From time to time, the Company and its Affiliates may be subject to claims, legal proceedings and other contingencies in the ordinary course of their business activities. Any such matters are subject to various uncertainties, and it is possible that some of these matters may be resolved in a manner unfavorable to the Company or its Affiliates. The Company and its Affiliates establish accruals, as necessary, for matters for which the outcome is probable and the amount of the liability can be reasonably estimated.

The Company has committed to co-invest in certain Affiliate sponsored investment products. As of March 31, 2019, these unfunded commitments were \$146.6 million and may be called in future periods.

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As of March 31, 2019, the Company was contingently liable, upon the achievement by certain Affiliates of specified financial targets, to make payments of \$152.5 million through 2020 related to the Company's investments in these Affiliates. As of March 31, 2019, the Company expected to make no significant payments for contingent payment arrangements.

Affiliate equity interests provide holders with a conditional right to put their interests to the Company over time. See Note 16 for additional information. In addition, in connection with one of the Company's investments in a non-U.S. alternative Affiliate accounted for under the equity method, the Company entered into an arrangement with a minority owner of the Affiliate that gives such owner the right to elect to sell a portion of its 19% ownership interest in the Affiliate to the Company annually. The purchase price of these conditional purchases will be at fair market value. During the three months ended March 31, 2019, the Company was notified by the minority owner that it had elected to sell a 5% ownership interest in the Affiliate to the Company. The Company will pay \$25.7 million for the interest, and the sale is expected to be completed in the second quarter of 2019. The Company will continue to account for the Affiliate under the equity method.

The Company and certain of its consolidated Affiliates operate under regulatory authorities that require the maintenance of minimum financial or capital requirements. Management is not aware of any significant violations of such requirements.

9. Fair Value Measurements

The following tables summarize the Company's financial assets and liabilities that are measured at fair value on a recurring basis:

| | Fair Value Measurements | | | |
|---|-------------------------|---|---|---|
| | December 31, 2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets | | | | |
| Investments in marketable securities | \$ 119.3 | \$ 119.3 | \$ — | \$ — |
| Derivative financial instruments ⁽¹⁾ | 5.8 | — | 5.8 | — |
| Financial Liabilities⁽²⁾ | | | | |
| Contingent payment arrangements | \$ 1.9 | \$ — | \$ — | \$ 1.9 |
| Affiliate equity repurchase obligations | 36.2 | — | — | 36.2 |
| Derivative financial instruments | 1.4 | — | 1.4 | — |

| | Fair Value Measurements | | | |
|---|-------------------------|---|---|---|
| | March 31, 2019 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets | | | | |
| Investments in marketable securities | \$ 36.4 | \$ 36.4 | \$ — | \$ — |
| Derivative financial instruments ⁽¹⁾ | 1.4 | — | 1.4 | — |
| Financial Liabilities⁽²⁾ | | | | |
| Contingent payment arrangements | \$ 2.0 | \$ — | \$ — | \$ 2.0 |
| Affiliate equity repurchase obligations | 75.4 | — | — | 75.4 |
| Derivative financial instruments | 0.0 | — | 0.0 | — |

⁽¹⁾ Amounts are presented within Other assets.

⁽²⁾ Amounts are presented within Other liabilities.

Level 3 Financial Assets and Liabilities

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The following table presents the changes in level 3 liabilities:

| | For the Three Months Ended March 31, | | | |
|--|--------------------------------------|---|---------------------------------|---|
| | 2018 | | 2019 | |
| | Contingent Payment Arrangements | Affiliate Equity Repurchase Obligations | Contingent Payment Arrangements | Affiliate Equity Repurchase Obligations |
| Balance, beginning of period | \$ 9.4 | \$ 49.2 | \$ 1.9 | \$ 36.2 |
| Net realized and unrealized losses ⁽¹⁾ | 0.4 | — | 0.1 | — |
| Purchases and issuances ⁽²⁾ | — | 45.6 | — | 54.6 |
| Settlements and reductions | — | (15.4) | — | (15.4) |
| Balance, end of period | <u>\$ 9.8</u> | <u>\$ 79.4</u> | <u>\$ 2.0</u> | <u>\$ 75.4</u> |
| Net change in unrealized losses relating to instruments still held at the reporting date | \$ 0.4 | \$ — | \$ 0.3 | \$ — |

⁽¹⁾ Accretion expense for these arrangements is recorded in Interest expense.

⁽²⁾ Includes transfers from Redeemable non-controlling interests.

The following table presents certain quantitative information about the significant unobservable inputs used in valuing the Company's level 3 fair value measurements:

| Quantitative Information About Level 3 Fair Value Measurements | | | | | | | | |
|--|----------------------|--------------------|-------------------|-----------|------------------|----------------|-----------|------------------|
| | Valuation Techniques | Unobservable Input | December 31, 2018 | | | March 31, 2019 | | |
| | | | Fair Value | Range | Weighted Average | Fair Value | Range | Weighted Average |
| Contingent payment arrangements | Discounted cash flow | Growth rates | \$ 1.9 | 7% | 7% | \$ 2.0 | 7% | 7% |
| | | Discount rates | | 15% | 15% | | 15% | 15% |
| Affiliate equity repurchase obligations | Discounted cash flow | Growth rates | 36.2 | (4)% - 9% | 3% | 75.4 | (4)% - 9% | 5% |
| | | Discount rates | | 14% - 16% | 15% | | 13% - 17% | 15% |

Contingent payment arrangements represent the present value of the expected future settlement amounts related to the Company's investments in consolidated Affiliates. As of March 31, 2019, there were no changes to growth rates or discount rates that had a significant impact to contingent payment arrangements.

Affiliate equity repurchase obligations include agreements to repurchase Affiliate equity. As of March 31, 2019, there were no changes to growth or discount rates that had a significant impact to Affiliate equity repurchase obligations recorded in prior periods.

Investments Measured at NAV as a Practical Expedient

The Company's Affiliates sponsor investment products in which the Company and its Affiliates may make general partner and seed capital investments. The Company uses the net asset value ("NAV") of these investments as a practical expedient for their fair values and reports these investments within Other investments. The following table summarizes the fair values of these investments and unfunded commitments:

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| Category of Investment | December 31, 2018 | | March 31, 2019 | |
|-------------------------------------|-------------------|----------------------|----------------|----------------------|
| | Fair Value | Unfunded Commitments | Fair Value | Unfunded Commitments |
| Private equity funds ⁽¹⁾ | \$ 193.2 | \$ 131.0 | \$ 198.5 | \$ 146.6 |
| Other funds ⁽²⁾ | 7.9 | — | 9.0 | — |
| Other investments ⁽³⁾ | \$ 201.1 | \$ 131.0 | \$ 207.5 | \$ 146.6 |

⁽¹⁾ The Company uses NAV as a practical expedient one quarter in arrears (adjusted for current period calls and distributions) to determine the fair value. These funds primarily invest in a broad range of private equity funds, as well as making direct investments. Distributions will be received as the underlying assets are liquidated over the life of the funds, which is generally up to 15 years.

⁽²⁾ These are multi-disciplinary funds that invest across various asset classes and strategies, including long/short equity, credit and real estate. Investments are generally redeemable on a daily, monthly or quarterly basis.

⁽³⁾ Fair value attributable to the controlling interest was \$123.2 million and \$131.3 million as of December 31, 2018 and March 31, 2019, respectively.

Other Financial Assets and Liabilities Not Carried at Fair Value

The Company has other financial assets and liabilities, which are not required to be carried at fair value, but the Company is required to disclose their fair values. The carrying amount of Cash and cash equivalents, Receivables, and Payables and accrued liabilities approximates fair value because of the short-term nature of these instruments. The carrying value of notes receivable, which is reported in Other assets, approximates fair value because interest rates and other terms are at market rates. The carrying value of the credit facilities approximates fair value because the credit facilities have variable interest based on selected short-term rates. The following table summarizes the Company's other financial liabilities not carried at fair value:

| | December 31, 2018 | | March 31, 2019 | | Fair Value Hierarchy |
|-------------------------------|-------------------|------------|----------------|------------|----------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value | |
| Senior notes | \$ 746.2 | \$ 747.5 | \$ 746.4 | \$ 760.6 | Level 2 |
| Junior convertible securities | 312.5 | 391.5 | 313.2 | 436.7 | Level 2 |
| Junior subordinated notes | — | — | 271.3 | 275.3 | Level 2 |

10. Goodwill and Acquired Client Relationships

The following tables present the changes in the Company's consolidated Affiliates' Goodwill and components of Acquired client relationships (net):

| | Goodwill |
|----------------------------------|------------|
| Balance, as of December 31, 2018 | \$ 2,633.4 |
| Foreign currency translation | 9.0 |
| Balance, as of March 31, 2019 | \$ 2,642.4 |

| | Acquired Client Relationships (Net) | | | | |
|---|-------------------------------------|--------------------------|----------------|------------------|----------------|
| | Gross Book Value | Definite-lived | | Indefinite-lived | Total |
| | | Accumulated Amortization | Net Book Value | Net Book Value | Net Book Value |
| Balance, as of December 31, 2018 | \$ 1,292.5 | \$ (988.9) | \$ 303.6 | \$ 1,006.3 | \$ 1,309.9 |
| Intangible amortization and impairments | — | (29.6) | (29.6) | — | (29.6) |
| Foreign currency translation | 1.0 | — | 1.0 | 8.2 | 9.2 |
| Balance, as of March 31, 2019 | \$ 1,293.5 | \$ (1,018.5) | \$ 275.0 | \$ 1,014.5 | \$ 1,289.5 |

Definite-lived acquired client relationships are amortized over their expected period of economic benefit. The Company recorded amortization expense within Intangible amortization and impairments in the Consolidated Statements of Income for

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these relationships of \$23.2 million and \$29.6 million for the three months ended March 31, 2018 and 2019, respectively. Based on relationships existing as of March 31, 2019, the Company estimates that its consolidated annual amortization expense will be approximately \$120 million in 2019, approximately \$90 million in 2020, and approximately \$65 million in each of 2021, 2022 and 2023.

11. Equity Method Investments in Affiliates

The following table presents the change in Equity method investments in Affiliates (net):

| | Equity Method Investments in Affiliates (Net) |
|---|--|
| Balance, as of December 31, 2018 | \$ 2,791.0 |
| Earnings | 80.1 |
| Intangible amortization and impairments | (438.2) |
| Distributions of earnings | (96.5) |
| Foreign currency translation | (16.9) |
| Investments in Affiliates | 34.1 |
| Divestments of Affiliates | (28.8) |
| Other | (6.3) |
| Balance, as of March 31, 2019 | <u>\$ 2,318.5</u> |

Definite-lived acquired relationships at the Company's equity method Affiliates are amortized over their expected period of economic benefit. The Company recognized amortization expense for these relationships of \$30.0 million and \$23.2 million for the three months ended March 31, 2018 and 2019, respectively. Based on relationships existing as of March 31, 2019, the Company estimates the annual amortization expense attributable to its equity method Affiliates will be approximately \$90 million in each of 2019 and 2020, and approximately \$85 million in each of 2021, 2022 and 2023.

During the three months ended March 31, 2019, the Company recognized a \$415.0 million expense to reduce the carrying value of one of its equity method Affiliates to its fair value. A series of precipitating events led the Company to conclude in March 2019 that the growth expectations of a U.S. credit alternative Affiliate of the Company had declined significantly, which the Company determined constituted a triggering event. The Affiliate's flagship product has underperformed. The cumulative effect of associated redemptions and scaled-down fundraising expectations reduced expected asset and performance based fees and operating margin at the Affiliate. This led to a significant decrease in projected operating cash flows available to fund the Affiliate's growth strategy, prompting a change in the strategic objectives of the Affiliate, including exiting the systematic equity business and reducing the number of new investment strategies being pursued. The Company determined that the estimated fair value of the Affiliate had declined meaningfully. Therefore, the Company performed a valuation to determine whether the fair value of the Affiliate had declined below its carrying value using a discounted cash flow analysis, a level 3 fair value measurement. The Company assumed projected compounded asset based fee growth over the first five years of (13)%, discount rates of 11% and 20% for asset and performance based fees, respectively, and a market participant tax rate of 25%. Based on the discounted cash flow analysis, the Company concluded that the fair value of its investment had declined below its carrying value and that the decline was other-than-temporary.

12. Lease Commitments

The Company and its Affiliates currently lease office space and equipment under various operating leasing arrangements. The following table presents total lease costs (net):

| | For the Three Months Ended March 31, 2019 |
|-------------------------|--|
| Operating lease costs | \$ 9.0 |
| Short-term lease costs | 0.5 |
| Variable lease costs | 0.1 |
| Sublease income | (1.0) |
| Total lease costs (net) | <u>\$ 8.6</u> |

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For the three months ended March 31, 2019, cash flows for operating leases were \$8.9 million and there were no significant right-of-use assets obtained in exchange for new operating leases. As of March 31, 2019, the Company's and its Affiliates' weighted average operating lease term was 7.9 years and the weighted average operating lease discount rate was 4.1%.

As of March 31, 2019, the maturity of lease liabilities were as follows:

| | Operating Leases |
|---|-------------------------|
| Remainder of 2019 | \$ 25.0 |
| 2020 | 37.0 |
| 2021 | 35.9 |
| 2022 | 27.9 |
| 2023 | 23.6 |
| Thereafter | 76.6 |
| Total undiscounted lease liabilities⁽¹⁾ | \$ 226.0 |

⁽¹⁾ Total undiscounted lease liabilities were \$42.3 million greater than the operating leases recorded in Other liabilities primarily due to present value discounting. Both amounts exclude leases with initial terms of 12 months or less and leases that have not yet commenced.

In connection with the Company's adoption of ASU 2016-02, the Company was not required, and did not, update prior period disclosures from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018. The Company's reported aggregate required minimum payments for operating leases having initial or non-cancelable lease terms greater than one year under the old standard as of December 31, 2018 were as follows:

| Year | Required Minimum Payments |
|-------------|----------------------------------|
| 2019 | \$ 35.5 |
| 2020 | 36.9 |
| 2021 | 34.8 |
| 2022 | 27.7 |
| 2023 | 23.4 |
| Thereafter | 75.2 |

13. Related Party Transactions

A prior owner of one of the Company's consolidated Affiliates retained interests in certain of the Affiliate's private equity partnerships and, as a result, is a related party of the Company. The prior owner's interests are presented in Other liabilities and were \$49.7 million and \$46.1 million as of December 31, 2018 and March 31, 2019, respectively.

The Company and its Affiliates earn asset and performance based fees and incur distribution and other expenses for services provided to Affiliate sponsored investment products. In addition, Affiliate management owners and the Company's officers may serve as trustees or directors of certain investment vehicles from which the Company or an Affiliate earns fees.

The Company has related party transactions in association with its Affiliate equity transactions, as more fully described in Notes 15 and 16.

The Company's executive officers and directors may invest from time to time in funds advised by its Affiliates on substantially the same terms as other investors.

14. Share-Based Compensation

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The following table presents share-based compensation expense:

| | For the Three Months Ended March 31, | |
|--------------------------|--------------------------------------|--------|
| | 2018 | 2019 |
| Share-based compensation | \$ 10.7 | \$ 8.8 |
| Tax benefit | 2.7 | 1.8 |

As of December 31, 2018, the Company had unrecognized share-based compensation expense of \$54.1 million. As of March 31, 2019, the Company had unrecognized share-based compensation expense of \$77.9 million, which will be recognized over a weighted average period of approximately two years (assuming no forfeitures).

Stock Options

The following table summarizes transactions in the Company's stock options:

| | Stock Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
|---|---------------|---------------------------------|---|
| Unexercised options outstanding - December 31, 2018 | 0.5 | \$ 130.81 | |
| Options granted | 0.0 | 110.02 | |
| Options exercised | (0.0) | 107.63 | |
| Options forfeited | (0.0) | 122.67 | |
| Unexercised options outstanding - March 31, 2019 | 0.5 | 130.54 | 3.7 |
| Exercisable at March 31, 2019 | 0.4 | 129.01 | 3.4 |

For the three months ended March 31, 2018 and 2019, the Company granted stock options with fair values of \$0.5 million in each period. Stock options generally vest over a period of three to four years and expire seven years after the grant date. All options have been granted with exercise prices equal to the closing price of the Company's common stock on the grant date. In certain circumstances, option awards also require certain performance conditions to be satisfied in order for the options to be exercised.

The fair value of options granted was estimated using the Black-Scholes option pricing model and were \$53.81 and \$33.58, per option, for the three months ended March 31, 2018 and 2019, respectively. The weighted average grant date assumptions used to estimate the fair value of options granted were as follows:

| | For the Three Months Ended March 31, | |
|-------------------------------------|--------------------------------------|-------|
| | 2018 | 2019 |
| Dividend yield | 0.7% | 1.2% |
| Expected volatility | 24.6% | 31.9% |
| Risk-free interest rate | 2.6% | 2.6% |
| Expected life of options (in years) | 5.7 | 5.7 |
| Forfeiture rate | —% | —% |

Restricted Stock

The following table summarizes transactions in the Company's restricted stock units:

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| | Restricted Stock Units | Weighted Average Grant Date Value |
|------------------------------------|---------------------------|--|
| Unvested units - December 31, 2018 | 0.6 | \$ 172.74 |
| Units granted | 0.3 | 110.02 |
| Units vested | (0.2) | 169.93 |
| Units forfeited | (0.0) | 156.63 |
| Unvested units - March 31, 2019 | <u>0.7</u> | <u>145.80</u> |

For the three months ended March 31, 2018 and 2019, the Company granted restricted stock unit awards with fair values of \$36.7 million and \$32.6 million, respectively. These awards were valued based on the closing price of the Company's common stock on the grant date and the number of awards expected to be delivered. Awards containing vesting conditions generally require service over a period of three to four years and may also require the satisfaction of certain performance conditions. In certain cases, awards with performance conditions may use structures whereby the number of shares of the Company's common stock that an employee ultimately receives at vesting will be equal to the base number of restricted stock units granted, multiplied by a predetermined percentage determined in accordance with the Company's attainment of certain pre-established performance measures and could be higher or lower than the original restricted stock unit grant. During the three months ended March 31, 2019, there were no changes in the Company's estimate of the number of shares expected to be delivered.

15. Redeemable Non-Controlling Interests

Affiliate equity interests provide holders with an equity interest in one of the Company's Affiliates, consistent with the structured partnership interests in place at the respective Affiliate. Affiliate equity holders generally have a conditional right to put their interests to the Company at certain intervals (between five and 15 years from the date the equity interest is received or on an annual basis following an Affiliate equity holder's departure). Prior to becoming redeemable, the value of the Company's Affiliate equity is presented within Non-controlling interests. Upon becoming redeemable, the value of these interests is reclassified and the current redemption value of these interests is presented as Redeemable non-controlling interests. Changes in the current redemption value are recorded to Additional paid-in capital. When the Company receives a put notice, and, therefore, has an unconditional obligation to repurchase Affiliate equity interests, they are reclassified to Other liabilities. The following table presents the changes in Redeemable non-controlling interests:

| | Redeemable Non- controlling Interests |
|--|--|
| Balance, as of December 31, 2018 ⁽¹⁾ | \$ 833.7 |
| Changes attributable to consolidated Affiliate sponsored investment products | (84.5) |
| Transfers to Other liabilities | (54.6) |
| Transfers from Non-controlling interests | 47.3 |
| Changes in redemption value | 12.9 |
| Balance, as of March 31, 2019 ⁽¹⁾ | <u>\$ 754.8</u> |

⁽¹⁾ As of December 31, 2018 and March 31, 2019, Redeemable non-controlling interests includes consolidated Affiliate sponsored investment products primarily attributable to third-party investors of \$91.0 million and \$6.5 million, respectively.

16. Affiliate Equity

Affiliate equity interests are allocated income in a manner that is consistent with the structured partnership interests in place at the respective Affiliate. The Company's Affiliates generally pay quarterly distributions to Affiliate equity holders. For the three months ended March 31, 2018 and 2019, distributions paid to Affiliate equity holders (non-controlling interests) were \$112.4 million and \$104.6 million, respectively.

The Company periodically repurchases Affiliate equity interests from and issues Affiliate equity interests to its Affiliate partners and its officers. For the three months ended March 31, 2018 and 2019, the amount of cash paid for repurchases was

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\$14.5 million and \$15.4 million, respectively. For the three months ended March 31, 2018 and 2019, the total amount of cash received for issuances was \$6.2 million and \$9.4 million, respectively.

Sales and repurchases of Affiliate equity generally occur at fair value; however, the Company also grants Affiliate equity to its Affiliate partners and its officers as a form of compensation. If the equity is issued for consideration below the fair value of the equity, or repurchased for consideration above the fair value of the equity, the difference is recorded as compensation expense in Compensation and related expenses in the Consolidated Statements of Income over the requisite service period.

The following table presents Affiliate equity compensation expense:

| | For the Three Months Ended March 31, | |
|---------------------------|--------------------------------------|----------------|
| | 2018 | 2019 |
| Controlling interest | \$ 2.6 | \$ 2.2 |
| Non-controlling interests | 16.8 | 8.5 |
| Total | \$ 19.4 | \$ 10.7 |

The following table presents unrecognized Affiliate equity compensation expense:

| | Controlling Interest | Remaining Life | Non-controlling Interests | Remaining Life |
|-------------------|----------------------|----------------|---------------------------|----------------|
| December 31, 2018 | \$ 38.7 | 5 years | \$ 118.3 | 6 years |
| March 31, 2019 | 41.0 | 5 years | 123.4 | 6 years |

The Company records amounts receivable from and payable to Affiliate equity holders in connection with the transfer of Affiliate equity interests that have not settled at the end of the period. The total receivable was \$16.2 million and \$15.0 million as of December 31, 2018 and March 31, 2019, respectively, and was included in Other assets. The total payable was \$36.2 million and \$75.4 million as of December 31, 2018 and March 31, 2019, respectively, and was included in Other liabilities.

Effects of Changes in the Company's Ownership in Affiliates

The Company periodically acquires interests from, and transfers interests to, Affiliate equity holders. Because these transactions do not result in a change of control, any gain or loss related to these transactions is recorded to Additional paid-in capital, which increases or decreases the controlling interest's equity. No gain or loss related to these transactions is recognized in the Consolidated Statements of Income or the Consolidated Statements of Comprehensive Income.

While the Company presents the current redemption value of Affiliate equity within Redeemable non-controlling interests, with changes in the current redemption value increasing or decreasing the controlling interest's equity over time, the following table presents the cumulative effect that ownership changes had on the controlling interest's equity related only to Affiliate equity transactions that settled during the applicable periods:

| | For the Three Months Ended March 31, | |
|---|--------------------------------------|-------------------|
| | 2018 | 2019 |
| Net income (loss) (controlling interest) | \$ 153.0 | \$ (200.8) |
| Decrease in controlling interest paid-in capital from Affiliate equity issuances | (1.0) | (0.7) |
| Decrease in controlling interest paid-in capital from Affiliate equity repurchases | (33.1) | (17.3) |
| Net income (loss) (controlling interest) including the net impact of Affiliate equity transactions | \$ 118.9 | \$ (218.8) |

17. Income Taxes

The Company's consolidated income tax provision includes taxes attributable to the controlling interest and, to a lesser extent, taxes attributable to the non-controlling interests.

The following table presents the consolidated provision for income taxes:

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| | For the Three Months Ended March 31, | |
|--|--------------------------------------|---------------|
| | 2018 | 2019 |
| Controlling interest: | | |
| Current taxes | \$ 47.3 | \$ 21.1 |
| Intangible-related deferred taxes | 13.2 | (93.8) |
| Other deferred taxes | 0.3 | 7.9 |
| Total controlling interest | 60.8 | (64.8) |
| Non-controlling interests: | | |
| Current taxes | \$ 2.8 | \$ 3.1 |
| Deferred taxes | (0.1) | (0.1) |
| Total non-controlling interests | 2.7 | 3.0 |
| Income tax expense (benefit) | \$ 63.5 | \$ (61.8) |
| Income (loss) before income taxes (controlling interest) | \$ 213.8 | \$ (265.6) |
| Effective tax rate (controlling interest) ⁽¹⁾ | 28.4% | 24.4% |

⁽¹⁾ Taxes attributable to the controlling interest divided by Income (loss) before income taxes (controlling interest).

18. Earnings Per Share

The calculation of Earnings (loss) per share (basic) is based on the weighted average number of shares of the Company's common stock outstanding during the period. Earnings (loss) per share (diluted) is similar to Earnings (loss) per share (basic), but adjusts for the dilutive effect of the potential issuance of incremental shares of the Company's common stock. The following is a reconciliation of the numerator and denominator used in the calculation of basic and diluted earnings per share available to common stockholders:

| | For the Three Months Ended March 31, | |
|---|--------------------------------------|------------|
| | 2018 | 2019 |
| Numerator | | |
| Net income (loss) (controlling interest) | \$ 153.0 | \$ (200.8) |
| Interest expense on junior convertible securities, net of taxes | 4.7 | — |
| Net income (loss) (controlling interest), as adjusted | \$ 157.7 | \$ (200.8) |
| Denominator | | |
| Average shares outstanding (basic) | 54.6 | 51.9 |
| Effect of dilutive instruments: | | |
| Stock options and restricted stock units | 0.2 | — |
| Junior convertible securities | 2.2 | — |
| Average shares outstanding (diluted) | 57.0 | 51.9 |

Average shares outstanding (diluted) in the table above excludes share-based awards that have not satisfied performance conditions and the anti-dilutive effect of the following:

| | For the Three Months Ended March 31, | |
|--|--------------------------------------|------|
| | 2018 | 2019 |
| Stock options and restricted stock units | 0.1 | 0.6 |
| Junior convertible securities | — | 2.2 |

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The Company may settle portions of its Affiliate equity purchases in shares of its common stock. Because it is the Company's intention to settle these potential purchases in cash, the calculation of Average shares outstanding (diluted) excludes any potential dilutive effect from possible share settlements of Affiliate equity purchases.

For the three months ended March 31, 2019, the Company repurchased 0.9 million shares of its common stock at an average price per share of \$106.09.

19. Comprehensive Income

The following tables present the tax effects allocated to each component of Other comprehensive income (loss):

| | For the Three Months Ended March 31, | | | | | |
|--|--------------------------------------|--------------------------|------------|----------|--------------------------|------------|
| | 2018 | | | 2019 | | |
| | Pre-Tax | Tax Benefit (Expense) | Net of Tax | Pre-Tax | Tax Benefit (Expense) | Net of Tax |
| Foreign currency translation adjustment | \$ 29.1 | \$ — | \$ 29.1 | \$ (5.5) | \$ 13.0 | \$ 7.5 |
| Change in net realized and unrealized gain on derivative financial instruments | 0.3 | — | 0.3 | 1.2 | — | 1.2 |
| Other comprehensive income (loss) | \$ 29.4 | \$ — | \$ 29.4 | \$ (4.3) | \$ 13.0 | \$ 8.7 |

The components of accumulated other comprehensive loss, net of taxes, were as follows:

| | Foreign Currency Translation Adjustment | Realized and Unrealized Gains (Losses) on Derivative Securities | Total |
|---|--|---|------------|
| Balance, as of December 31, 2018 | \$ (188.0) | \$ (0.5) | \$ (188.5) |
| Other comprehensive income before reclassifications | 7.5 | 1.1 | 8.6 |
| Amounts reclassified | — | 0.1 | 0.1 |
| Net other comprehensive income | 7.5 | 1.2 | 8.7 |
| Balance, as of March 31, 2019 | \$ (180.5) | \$ 0.7 | \$ (179.8) |

In connection with the adoption of ASU 2018-02, the Company elected to reclassify to Retained earnings \$6.6 million of tax effects stranded in Accumulated other comprehensive loss as a result of the enactment of the Tax Cuts and Jobs Act on December 22, 2017.

20. Subsequent Events

On May 6, 2019, the Company announced that it will acquire a minority equity interest in Garda Capital Partners LP, which is expected to close in the third quarter of 2019.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain matters discussed in this Quarterly Report on Form 10-Q, in our other filings with the Securities and Exchange Commission, in our press releases and in oral statements made with the approval of an executive officer may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources and other non-historical statements, and may be prefaced with words such as “outlook,” “guidance,” “believes,” “expects,” “potential,” “preliminary,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “projects,” “positioned,” “prospects,” “intends,” “plans,” “estimates,” “pending investments,” “anticipates” or the negative version of these words or other comparable words. Such statements are subject to certain risks and uncertainties, including, among others, the factors discussed under the caption “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018.

These factors (among others) could affect our financial performance and cause actual results to differ materially from historical earnings and those presently anticipated and projected. Forward-looking statements speak only as of the date they are made, and we will not undertake and we specifically disclaim any obligation to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of events, whether or not anticipated. In that respect, we caution readers not to place undue reliance on any such forward-looking statements.

Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Consolidated Financial Statements and the notes thereto contained elsewhere in this Quarterly Report on Form 10-Q.

Executive Overview

We are a global asset management company with equity investments in leading boutique investment management firms, which we refer to as our “Affiliates.” Our innovative partnership approach allows each Affiliate’s management team to own significant equity in their firm and maintain operational autonomy. Our strategy is to generate shareholder value through the growth of our existing Affiliates, as well as through investments in new Affiliates and additional investments in our existing Affiliates. In addition, we provide centralized assistance to our Affiliates in strategic matters, marketing, distribution, product development and operations. As of March 31, 2019, our aggregate assets under management were \$774.2 billion (approximately \$778 billion pro forma for a pending investment), in more than 500 investment products across a broad range of active, return-oriented strategies.

Under accounting principles generally accepted in the U.S. (“GAAP”), we are required to consolidate certain of our Affiliates and use the equity method of accounting for others. Whether we consolidate an Affiliate or use the equity method of accounting, we maintain the same partnership approach and provide support and assistance in substantially the same manner for all of our Affiliates. Furthermore, all of our Affiliates are boutique investment managers and are impacted by similar marketplace factors and industry trends. Therefore, our key aggregate operating performance measures, which include the assets under management and fees of all of our Affiliates whether consolidated or accounted for under the equity method, are important in providing management with a more comprehensive view of the operating performance and material trends across our entire business.

The following table presents our key operating performance measures:

| | As of and for the Three Months Ended March 31, | | |
|---|--|----------|----------|
| | 2018 | 2019 | % Change |
| <i>(in billions, except as noted)</i> | | | |
| Assets under management | \$ 830.9 | \$ 774.2 | (7)% |
| Average assets under management | 839.7 | 772.6 | (8)% |
| Aggregate fees (in millions) ⁽¹⁾ | 1,648.7 | 1,252.0 | (24)% |

⁽¹⁾ Aggregate fees is provided in addition to, but not as a substitute for, Consolidated revenue or other GAAP performance measures.

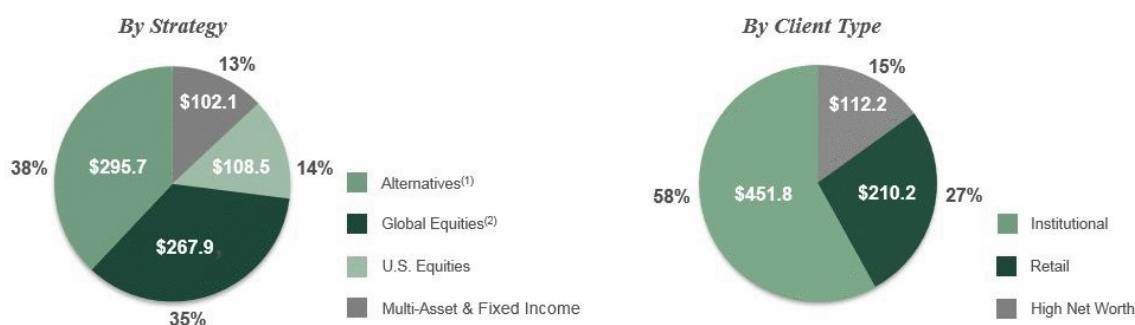
Assets under management is presented on a current basis without regard to the timing of the inclusion of an Affiliate's results in our operating performance measures and Consolidated Financial Statements. Average assets under management provides a more meaningful relationship to our operating performance measures and financial results, as it reflects both the particular billing patterns of Affiliate sponsored investment products and client accounts and corresponds with the timing of the inclusion of an Affiliate's financial results in our operating performance measures and Consolidated Financial Statements. For certain of our equity method Affiliates, we report aggregate fees and the Affiliate's financial results in our Consolidated Financial Statements one quarter in arrears.

Assets Under Management

Through our Affiliates, we provide a comprehensive and diverse range of active, return-oriented strategies designed to assist institutional, retail and high net worth clients worldwide in achieving their investment objectives. We continue to see demand for active, return-oriented strategies, particularly in illiquid alternatives and multi-asset and fixed income strategies, reflecting continued investor demand for returns that are less correlated to traditional equity markets. In addition, investor demand for passively-managed products has continued, and we have experienced outflows in U.S. equity strategies, consistent with this industry-wide trend. We believe the best-performing active equity managers (whether global-, regional- or country-specific) will continue to have significant opportunities to grow from net client cash inflows. We believe we are well-positioned to benefit from these trends.

The following charts present information regarding the composition of our assets under management by active, return-oriented strategy and client type as of March 31, 2019:

Assets under Management (in billions)



⁽¹⁾ Alternatives primarily include assets under management in liquid and illiquid alternatives strategies. Alternatives strategies generate earnings from (i) asset based fees from products subject to lock-ups or similar restrictions, (ii) asset based fees from products not subject to such restrictions and/or (iii) performance based fees and carried interest.

⁽²⁾ Global equities include emerging markets strategies, which accounted for 8% of our assets under management as of March 31, 2019.

The following tables present changes in our assets under management by active, return-oriented strategy and client type for the three months ended March 31, 2019:

| <i>(in billions)</i> | Alternatives | Global Equities | U.S. Equities | Multi-Asset & Fixed Income | Total |
|--------------------------------------|--------------|-----------------|---------------|----------------------------|----------|
| December 31, 2018 | \$ 293.5 | \$ 243.8 | \$ 97.6 | \$ 101.1 | \$ 736.0 |
| Client cash inflows and commitments | 11.5 | 9.7 | 4.4 | 5.3 | 30.9 |
| Client cash outflows | (14.4) | (13.1) | (5.8) | (5.0) | (38.3) |
| Net client cash flows | (2.9) | (3.4) | (1.4) | 0.3 | (7.4) |
| Market changes | 6.5 | 26.9 | 12.9 | 5.0 | 51.3 |
| Foreign exchange ⁽¹⁾ | 1.0 | 1.4 | 0.1 | 0.3 | 2.8 |
| Realizations and distributions (net) | (2.0) | (0.1) | — | — | (2.1) |
| Other ⁽²⁾ | (0.4) | (0.7) | (0.7) | (4.6) | (6.4) |
| March 31, 2019 | \$ 295.7 | \$ 267.9 | \$ 108.5 | \$ 102.1 | \$ 774.2 |

| <i>(in billions)</i> | Institutional | Retail | High Net Worth | Total |
|--------------------------------------|---------------|----------|----------------|----------|
| December 31, 2018 | \$ 432.9 | \$ 195.4 | \$ 107.7 | \$ 736.0 |
| Client cash inflows and commitments | 11.9 | 13.6 | 5.4 | 30.9 |
| Client cash outflows | (16.8) | (17.2) | (4.3) | (38.3) |
| Net client cash flows | (4.9) | (3.6) | 1.1 | (7.4) |
| Market changes | 26.5 | 17.1 | 7.7 | 51.3 |
| Foreign exchange ⁽¹⁾ | 1.6 | 1.0 | 0.2 | 2.8 |
| Realizations and distributions (net) | (2.0) | (0.1) | — | (2.1) |
| Other ⁽²⁾ | (2.3) | 0.4 | (4.5) | (6.4) |
| March 31, 2019 | \$ 451.8 | \$ 210.2 | \$ 112.2 | \$ 774.2 |

⁽¹⁾ Foreign exchange reflects the impact of translating into U.S. dollars the assets under management of our Affiliates whose functional currency is not the U.S. dollar.

⁽²⁾ Other primarily includes the assets under management attributable to Affiliate product transitions and transfers of our interests in our Affiliates. For the three months ended March 31, 2019, other primarily represents the divestment of a U.S. wealth Affiliate accounted for under the equity method.

In addition to assets under management, we also report average assets under management. This measure provides a more meaningful relationship to aggregate fees as it reflects both the particular billing patterns of Affiliate sponsored investment products and client accounts and corresponds with the timing of the inclusion of an Affiliate's financial results in our operating performance measures and Consolidated Financial Statements. Average assets under management were \$772.6 billion for the three months ended March 31, 2019, a decrease of \$67.1 billion or 8%, compared to the three months ended March 31, 2018.

Aggregate Fees

Aggregate fees consists of the total asset and performance based fees earned by all of our Affiliates. Asset based fees include advisory and other fees earned by our Affiliates for services provided to their clients and are typically determined as a percentage of the value of a client's assets under management. Performance based fees are based on investment performance, typically on an absolute basis or relative to a benchmark, and are recognized when they are earned (i.e., when they become billable to customers and are not subject to claw-back). Performance based fees are generally billed less frequently than asset based fees, and although performance based fees inherently depend on investment performance and will vary from period to period, we anticipate performance based fees will be a recurring component of our aggregate fees.

Aggregate fees are generally determined by the level of our average assets under management, the composition of these assets across our active, return oriented strategies that realize different asset based fee ratios, and performance based fees. Our asset based fee ratio is calculated as asset based fees divided by average assets under management.

Aggregate fees were \$1,252.0 million for the three months ended March 31, 2019, a decrease of \$396.7 million or 24% as compared to the three months ended March 31, 2018. The decrease in our aggregate fees was due to a \$254.1 million or 15% decrease from performance based fees and a \$142.6 million or 9% decrease from asset based fees. The \$142.6 million decrease in asset based fees for the three months ended March 31, 2019 represented an 11% decline as compared to asset based fees for the three months ended March 31, 2018. The decrease in asset based fees was due to an 8% decrease in our average assets under management, primarily in global equity strategies and U.S. equity strategies, and a 3% decline in our asset based fee ratio principally due to a change in the composition of our average assets under management.

Financial and Supplemental Financial Performance Measures

The following table presents our key financial and supplemental financial performance measures:

| <i>(in millions)</i> | For the Three Months Ended March 31, | | |
|---|---|------------|---------------------|
| | 2018 | 2019 | % Change |
| Net income (loss) (controlling interest) | \$ 153.0 | \$ (200.8) | N.M. ⁽¹⁾ |
| Adjusted EBITDA (controlling interest) ⁽²⁾ | 286.5 | 215.6 | (25)% |
| Economic net income (controlling interest) ⁽²⁾ | 215.2 | 169.0 | (21)% |

⁽¹⁾ Percentage change is not meaningful.

⁽²⁾ Adjusted EBITDA (controlling interest) and Economic net income (controlling interest) are non-GAAP performance measures and are discussed in “Supplemental Financial Performance Measures.”

Adjusted EBITDA (controlling interest) is an important supplemental financial performance measure for management as it provides a comprehensive view of our share of the financial performance of our business before interest, taxes, depreciation, amortization, impairments and adjustments to our contingent payment arrangements. Our Adjusted EBITDA (controlling interest) decreased \$70.9 million or 25% primarily due to a \$396.7 million or 24% decrease in aggregate fees, particularly at certain equity method Affiliates in which we share in the Affiliate’s revenue less agreed-upon expenses. The expense bases of these Affiliates are generally less variable and, therefore, short-term declines in fees have a greater percentage impact on the Affiliate’s earnings relative to the impact on the Affiliate’s revenue. The decrease in Adjusted EBITDA (controlling interest) was also due to a decline in Investment and other income attributable to the controlling interest.

While Adjusted EBITDA (controlling interest) decreased \$70.9 million for the three months ended March 31, 2019, our Net income (loss) (controlling interest) decreased \$353.8 million. This decrease in Net income (loss) (controlling interest) as compared to Adjusted EBITDA (controlling interest) was primarily due to a \$415.0 million expense to reduce the carrying value to fair value of a U.S. credit alternative Affiliate accounted for under the equity method. See Note 11 of our Consolidated Financial Statements for additional information. This decrease in Net income (loss) (controlling interest) was partially offset by a reduction in Income tax expense of \$125.6 million.

We believe Economic net income (controlling interest) is an important measure because it represents our performance before non-cash expenses relating to the acquisition of interests in Affiliates and improves comparability of performance between periods. While Adjusted EBITDA (controlling interest) decreased \$70.9 million or 25% for the three months ended March 31, 2019, our Economic net income (controlling interest) decreased \$46.2 million or 21%. Economic net income (controlling interest) decreased less on percentage terms than Adjusted EBITDA (controlling interest) primarily due to a decrease in Income tax expense.

Results of Operations

The following discussion includes the key performance measures and financial results of our consolidated and equity method Affiliates. Our consolidated Affiliates’ financial results are included in our Consolidated revenue, Consolidated expenses, and Investment and other income, and our share of our equity method Affiliates’ financial results is reported, net of intangible amortization and impairments, in Equity method income (loss) (net).

Consolidated Revenue

The following table presents our consolidated Affiliate average assets under management and Consolidated revenue:

| <i>(in millions, except as noted)</i> | For the Three Months Ended March 31, | | % Change |
|--|---|-------------|-----------------|
| | 2018 | 2019 | |
| Consolidated Affiliate average assets under management (in billions) | \$ 433.3 | \$ 399.0 | (8)% |
| Consolidated revenue | \$ 612.4 | \$ 543.1 | (11)% |

Our Consolidated revenue decreased \$69.3 million or 11% for the three months ended March 31, 2019, due to a \$62.2 million or 10% decrease from asset based fees and a \$7.1 million or 1% decrease from performance based fees. The \$62.2 million decrease in asset based fees represented a 10% decline as compared to asset based fees for the three months ended March 31, 2018. The decrease in asset based fees was primarily due to an 8% decrease in consolidated Affiliate average assets under management, primarily in U.S. equity strategies and global equity strategies. The decrease in asset based fees was also due to a 3% decline in our consolidated Affiliate asset based fee ratio principally due to a change in the composition of our average assets under management.

Consolidated Expenses

The following table presents our Consolidated expenses:

| <i>(in millions)</i> | For the Three Months Ended March 31, | | % Change |
|---|---|-------------|-----------------|
| | 2018 | 2019 | |
| Compensation and related expenses | \$ 266.7 | \$ 228.2 | (14)% |
| Selling, general and administrative | 106.4 | 95.6 | (10)% |
| Intangible amortization and impairments | 23.2 | 29.6 | 28 % |
| Interest expense | 21.6 | 18.2 | (16)% |
| Depreciation and other amortization | 5.5 | 5.2 | (5)% |
| Other expenses (net) | 12.0 | 11.0 | (8)% |
| Total consolidated expenses | \$ 435.4 | \$ 387.8 | (11)% |

Our Consolidated expenses are primarily attributable to the non-controlling interests of our consolidated Affiliates in which we share in revenue without regard to expenses. For these Affiliates, the amount of expenses attributable to the non-controlling interests, including compensation, is generally determined by the percentage of revenue allocated to expenses as part of the structured partnership interests in place at the respective Affiliate. Accordingly, increases in revenue generally will increase a consolidated Affiliate's expenses attributable to the non-controlling interest and decreases in revenue will generally decrease a consolidated Affiliate's expenses attributable to the non-controlling interest.

Compensation and related expenses decreased \$38.5 million or 14% for the three months ended March 31, 2019, primarily due to a \$25.3 million or 9% decrease from compensation expenses at Affiliates and an \$8.5 million or 3% decrease from compensation expenses associated with Affiliate equity transactions, both primarily attributable to the non-controlling interests. The decrease in Compensation and related expenses was also due to a \$5.2 million or 2% decrease from compensation expenses attributable to the controlling interest.

Selling, general and administrative expenses decreased \$10.8 million or 10% for the three months ended March 31, 2019, primarily due to a \$6.5 million or 6% decrease from sub-advisory and distribution expenses related to a decrease in consolidated Affiliate average assets under management and a \$5.3 million or 5% decrease from Affiliate-related expenses. These changes were primarily attributable to the controlling interest.

Intangible amortization and impairments increased \$6.4 million or 28% for the three months ended March 31, 2019, primarily due to a \$7.0 million or 30% increase from a change in the pattern of economic benefit for certain assets. This change was primarily attributable to the controlling interest.

Interest expense decreased \$3.4 million or 16% for the three months ended March 31, 2019, primarily due to a \$3.5 million or 16% decrease due to our pound sterling-denominated forward foreign currency contracts. See Note 7 of our Consolidated Financial Statements for additional information. This change was attributable to the controlling interest.

There were no significant changes in Depreciation and other amortization or Other expenses (net) for the three months ended March 31, 2019.

Equity Method Income (Loss) (Net)

For a majority of our equity method Affiliates, we use structured partnership interests in which we contractually share in the Affiliate's revenue less agreed-upon expenses. We also use structured partnership interests in which we contractually share in the Affiliate's revenue without regard to expenses. Our share of earnings or losses from equity method Affiliates, net of amortization and impairments, is included in Equity method income (loss) (net).

The following table presents equity method Affiliate average assets under management and equity method revenue, as well as equity method earnings and equity method intangible amortization and impairments, which in aggregate form Equity method income (loss) (net):

| | For the Three Months Ended March 31, | | % Change |
|---|---|------------|---------------------|
| | 2018 | 2019 | |
| <i>(in millions, except as noted)</i> | | | |
| Operating Performance Measures | | | |
| Equity method Affiliate average assets under management (in billions) | \$ 406.4 | \$ 373.6 | (8)% |
| Equity method revenue | \$ 1,036.3 | \$ 708.9 | (32)% |
| Financial Performance Measures | | | |
| Equity method earnings | \$ 126.3 | \$ 80.1 | (37)% |
| Equity method intangible amortization and impairments | (30.0) | (438.2) | N.M. ⁽¹⁾ |
| Equity method income (loss) (net) | \$ 96.3 | \$ (358.1) | N.M. ⁽¹⁾ |

⁽¹⁾ Percentage change is not meaningful.

Our equity method revenue decreased \$327.4 million or 32% for the three months ended March 31, 2019, due to a \$247.0 million or 24% decrease from performance based fees and an \$80.4 million or 8% decrease from asset based fees. The \$80.4 million decrease in asset based fees represented a 13% decline as compared to asset based fees for the three months ended March 31, 2018. The decrease in asset based fees was due to an 8% decrease in equity method Affiliate average assets under management and a 5% decline in our asset based fee ratio due to a change in the composition of our average assets under management and fee rate reductions at certain Affiliate products.

While equity method revenue decreased \$327.4 million or 32% for the three months ended March 31, 2019, equity method earnings decreased \$46.2 million or 37%. Equity method earnings decreased more than equity method revenue on a percentage basis due to decreases in revenue at certain equity method Affiliates in which we share in the Affiliate's revenue less agreed-upon expenses. The expense bases of these Affiliates are generally less variable and, therefore, short-term declines in fees have a greater percentage impact on the Affiliate's earnings relative to the impact on the Affiliate's revenue.

Equity method intangible amortization and impairments increased \$408.2 million for the three months ended March 31, 2019, primarily from a \$415.0 million expense to reduce the carrying value to fair value of a U.S. credit alternative Affiliate. See Note 11 of our Consolidated Financial Statements for additional information.

Investment and Other Income

The following table presents our Investment and other income:

| | For the Three Months Ended March 31, | | % Change |
|-----------------------------|---|--------|----------|
| | 2018 | 2019 | |
| <i>(in millions)</i> | | | |
| Investment and other income | \$ 14.2 | \$ 8.0 | (44)% |

Investment and other income decreased \$6.2 million or 44% for the three months ended March 31, 2019, primarily due to a \$12.1 million or 85% decrease from the valuation of Other investments, primarily attributable to the controlling interest. This decrease was partially offset by a \$5.7 million or 40% increase from the valuation of and realized gains on the sale of Investments in marketable securities, primarily attributable to the non-controlling interest.

Income Tax Expense (Benefit)

The following table presents our Income tax expense (benefit):

| <i>(in millions)</i> | For the Three Months Ended March 31, | | % Change |
|------------------------------|---|-----------|---------------------|
| | 2018 | 2019 | |
| Income tax expense (benefit) | \$ 63.5 | \$ (61.8) | N.M. ⁽¹⁾ |

⁽¹⁾ Percentage change is not meaningful.

Income tax expense decreased \$125.3 million for the three months ended March 31, 2019, primarily due to a decrease in Income before taxes (controlling interest) principally due to a \$415.0 million expense to reduce the carrying value to fair value of a U.S. credit alternative Affiliate accounted for under the equity method.

Net Income (Loss)

The previously discussed changes in revenue and expenses had the following effect on Net income (loss):

| <i>(in millions)</i> | For the Three Months Ended March 31, | | % Change |
|--|---|------------|---------------------|
| | 2018 | 2019 | |
| Net income (loss) | \$ 224.0 | \$ (133.0) | N.M. ⁽¹⁾ |
| Net income (non-controlling interests) | 71.0 | 67.8 | (5)% |
| Net income (loss) (controlling interest) | 153.0 | (200.8) | N.M. ⁽¹⁾ |

⁽¹⁾ Percentage change is not meaningful.

Supplemental Financial Performance Measures

Adjusted EBITDA (controlling interest)

As supplemental information, we provide a non-GAAP measure that we refer to as Adjusted EBITDA (controlling interest). Adjusted EBITDA (controlling interest) is an important supplemental financial performance measure for management as it provides a comprehensive view of our share of the financial performance of our business before interest, taxes, depreciation, amortization, impairments and adjustments to our contingent payment arrangements. We believe that many investors use this measure when assessing the financial performance of companies in the investment management industry. This non-GAAP performance measure is provided in addition to, but not as a substitute for, Net income (loss) (controlling interest) or other GAAP performance measures.

The following table presents a reconciliation of Net income (loss) (controlling interest) to Adjusted EBITDA (controlling interest):

| <i>(in millions)</i> | For the Three Months Ended March 31, | |
|--|---|------------|
| | 2018 | 2019 |
| Net income (loss) (controlling interest) | \$ 153.0 | \$ (200.8) |
| Interest expense | 21.6 | 18.2 |
| Income taxes | 60.8 | (64.8) |
| Intangible amortization and impairments ⁽¹⁾ | 47.6 | 459.8 |
| Other items ⁽²⁾ | 3.5 | 3.2 |
| Adjusted EBITDA (controlling interest) | \$ 286.5 | \$ 215.6 |

⁽¹⁾ Our consolidated Intangible amortization and impairments includes amortization attributable to our non-controlling interests. For our equity method Affiliates, we do not separately report intangible amortization and impairments in our Consolidated Statements of Income. Our share of these Affiliates' amortization is reported in Equity method income (loss) (net).

The following table presents the Intangible amortization and impairments shown above:

| <i>(in millions)</i> | For the Three Months Ended March 31, | |
|--|---|-----------------|
| | 2018 | 2019 |
| Consolidated intangible amortization and impairments | \$ 23.2 | \$ 29.6 |
| Consolidated intangible amortization (non-controlling interests) | (5.6) | (8.0) |
| Equity method intangible amortization and impairments | 30.0 | 438.2 |
| Total | <u>\$ 47.6</u> | <u>\$ 459.8</u> |

For the three months ended March 31, 2019, equity method intangible amortization and impairments includes a \$415.0 million non-cash expense to reduce the carrying value to fair value of a U.S. credit alternative Affiliate accounted for under the equity method. See Note 11 of our Consolidated Financial Statements for additional information.

⁽²⁾ Other items include depreciation and adjustments to contingent payment arrangements.

Economic Net Income (controlling interest) and Economic Earnings Per Share

As supplemental information, we also provide non-GAAP performance measures that we refer to as Economic net income (controlling interest) and Economic earnings per share. We believe Economic net income (controlling interest) and Economic earnings per share are important measures because they represent our performance before non-cash expenses relating to the acquisition of interests in Affiliates and improve comparability of performance between periods. Economic net income (controlling interest) and Economic earnings per share are used by our management and Board of Directors as our principal performance benchmarks, including as one of the measures for aligning executive compensation with stockholder value. These non-GAAP performance measures are provided in addition to, but not as substitutes for, Net income (loss) (controlling interest) and Earnings (loss) per share (diluted) or other GAAP performance measures.

We adjust Net income (loss) (controlling interest) to calculate Economic net income (controlling interest) by adding back our share of pre-tax intangible amortization and impairments attributable to intangible assets because these expenses do not correspond to the changes in the value of these assets, which do not diminish predictably over time. We also add back the deferred taxes attributable to intangible assets because we believe it is unlikely these accruals will be used to settle material tax obligations. Further, we add back other economic items to improve comparability of performance between periods.

Economic earnings per share represents Economic net income (controlling interest) divided by the Average shares outstanding (adjusted diluted). In this calculation, the potential share issuance in connection with our junior convertible securities is measured using a “treasury stock” method. Under this method, only the net number of shares of common stock equal to the value of these junior convertible securities in excess of par, if any, is deemed to be outstanding. We believe the inclusion of net shares under a treasury stock method best reflects the benefit of the increase in available capital resources (which could be used to repurchase shares of common stock) that occurs when these securities are converted and we are relieved of our debt obligation. This method does not take into account any increase or decrease in our cost of capital in an assumed conversion.

The following table presents a reconciliation of Net income (loss) (controlling interest) to Economic net income (controlling interest):

| | For the Three Months Ended March 31, | |
|--|--------------------------------------|-----------------|
| | 2018 | 2019 |
| <i>(in millions, except per share data)</i> | | |
| Net income (loss) (controlling interest) | \$ 153.0 | \$ (200.8) |
| Intangible amortization and impairments ⁽¹⁾ | 47.6 | 459.8 |
| Intangible-related deferred taxes ⁽²⁾ | 13.2 | (93.8) |
| Other economic items ⁽³⁾ | 1.4 | 3.8 |
| Economic net income (controlling interest) | <u>\$ 215.2</u> | <u>\$ 169.0</u> |
| Average shares outstanding (diluted) | 57.0 | 51.9 |
| Stock options and restricted stock units | — | 0.0 |
| Assumed issuance of junior convertible securities shares | (2.2) | — |
| Average shares outstanding (adjusted diluted) | <u>54.8</u> | <u>51.9</u> |
| Economic earnings per share | <u>\$ 3.92</u> | <u>\$ 3.26</u> |

⁽¹⁾ See note (1) to the table in “Adjusted EBITDA (controlling interest).”

⁽²⁾ For the three months ended March 31, 2019, we recorded a \$415.0 million non-cash expense to reduce the carrying value to fair value of a U.S. credit alternative Affiliate accounted for under the equity method, which reduced intangible-related deferred taxes by \$103.8 million.

⁽³⁾ For the three months ended March 31, 2018 and 2019, other economic items were net of income tax expense of \$0.2 million in each period. Beginning with the three months ended March 31, 2019, other economic items include tax windfalls and shortfalls from share-based compensation. Prior periods have not been revised as the amounts were not significant.

Liquidity and Capital Resources

For the three months ended March 31, 2019, we met our cash requirements through cash generated by operating activities. Our principal uses of cash during the quarter were, and for the foreseeable future are expected to be, for repurchases of common stock, distributions to Affiliate equity holders, repayments of debt, the payment of cash dividends on our common stock, repurchases of Affiliate equity interests and general working capital purposes. We also expect that principal uses of cash will be for investments in new and existing Affiliates. We anticipate that cash flows from operations, together with borrowings under our revolver, will be sufficient to support our cash flow needs for the foreseeable future. In addition, we may draw funding from the debt and equity capital markets, and our credit ratings, among other factors, allow us to access these sources of funding on favorable terms. We are currently rated A3 by Moody’s Investors Service and A- by S&P Global Ratings.

Cash and cash equivalents as of December 31, 2018 and March 31, 2019 were \$565.5 million and \$305.2 million, respectively. The following table summarizes our operating, investing and financing cash flow activities:

| | For the Three Months Ended March 31, | |
|----------------------|--------------------------------------|-----------|
| | 2018 | 2019 |
| <i>(in millions)</i> | | |
| Operating cash flow | \$ 205.0 | \$ (17.9) |
| Investing cash flow | (3.9) | (0.1) |
| Financing cash flow | (313.1) | (243.7) |

Operating Cash Flow

Operating cash flows decreased \$222.9 million for the three months ended March 31, 2019, primarily due to a \$129.2 million decrease in distributions received from equity method investments, which was attributable to the controlling interest. The decrease in operating cash flows was also due to a decrease in Net income as adjusted for non-cash items.

Investing Cash Flow

Investing cash flows increased \$3.8 million for the three months ended March 31, 2019, primarily due to a \$6.6 million increase in net sales of investment securities and a \$2.5 million decrease in the purchase of fixed assets, partially offset by a \$5.3 million increase in net investments in Affiliates.

Financing Cash Flow

Financing cash flows decreased \$69.4 million for the three months ended March 31, 2019, primarily due to a \$101.9 million decrease in net repurchases of our common stock, a \$10.4 million decrease in note and contingent payments, and a \$7.8 million decrease in distributions to non-controlling interests. These increases were partially offset by a \$53.7 million, net change in debt activity (from \$5.0 million of net borrowings for the three months ended March 31, 2018 to \$48.7 million of net repayments for the three months ended March 31, 2019). All of these changes were attributable to the controlling interest.

Debt

The following table presents the carrying value of our outstanding indebtedness:

| <i>(in millions)</i> | December 31, 2018 | March 31, 2019 |
|-------------------------------|------------------------------|-----------------------|
| Senior bank debt | \$ 780.0 | \$ 460.0 |
| Senior notes | 746.2 | 746.4 |
| Junior convertible securities | 312.5 | 313.2 |
| Junior subordinated notes | — | 271.3 |

The carrying value of long-term debt differs from the amount reported in Note 5 to our Consolidated Financial Statements, as the carrying value of the long-term debt in the table above is not reduced for debt issuance costs.

Senior Bank Debt

On January 18, 2019, we amended and restated our existing credit facilities to provide for a \$1.25 billion senior unsecured multicurrency revolving credit facility (the “revolver”) and a \$450.0 million senior unsecured term loan facility (the “term loan” and, together with the revolver, the “credit facilities”). The revolver matures on January 18, 2024, and the term loan matures on January 18, 2023. Subject to certain conditions, we may increase the commitments under the revolver by up to an additional \$500.0 million and may borrow up to an additional \$75.0 million under the term loan. We pay interest on any outstanding obligations under the credit facilities at specified rates, based either on an applicable LIBOR or prime rate, plus a marginal rate determined based on our credit rating. For the three months ended March 31, 2019, the interest rate for substantially all of our borrowings under the credit facilities was LIBOR plus 1.10% for the revolver and LIBOR plus 0.875% for the term loan.

The credit facilities contain financial covenants with respect to leverage and interest coverage, as well as customary affirmative and negative covenants, including limitations on priority indebtedness, asset dispositions and fundamental corporate changes, and certain customary events of default. As of March 31, 2019, we were in compliance with all terms of our credit facilities and had approximately \$1.2 billion of remaining capacity under our revolver, all of which we could borrow and remain in compliance with our credit facilities.

Junior Subordinated Notes

On March 27, 2019, we issued \$280.0 million of junior subordinated notes with a maturity date of March 30, 2059. The junior subordinated notes bear interest at a fixed rate of 5.875% per annum, payable quarterly in cash, commencing on June 30, 2019, subject to our right to defer interest payments in accordance with the terms of the junior subordinated notes. The junior subordinated notes were issued at 100% of the principal amount and rank junior and subordinate in right of payment and upon liquidation to all of our current and future senior indebtedness. On or after March 30, 2024, at our option, the junior subordinated notes may be redeemed in whole or in part, at 100% of the principal amount, plus any accrued and unpaid interest. Prior to March 30, 2024, at our option, the junior subordinated notes may be redeemed in whole but not in part, at 100% of the principal amount, plus any accrued and unpaid interest, if certain changes in tax laws, regulations or interpretations occur; or at 102% of the principal amount, plus any accrued and unpaid interest, if a rating agency makes certain changes relating to the equity credit criteria for securities with features similar to the junior subordinated notes

On April 8, 2019, we issued an additional \$20.0 million of junior subordinated notes pursuant to the underwriters’ exercise of an overallotment option, which increased the total amount issued to \$300.0 million.

We used a majority of the net proceeds from the junior subordinated notes offering to repay outstanding indebtedness under the revolver, with the remaining proceeds used for other general corporate purposes.

Equity Distribution Program

On March 27, 2019, we entered into equity distribution and forward equity agreements with several major securities firms under which we may, from time to time, issue and sell shares of our common stock (immediately or on a forward basis) having an aggregate sales price of up to \$500.0 million (the “equity distribution program”). This equity distribution program superseded and replaced our prior equity distribution program. As of March 31, 2019, no sales had occurred under the new or prior equity distribution program.

Derivatives

We have two separate pound sterling-denominated forward foreign currency contracts (the “forward contracts”) with a large financial institution (the “counterparty”) to access lower interest rates. In order to limit our exposure to both gains and losses on the forward contracts, we concurrently entered into two separate collar contracts (the “collar contracts”) with the same counterparty for the same notional amounts and expiration dates as the forward contracts. Under one of the forward contracts, we will deliver £285.8 million for \$400.0 million in 2024, and under the other forward contract, we will deliver £325.3 million for \$450.0 million in 2021. Under one of the collar contracts, we sold a put option with a lower strike price of 1.288 U.S. dollars per one pound sterling and purchased a call option with an upper strike price of 1.535 U.S. dollars per one pound sterling. Under the other collar contract, we sold a put option with a lower strike price of 1.318 U.S. dollars per one pound sterling and purchased a call option with an upper strike price of 1.448 U.S. dollars per one pound sterling. The forward contracts and the collar contracts provide net settlement rights and require the parties to post collateral throughout the term of the contracts.

The combination of the forward contracts and the collar contracts were designated as net investment hedges against fluctuations in foreign currency exchange rates on certain of our investments in Affiliates with the pound sterling as their functional currency. See Note 7 of our Consolidated Financial Statements for additional information.

Affiliate Equity

Many of our consolidated Affiliate agreements provide us with a conditional right to call and Affiliate equity holders with the conditional right to put their Affiliate equity interests to us at certain intervals. For equity method Affiliates, we do not typically have such put and call arrangements. The purchase price of these conditional purchases is generally calculated based upon a multiple of the Affiliate’s cash flow distributions, which is intended to represent fair value. Affiliate equity holders are also permitted to sell their equity interests to other individuals or entities in certain cases, subject to our approval or other restrictions.

As of March 31, 2019, our current redemption value of \$754.8 million for these interests (including \$6.5 million of consolidated Affiliate sponsored investment products primarily attributable to third-party investors) has been presented as Redeemable non-controlling interests. Although the timing and amounts of these purchases are difficult to predict, we paid \$15.4 million for repurchases and received \$9.4 million for issuances of Affiliate equity during the three months ended March 31, 2019, and expect to repurchase a total of approximately \$150 million of Affiliate equity in 2019. In the event of a repurchase, we become the owner of the cash flow associated with the repurchased equity.

Commitments

See Note 8 of our Consolidated Financial Statements.

Share Repurchases

During the three months ended March 31, 2019, we repurchased 0.9 million shares of our common stock at an average price per share of \$106.09. As of March 31, 2019, we had 4.1 million shares remaining under our authorized share repurchase programs, which have no expiry.

Contractual Obligations

The following table summarizes our contractual obligations as of March 31, 2019. Contractual debt obligations include the cash payment of fixed interest.

| <i>(in millions)</i> | Payments Due | | | | |
|---|-------------------|----------------------|-----------------|-----------------|-------------------|
| | Total | Remainder of 2019 | 2020-2021 | 2022-2023 | Thereafter |
| Contractual Obligations | | | | | |
| Senior bank debt | \$ 460.0 | \$ — | \$ — | \$ 450.0 | \$ 10.0 |
| Senior notes | 914.6 | 14.6 | 58.5 | 58.5 | 783.0 |
| Junior convertible securities | 846.8 | 16.6 | 44.4 | 44.4 | 741.4 |
| Junior subordinated notes | 946.4 | 12.5 | 32.9 | 32.9 | 868.1 |
| Leases ⁽¹⁾ | 227.8 | 25.8 | 73.8 | 51.6 | 76.6 |
| Affiliate equity repurchase obligations | 75.4 | 75.4 | — | — | — |
| Total contractual obligations | <u>\$ 3,471.0</u> | <u>\$ 144.9</u> | <u>\$ 209.6</u> | <u>\$ 637.4</u> | <u>\$ 2,479.1</u> |

⁽¹⁾ The controlling interest portion is \$10.0 million through 2019, \$24.5 million in 2020-2021, \$19.6 million in 2022-2023 and \$15.9 million thereafter.

This table does not include liabilities for commitments to co-invest in certain Affiliate sponsored investment products or uncertain tax positions of \$146.6 million and \$34.2 million, respectively. This table also does not include potential obligations relating to our derivative financial instruments (see Note 7 of our Consolidated Financial Statements for additional information). These items are excluded as we cannot predict the amount or timing of when such obligations will be paid.

During the three months ended March 31, 2019, we were notified by the minority owner of a non-U.S. credit alternative Affiliate accounted for under the equity method that it had elected to sell to us a 5% ownership interest in the Affiliate. We will pay \$25.7 million for the interest, and the sale is expected to be completed in the second quarter of 2019. See Note 8 of our Consolidated Financial Statements for additional information.

Recent Accounting Developments

None.

Critical Accounting Estimates and Judgments

Our 2018 Annual Report on Form 10-K includes additional information about our Critical Accounting Estimates and Judgments, and should be read in conjunction with this Quarterly Report on Form 10-Q.

Equity Method Investments in Affiliates

We make judgments to determine fair value when we test our equity method investments for impairment, and use valuation techniques that include discounted cash flow analyses, where we make assumptions about growth rates of projected assets under management, client attrition, asset and performance based fees, expenses and profitability. In these analyses, we also make judgments about tax benefits, credit risk, interest rates, tax rates, discount rates and discounts for lack of marketability. We consider the reasonableness of our assumptions by comparing our valuation conclusions to observed market transactions and, in certain instances, by consulting with third-party valuation firms. Changes in these assumptions could significantly impact the respective fair value of an equity method investment in an Affiliate.

We perform equity method investment impairment tests annually, or more frequently should circumstances suggest that fair value may have declined below the related carrying value. Impairments are recognized when the fair value of the Affiliate has declined below its carrying value for a period we consider other-than-temporary. If we determine that a decline in fair value below our carrying value is other-than-temporary, the expense recognized reduces the carrying value of the Affiliate to its fair value.

During the three months ended March 31, 2019, the Company recognized a \$415.0 million expense to reduce the carrying value to fair value of a U.S. credit alternative Affiliate accounted for under the equity method. See Note 11 of our Consolidated Financial Statements for additional information. Changes in the assumptions used could significantly impact the fair value of this Affiliate.

For our remaining equity method investments in Affiliates, no triggering events were identified during the three months ended March 31, 2019 that would indicate an increased risk of impairment.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our Quantitative and Qualitative Disclosures About Market Risk for the three months ended March 31, 2019. Please refer to the below as well as the additional disclosures in Item 7A of our 2018 Annual Report on Form 10-K.

Foreign Currency Exchange Risk

To illustrate the effect of possible changes in foreign currency exchange rates, we estimate a 1% change in the pound sterling and Canadian dollar to U.S. dollar exchange rates would have resulted in changes to stockholders' equity of \$3.7 million and \$2.0 million, respectively, based on the March 31, 2019 carrying value of Affiliates whose functional currency is pound sterling or the Canadian dollar, and of our and our Affiliates' pound sterling-denominated derivative financial instruments. For the three months ended March 31, 2019, we estimate a 1% change in the pound sterling and Canadian dollar to U.S. dollar exchange rates would have resulted in annual changes to Income (loss) before income taxes (controlling interest) of \$1.1 million and \$0.3 million, respectively.

Item 4. Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures during the quarter covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the quarter covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective in ensuring that (i) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Our disclosure controls and procedures were designed to provide reasonable assurance of achieving their stated objectives, and our principal executive officer and principal financial officers concluded that our disclosure controls and procedures were effective at the reasonable assurance level. We review on an ongoing basis and document our disclosure controls and procedures, and our internal control over financial reporting, and we may from time to time make changes in an effort to enhance their effectiveness and ensure that our systems evolve with our business.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) None.
- (b) None.
- (c) Purchases of Equity Securities by the Issuer:

| Period | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Average Price Paid Per Share | Maximum Number of Shares that May Yet Be Purchased Under Outstanding Plans or Programs ⁽²⁾ |
|---------------------|---|------------------------------|--|------------------------------|---|
| January 1-31, 2019 | — | \$ — | — | \$ — | 4,993,328 |
| February 1-28, 2019 | 101,541 | 110.31 | 101,541 | 110.31 | 4,891,787 |
| March 1-31, 2019 | 752,630 | 105.52 | 752,630 | 105.52 | 4,139,157 |
| Total | <u>854,171</u> | 106.09 | <u>854,171</u> | 106.09 | |

⁽¹⁾ Includes shares surrendered, if any, to the Company to satisfy tax withholding and/or option exercise price obligations in connection with stock swap option exercise transactions.

⁽²⁾ Our Board of Directors authorized share repurchase programs in January 2019 and January 2018, authorizing us to repurchase up to 3.3 million and 3.4 million shares of our common stock, respectively, and these authorizations have no expiry. Purchases may be made from time to time, at management's discretion, in the open market or in privately negotiated transactions, including through the use of derivative financial instruments and accelerated share repurchase programs. As of March 31, 2019, there were a total of 4.1 million shares remaining available for repurchase under our January 2019 and January 2018 programs.

Item 6. Exhibits

The exhibits are listed on the Exhibit Index and are included elsewhere in this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|---|
| 4.1 | <u>Indenture for Junior Subordinated Notes, dated as of March 27, 2019, between Affiliated Managers Group, Inc., as issuer, and U.S. Bank National Association, as trustee (incorporated by reference to the Company's Current Report on Form 8-K (No. 001-13459), filed March 27, 2019)</u> |
| 4.2 | <u>First Supplemental Indenture for Junior Subordinated Notes, dated as of March 27, 2019, between Affiliated Managers Group, Inc., as issuer, and U.S. Bank National Association, as trustee (incorporated by reference to the Company's Current Report on Form 8-K (No. 001-13459), filed March 27, 2019)</u> |
| 10.1 | <u>Form of Master Confirmation Letter Agreement, dated as of March 27, 2019 (incorporated by reference to the Company's Current Report on Form 8-K (No. 001-13459), filed March 27, 2019)</u> |
| 10.2† | <u>Offer Letter Agreement, dated as of March 20, 2019, by and between Affiliated Managers Group, Inc. and Thomas M. Wojcik*</u> |
| 10.3† | <u>Form of Award Agreement pursuant to Affiliated Managers Group, Inc. Deferred Compensation Plan*</u> |
| 31.1 | <u>Certification of Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u> |
| 31.2 | <u>Certification of Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u> |
| 32.1 | <u>Certification of Registrant's Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**</u> |
| 32.2 | <u>Certification of Registrant's Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**</u> |
| 101 | The following financial statements from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 are filed herewith, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Income for the three-month periods ended March 31, 2019 and 2018, (ii) the Consolidated Statements of Comprehensive Income for the three-month periods ended March 31, 2019 and 2018, (iii) the Consolidated Balance Sheets at March 31, 2019 and December 31, 2018, (iv) the Consolidated Statements of Changes in Equity for the three-month periods ended March 31, 2019 and 2018, (v) the Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2019 and 2018, and (vi) the Notes to the Consolidated Financial Statements |

† Indicates a management contract or compensatory plan

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 9, 2019

AFFILIATED MANAGERS GROUP, INC.
(Registrant)

/s/ JAY C. HORGEN

Jay C. Horgen
*on behalf of the Registrant as President, Chief Financial Officer and
Treasurer (and also as Principal Financial and Principal Accounting
Officer)*

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[AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME \(in millions\) \(unaudited\)](#)

[AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED CONDENSED BALANCE SHEETS \(in millions\) \(unaudited\)](#)

[AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY \(in millions\) \(unaudited\)](#)

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March 20, 2019

Personal and Confidential

Mr. Thomas M. Wojcik

Dear Tom:

On behalf of everyone at AMG, I would like to tell you how pleased we are to offer you a position at the Company. Further to our discussion, I would like to outline specific responsibilities of the position, terms of employment, compensation, and related matters.

You would join AMG as Executive Vice President, Finance on April 22, 2019, reporting to me. No later than the reporting of AMG's second quarter earnings results, you would assume the position of Chief Financial Officer. As Chief Financial Officer, you would be a member of AMG's senior management team and your role would include global responsibility for AMG's Corporate Finance, Accounting, Finance Operations, Treasury, Tax, Financial Risk Management, and Investor Relations functions.

Your annual base salary would be \$500,000, payable monthly in advance on the first business day of each month. Based upon your continued employment, your 2019 incentive compensation would be determined consistent with the incentive compensation practice for our other named executive officers.

In addition, subject to the approval of our Board's Compensation Committee, you would be granted AMG restricted stock units with a fair value as of the grant date (within 30 days following your joining AMG provided such grant date falls within AMG's trading window, and pursuant to an award agreement in the form attached to this letter) equal to the fair value of the unvested restricted stock and restricted stock-based awards you would forfeit, and any reimbursement obligations you may incur, as a result of your departure from your current employer (calculated as of the date such awards are forfeited or obligations are incurred), subject to our receipt of evidence of such forfeiture and incurrence, and limited to such awards and obligations that you previously described to us.

In consideration of the other incentive compensation awards that you would forfeit as a result of your departure from your current employer (as you previously described to us) and as further incentive consideration, you would also be granted additional AMG equity with a fair value as of the grant date (no later than July 31 provided such grant date falls within AMG's trading window) equal to \$4,000,000, which would be pursuant to such award agreement(s) and subject to such vesting and other terms as are determined by AMG.

With respect to benefits, AMG offers an outstanding package which includes medical, dental and life insurance plans, and a 401(k) and Profit Sharing Plan.

Your acceptance of this letter would also serve as confirmation to us that you are not subject to any contractual obligations (except for standard confidentiality and non-solicitation obligations to your prior employer) that would limit your ability to fulfill your AMG responsibilities, and that you will not disclose or make use of any information in violation of any agreements with or rights of any previous employer or other party, or bring to AMG's premises any copies or other tangible embodiments of non-public information

belonging to or obtained from any such previous employer or other party. As an at-will employee, either AMG or you may end this employment relationship at any time, with or without cause.

This letter reflects the complete agreement between you and AMG regarding the terms of your employment with AMG and supersedes any other statements or agreements on or before the date of your signing this letter.

We are very enthusiastic about your joining our team. We believe you will contribute significantly to our business, and we would like you to join in AMG's success.

Sincerely,

/s/ Jay C. Horgen

Jay C. Horgen
President and Chief Financial Officer

cc: Sean M. Healey, Executive Chairman
Nathaniel Dalton, Chief Executive Officer
Alexandra K. Lynn, Chief Administrative Officer

Accepted and agreed to:

/s/ Thomas M. Wojcik

Name

3/20/19

Date

Form of Award Agreement

See attached.

**RESTRICTED STOCK UNIT AWARD AGREEMENT
PURSUANT TO AFFILIATED MANAGERS GROUP, INC.
2013 INCENTIVE STOCK AWARD PLAN**

Pursuant to the Affiliated Managers Group, Inc. 2013 Incentive Stock Award Plan, as amended and/or restated from time to time (the “Plan”), and subject to the terms of this agreement (the “Agreement”), Affiliated Managers Group, Inc. (the “Company”) hereby grants to the grantee named on Exhibit A hereto (the “Grantee”) an Award (the “Award”) of restricted stock units (each a “Unit,” and together, the “Units”), consisting of the right to receive a distribution of the number of shares of common stock, par value \$0.01 per share, of the Company (the “Shares”) specified on Exhibit A, to be issued and distributed to the Grantee according to the terms set forth herein and in the Plan, and the vesting schedule and performance requirements (if any) set forth herein.

1. Vesting and Performance Measure.

(a) Vesting. Subject to the discretion of the Administrator to accelerate the vesting schedule, the Units shall vest in the amounts and on the dates indicated on Exhibit A; provided that, Grantee's Employment is through the applicable vesting date set forth on Exhibit A. In addition, if this Award is subject to a Performance Measure (but not otherwise), Section 1(b) shall apply. For the avoidance of doubt, the vesting of the Award may be accelerated automatically in certain circumstances described herein.

(b) Performance Measure. If this Award is subject to a Performance Measure (as defined herein), the Shares subject to this Award shall be issued and distributed only if the Units have vested in accordance with Section 1(a) and the Compensation Committee has certified the attainment of the Performance Measure with respect to all or any portion thereof; it being understood that if vesting of the Units is accelerated pursuant to Sections 1(c)(y) or 3(a)(ii) hereof, such vested Units shall remain subject to the attainment of the Performance Measure and no Shares shall be issued and distributed in respect of such Units unless and until the Compensation Committee has certified that the Performance Measure has been attained. If such Performance Measure remains in effect and the Compensation Committee certifies that it has *not* been attained with respect to all or any portion of the Units (including any Units that have vested pursuant to Sections 1(c)(y) or 3(a)(ii) hereof), this Award shall terminate immediately and be of no further force or effect with respect to all of the Units or such portion thereof, as applicable.

(c) Change of Control. Notwithstanding anything to the contrary herein or in the Plan, in the event of termination of Grantee's Employment (i) by the Company without Cause or (ii) by the Grantee for Good Reason, in either case occurring within the two-year period following a Change of Control, the Units subject to this Award shall automatically fully vest at the time of such termination; provided that, if this Award is subject to a Performance Measure, the Shares subject to this Award shall only be issued and distributed pursuant to Section 1(b) if (x) the Compensation Committee has certified that the Performance Measure has been attained on or before the date of termination, and in such case shall be issued and distributed at the time of such termination in the amount indicated on Exhibit A, or (y) the attainment of the Performance Measure is not yet determinable as of such date, and in such case shall fully vest at the time of such termination but the vested Units shall remain subject to the attainment of the Performance Measure and no Shares shall be issued and distributed in respect of such Units unless and until the Compensation Committee has certified that the Performance Measure has been

attained (and shall be issued and distributed at the time of such certification (if any) in the amount indicated on Exhibit A). (For the avoidance of doubt, *if* the Units subject to this Award (including any Units that vested pursuant to sub-clause (y) above) are subject to a Performance Measure that the Compensation Committee has certified has *not* been attained with respect to all or any portion thereof, this Award shall terminate with respect to all of the Units or such portion thereof, as applicable, in accordance with Section 1(b) hereof.)

2. Definitions. Except as otherwise expressly provided, all terms used herein shall have the same meaning as in the Plan, as applicable and as may be amended from time to time. For purposes of this Agreement, as applicable, the following terms shall have the following meanings:

(a) “*Administrator*” shall be defined as the Compensation Committee and, as applicable, any permitted delegate thereof.

(b) “*Cause*” means any of the following:

i. the Grantee’s engagement in any criminal act which is or involves a serious felony offense, a violation of federal or state securities laws (or equivalent laws of any country or political subdivision thereof), embezzlement, fraud, wrongful taking or misappropriation of property, or theft or any other crime involving dishonesty;

ii. the Grantee’s willful or grossly negligent failure to perform duties owed to the Company or an Affiliate;

iii. the Grantee’s willful violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Company or any of its subsidiaries or Affiliates is a member; or

iv. the Grantee’s willful violation of any Company policy or any applicable policy of any of its subsidiaries or Affiliates concerning confidential or proprietary information, or material violation of any other Company or applicable subsidiary or Affiliate policy or written agreement as in effect from time to time; and

v. solely for purposes of Section 7(a), “*Cause*” also means the occurrence of any of the following, as determined by the Company: (a) the Grantee’s performance of his or her duties and responsibilities to the Company or its subsidiaries or Affiliates, as applicable, in a manner deemed by the Company to be in any way unsatisfactory and/or inconsistent with the needs of the business; (b) the Grantee’s breach of this Agreement or any other agreement between the Grantee and the Company or any of its subsidiaries or Affiliates; or (c) the Grantee’s misconduct, including, but not limited to, fraud, violation of or disregard for the rules, policies, and procedures of the Company or any of its subsidiaries or Affiliates, dishonesty, insubordination, theft, or other illegal or inappropriate conduct.

The determination as to whether “*Cause*” has occurred shall be made by the Administrator. The Administrator shall also have the authority to waive the consequences under the Plan of the existence or occurrence of any of the events, acts or omissions constituting “*Cause*.” If, subsequent to the Grantee’s termination of Employment for other than Cause, it is determined that the Grantee’s Employment could have been terminated for Cause, the

Grantee's Employment shall be deemed to have been terminated for Cause retroactively to the date the events giving rise to such Cause occurred.

(c) "*Client*" shall mean all Past Clients, Present Clients and Potential Clients, subject to the following general rules:

i. with respect to each Client, the term "*Client*" shall also include any Persons who are Affiliates of such Client and, to the extent known by the Grantee to have such connection with such Client (and the Grantee shall be deemed to have such knowledge if the Grantee would reasonably have been expected to have such knowledge in the ordinary course of the Grantee's duties while the Grantee was employed by the Company and its subsidiaries and Affiliates), directors, officers or employees of such Client or any such subsidiaries or Affiliates thereof, or Persons who are members of the immediate family of such Client or any of the other foregoing Persons or Affiliates of any of them;

ii. with respect to any Present Client or Past Client (as applicable) that is a Fund, the term "*Client*" shall also include (x) the sponsor of such Client, and any other Fund sponsored by such Person or its Affiliates, and (y) any investor in such Client (provided that, except to the extent the Grantee had knowledge of the identity of an investor therein while the Grantee was employed by the Company and its subsidiaries and Affiliates (and the Grantee shall be deemed to have had such knowledge if the Grantee would reasonably have been expected to have had such knowledge in the ordinary course of the Grantee's duties while the Grantee was employed by the Company and its subsidiaries and Affiliates), in the case of any Fund, an investor therein shall not be deemed a Present Client or Past Client (as applicable) hereunder);

iii. with respect to any Client that is a trust or similar entity, the term "*Client*" shall include the settlor and, to the extent such beneficiary is known to the Grantee to be such a beneficiary (and the Grantee shall be deemed to have had such knowledge if the Grantee would reasonably have been expected to have had such knowledge in the ordinary course of the Grantee's duties while the Grantee was employed by the Company and its subsidiaries and Affiliates), any Person who is a beneficiary of such Client and the Affiliates and immediate family members of any such Persons;

iv. with respect to so-called "wrap programs," "SMA programs" or similar programs, the term "*Client*" shall include (x) the sponsor of such program, and (y) the underlying participants in such program (provided that, except to the extent the Grantee had knowledge of the identity of a participant therein while the Grantee was employed by the Company and its subsidiaries and Affiliates (and the Grantee shall be deemed to have had such knowledge if the Grantee would reasonably have been expected to have had such knowledge in the ordinary course of the Grantee's duties while the Grantee was employed by the Company and its subsidiaries and Affiliates), a participant therein shall not be deemed a Present Client or Past Client (as applicable) hereunder); and

v. with respect to each Client, the term "*Client*" shall also include any Persons who (x) in U.S. retail markets, serve as intermediaries, including, but not limited to, broker-dealers and financial advisers, and, (y) in all other markets, serve as an intermediary with discretion as to whether or not to make Affiliate products available to their underlying clients.

(d) "*Fund*" shall mean any collective investment vehicle (whether open-ended or closed-ended), including, without limitation, an investment company (whether or not registered under the Investment

Company Act of 1940, as amended), a general or limited partnership, a trust or a commingled fund, in any such case organized (or otherwise formed) in any jurisdiction.

(e) “*Good Reason*” shall mean any of the following events or conditions occurring without the Grantee’s express written consent, provided that the Grantee shall have given notice of such event or condition within 90 days of the initial existence of such event or condition and the Company shall not have remedied such event or condition within 30 days after receipt of such notice:

- i. a materially adverse alteration in the nature or status of the Grantee’s duties or responsibilities;
- ii. a material reduction in the Grantee’s annual base salary or any target bonus, other than an across-the-board reduction that applies to the Grantee and similarly-situated employees; or
- iii. a change of 50 miles or more in the Grantee’s principal place of Employment, except for required travel on business to an extent substantially consistent with the Grantee’s business travel obligations.

Notwithstanding the foregoing, if the Grantee is party to an employment, severance-benefit, change of control or similar agreement with the Company or any subsidiary thereof that contains a definition of “*Good Reason*” (or a correlative term), such definition will apply (in the case of the Grantee for purposes of this Agreement) in lieu of the definition set forth above during the term of such agreement.

(f) “*Investment Management Services*” shall mean any services which involve: (i) the management of an investment account or Fund (or portions thereof or a group of investment accounts or Funds); (ii) the giving of advice with respect to the investment and/or reinvestment of assets or funds (or any group of assets or funds); or (iii) otherwise acting as an “investment adviser” within the meaning of the Investment Advisers Act of 1940, as amended, including, without limitation, in each of the foregoing cases, performing activities related or incidental thereto.

(g) “*Past Client*” shall mean, subject to the general rules under the definition of Client, at any particular time of determination, any Person (i) who at any point prior to such time of determination had been, directly or indirectly (and including, without limitation, through one or more intermediaries such as a wrap sponsor or as an investor in a Fund for which the Company or any subsidiary or Affiliate thereof acts (or acted) as a sponsor, adviser or sub-adviser or in a similar capacity), an advisee or investment advisory customer or client of, or otherwise a recipient of Investment Management Services from, (x) the Company or any subsidiary or Affiliate thereof, and/or (y) any owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant of the Company or any subsidiary or Affiliate thereof acting on behalf of the Company or any of its subsidiaries or Affiliates, but at such time is not an advisee or investment advisory customer or client of (or otherwise a direct or indirect recipient of Investment Management Services from) the Company or any subsidiary or Affiliate thereof (or any of the foregoing Persons acting on their behalf), and (ii) with which Grantee or his department had material, direct interaction with and/or with respect to which Grantee had access to proprietary or confidential information; provided, however, that, from and after the termination of Grantee’s Employment, the term “*Past Client*” shall thereafter be limited (solely with respect to the Grantee) to those Past Clients who were (directly or indirectly) advisees or investment advisory customers or clients of, or recipients of Investment Management Services from, the Company or any subsidiary or Affiliate thereof, or any

owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant (or persons acting in any similar capacity) of the Company or any subsidiary or Affiliate thereof, at any time during the two (2) years immediately preceding the date of such termination.

(h) “*Performance Measure*” (a Performance Criteria under the Plan) shall mean the target for the Performance Period (each as set forth on Exhibit A, as applicable), as established by the Compensation Committee.

(i) “*Person*” shall mean any individual, partnership (limited or general), corporation, limited liability company, limited liability partnership, association, trust, joint venture, unincorporated organization or other entity.

(j) “*Potential Client*” shall mean, subject to the general rules under the definition of Client, at any particular time of determination, any Person (i) to whom (x) the Company or any subsidiary or Affiliate thereof, and/or (y) any owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant (or persons acting in any similar capacity) of the Company or any subsidiary or Affiliate thereof, acting on behalf of the Company or any subsidiary or Affiliate thereof in any such case has within one (1) year prior to such time of determination offered (whether by means of a personal meeting, telephone call, letter, written proposal or otherwise) to serve as investment adviser or otherwise provide Investment Management Services, but who is not at such time an advisee or investment advisory customer or client of (or otherwise a direct or indirect recipient of Investment Management Services from) the Company or any subsidiary or Affiliate thereof (or any of the foregoing Persons acting on their behalf), and (ii) with which Grantee or his department had material, direct interaction with and/or with respect to which Grantee had access to proprietary or confidential information; provided, however, that, from and after the termination of Grantee’s Employment, the term “*Potential Client*” shall thereafter be limited (solely with respect to the Grantee) to those Potential Clients to whom such an offer to provide Investment Management Services was made at any time during the one (1) year immediately preceding the date of such termination. The preceding sentence is meant to exclude advertising, if any, through mass media in which the offer, if any, is available to the general public, such as magazines, newspapers and sponsorships of public events.

(k) “*Present Client*” shall mean, subject to the general rules under the definition of Client, at any particular time of determination, any Person (i) who is at such time of determination, directly or indirectly (and including, without limitation, through one or more intermediaries such as a wrap sponsor, or as an investor in a Fund for which the Company or any subsidiary or Affiliate thereof acts as a sponsor, adviser or sub-adviser or in a similar capacity), an advisee or investment advisory customer or client of (or otherwise a direct or indirect recipient of Investment Management Services from) (x) the Company or any subsidiary or Affiliate thereof and/or (y) any owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant (or persons acting in any similar capacity) of the Company or any subsidiary or Affiliate thereof acting on behalf of the Company or any subsidiary or Affiliate thereof, and (ii) with which Grantee or his department had material, direct interaction with and/or with respect to which Grantee had access to proprietary or confidential information.

3. Termination of Service. If the Grantee’s Employment terminates, this Award may be subject to earlier termination or accelerated vesting as set forth below.

(a) Termination by Reason of Death or Disability, or by the Company Without Cause. If the

Grantee's Employment terminates by reason of death or disability, or is terminated by the Company without Cause, the Units subject to this Award shall automatically fully vest at the time of such termination; provided that, if this Award is subject to a Performance Measure, the Shares subject to this Award shall only be issued and distributed pursuant to Section 1(b) if (i) the Compensation Committee has certified that the Performance Measure has been attained on or before the date of termination, and in such case shall be issued and distributed at the time of such termination in the amount indicated on Exhibit A, or (ii) the attainment of the Performance Measure is not yet determinable as of such date, and in such case shall fully vest at the time of such termination but the vested Units shall remain subject to the attainment of the Performance Measure and no Shares shall be issued and distributed in respect of such Units unless and until the Compensation Committee has certified that the Performance Measure has been attained (and shall be issued and distributed at the time of such certification (if any) in the amount indicated on Exhibit A). (For the avoidance of doubt, if the Units subject to this Award (including any Units that vested pursuant to sub-clause (ii) above) are subject to a Performance Measure that the Compensation Committee has certified has *not* been attained with respect to all or any portion thereof, this Award shall terminate with respect to all of the Units or any portion thereof, as applicable, in accordance with Section 1(b) hereof.)

(b) Other Termination. If the Grantee's Employment terminates for any reason other than death or disability, a termination in connection with a Change of Control described in Section 1(c) or a termination by the Company without Cause, this Award shall, to the extent not already vested as described herein, terminate immediately and be of no further force or effect; it being understood that this Award shall remain outstanding following the date of any termination with respect to any Units subject to a Performance Measure that have vested (including pursuant to Sections 1(c)(y) or 3(a)(ii) hereof) until the Shares to be issued in respect thereof are issued and distributed or the Award is terminated in accordance with Section 1(b).

The Administrator's determination of the reason that the Grantee's Employment has terminated shall be conclusive and binding on the Grantee and his or her representatives, legal guardians or legatees.

4. Vesting and Distribution. The Units shall be distributed only in Shares, such that the Grantee shall be entitled to receive one Share for each vested Unit following, if applicable, attainment of the Performance Measure. The Shares subject to this Award shall be issued and distributed to the Grantee pursuant to Section 1 hereof, and the vesting schedule and, if applicable, performance requirements set forth on Exhibit A, with such issuance and distribution of the Shares (whether the Shares are to be held by the Company on the Grantee's behalf pursuant to Section 14(b) hereof or issued directly to the Grantee) to occur, in all cases, no later than March 15 of the year following the year in which the Units vest, in accordance with the short-term deferral exception under Code Section 409A and the regulations and guidance thereunder.

Any sales of Shares are subject to the Company's insider trading policy, equity ownership guidelines and other Company policies as may be in effect from time to time or otherwise established by the Administrator.

5. Dividend Equivalent Rights. If the Company makes any cash dividends or other cash distributions to the holders of Shares of the Company's common stock, the Grantee shall have the right to receive payments in lieu thereof in respect of the Units subject to this Award ("Dividend Equivalent Rights"). If the Company makes such a cash dividend or other cash distribution prior to the issuance and distribution of the Shares subject to this Award or prior to termination of the Award, the Company shall credit a bookkeeping account of the Dividend Equivalent Rights on behalf of the Grantee as of the record date of such cash dividend

or other cash distribution. The amount credited shall be equal to the per-Share cash dividend or other cash distribution paid by the Company multiplied by the total number of then outstanding Units. Such amounts shall be subject to the same vesting, payment (without interest), issuance, distribution and other terms and conditions of the Units to which they relate as provided in this Agreement, including, for the avoidance of doubt, the attainment of any Performance Measure, as certified by the Compensation Committee. References in this Agreement to Units shall, as appropriate, include any Dividend Equivalent Rights described in this Section 5.

6. Stockholder Rights. This Award shall not be interpreted to bestow upon the Grantee any equity interest or ownership in the Company or any subsidiary or Affiliate prior to the dates on which the Company delivers Shares to the Grantee. The Grantee shall have no rights as a shareholder with respect to the Units, and shall have the rights of a shareholder only as to those Shares, if any, that are actually delivered under this Award.

7. Noncompetition, Intellectual Property and Confidentiality.

(a) In consideration of the Award of Units granted herein, the Grantee agrees that during the term of the Grantee's Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates and for one (1) year thereafter (or two (2) years if the Grantee breaches his or her fiduciary duty to the Company or its subsidiaries or Affiliates, or unlawfully takes, physically or electronically, property belonging to the Company or its subsidiaries or Affiliates) for any reason other than termination by the Company without Cause, the Grantee: (i) will not, directly or indirectly, whether as owner, partner, shareholder, member, consultant, agent, employee, co-venturer or otherwise, engage, participate or invest in any Competing Business (as hereinafter defined) (provided, however, that nothing in this clause (i) shall prohibit the Grantee from acting as an agent for a Competing Business in the course of his or her employment (or other applicable service relationship) for a business which is not a Competing Business); (ii) will not, directly or indirectly, take any action to negotiate or discuss with any person or entity or solicit or entertain from any person or entity, any investment, purchase, proposal, offer or indication of interest regarding (A) any investment in any entity in which the Company or any of its subsidiaries or Affiliates holds any securities or other investment interests or (B) any investment in any other entity with whom the Company or any of its subsidiaries or Affiliates is or was discussing or negotiating any possible investment therein at any time during the one (1) year preceding the termination (if any) of the Grantee's Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates.

For purposes of this Agreement, the term "Competing Business" shall mean a business or a division of a business, conducted anywhere in the world, which invests in or acquires boutique or specialist investment managers or advisers, or has adopted a strategy or developed a business plan to invest in or acquire multiple boutique or specialist investment managers or advisers. Notwithstanding the foregoing, the Grantee may own up to five percent (5%) of the outstanding stock of a publicly held corporation which constitutes or is affiliated with a Competing Business.

(b) During the term of the Grantee's Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates and for two (2) years thereafter, the Grantee will refrain from directly or indirectly employing, attempting to employ, recruiting or otherwise soliciting, inducing or influencing any person to leave Employment with the Company or its subsidiaries or Affiliates (other than terminations of Employment of subordinate employees undertaken in the course of the Grantee's Employment with the Company or any of its subsidiaries or Affiliates).

(c) In addition to (and not in limitation of) the provisions of Sections 7(a) and (b) of this Agreement, the Grantee agrees, for the benefit of the Company and its subsidiaries and Affiliates, that the Grantee shall not, during the term of his or her Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates and for one (1) year thereafter, directly or indirectly (whether individually or as owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent, consultant or in any other capacity, on behalf of himself or any other Person (other than the Company or a subsidiary or Affiliate thereof while employed by the Company)):

i. Provide Investment Management Services to any Person that is a Client (which includes Past Clients, Present Clients, and Potential Clients);

ii. Solicit or induce (whether directly or indirectly) any Person for the purpose (which need not be the sole or primary purpose) of (A) causing any funds or accounts with respect to which the Company or any of its subsidiaries or Affiliates provides Investment Management Services to be withdrawn from such management or other services, or (B) causing any Client (including any Potential Client) not to engage the Company or any of its subsidiaries or Affiliates to provide Investment Management Services for any additional funds or accounts (or otherwise attempt to cause any of the foregoing to occur);

iii. Otherwise divert or take away (or seek to divert or take away) any funds or investment accounts with respect to which the Company or any subsidiary or Affiliate thereof provides Investment Management Services; or

iv. Contact or communicate with, whether directly or indirectly, any Past Clients, Present Clients or Potential Clients in connection with providing Investment Management Services to such Persons;

provided, however, that this Section 7(c) shall not be applicable to Clients (including Potential Clients) who are also immediate family members of the Grantee.

(d) The Grantee understands that the restrictions set forth in Sections 7(a), (b) and (c) of this Agreement are intended and necessary to protect the Company's and its subsidiaries' and Affiliates' interests in its and their Proprietary Information (as hereinafter defined) and established employee and client relationships and goodwill, and agrees that such restrictions are reasonable and appropriate for this purpose.

(e) The Grantee agrees and acknowledges that any and all presently existing business of the Company and its subsidiaries and Affiliates and all business developed by the Company, any of its subsidiaries or Affiliates, the Grantee and/or any other employee (or other service provider) of the Company and its subsidiaries and Affiliates, including, without limitation, all client lists, the Company's deal structures (as represented by the transactions it has completed, attempted or actually proposed), compensation records, agreements, and any other incident of any business developed by the Company or carried on by the Company, and all trade names, service marks and logos under which the Company, its subsidiaries and its and their Affiliates do business, including, without limitation, "Affiliated Managers Group" and any combinations or variations thereof and all related logos, are and shall be the exclusive property of the Company or such subsidiary or Affiliate, as applicable, for its or their sole use, and (where applicable) amounts received in respect of the foregoing shall be payable directly to the Company or such subsidiary or Affiliate. The Grantee

acknowledges that, in the course of performing services for the Company and otherwise, the Grantee will from time to time have access to information concerning the Company's, its subsidiaries' or its Affiliates' current or proposed businesses, technologies, business relationships, clients, personnel, processes, operations, strategies, plans, methods, investment recommendations, investment processes, investment methodologies, products, confidential records, manuals, data, client and contact lists, trade secrets, or financial, corporate, marketing or personnel affairs, which the Company or such subsidiary or Affiliate has not released to the general public, and all memoranda, notes, papers, items and tangible media related thereto (collectively, "Proprietary Information"). The Grantee agrees that Proprietary Information of the Company or any subsidiary or Affiliate thereof is and will be the exclusive property of the Company or such subsidiary or Affiliate, as the case may be, and further agrees to always keep secret and never (during the term of this Agreement or thereafter) publish, divulge, furnish, use or make accessible to anyone (other than in the regular business of the Company or any subsidiary or Affiliate thereof or otherwise at the Company's request) such Proprietary Information. Anything contained herein to the contrary notwithstanding, this Section 7(e) shall not (i) apply to any knowledge, information or property which (x) is generally known or available to the public or in the public domain, (y) has been previously disclosed or made available to the public, unless the Grantee knows or has reason to know that such disclosure or availability was the direct or indirect result of the violation or breach of a confidentiality or non-disclosure obligation, or (z) is required to be disclosed or delivered by any court, agency or other governmental authority or is otherwise required to be disclosed by law, or (ii) preclude the Grantee from cooperating with any governmental process, or any governmental or law enforcement agency in any investigation, or from making any other communications (without notice to or consent from the Company) with a governmental agency. The Grantee understands that he or she will not be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed under seal in a lawsuit or other proceeding; provided, however, that notwithstanding this immunity from liability, the Grantee may be held liable if he or she accesses trade secrets by unauthorized means.

(f) The Grantee will make full and prompt disclosure to the Company of all inventions, discoveries, designs, developments, methods, modifications, improvements, processes, algorithms, databases, computer programs, formulae, techniques, trade secrets and other works of authorship (collectively, "Developments"), whether or not patentable or copyrightable, that are created, made, conceived, or reduced to practice by the Grantee (alone or jointly with others) or under Grantee's direction during Grantee's Employment. The Grantee acknowledges and confirms that the Grantee hereby assigns and transfers, and will assign and transfer, to the Company and its successors and assigns all the Grantee's right, title and interest in all Developments that (i) relate to the business of the Company, any subsidiary or Affiliate or any customer of or supplier to the Company or any of the products or services being researched, developed, manufactured, serviced, licensed or sold by the Company or which may be used with such products or services; or (ii) result from tasks assigned to the Grantee by the Company, a subsidiary or an Affiliate; or (iii) result from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company, a subsidiary or an Affiliate ("Company-Related Developments"), and all related patents, patent applications, trademarks and trademark applications, copyrights and copyright applications, and other intellectual property rights in all countries and territories worldwide and under any international conventions ("Intellectual Property Rights").

(g) Upon termination of the Grantee's Employment for any reason, all Proprietary Information in the Grantee's possession or control shall be returned to the Company and remain in its possession. The Grantee will cooperate fully with the Company and its subsidiaries and Affiliates, both during Employment

and following termination of Employment for any reason, in order for the Company and its subsidiaries and Affiliates to enforce and protect any of their rights and interests with respect to Proprietary Information, Company-Related Developments, and Intellectual Property Rights in Company-Related Developments, including, without limitation whatsoever, signing all papers, copyright applications, patent applications, declarations, oaths, assignments of priority rights, and powers of attorney which the Company may deem necessary or desirable in order to protect such rights and interests.

(h) The Grantee and the Company agree that, in the event that any provision of this Section 7 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, the applicable provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

8. Remedies Upon Breach. In the event that the Grantee breaches any of the provisions of Section 7 of this Agreement, including without limitation, following the termination of the Grantee's Employment, the entire value of the vested Award (as of the date Grantee's Employment is terminated, whether or not paid, settled or distributed by the Company), shall be paid to or retained by the Company, as applicable, as liquidated damages (the "Liquidated Damages"). The parties agree that in the event of such breach by the Grantee it will be difficult to ascertain with certainty the amount of damages suffered by the Company and its subsidiaries and Affiliates. The amount of the Liquidated Damages represents a reasonable estimate of the damages expected to be suffered by the Company and its subsidiaries and Affiliates as a result of the Grantee's default and, in any such event, in addition to (and not in limitation of) such other remedies as the Company may have against the Grantee, until the Liquidated Damages are recovered in their entirety, (x) the Company shall be entitled to withhold any payments to which the Grantee otherwise would be entitled (whether pursuant to this Agreement or any other agreement, plan or policy, including, without limitation, distributions hereunder), and (y) the Grantee, at the request of the Company, shall return all or some incentive compensation (which shall include any compensation distributed or awarded to the Grantee other than base compensation); provided that, any amounts so withheld or returned shall be promptly released to the original payee to the extent it is determined (whether by settlement, judgment or arbitral decision) that such amounts are required to be so released, together with interest thereon as may be agreed or determined in connection with such settlement, judgment or decision. The Grantee agrees that the remedies provided in this Section 8 are reasonably related to anticipated losses that the Company and/or any of its subsidiaries or Affiliates would suffer upon a breach of such provisions by the Grantee. The Grantee recognizes and agrees that the Company's remedies at law for any breach, or threatened breach, of the provisions of this Agreement would be inadequate, and that for any breach or threatened breach of such provisions by the Grantee, the Company shall, in addition to such other remedies as may be available to it at law or in equity or as provided in this Agreement, be entitled to injunctive relief and enforcement of its rights by an action for specific performance to the extent permitted by law (and without having to post bond), and to an award of reasonable attorneys' fees and costs incurred in connection with securing any of its rights hereunder.

9. Notice of Termination.

(a) Grantee's Employment may be terminated at any time by the Company or, if different, any subsidiary or Affiliate of the Company that is the Grantee's employer (the "Grantee's employer"), or by the Grantee; provided that, the Grantee (but not the Company or, if different, the Grantee's employer) shall be required to provide at least six (6) months advance written notice of such termination. For the avoidance of doubt, for purposes of Section 7 of this Agreement, termination of Employment shall be deemed to occur upon delivery of notice of termination by the Grantee.

(b) Where notice of termination has been delivered by the Grantee, the Company (and, if different, the Grantee's employer) shall be under no obligation to provide any activities to Grantee to carry out on behalf of the Company or its subsidiaries or Affiliates, and may require him or her (i) not to attend any premises of the Company or any subsidiary or Affiliate thereof, (ii) to resign with immediate effect from any offices he or she holds with the Company or any subsidiary or Affiliate thereof (or any Client thereof), (iii) to refrain from any business contact with any Clients, partners or employees of the Company or any subsidiary or Affiliate thereof, and (iv) to take any leave time he or she has accrued under the policies of the Company or any subsidiary or Affiliate thereof.

(c) Notwithstanding the foregoing, if the Grantee is a party to an employment agreement with the Company or any subsidiary or Affiliate thereof, any terms of such employment agreement shall supersede and apply in precedence to the provisions of clauses (a) and (b) of this Section 9 and clauses (a) and (b) of this Section 9 shall not be taken to amend the related terms of such employment agreement.

(d) In connection with the termination of Grantee's Employment, the Grantee shall reasonably cooperate with the Company and, if different, the Grantee's employer, to prepare a communication plan regarding Grantee's departure, and Grantee shall not make any other public statement regarding his or her departure without the prior written consent of the Company.

10. Nondisparagement. In exchange for the consideration herein, the Grantee agrees that he/she will not make any disparaging, derogatory, damaging, and/or critical statements concerning the Company or any subsidiaries or any of their respective affiliates, partners, officers, directors, employees, services, products and/or activities.

11. Third-Party Agreements and Rights.

(a) The Grantee hereby confirms that he or she is not bound by the terms of any agreement with any previous employer or other party which restricts in any way the Grantee's use or disclosure of information or the Grantee's engagement in any business. In the Grantee's work for the Company or any of its subsidiaries or Affiliates, the Grantee will not disclose or use any information in violation of any rights of any such previous employer or other party.

(b) The Grantee's employer, if different than the Company, is an intended third-party beneficiary under this Agreement and may enforce the terms of Sections 7, 8, 9, 12, 13 and 14 of this Agreement. This right is subject to (i) the rights of the parties hereto to rescind or vary this Agreement without the consent of any such subsidiary or Affiliate and (ii) the other terms and conditions of this Agreement and the Plan.

12. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution or as permitted by the Administrator (or its delegee). The Grantee may transfer, without consideration for the transfer, the Award to members of his or her immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee (and, as required by the Administrator, the beneficiaries or members of such transferee) agrees in writing with the Company to be bound by all of the terms and conditions of the Plan and this Agreement.

13. Certain Tax Matters. To the extent permitted by law, the Company, the Grantee's employer or their agents shall have the right to withhold or deduct from any distributions (including any Shares

acquired or otherwise deliverable and the payment of other amounts with respect to the Units) or payments to the Grantee the minimum amount of taxes and any social security contributions required to be withheld or deducted by federal, state or local governments. The Grantee expressly acknowledges and agrees that his or her rights hereunder are subject to his or her promptly paying to the Company or the Grantee's employer in cash (or by such other means as may be acceptable to the Company or the Grantee's employer in its discretion, including, if the Administrator so determines, by the delivery of previously acquired Shares or Shares acquired hereunder or by the withholding of amounts from any payment hereunder) the minimum amount of taxes and any social security contributions required to be withheld in connection with such award, vesting, issuance, distribution or payment. Such payment by the Grantee shall be made no later than the date as of which any Shares or other amounts provided hereunder first become includable in the gross income of the Grantee for U.S. federal income tax purposes or as otherwise required by the Company or the Grantee's employer under applicable law.

14. Miscellaneous.

(a) The Units are subject to adjustment in accordance with the provisions of Section 7 of the Plan.

(b) The Company shall maintain an account on its books in the name of the Grantee which shall reflect the number of Units awarded to the Grantee and the number of Shares the Grantee is eligible to receive thereunder. The Grantee acknowledges and agrees that the Company (i) may hold all vested Units and all Shares issued and distributed in respect thereof pursuant to this Award on behalf of the Grantee, until such time as the Grantee submits a request for delivery, and (ii) will exercise voting rights and take all other corporate actions for any Shares issued pursuant to this Award for such time as such Shares may be held by the Company on behalf of the Grantee, unless the Grantee provides written notice to the Human Resources Department to the contrary.

(c) Notice hereunder shall be given (i) to the Company at its principal place of business, and (ii) to the Grantee at the address on file in the Company's records, or in either case at such other address as one party may subsequently furnish to the other party in writing.

(d) The Grantee hereby acknowledges and agrees to the following: (i) this Award is offered to the Grantee at the complete discretion of the Company; (ii) the Plan and this Award do not form part of any contract of employment between Grantee and the Company or any of its subsidiaries or Affiliates and do not confer upon the Grantee any rights with respect to continuance as an employee (or other service provider) of the Company or any of its subsidiaries or Affiliates; (iii) this Award will not affect any right the Company or any of its subsidiaries or Affiliates may have under any employment agreement with the Grantee or under applicable law to terminate the Employment of the Grantee at any time with or without Cause; (iv) this Award is not part of the Grantee's base salary or wages and will not be taken into account in determining any other employment-related rights that the Grantee may have, such as any rights the Grantee may have to pension or severance pay; and (v) this Award does not confer on the Grantee any implied right or entitlement to the exercise of any discretion in his or her favor with respect to any discretionary terms in this Award.

(e) The Grantee hereby waives all and any rights to compensation or damages in consequence of the termination of Grantee's Employment with the Company, or any of its subsidiaries or Affiliates, for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise or may arise from his ceasing to have rights under or be entitled to this Award as a result of such termination or from the loss or diminution in

value of such rights or entitlements. In the event of any conflict between the terms of this Section 14(e) and the Grantee's terms of employment, this Section 14(e) shall take precedence (except as required by applicable legislation).

(f) Pursuant to Section 10 of the Plan, the Administrator may at any time amend or cancel any outstanding portion of this Award for any purpose that may at the time be permitted by law, but no such action may be taken that materially and adversely affects the Grantee's rights under this Agreement without the Grantee's consent.

(g) If the Grantee is resident outside of the United States, to the extent permitted by applicable law, the Grantee hereby consents to the holding, processing and transfer of data relating to him or her (including sensitive personal data as defined in the UK Data Protection Act 1998) by: (i) the Company and any of its subsidiaries and Affiliates; (ii) any person providing services to the Company, its subsidiaries or Affiliates (including, but not limited to, any third party broker, registrar or administrator); and (iii) any trustee appointed by the Company, its subsidiaries or Affiliates, in each case for all purposes relating to the administration or operation of the Plan, including the grant, holding or vesting of an Award and the delivery, holding or sale of Stock and, to the extent permitted by applicable law, this consent includes consent to the transfer of such data to countries outside the European Economic Area even if the country in question does not maintain adequate data protection standards.

(h) The provisions of this Agreement and all claims or disputes arising out of or based upon this Agreement or relating to the subject matter hereof or thereof will be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction. Notwithstanding the foregoing or anything to the contrary herein, if the Grantee is a resident of, or employed in, the Commonwealth of Massachusetts for at least 30 days prior to his or her termination of Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates, Section 7(a) and all claims or disputes arising out of or based upon such section or relating to the subject matter thereof will be governed by and construed in accordance with the domestic substantive laws of the Commonwealth of Massachusetts without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(i) The Grantee hereby acknowledges that he or she has read this Agreement, including, without limitation, Section 7(a), thoroughly, is satisfied that he or she understands it completely, and agrees to be bound by the terms and conditions set forth herein. The Grantee understands that he or she has the right to consult an attorney before signing this Agreement. Notwithstanding anything to the contrary herein, Section 7(a) shall not take effect until ten (10) business days after the Grant Date listed on Exhibit A hereto.

(j) Notwithstanding anything herein to the contrary, this Award shall be, and the Grantee hereby acknowledges that it is, subject to and governed by all the terms and conditions of the Plan.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the Grant Date.

AFFILIATED MANAGERS GROUP, INC.

By: _____
David M. Billings
Executive Vice President, General Counsel
and Secretary

Please execute this Agreement and return it to the Human Resources Department.

Grantee

[RSU Award Agreement]

Exhibit A
RSU Award Agreement

Grantee: Thomas M. Wojcik

Grant Date: [Date]

Total Award: [Number] Units

Vesting Dates: One-third on each of January 1, 2020, 2021 and 2022

Performance Measure: None

**AWARD AGREEMENT
PURSUANT TO AFFILIATED MANAGERS GROUP, INC.
DEFERRED COMPENSATION PLAN**

Pursuant to the Affiliated Managers Group, Inc. Deferred Compensation Plan, as amended and/or restated from time to time (the “Plan”), and subject to the terms of this agreement (the “Agreement”), Affiliated Managers Group, Inc. (the “Company”) hereby grants to the grantee named on Exhibit A hereto (the “Grantee”) a cash award (the “Award”) in the amount specified on Exhibit A, to be issued and distributed to the Grantee according to the terms set forth herein and in the Plan, and the vesting schedule and performance requirements (if any) set forth herein. This Agreement shall be deemed a Plan Agreement for all purposes of the Plan.

1. Hypothetical Investment. Upon the Grantee's election, the Award will be deemed to be invested in one or more hypothetical investments listed on Exhibit A. If the Grantee does not affirmatively elect otherwise within five (5) business days of the Grant Date listed on Exhibit A (the “Grant Date”), the Award shall be deemed to have been invested in the Stock Unit Fund and will track the performance of shares of common stock, par value \$0.01 per share, of the Company (such shares, the “Shares,” and such hypothetical investment, “Stock Units”). The notional investment date shall be the Grant Date, and in the case of a hypothetical investment in the Stock Unit Fund, any increase or decrease in the value of the Award shall be determined from the closing price of the Shares as of the Grant Date. The Grantee acknowledges that he or she has a copy of the most recent Annual Report on Form 10-K, as supplemented, of the Company, or has elected not to obtain such information. The Grantee further acknowledges that the hypothetical investment feature of the Award may cause the value which vests under the Award to be lower than the value of the Award on the Grant Date.

2. Vesting and Performance Measure.

(a) Vesting. Subject to the discretion of the Administrator to accelerate the vesting schedule, the Award shall vest in the amounts and on the dates indicated on Exhibit A; provided that, Grantee’s Employment is through the applicable vesting date set forth on Exhibit A. In addition, if this Award is subject to a Performance Measure (but not otherwise), Section 2(b) shall apply. For the avoidance of doubt, the vesting of the Award may be accelerated automatically in certain circumstances described herein.

(b) Performance Measure. If this Award is subject to a Performance Measure (as defined herein), the Award shall be settled pursuant to Section 6 only if the Award has vested in accordance with Section 2(a) and the Compensation Committee has certified the attainment of the Performance Measure with respect to all or any portion thereof; it being understood that if vesting of the Award is accelerated pursuant to Section 2(c)(y) or 4(a)(ii) hereof, such vested portion of the Award shall remain subject to the attainment of the Performance Measure and such vested portion of the Award shall not be settled until the Compensation Committee has certified that the Performance Measure has been attained. If such Performance Measure remains in effect and the Compensation Committee certifies that it has *not* been attained with respect to all or any portion of the Award (including any portion of the Award that has vested pursuant to Section 2(c)(y) or 4(a)(ii) hereof), this Award shall terminate immediately and be of no further force or effect with respect to the entire Award or such portion thereof, as applicable.

(c) Change of Control. Notwithstanding anything to the contrary herein or in the Plan, in the event of termination of Grantee's Employment (i) by the Company without Cause or (ii) by the Grantee for Good Reason, in either case occurring within the two-year period following a Change of Control, this Award shall automatically fully vest at the time of such termination; provided that, if this Award is subject to a Performance Measure, it shall only vest pursuant to Section 2(b) if (x) the Compensation Committee has certified that the Performance Measure has been attained on or before the date of termination, and in such case shall be settled at the time of such termination in the amount indicated on Exhibit A, or (y) the attainment of the Performance Measure is not yet determinable as of such date, and in such case shall fully vest at the time of such termination but the vested portion of the Award shall remain subject to the attainment of the Performance Measure and such vested portion of the Award shall not be settled unless and until the Compensation Committee has certified that the Performance Measure has been attained (and the Award shall be settled at the time of such certification (if any)). (For the avoidance of doubt, *if* the Award is subject to a Performance Measure that the Compensation Committee has certified has *not* been attained with respect to all or any portion thereof, this Award shall terminate in whole or in part, as applicable, in accordance with Section 2(b) hereof.)

3. Definitions. Except as otherwise expressly provided, all terms used herein shall have the same meaning as in the Plan, as applicable and as may be amended from time to time. For purposes of this Agreement, as applicable, the following terms shall have the following meanings:

(a) "Affiliate" shall mean any corporation or other entity that stands in a relationship to the Company that would result in the Company and such corporation or other entity being treated as one employer under Section 414(b) and Section 414(c) of the Code.

(b) "Cause" means any of the following:

i. the Grantee's engagement in any criminal act which is or involves a serious felony offense, a violation of federal or state securities laws (or equivalent laws of any country or political subdivision thereof), embezzlement, fraud, wrongful taking or misappropriation of property, or theft or any other crime involving dishonesty;

ii. the Grantee's willful or grossly negligent failure to perform duties owed to the Company or an Affiliate;

iii. the Grantee's willful violation of any securities or commodities laws, any rules or regulations issued pursuant to such laws, or the rules and regulations of any securities or commodities exchange or association of which the Company or any of its subsidiaries or Affiliates is a member; or

iv. the Grantee's willful violation of any Company policy or any applicable policy of any of its subsidiaries or Affiliates concerning confidential or proprietary information, or material violation of any other Company or applicable subsidiary or Affiliate policy or written agreement as in effect from time to time; and

v. for purposes of Section 9(a), "Cause" also means the occurrence of any of the following, as determined by the Company: (a) the Grantee's performance of his or her duties and responsibilities to the Company or its subsidiaries or Affiliates, as applicable, in a manner deemed by the Company to be in any way unsatisfactory and/or inconsistent with the needs of the business; (b) the Grantee's breach of this Agreement or any other agreement between the Grantee and the Company or any

of its subsidiaries or Affiliates; or (c) the Grantee's misconduct, including, but not limited to, fraud, violation of or disregard for the rules, policies, and procedures of the Company or any of its subsidiaries or Affiliates, dishonesty, insubordination, theft, or other illegal or inappropriate conduct.

The determination as to whether "Cause" has occurred shall be made by the Administrator. The Administrator shall also have the authority to waive the consequences under the Plan of the existence or occurrence of any of the events, acts or omissions constituting "Cause." If, subsequent to the Grantee's termination of Employment for other than Cause, it is determined that the Grantee's Employment could have been terminated for Cause, the Grantee's Employment shall be deemed to have been terminated for Cause retroactively to the date the events giving rise to such Cause occurred. Notwithstanding the foregoing, if Grantee is party to an employment, severance-benefit, change of control or similar agreement with the Company that contains a definition of "Cause" (or a correlative term), such definition will apply (in the case of such Grantee for purposes of this Agreement) in lieu of Section 3(b)(i) through (iv) of the definition of "Cause" set forth above during the term of such other agreement, provided that Section 3(b)(v) of the definition set forth above will always apply for purposes of this Agreement.

(c) "Change of Control" shall mean the occurrence of any one of the following two events: (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any of its Affiliates, or any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any of its Affiliates), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Exchange Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25 percent or more of the combined voting power of the Company's then outstanding securities having the right to vote in an election of the Board ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from the Company); or (ii) the consummation of (A) any consolidation or merger of the Company where the stockholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate 50 percent or more of the voting shares of the corporation (or other business entity) issuing cash or securities in the consolidation or merger (or of its ultimate parent, if any), (B) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or (C) the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred for purposes of the foregoing subsection (c)(i) solely as the result of an acquisition of securities by the Company which, by reducing the number of shares of Voting Securities outstanding, increases the proportionate number of shares of Voting Securities beneficially owned by any person to 25 percent or more of the combined voting power of all then outstanding Voting Securities; provided that, if any person referred to in this sentence shall thereafter become the beneficial owner of any additional shares of Voting Securities (other than pursuant to a stock split, stock dividend, or similar transaction or as a result of an acquisition of securities directly from the Company), then a "Change of Control" shall be deemed to have occurred for purposes of the foregoing subsection (c)(i).

(d) "Client" shall mean all Past Clients, Present Clients and Potential Clients, subject to the following general rules:

i. with respect to each Client, the term "Client" shall also include any Persons who are Affiliates of such Client and, to the extent known by the Grantee to have such connection with

such Client (and the Grantee shall be deemed to have such knowledge if the Grantee would reasonably have been expected to have such knowledge in the ordinary course of the Grantee's duties while the Grantee was employed by the Company and its subsidiaries and Affiliates), directors, officers or employees of such Client or any such subsidiaries or Affiliates thereof, or Persons who are members of the immediate family of such Client or any of the other foregoing Persons or Affiliates of any of them;

ii. with respect to any Present Client or Past Client (as applicable) that is a Fund, the term "Client" shall also include (x) the sponsor of such Client, and any other Fund sponsored by such Person or its Affiliates, and (y) any investor in such Client (provided that, except to the extent the Grantee had knowledge of the identity of an investor therein while the Grantee was employed by the Company and its subsidiaries and Affiliates (and the Grantee shall be deemed to have had such knowledge if the Grantee would reasonably have been expected to have had such knowledge in the ordinary course of the Grantee's duties while the Grantee was employed by the Company and its subsidiaries and Affiliates), in the case of any Fund, an investor therein shall not be deemed a Present Client or Past Client (as applicable) hereunder);

iii. with respect to any Client that is a trust or similar entity, the term "Client" shall include the settlor and, to the extent such beneficiary is known to the Grantee to be such a beneficiary (and the Grantee shall be deemed to have had such knowledge if the Grantee would reasonably have been expected to have had such knowledge in the ordinary course of the Grantee's duties while the Grantee was employed by the Company and its subsidiaries and Affiliates), any Person who is a beneficiary of such Client and the Affiliates and immediate family members of any such Persons;

iv. with respect to so-called "wrap programs," "SMA programs" or similar programs, the term "Client" shall include (x) the sponsor of such program, and (y) the underlying participants in such program (provided that, except to the extent the Grantee had knowledge of the identity of a participant therein while the Grantee was employed by the Company and its subsidiaries and Affiliates (and the Grantee shall be deemed to have had such knowledge if the Grantee would reasonably have been expected to have had such knowledge in the ordinary course of the Grantee's duties while the Grantee was employed by the Company and/or its subsidiaries or its Affiliates), a participant therein shall not be deemed a Present Client or Past Client (as applicable) hereunder); and

v. with respect to each Client, the term "Client" shall also include any Persons who (x) in U.S. retail markets, serve as intermediaries, including, but not limited to, broker-dealers and financial advisers, and, (y) in all other markets, serve as an intermediary with discretion as to whether or not to make Affiliate products available to their underlying clients.

(e) "*Compensation Committee*" shall mean the Compensation Committee of the Board.

(f) "*Covered Transaction*" shall mean a consolidation or merger or a sale, lease, exchange or other transfer of all or substantially all of the assets of the Company in which outstanding Shares are exchanged for securities, cash or other property of an unrelated corporation (or other business entity) or a liquidation of the Company.

(g) "*Employment*" shall mean the Grantee's employment or other service relationship with the Company and its Affiliates. Employment will be deemed to continue, unless the Administrator expressly provides otherwise, so long as the Grantee is employed by, or otherwise providing services to, the Company or its Affiliates. If the Grantee's employment or other service relationship is with an

Affiliate and that entity ceases to be an Affiliate, the Grantee's Employment will be deemed to have terminated when the entity ceases to be an Affiliate unless the Grantee transfers Employment to the Company or its remaining Affiliates. Notwithstanding the foregoing and the definition of "Affiliate" above, in construing the provisions of this Award relating to the payment of "nonqualified deferred compensation" (subject to Section 409A) upon a termination or cessation of employment, references to termination or cessation of employment, separation from service, retirement or similar or correlative terms shall be construed to require a "separation from service" (as that term is defined in Section 1.409A-1(h) of the Treasury Regulations) from the Company and all other corporations and trades or businesses, if any, that would be treated as a single "service recipient" with the Company under Section 1.409A(h)(3) of the Treasury Regulations. The Company may, but need not, elect in writing, subject to the applicable limitations under Section 409A, any of the special elective rules prescribed in Section 1.409A-1(h) of the Treasury Regulations for purposes of determining whether a "separation from service" has occurred. Any such written election shall be deemed a part of the Plan.

(h) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(i) "Fund" shall mean any collective investment vehicle (whether open-ended or closed-ended), including, without limitation, an investment company (whether or not registered under the Investment Company Act of 1940, as amended), a general or limited partnership, a trust or a commingled fund, in any such case organized (or otherwise formed) in any jurisdiction.

(j) "Good Reason" shall mean any of the following events or conditions occurring without the Grantee's express written consent, provided that the Grantee shall have given notice of such event or condition within 90 days of the initial existence of such event or condition and the Company shall not have remedied such event or condition within 30 days after receipt of such notice:

- i. a materially adverse alteration in the nature or status of the Grantee's duties or responsibilities;
- ii. a material reduction in the Grantee's annual base salary or any target bonus, other than an across-the-board reduction that applies to the Grantee and similarly-situated employees; or
- iii. a change of 50 miles or more in the Grantee's principal place of Employment, except for required travel on business to an extent substantially consistent with the Grantee's business travel obligations.

Notwithstanding the foregoing, if the Grantee is party to an employment, severance-benefit, change of control or similar agreement with the Company or any subsidiary thereof that contains a definition of "Good Reason" (or a correlative term), such definition will apply (in the case of the Grantee for purposes of this Agreement) in lieu of the definition set forth above during the term of such agreement.

(k) "Investment Management Services" shall mean any services which involve: (i) the management of an investment account or Fund (or portions thereof or a group of investment accounts or Funds); (ii) the giving of advice with respect to the investment and/or reinvestment of assets or funds (or any group of assets or funds); or (iii) otherwise acting as an "investment adviser" within the meaning of the Investment Advisers Act of 1940, as amended, including, without limitation, in each of the foregoing cases, performing activities related or incidental thereto.

(l) “*Past Client*” shall mean, subject to the general rules under the definition of Client, at any particular time of determination, any Person (i) who at any point prior to such time of determination had been, directly or indirectly (and including, without limitation, through one or more intermediaries such as a wrap sponsor or as an investor in a Fund for which the Company or any subsidiary or Affiliate thereof acts (or acted) as a sponsor, adviser or sub-adviser or in a similar capacity), an advisee or investment advisory customer or client of, or otherwise a recipient of Investment Management Services from, (x) the Company or any subsidiary or Affiliate thereof, and/or (y) any owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant of the Company or any subsidiary or Affiliate thereof acting on behalf of the Company or any of its subsidiaries or Affiliates, but at such time is not an advisee or investment advisory customer or client of (or otherwise a direct or indirect recipient of Investment Management Services from) the Company or any subsidiary or Affiliate thereof (or any of the foregoing Persons acting on their behalf), and (ii) with which Grantee or his department had material, direct interaction with and/or with respect to which Grantee had access to proprietary or confidential information; provided, however, that, from and after the termination of Grantee’s Employment, the term “Past Client” shall thereafter be limited (solely with respect to the Grantee) to those Past Clients who were (directly or indirectly) advisees or investment advisory customers or clients of, or recipients of Investment Management Services from, the Company or any subsidiary or Affiliate thereof, or any owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant (or persons acting in any similar capacity) of the Company or any subsidiary or Affiliate thereof, at any time during the two (2) years immediately preceding the date of such termination.

(m) “*Performance Criteria*” shall mean specified criteria, other than the mere continuation of Employment or the mere passage of time, the satisfaction of which is a condition for the vesting or full enjoyment of the Award.

(n) “*Performance Measure*” shall mean the target for the Performance Period (each as set forth on Exhibit A, as applicable), as established by the Compensation Committee.

(o) “*Performance Period*” shall mean a period of at least a full fiscal year of the Company.

(p) “*Person*” shall mean any individual, partnership (limited or general), corporation, limited liability company, limited liability partnership, association, trust, joint venture, unincorporated organization or other entity.

(q) “*Potential Client*” shall mean, subject to the general rules under the definition of Client, at any particular time of determination, any Person (i) to whom (x) the Company or any subsidiary or Affiliate thereof, and/or (y) any owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant (or persons acting in any similar capacity) of the Company or any subsidiary or Affiliate thereof, acting on behalf of the Company or any subsidiary or Affiliate thereof in any such case has within one (1) year prior to such time of determination offered (whether by means of a personal meeting, telephone call, letter, written proposal or otherwise) to serve as investment adviser or otherwise provide Investment Management Services, but who is not at such time an advisee or investment advisory customer or client of (or otherwise a direct or indirect recipient of Investment Management Services from) the Company or any subsidiary or Affiliate thereof (or any of the foregoing Persons acting on their behalf), and (ii) with which Grantee or his department had material, direct interaction with and/or with respect to which Grantee had access to proprietary or confidential information; provided, however, that, from and after the termination of Grantee’s Employment, the term “Potential Client” shall thereafter

be limited (solely with respect to the Grantee) to those Potential Clients to whom such an offer to provide Investment Management Services was made at any time during the one (1) year immediately preceding the date of such termination. The preceding sentence is meant to exclude advertising, if any, through mass media in which the offer, if any, is available to the general public, such as magazines, newspapers and sponsorships of public events.

(r) “*Present Client*” shall mean, subject to the general rules under the definition of Client, at any particular time of determination, any Person (i) who is at such time of determination, directly or indirectly (and including, without limitation, through one or more intermediaries such as a wrap sponsor, or as an investor in a Fund for which the Company or any subsidiary or Affiliate thereof acts as a sponsor, adviser or sub-adviser or in a similar capacity), an advisee or investment advisory customer or client of (or otherwise a direct or indirect recipient of Investment Management Services from) (x) the Company or any subsidiary or Affiliate thereof and/or (y) any owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant (or persons acting in any similar capacity) of the Company or any subsidiary or Affiliate thereof acting on behalf of the Company or any subsidiary or Affiliate thereof, and (ii) with which Grantee or his department had material, direct interaction with and/or with respect to which Grantee had access to proprietary or confidential information.

(s) “*Section 409A*” shall mean Section 409A of the Code, including the Treasury Regulations and guidance promulgated thereunder.

Notwithstanding the foregoing or anything to the contrary herein, the term “disability” shall not have the meaning set forth in the Plan.

4. Termination of Service. If the Grantee’s Employment terminates, this Award may be subject to earlier termination or accelerated vesting as set forth below.

(a) Termination by Reason of Death or Disability. Notwithstanding anything to the contrary herein or in the Plan, if the Grantee’s Employment terminates by reason of death or disability, this Award shall automatically fully vest at the time of such termination; provided that, if this Award is subject to a Performance Measure, it shall only vest pursuant to Section 2(b) if (i) the Compensation Committee has certified that the Performance Measure has been attained on or before the date of termination, and in such case shall vest at the time of such termination in the amount indicated on Exhibit A, or (ii) the attainment of the Performance Measure is not yet determinable as of such date, and in such case shall vest at the time of such termination but such vested portion shall remain subject to the attainment of the Performance Measure and shall not be settled unless and until the Compensation Committee has certified that the Performance Measure has been attained (and shall be settled at the time of such certification (if any)). (For the avoidance of doubt, *if* this Award is subject to a Performance Measure that the Compensation Committee has certified has *not* been attained with respect to all or any portion thereof, this Award shall terminate with respect to all or any portion thereof, as applicable, in accordance with Section 2(b) hereof.)

(b) Other Termination. If the Grantee’s Employment terminates for any reason other than death or disability or in connection with a Change of Control described in Section 2(c), this Award shall, to the extent not already vested as described herein, terminate immediately and be of no further force or effect; it being understood that this Award shall remain outstanding following the date of any termination with respect to any portion thereof subject to a Performance Measure that has vested

(including pursuant to Sections 2(c)(y) or 4(a)(ii) hereof) until the Award is settled or terminated in accordance with Section 2(b).

The Administrator's determination of the reason that the Grantee's Employment has terminated shall be conclusive and binding on the Grantee and his or her representatives, legal guardians or legatees.

5. Effect of Certain Transactions.

(a) Hypothetical Investments in the Stock Unit Fund. If the Grantee has elected a hypothetical investment in the Stock Unit Fund, upon a Covered Transaction in which holders of Shares will receive upon consummation a payment (whether cash, non-cash or a combination of the foregoing), then subject to Section 5(b)(iv) below, the Administrator may provide for payment (a "cash-out"), with respect to the Award or any portion thereof, equal to the fair market value of one Share (as determined by the Administrator in its reasonable discretion) times the number of Stock Units subject to the Award or such portion, on such payment terms (which need not be the same as the terms of payment to holders of Shares) and other terms, and subject to such conditions, as the Administrator determines; provided that, the Administrator shall not exercise its discretion under this Section 5(a) with respect to this Award in a manner that would constitute an extension or acceleration of, or other change in, payment terms if such change would be inconsistent with the applicable requirements of Section 409A.

(b) All Hypothetical Investments. The provisions of this Section 5(b) shall apply regardless of the hypothetical investment elected by the Grantee.

i. Assumption or Substitution. In the event of a Covered Transaction, if the Covered Transaction is one in which there is an acquiring or surviving entity, the Administrator may provide for the assumption of the Award or for the grant of a new award in substitution therefor by the acquiror or survivor or an affiliate of the acquiror or survivor.

ii. Acceleration. If the Covered Transaction (whether or not there is an acquiring or surviving entity) is one in which there is no assumption, substitution or cash-out, then subject to Section 5(b)(iv) below, this Award will be accelerated and settled, prior to the Covered Transaction; provided that, to the extent acceleration pursuant to this Section 5(b)(ii) would cause the Award to fail to satisfy the requirements of Section 409A (if subject to such requirements), the Award shall not be accelerated and the Administrator in lieu thereof shall take such steps as are necessary to ensure that payment of the Award is made in a medium other than Shares and on terms that as nearly as possible, but taking into account adjustments required or permitted by this Section 5, replicate the prior terms of the Award.

iii. Termination of Award Upon Consummation of Covered Transaction. This Award will terminate upon consummation of the Covered Transaction, unless: (i) the Award is assumed pursuant to Section 5(b)(i) above; or (ii) the Award is converted pursuant to the proviso in Section 5(b)(ii) above into an ongoing right to receive payment in a medium other than Shares.

iv. Additional Limitations. Any Shares and any cash or other property delivered pursuant to Section 5(a) or Section 5(b)(ii) above with respect to the Award may, in the discretion of the Administrator, contain such restrictions, if any, as the Administrator deems appropriate to reflect any performance or other vesting conditions to which the Award was subject and that did not lapse (and were not satisfied) in connection with the Covered Transaction. For purposes of the immediately

preceding sentence, a cash-out under Section 5(a) above shall not, in and of itself, be treated as the lapsing (or satisfaction) of a performance or other vesting condition.

(c) Changes in and Distributions with Respect to Shares. The provisions of this Section 5(c) shall apply if the Grantee has elected a hypothetical investment in the Stock Unit Fund.

i. Basic Adjustment Provisions. In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure, the Administrator shall make appropriate adjustments to the number and kind of Stock Units subject to the Award and any other provision of Awards affected by such change.

ii. Certain Other Adjustments. The Administrator may also make adjustments of the type described in Section 5(c)(i) above to take into account distributions to stockholders other than those provided for in Section 5(c)(i), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of the Award, having due regard for the requirements of Section 409A.

6. Vesting and Settlement. Any portion of the Award that becomes vested shall be settled by the Company to the Grantee in Shares or cash (subject to Section 5 above), or a combination thereof, as determined by the Administrator, following, if applicable, attainment of the Performance Measure. The Award shall be settled pursuant to Section 2 hereof, and the vesting schedule and, if applicable, performance requirements set forth on Exhibit A, with the issuance and distribution of Shares and/or payment in cash, if any, in settlement of the Award (whether the Shares, if any, are to be held by the Company on the Grantee's behalf pursuant to Section 18(a) hereof or issued directly to the Grantee) to occur, in all cases, no later than March 15 of the year following the year in which the Award, in accordance with the short-term deferral exception under Section 409A and the regulations and guidance thereunder. Notwithstanding anything to the contrary in the Plan, settlement of this Award does not require a request for distribution from the Grantee.

Any sales of Shares are subject to the Company's insider trading policy, equity ownership guidelines and other Company policies as may be in effect from time to time or otherwise established by the Administrator.

7. Dividend Equivalent Rights. In the case of a Grantee who has elected a hypothetical investment in the Stock Unit Fund, if the Company makes any cash dividends or other cash distributions to the holders of Shares, the Grantee shall have the right to receive payments in lieu thereof in respect of the Stock Units ("Dividend Equivalent Rights"). If the Company makes such a cash dividend or other cash distribution prior to the settlement or termination of the Award, the Company shall credit the Grantee's Account as of the record date of such cash dividend or other cash distribution with an amount equal to the per-Share cash dividend or other cash distribution paid by the Company multiplied by the number of Stock Units. Such amounts shall be subject to the same vesting, payment (without interest), issuance, distribution, and other terms and conditions applicable to the Award as provided in this Agreement, including, for the avoidance of doubt, the attainment of any Performance Measure, as certified by the Compensation Committee. Notwithstanding anything to the contrary in the Plan, such amounts shall not be deemed invested in the Stock Unit Fund and shall not reflect the performance of the Stock Units.

8. Stockholder Rights. This Award shall not be interpreted to bestow upon a Grantee, including any Grantee who has elected a hypothetical investment in the Stock Unit Fund, any equity

interest or ownership in the Company or any subsidiary or Affiliate prior to the dates on which the Company delivers Shares (if any) to the Grantee in settlement of this Award. The Grantee shall have no rights as a shareholder with respect to the Stock Units, and shall have the rights of a shareholder only as to those Shares, if any, that are actually delivered under this Award.

9. Noncompetition, Intellectual Property and Confidentiality.

(a) In consideration of the Award granted herein, the Grantee agrees that during the term of the Grantee's Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates and for one (1) year thereafter (or two (2) years if the Grantee breaches his or her fiduciary duty to the Company or its subsidiaries or Affiliates, or unlawfully takes, physically or electronically, property belonging to the Company or its subsidiaries or Affiliates) for any reason other than termination by the Company without Cause, the Grantee: (i) will not, directly or indirectly, whether as owner, partner, shareholder, member, consultant, agent, employee, co-venturer or otherwise, engage, participate or invest in any Competing Business (as hereinafter defined) (provided, however, that nothing in this clause (i) shall prohibit the Grantee from acting as an agent for a Competing Business in the course of his or her employment (or other applicable service relationship) for a business which is not a Competing Business); (ii) will not, directly or indirectly, take any action to negotiate or discuss with any person or entity or solicit or entertain from any person or entity, any investment, purchase, proposal, offer or indication of interest regarding (A) any investment in any entity in which the Company or any of its subsidiaries or Affiliates holds any securities or other investment interests or (B) any investment in any other entity with whom the Company or any of its subsidiaries or Affiliates is or was discussing or negotiating any possible investment therein at any time during the one (1) year preceding the termination (if any) of the Grantee's Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates.

For purposes of this Agreement, the term "Competing Business" shall mean a business or a division of a business, conducted anywhere in the world, which invests in or acquires boutique or specialist investment managers or advisers, or has adopted a strategy or developed a business plan to invest in or acquire multiple boutique or specialist investment managers or advisers. Notwithstanding the foregoing, the Grantee may own up to five percent (5%) of the outstanding stock of a publicly held corporation which constitutes or is affiliated with a Competing Business.

(b) During the term of the Grantee's Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates and for two (2) years thereafter, the Grantee will refrain from directly or indirectly employing, attempting to employ, recruiting or otherwise soliciting, inducing or influencing any person to leave Employment with the Company or its subsidiaries or Affiliates (other than terminations of Employment of subordinate employees undertaken in the course of the Grantee's Employment with the Company or any of its subsidiaries or Affiliates).

(c) In addition to (and not in limitation of) the provisions of Sections 9(a) and (b) of this Agreement, the Grantee agrees, for the benefit of the Company and its subsidiaries and Affiliates, that the Grantee shall not, during the term of his or her Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates and for one (1) year thereafter, directly or indirectly (whether individually or as owner, part owner, shareholder, partner, member, director, officer, trustee, employee, agent, consultant or in any other capacity, on behalf of himself or any other Person (other than the Company or a subsidiary or Affiliate thereof while employed by the Company)):

i. Provide Investment Management Services to any Person that is a Client (which includes Past Clients, Present Clients, and Potential Clients);

ii. Solicit or induce (whether directly or indirectly) any Person for the purpose (which need not be the sole or primary purpose) of (A) causing any funds or accounts with respect to which the Company or any of its subsidiaries or Affiliates provides Investment Management Services to be withdrawn from such management or other services, or (B) causing any Client (including any Potential Client) not to engage the Company or any of its subsidiaries or Affiliates to provide Investment Management Services for any additional funds or accounts (or otherwise attempt to cause any of the foregoing to occur);

iii. Otherwise divert or take away (or seek to divert or take away) any funds or investment accounts with respect to which the Company or any subsidiary or Affiliate thereof provides Investment Management Services; or

iv. Contact or communicate with, whether directly or indirectly, any Past Clients, Present Clients or Potential Clients in connection with providing Investment Management Services to such Persons;

provided, however, that this Section 9(c) shall not be applicable to Clients (including Potential Clients) who are also immediate family members of the Grantee.

(d) The Grantee understands that the restrictions set forth in Sections 9(a), (b) and (c) of this Agreement are intended and necessary to protect the Company's and its subsidiaries' and Affiliates' interests in its and their Proprietary Information (as hereinafter defined) and established employee and client relationships and goodwill, and agrees that such restrictions are reasonable and appropriate for this purpose.

(e) The Grantee agrees and acknowledges that any and all presently existing business of the Company and its subsidiaries and Affiliates and all business developed by the Company, any of its subsidiaries or Affiliates, the Grantee and/or any other employee (or other service provider) of the Company and its subsidiaries and Affiliates, including without limitation all client lists, the Company's deal structures (as represented by the transactions it has completed, attempted or actually proposed), compensation records, agreements, and any other incident of any business developed by the Company or carried on by the Company and all trade names, service marks and logos under which the Company, its subsidiaries and its and their Affiliates do business, including without limitation "Affiliated Managers Group" and any combinations or variations thereof and all related logos, are and shall be the exclusive property of the Company or such subsidiary or Affiliate, as applicable, for its or their sole use, and (where applicable) amounts received in respect of the foregoing shall be payable directly to the Company or such subsidiary or Affiliate. The Grantee acknowledges that, in the course of performing services for the Company and otherwise, the Grantee will from time to time have access to information concerning the Company's, its subsidiaries' or its Affiliates' current or proposed businesses, technologies, business relationships, clients, personnel, processes, operations, strategies, plans, methods, investment recommendations, investment processes, investment methodologies, products, confidential records, manuals, data, client and contact lists, trade secrets or financial, corporate, marketing or personnel affairs, which the Company or such subsidiary or Affiliate has not released to the general public and all memoranda, notes, papers, items and tangible media related thereto (collectively, "Proprietary Information"). The Grantee agrees that Proprietary Information of the Company or any subsidiary or Affiliate thereof is and will be the exclusive property of the Company or such subsidiary or Affiliate, as

the case may be, and further agrees to always keep secret and never (during the term of this Agreement or thereafter) publish, divulge, furnish, use or make accessible to anyone (other than in the regular business of the Company or any subsidiary or Affiliate thereof or otherwise at the Company's request) such Proprietary Information. Anything contained herein to the contrary notwithstanding, this Section 9(e) shall not (i) apply to any knowledge, information or property which (x) is generally known or available to the public or in the public domain, (y) has been previously disclosed or made available to the public, unless the Grantee knows or has reason to know that such disclosure or availability was the direct or indirect result of the violation or breach of a confidentiality or non-disclosure obligation, or (z) is required to be disclosed or delivered by any court, agency or other governmental authority or is otherwise required to be disclosed by law, or (ii) preclude the Grantee from cooperating with any governmental process, or any governmental or law enforcement agency in any investigation, or from making any other communications (without notice to or consent from the Company) with a governmental agency. The Grantee understands that he or she will not be held criminally or civilly liable under any federal or state trade secret law for disclosing a trade secret (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed under seal in a lawsuit or other proceeding; provided, however, that notwithstanding this immunity from liability, the Grantee may be held liable if he or she accesses trade secrets by unauthorized means.

(f) The Grantee will make full and prompt disclosure to the Company of all inventions, discoveries, designs, developments, methods, modifications, improvements, processes, algorithms, databases, computer programs, formulae, techniques, trade secrets and other works of authorship (collectively, "Developments"), whether or not patentable or copyrightable, that are created, made, conceived or reduced to practice by the Grantee (alone or jointly with others) or under Grantee's direction during Grantee's Employment. The Grantee acknowledges and confirms that the Grantee hereby assigns and transfers, and will assign and transfer, to the Company and its successors and assigns all the Grantee's right, title and interest in all Developments that (i) relate to the business of the Company, any subsidiary or Affiliate or any customer of or supplier to the Company or any of the products or services being researched, developed, manufactured, serviced, licensed or sold by the Company or which may be used with such products or services; or (ii) result from tasks assigned to the Grantee by the Company, a subsidiary or an Affiliate; or (iii) result from the use of premises or personal property (whether tangible or intangible) owned, leased or contracted for by the Company, a subsidiary or an Affiliate ("Company-Related Developments"), and all related patents, patent applications, trademarks and trademark applications, copyrights and copyright applications, and other intellectual property rights in all countries and territories worldwide and under any international conventions ("Intellectual Property Rights").

(g) Upon termination of the Grantee's Employment for any reason, all Proprietary Information in the Grantee's possession or control shall be returned to the Company and remain in its possession. The Grantee will cooperate fully with the Company and its subsidiaries and Affiliates, both during Employment and following termination of Employment for any reason, in order for the Company and its subsidiaries and Affiliates to enforce and protect any of their rights and interests with respect to Proprietary Information, Company-Related Developments, and Intellectual Property Rights in Company-Related Developments, including without limitation whatsoever, signing all papers, copyright applications, patent applications, declarations, oaths, assignments of priority rights, and powers of attorney which the Company may deem necessary or desirable in order to protect such rights and interests.

(h) The Grantee and the Company agree that, in the event that any provision of this Section 9 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, the applicable

provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

10. Remedies Upon Breach. In the event that the Grantee breaches any of the provisions of Section 9 of this Agreement, including, without limitation, following the termination of the Grantee's Employment, the entire value of the vested Award (as of the date Grantee's Employment is terminated, whether or not paid, settled or distributed by the Company), shall be paid to or retained by the Company, as applicable, as liquidated damages (the "Liquidated Damages"). The parties agree that in the event of such breach by the Grantee it will be difficult to ascertain with certainty the amount of damages suffered by the Company and its subsidiaries and Affiliates. The amount of the Liquidated Damages represents a reasonable estimate of the damages expected to be suffered by the Company and its subsidiaries and Affiliates as a result of the Grantee's default and, in any such event, in addition to (and not in limitation of) such other remedies as the Company may have against the Grantee, until the Liquidated Damages are recovered in their entirety, (x) the Company shall be entitled to withhold any payments to which the Grantee otherwise would be entitled (whether pursuant to this Agreement or any other agreement, plan or policy, including without limitation distributions hereunder), and (y) the Grantee, at the request of the Company, shall return all or some incentive compensation (which shall include any compensation distributed or awarded to the Grantee other than base compensation); provided that, any amounts so withheld or returned shall be promptly released to the original payee to the extent it is determined (whether by settlement, judgment or arbitral decision) that such amounts are required to be so released, together with interest thereon as may be agreed or determined in connection with such settlement, judgment or decision. The Grantee agrees that the remedies provided in this Section 10 are reasonably related to anticipated losses that the Company and/or any of its subsidiaries or Affiliates would suffer upon a breach of such provisions by the Grantee. The Grantee recognizes and agrees that the Company's remedies at law for any breach, or threatened breach, of the provisions of this Agreement would be inadequate, and that for any breach or threatened breach of such provisions by the Grantee, the Company shall, in addition to such other remedies as may be available to it at law or in equity or as provided in this Agreement, be entitled to injunctive relief and enforcement of its rights by an action for specific performance to the extent permitted by law (and without having to post bond), and to an award of reasonable attorneys' fees and costs incurred in connection with securing any of its rights hereunder.

11. Notice of Termination.

(a) Grantee's Employment may be terminated at any time by the Company or, if different, any subsidiary or Affiliate of the Company that is the Grantee's employer (the "Grantee's employer"), or by the Grantee; provided that, the Grantee (but not the Company or, if different, the Grantee's employer) shall be required to provide at least six (6) months advance written notice of such termination. For the avoidance of doubt, for purposes of Section 9 of this Agreement, termination of Employment shall be deemed to occur upon delivery of notice of termination by the Grantee.

(b) Where notice of termination has been delivered by the Grantee, the Company (and, if different, the Grantee's employer) shall be under no obligation to provide any activities to Grantee to carry out on behalf of the Company or its subsidiaries or Affiliates, and may require him or her (i) not to attend any premises of the Company or any subsidiary or Affiliate thereof, (ii) to resign with immediate effect from any offices he or she holds with the Company or any subsidiary or Affiliate thereof (or any Client thereof), (iii) to refrain from any business contact with any Clients, partners or employees of the Company or any subsidiary or Affiliate thereof, and (iv) to take any leave time he or she has accrued under the policies of the Company or any subsidiary or Affiliate thereof.

(c) Notwithstanding the foregoing, if the Grantee is a party to an employment agreement with the Company or any subsidiary or Affiliate thereof, any terms of such employment agreement shall supersede and apply in precedence to the provisions of clauses (a) and (b) of this Section 11, and clauses (a) and (b) of this Section 11 shall not be taken to amend the related terms of such employment agreement.

(d) In connection with the termination of Grantee's Employment, the Grantee shall reasonably cooperate with the Company and, if different, the Grantee's employer, to prepare a communication plan regarding Grantee's departure, and Grantee shall not make any other public statement regarding his or her departure without the prior written consent of the Company.

12. Nondisparagement. In exchange for the consideration herein, the Grantee agrees that he or she will not make any disparaging, derogatory, damaging, and/or critical statements concerning the Company or any subsidiaries or any of their respective affiliates, partners, officers, directors, employees, services, products and/or activities.

13. Third-Party Agreements and Rights.

(a) The Grantee hereby confirms that he or she is not bound by the terms of any agreement with any previous employer or other party which restricts in any way the Grantee's use or disclosure of information or the Grantee's engagement in any business. In the Grantee's work for the Company or any of its subsidiaries or Affiliates, the Grantee will not disclose or use any information in violation of any rights of any such previous employer or other party.

(b) The Grantee's employer, if different than the Company, is an intended third-party beneficiary under this Agreement and may enforce the terms of Sections 9, 10, 11, 12, 14, 15, 16 and 18 of this Agreement. This right is subject to (i) the rights of the parties hereto to rescind or vary this Agreement without the consent of any such subsidiary or Affiliate and (ii) the other terms and conditions of this Agreement and the Plan.

14. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution or as permitted by the Administrator (or its delegate). The Grantee may transfer, without consideration for the transfer, the Award to members of his or her immediate family, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee (and, as required by the Administrator, the beneficiaries or members of such transferee) agrees in writing with the Company to be bound by all of the terms and conditions of the Plan and this Agreement.

15. Certain Tax Matters. To the extent permitted by law, the Company, the Grantee's employer or their agents shall have the right to withhold or deduct from any distributions (including any Shares acquired or otherwise deliverable and the payment of other amounts with respect to such Shares) or payments to the Grantee the minimum amount of taxes and any social security contributions required to be withheld or deducted by federal, state or local governments. The Grantee expressly acknowledges and agrees that his or her rights hereunder are subject to his or her promptly paying to the Company or the Grantee's employer in cash (or by such other means as may be acceptable to the Company or the Grantee's employer in its discretion, including, if the Administrator so determines, by the delivery of previously acquired Shares or Shares acquired hereunder or by the withholding of amounts from any payment hereunder) the minimum amount of taxes and any social security contributions required to be

withheld in connection with such award, vesting issuance, distribution or payment. Such payment by the Grantee shall be made no later than the date as of which any Shares or other amounts provided hereunder first become includable in the gross income of the Grantee for U.S. federal income tax purposes or as otherwise required by the Company or the Grantee's employer under applicable law.

16. Pensionable Pay. For Grantees that are non-U.S. employees, the Award shall not form part of the Grantee's pensionable pay.

17. Section 409A.

(a) This Agreement is intended either to be exempt from or compliant with Section 409A, and all provisions of this Agreement shall be construed and administered accordingly.

(b) Notwithstanding anything to the contrary in this Agreement, if the Grantee is determined by the Administrator to be a "specified employee" within the meaning of Section 409A at the time of the Grantee's separation from service, any and all payments, settlements or distributions under this Agreement that constitute nonqualified deferred compensation under Section 409A and that would (but for this provision) be paid, settled or distributed within six (6) months following the date of termination will be delayed until the earlier of (i) the date that is six (6) months and one day following the Grantee's separation from service, and (ii) the date of the Grantee's death.

(c) In no event shall the Company or any of its subsidiaries or Affiliates have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A.

18. Miscellaneous.

(a) The Company shall establish and maintain a sub-account within the Grantee's Account, which shall reflect the amount of the Award granted to the Grantee and the number of Stock Units. The Grantee acknowledges and agrees that the Company (i) may hold any Shares issued and distributed in settlement of this Award on behalf of the Grantee, until such time as the Grantee submits a request for delivery, and (ii) will exercise voting rights and take all other corporate actions for any Shares issued pursuant to this Award for such time as any such Shares may be held by the Company on behalf of the Grantee, unless the Grantee provides written notice to the Human Resources Department to the contrary.

(b) Notice hereunder shall be given (i) to the Company at its principal place of business, and (ii) to the Grantee at the address on file in the Company's records, or in either case at such other address as one party may subsequently furnish to the other party in writing.

(c) The Grantee hereby acknowledges and agrees to the following: (i) this Award is offered to the Grantee at the complete discretion of the Company; (ii) the Plan and this Award do not form part of any contract of employment between Grantee and the Company or any of its subsidiaries or Affiliates and do not confer upon the Grantee any rights with respect to continuance as an employee (or other service provider) of the Company or any of its subsidiaries or Affiliates; (iii) this Award will not affect any right the Company or any of its subsidiaries or Affiliates may have under any employment agreement with the Grantee or under applicable law to terminate the Employment of the Grantee at any time with or without Cause; (iv) this Award is not part of the Grantee's base salary or wages and will not be taken into account in determining any other employment-related rights that the Grantee may have, such

as any rights the Grantee may have to pension or severance pay; and (v) this Award does not confer on the Grantee any implied right or entitlement to the exercise of any discretion in his or her favor with respect to any discretionary terms in this Award.

(d) The Grantee hereby waives all and any rights to compensation or damages in consequence of the termination of Grantee's Employment with the Company, or any of its subsidiaries or Affiliates, for any reason whatsoever (whether lawfully or unlawfully) insofar as those rights arise or may arise from his ceasing to have rights under or be entitled to this Award as a result of such termination or from the loss or diminution in value of such rights or entitlements. In the event of any conflict between the terms of this Section 18(d) and the Grantee's terms of employment, this Section 18(d) shall take precedence (except as required by applicable legislation).

(e) Pursuant to the provisions of the Plan, the Administrator may at any time amend or cancel any outstanding portion of this Award for any purpose that may at the time be permitted by law, but no such action may be taken that materially and adversely affects the Grantee's rights under this Agreement without the Grantee's consent.

(f) If the Grantee is resident outside of the United States, to the extent permitted by applicable law, the Grantee hereby consents to the holding, processing and transfer of data relating to him or her (including sensitive personal data as defined in the UK Data Protection Act 1998) by: (i) the Company and any of its subsidiaries and Affiliates; (ii) any person providing services to the Company, its subsidiaries or Affiliates (including, but not limited to, any third party broker, registrar or administrator); and (iii) any trustee appointed by the Company, its subsidiaries or Affiliates, in each case for all purposes relating to the administration or operation of the Plan, including the grant, holding or vesting of an Award and the delivery, holding or sale of Stock and, to the extent permitted by applicable law, this consent includes consent to the transfer of such data to countries outside the European Economic Area even if the country in question does not maintain adequate data protection standards.

(g) Notwithstanding anything to the contrary in the Plan, the provisions of this Agreement and all claims or disputes arising out of or based upon this Agreement or relating to the subject matter hereof or thereof will be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction. Notwithstanding the foregoing or anything to the contrary herein, if the Grantee is a resident of, or employed in, the Commonwealth of Massachusetts for at least 30 days prior to his or her termination of Employment (or other applicable service relationship) with the Company or any of its subsidiaries or Affiliates, Section 9(a) and all claims or disputes arising out of or based upon such section or relating to the subject matter thereof will be governed by and construed in accordance with the domestic substantive laws of the Commonwealth of Massachusetts without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(h) The Grantee hereby acknowledges that he or she has read this Agreement, including, without limitation, Section 9(a), thoroughly, is satisfied that he or she understands it completely, and agrees to be bound by the terms and conditions set forth herein. The Grantee understands that he or she has the right to consult an attorney before signing this Agreement. Notwithstanding anything to the contrary herein, Section 9(a) shall not take effect until ten (10) business days after the Grant Date listed on Exhibit A hereto.

(i) Notwithstanding anything herein to the contrary, this Award shall be, and the Grantee hereby acknowledges that it is, subject to and governed by all the terms and conditions of the Plan; provided, that Section 3.1 through 3.4 of the Plan, permitting Elective Deferrals, and Articles 4 through 9 of the Plan shall not apply to the Grantee by reason of the grant of this Award. This Agreement shall supersede and take precedence over any inconsistent provisions of the Plan and any prior Plan Agreement.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the Grant Date.

AFFILIATED MANAGERS GROUP, INC.

By: _____
David M. Billings
Executive Vice President, General Counsel
and Secretary

Please execute this Agreement and return it to the Human Resources Department.

Grantee

[Award Agreement]

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Nathaniel Dalton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ NATHANIEL DALTON

Nathaniel Dalton
Chief Executive Officer

QuickLinks

[Exhibit 31.1](#)

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jay C. Horgen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ JAY C. HORGEN

Jay C. Horgen

President, Chief Financial Officer and Treasurer

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[Exhibit 31.2](#)

**CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc. (the "Company") for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Nathaniel Dalton, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2019

/s/ NATHANIEL DALTON

Nathaniel Dalton
Chief Executive Officer

QuickLinks

[Exhibit 32.1](#)

**CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc. (the "Company") for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jay C. Horgen, President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2019

/s/ JAY C. HORGEN

Jay C. Horgen

President, Chief Financial Officer and Treasurer

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[Exhibit 32.2](#)