

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, 2004

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)

600 Hale Street, Prides Crossing, Massachusetts 01965

(Address of principal executive offices)

(617) 747-3300

(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 is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes No

There were 28,992,832 shares of the Registrant's common stock outstanding as of May 3, 2004.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

| | December 31, 2003 | March 31, 2004 |
|---|-------------------|----------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 253,334 | \$ 359,734 |
| Investment advisory fees receivable | 65,288 | 74,120 |
| Prepaid expenses and other current assets | 20,861 | 22,149 |
| | <hr/> | <hr/> |
| Total current assets | 339,483 | 456,003 |
| Fixed assets, net | 36,886 | 36,641 |
| Acquired client relationships, net | 364,429 | 359,401 |
| Goodwill | 751,607 | 751,265 |
| Other assets | 26,800 | 31,551 |
| | <hr/> | <hr/> |
| Total assets | \$ 1,519,205 | \$ 1,634,861 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 89,707 | \$ 75,680 |
| Notes payable to related party | 11,744 | 9,510 |
| | <hr/> | <hr/> |
| Total current liabilities | 101,451 | 85,190 |
| Senior convertible debt | 423,340 | 423,494 |
| Mandatory convertible securities | 230,000 | 530,000 |
| Deferred income taxes | 92,707 | 100,785 |
| Other long-term liabilities | 16,144 | 31,737 |
| | <hr/> | <hr/> |
| Total liabilities | 863,642 | 1,171,206 |
| Commitments and contingencies | — | — |
| Minority interest | 40,794 | 40,801 |
| Stockholders' equity: | | |
| Common stock | 235 | 353 |
| Additional paid-in capital | 408,449 | 377,767 |
| Accumulated other comprehensive income | 944 | 1,194 |
| Retained earnings | 306,972 | 325,142 |
| | <hr/> | <hr/> |
| | 716,600 | 704,456 |
| Less: treasury stock, at cost | (101,831) | (281,602) |
| | <hr/> | <hr/> |
| Total stockholders' equity | 614,769 | 422,854 |
| | <hr/> | <hr/> |
| Total liabilities and stockholders' equity | \$ 1,519,205 | \$ 1,634,861 |
| | <hr/> | <hr/> |

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

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)
(unaudited)

| | For the Three Months Ended March 31, | |
|--|---|------------|
| | 2003 | 2004 |
| Revenue | \$ 110,247 | \$ 151,634 |
| Operating expenses: | | |
| Compensation and related expenses | 39,311 | 57,291 |
| Selling, general and administrative | 19,518 | 23,321 |
| Amortization of intangible assets | 4,014 | 4,101 |
| Depreciation and other amortization | 1,514 | 1,539 |
| Other operating expenses | 3,968 | 3,722 |
| | 68,325 | 89,974 |
| Operating income | 41,922 | 61,660 |
| Non-operating (income) and expenses: | | |
| Investment and other income | (1,475) | (1,884) |
| Interest expense | 5,441 | 7,315 |
| | 3,966 | 5,431 |
| Income before minority interest and income taxes | 37,956 | 56,229 |
| Minority interest | (16,294) | (25,432) |
| Income before income taxes | 21,662 | 30,797 |
| Income taxes—current | 2,052 | 4,549 |
| Income taxes—intangible-related deferred | 5,950 | 6,083 |
| Income taxes—other deferred | 663 | 1,995 |
| Net Income | \$ 12,997 | \$ 18,170 |
| Earnings per share—basic ⁽¹⁾ | \$ 0.41 | \$ 0.60 |
| Earnings per share—diluted ⁽¹⁾ | \$ 0.40 | \$ 0.57 |
| Average shares outstanding—basic ⁽¹⁾ | 32,088,223 | 30,310,432 |
| Average shares outstanding—diluted ⁽¹⁾ | 32,593,413 | 31,955,353 |
| Supplemental disclosure of total comprehensive income: | | |
| Net Income | \$ 12,997 | \$ 18,170 |
| Other comprehensive income | 189 | 250 |
| Total comprehensive income | \$ 13,186 | \$ 18,420 |

(1) Average shares outstanding and Earnings per share reflect a three-for-two stock split that occurred in March 2004.

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

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | For the Three Months Ended March 31, | |
|---|---|-------------------|
| | 2003 | 2004 |
| Cash flow from (used in) operating activities: | | |
| Net Income | \$ 12,997 | \$ 18,170 |
| Adjustments to reconcile Net Income to cash flow from (used in) operating activities: | | |
| Amortization of intangible assets | 4,014 | 4,101 |
| Amortization of debt issuance costs | 603 | 904 |
| Depreciation and amortization of fixed assets | 1,514 | 1,539 |
| Deferred income tax provision | 6,613 | 8,078 |
| Accretion of interest | 250 | 154 |
| Tax benefit from exercise of stock options | — | 5,509 |
| Other adjustments | (531) | — |
| Changes in assets and liabilities: | | |
| Decrease (increase) in investment advisory fees receivable | 5,605 | (8,832) |
| Decrease (increase) in other current assets | (1,793) | 1,549 |
| Decrease in non-current other receivables | 234 | 711 |
| Decrease in accounts payable, accrued expenses and other liabilities | (25,300) | (20,084) |
| Increase (decrease) in minority interest | (6,291) | 7 |
| Cash flow from (used in) operating activities | (2,085) | 11,806 |
| Cash flow used in investing activities: | | |
| Costs of investments, net of cash acquired | (3,119) | (4,114) |
| Purchase of fixed assets | (1,509) | (1,295) |
| Investment in marketable securities | — | (2,586) |
| Increase in other assets | (15) | (106) |
| Cash flow used in investing activities | (4,643) | (8,101) |
| Cash flow from financing activities: | | |
| Borrowings of senior bank debt | 85,000 | — |
| Repayments of senior bank debt | (85,000) | — |
| Issuances of convertible securities | 300,000 | 300,000 |
| Repurchase of convertible securities | (101,297) | — |
| Issuances of equity securities | — | 11,414 |
| Repurchases of common stock | (33,688) | (194,420) |
| Issuance costs | (7,297) | (9,715) |
| Repayments of notes payable | (7,502) | (4,584) |
| Cash flow from financing activities | 150,216 | 102,695 |
| Effect of foreign exchange rate changes on cash flow | 189 | — |
| Net increase in cash and cash equivalents | 143,677 | 106,400 |
| Cash and cash equivalents at beginning of period | 27,708 | 253,334 |
| Cash and cash equivalents at end of period | \$ 171,385 | \$ 359,734 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The consolidated financial statements of Affiliated Managers Group, Inc. (the "Company" or "AMG") have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America for complete financial statements. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all of the disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included. All intercompany balances and transactions have been eliminated. All dollar amounts in these notes (except information that is presented on a per share, per note or per contract basis) are stated in thousands, unless otherwise indicated. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 includes additional information about AMG, its operations and its financial position, and should be read in conjunction with this Quarterly Report on Form 10-Q.

2. Stock Split

In January 2004, the Company's Board of Directors authorized a three-for-two stock split, and the additional shares of common stock were distributed on March 29, 2004. Corresponding with this split, the conversion and settlement rates of outstanding convertible securities and the number of shares of common stock subject to outstanding options were appropriately adjusted. As applicable, the information provided in this Quarterly Report on Form 10-Q reflects the stock split.

3. Long-Term Senior Debt

The components of long-term senior debt are as follows:

| | December 31, 2003 | March 31, 2004 |
|---|----------------------|-------------------|
| Senior revolving credit facility | \$ — | \$ — |
| Zero coupon senior convertible notes | 123,340 | 123,494 |
| Floating rate senior convertible securities | 300,000 | 300,000 |
| Total | \$ 423,340 | \$ 423,494 |

Senior Revolving Credit Facility

The Company has a senior revolving credit facility (the "Facility") with a syndicate of major commercial banks. The Facility, which is scheduled to mature in August 2005, currently provides that the Company may borrow up to \$250,000 at rates of interest (based either on the Eurodollar rate or the Prime rate as in effect from time to time) that vary depending on the Company's credit ratings. Subject to the agreement of the lenders (or prospective lenders) to increase their commitments, the Company has the option to increase the Facility to \$350,000. The Facility contains financial covenants with respect to net worth, leverage and interest coverage. The Facility also contains customary affirmative and negative covenants, including limitations on indebtedness, liens, cash dividends and

fundamental corporate changes. Any borrowings under the Facility would be collateralized by pledges of all capital stock or other equity interests owned by AMG.

Zero Coupon Senior Convertible Notes

In May 2001, the Company completed a private placement of zero coupon senior convertible notes. In this private placement, the Company sold an aggregate of \$251,000 principal amount at maturity of zero coupon senior convertible notes due 2021, with each note issued at 90.50% of such principal amount and accreting at a rate of 0.50% per year. Each security is convertible into 17.429 shares of the Company's common stock upon the occurrence of certain events, including the following: (i) if the closing price of a share of the Company's common stock is more than a specified price over certain periods (initially \$62.36 and increasing incrementally at the end of each calendar quarter to \$63.08 on April 1, 2021); (ii) if the credit rating assigned by Standard & Poor's to the securities is below BB-; or (iii) if the Company calls the securities for redemption. The holders may require the Company to repurchase the securities at their accreted value on May 7 of 2006, 2011 and 2016. (Holders also had the option to require the Company to repurchase the securities on May 7, 2004, but no holders exercised this option.) If the holders exercise this option in the future, the Company may elect to repurchase the securities with cash, shares of its common stock or some combination thereof. The Company has the option to redeem the securities for cash on or after May 7, 2006 at their accreted value. In 2003, the Company repurchased an aggregate \$116,500 principal amount at maturity of zero coupon senior convertible notes in privately negotiated transactions.

Floating Rate Senior Convertible Securities

In February 2003, the Company completed a private placement of \$300,000 of floating rate senior convertible securities due 2033 ("convertible securities"). The convertible securities bear interest at a rate equal to 3-month LIBOR minus 0.50%, payable in cash quarterly. Each security is convertible into shares of the Company's common stock upon the occurrence of certain events, including the following: (i) if the closing price of a share of the Company's common stock exceeds \$65.00 over certain periods; (ii) if the credit rating assigned by Standard & Poor's is below BB-; or (iii) if the Company calls the securities for redemption. Upon conversion, holders of the securities will receive 18.462 shares of the Company's common stock for each convertible security. In addition, if the market price of the Company's common stock exceeds \$54.17 per share at the time of conversion, holders will receive additional shares of common stock based on the stock price at that time. Based on the trading price of the Company's common stock on March 31, 2004, each security would have a settlement rate of 18.547 shares. The holders of the convertible securities may require the Company to repurchase such securities on February 25 of 2008, 2013, 2018, 2023 and 2028, at their principal amount. The Company may choose to pay the purchase price for such repurchases with cash, shares of its common stock or some combination thereof. The Company may redeem the convertible securities for cash at any time on or after February 25, 2008, at their principal amount.

4. Mandatory Convertible Securities

The components of the Company's mandatory convertible securities are as follows:

| | December 31, 2003 | March 31, 2004 |
|---------------------------------------|----------------------|-------------------|
| 2001 mandatory convertible securities | \$ 230,000 | \$ 230,000 |
| 2004 mandatory convertible securities | — | 300,000 |
| Total | \$ 230,000 | \$ 530,000 |

2001 Mandatory Convertible Securities

In December 2001, the Company completed a public offering of mandatory convertible securities ("2001 PRIDES"). A sale of an over-allotment of the securities was completed in January 2002, increasing the aggregate amount outstanding to \$230,000. As described below, these securities are structured to provide \$230,000 of additional proceeds to the Company following a successful remarketing and the exercise of forward purchase contracts in November 2004.

Each unit of the 2001 PRIDES initially consists of (i) a senior note due November 17, 2006 with a principal amount of \$25 per note, on which the Company pays interest quarterly at the annual rate of 6%, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase shares of the Company's common stock on November 17, 2004, with the number of shares to be determined based upon the average trading price of the Company's common stock for a period preceding that date. Depending on the average trading price in that period, the settlement rate will range from 0.4461 to 0.5130 shares per \$25 senior note. Based on the trading price of the Company's common stock on March 31, 2004, the purchase contracts would have a settlement rate of 0.4580.

Each of the senior notes is pledged to the Company to collateralize the holder's obligations under the forward purchase contracts. Beginning in August 2004, under the terms of the 2001 PRIDES, the senior notes will be remarketed to new investors. A successful remarketing will generate \$230,000 of proceeds to be used by the original holders of the 2001 PRIDES to honor their obligations on the forward purchase contracts. In exchange for the additional \$230,000 in payment on the forward purchase contracts, the Company will issue shares of its common stock to the original holders of the senior notes. As referenced above, the number of shares of common stock to be issued will be determined by the market price of the Company's common stock at that time. Assuming a successful remarketing, the senior notes will remain outstanding until November 2006.

2004 Mandatory Convertible Securities

In February 2004, the Company completed a private placement of \$300,000 of mandatory convertible securities ("2004 PRIDES"). As described below, these securities are structured to provide \$300,000 of additional proceeds to the Company following a successful remarketing and the exercise of forward purchase contracts in February 2008.

Each unit of the 2004 PRIDES initially consists of (i) a senior note due February 17, 2010 with a principal amount of \$1,000 per note, on which the Company pays interest quarterly at the annual rate of 4.125%, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase shares of the Company's common stock on February 17, 2008. Holders of the purchase contracts will receive a quarterly contract adjustment payment at the annual rate of 2.525% per \$1,000 contract. The present value of the contract adjustment payments (\$24,000) is recorded in additional paid-in capital, with a corresponding increase in current liabilities (\$6,000) and other long-term liabilities (\$18,000). The number of shares to be issued on February 17, 2008 will be determined based upon the average trading price of the Company's common stock for a period preceding that date. Depending on the average trading price in that period, the settlement rate will range from 11.7851 to 18.0311 shares per \$1,000 senior note. Based on the trading price of the Company's common stock as of March 31, 2004, the purchase contracts would have a settlement rate of 18.0311.

Each of the senior notes is pledged to the Company to collateralize the holder's obligations under the forward purchase contracts. Beginning in August 2007, under the terms of the 2004 PRIDES, the senior notes will be remarketed to new investors. A successful remarketing will generate \$300,000 of proceeds to be used by the original holders of the 2004 PRIDES to honor their obligations on the forward purchase contracts. In exchange for the additional \$300,000 in payment on the forward purchase contracts, the Company will issue shares of its common stock to the original holders of the senior notes. As referenced above, the number of shares of common stock to be issued will be

determined by the market price of the Company's common stock at that time. Assuming a successful remarketing, the senior notes will remain outstanding until at least February 2010.

In connection with the 2004 PRIDES, the Company repurchased an aggregate of approximately 3.5 million shares of its common stock during the first quarter of 2004. The share repurchases are intended to offset the Company's obligation to issue shares of its common stock in November 2004 under the terms of the forward purchase contracts of the 2001 PRIDES. Additional information regarding the Company's repurchase of common stock is provided in "Changes in Securities and Use of Proceeds" on page 31.

5. Income Taxes

A summary of the provision for income taxes is as follows:

| | For the Three Months Ended March 31, | |
|-----------------------------------|---|------------------|
| | 2003 | 2004 |
| Federal: | | |
| Current | \$ 1,796 | \$ 3,980 |
| Deferred | 5,786 | 7,068 |
| State: | | |
| Current | 256 | 569 |
| Deferred | 827 | 1,010 |
| Provision for income taxes | \$ 8,665 | \$ 12,627 |

The components of deferred tax assets and liabilities are as follows:

| | December 31, 2003 | March 31, 2004 |
|---|----------------------|---------------------|
| Deferred assets (liabilities): | | |
| State net operating loss and credit carryforwards | \$ 7,696 | \$ 7,950 |
| Intangible asset amortization | (90,626) | (96,709) |
| Deferred compensation | 452 | 452 |
| Convertible securities interest | (5,097) | (6,742) |
| Accruals | 1,483 | 1,273 |
| | (86,092) | (93,776) |
| Valuation allowance | (6,615) | (7,009) |
| Net deferred income taxes | \$ (92,707) | \$ (100,785) |

Deferred tax liabilities are primarily the result of tax deductions for the Company's intangible assets and convertible securities. The Company amortizes its goodwill and certain other intangible assets for tax purposes only, reducing its tax basis below their carrying value for financial statement purposes. The Company's floating rate convertible securities and the 2004 PRIDES currently generate tax deductions at interest rates that are higher than the rates used to record interest expense for financial statement purposes.

The Company has state net operating loss carryforwards that will expire over a 15-year period beginning in 2004. The Company also has state tax credit carryforwards which will expire over a 10-year period beginning in 2004. The valuation allowance at December 31, 2003 and March 31, 2004 is related to the uncertainty of the realization of most of these loss and credit carryforwards, which realization depends upon the Company's generation of sufficient taxable income prior to their expiration.

6. Comprehensive Income

A summary of comprehensive income, net of taxes, is as follows:

| | For the Three Months Ended March 31, | |
|---|---|-----------|
| | 2003 | 2004 |
| Net Income | \$ 12,997 | \$ 18,170 |
| Change in unrealized foreign currency gains | 189 | — |
| Change in net unrealized gain on investment securities | — | 568 |
| Reclassification of unrealized gain on investment securities to realized gain | — | (318) |
| Comprehensive income | \$ 13,186 | \$ 18,420 |

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

| | December 31, 2003 | March 31, 2004 |
|--|----------------------|-------------------|
| Unrealized gain on investment securities | \$ 944 | \$ 1,194 |

7. Earnings Per Share

The calculation of basic Earnings per share is based on the weighted average number of shares of the Company's common stock outstanding during the period. Diluted Earnings per share is similar to basic Earnings per share, but adjusts for the effect of the potential issuance of incremental shares of the Company's common stock. The following table reconciles basic average shares outstanding to shares used to compute diluted Earnings per share. (There were no adjustments to Net Income for purposes of computing Earnings per share.)

| | For the Three Months Ended March 31, ⁽¹⁾ | |
|------------------------------------|--|------------|
| | 2003 | 2004 |
| Average shares outstanding—basic | 32,088,223 | 30,310,432 |
| Incremental common shares | 505,190 | 1,644,921 |
| Average shares outstanding—diluted | 32,593,413 | 31,955,353 |

(1) The Average shares outstanding data presented reflects a three-for-two stock split that occurred in March 2004.

The computation of diluted Earnings per share in the quarter ended March 31, 2003 excludes the effect of the potential exercise of options to purchase approximately 2.5 million shares because the effect would have been anti-dilutive. Also, as more fully discussed in Note 3, the Company has zero coupon convertible notes and floating rate convertible notes which are convertible into shares of the Company's common stock upon the occurrence of certain events. During the periods presented, none of the conditions providing for conversion were met; therefore, no related adjustment was made to diluted Earnings per share. Additionally, this calculation excludes the effect of the future exercise of the forward purchase contracts issued as part of the 2001 PRIDES and the 2004 PRIDES, as more fully discussed in Note 4, because the effect would have been anti-dilutive.

During the quarter ended March 31, 2004, the Company repurchased approximately 3.5 million shares of its common stock at an average price of \$55.73 per share under share repurchase programs authorized by the Company's Board of Directors. As of March 31, 2004, approximately 3.0 million

shares remained authorized for repurchase. Additional information regarding the Company's repurchase of common stock is provided in "Changes in Securities and Use of Proceeds" on page 31.

8. Commitments and Contingencies

The Company's operating agreements provide Affiliate managers the conditional right to require the Company to purchase their retained equity interests at certain intervals. The agreements also provide the Company the conditional right to require Affiliate managers to sell their retained equity interests upon their death, permanent incapacity or termination of employment and provide Affiliate managers the conditional right to require the Company to purchase such retained equity interests upon the occurrence of such events. These purchases are generally calculated based upon a multiple of the Affiliate's cash flow distributions, which is intended to represent fair value. As one measure of the potential magnitude of such purchases, in the event that a triggering event and resulting purchase occurred with respect to all such retained equity interests as of March 31, 2004, the aggregate amount of these payments would have totaled approximately \$666,590. In the event that all such transactions were closed, the Company would own the prospective cash flow distributions of all equity interests that would be purchased from Affiliate managers. As of March 31, 2004, this amount would represent approximately \$90,453 on an annualized basis. With the Company's approval, Affiliate managers are also permitted to sell their equity interests to other individuals or entities.

The Company and its Affiliates are subject to claims, legal proceedings and other contingencies in the ordinary course of their business activities. Each of these matters is 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 for matters for which the outcome is probable and can be reasonably estimated. Management believes that any liability in excess of these accruals upon the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial condition or results of operations of the Company.

In a continuing investigation of various issues in the mutual fund industry, federal and state regulators have requested information from a number of mutual fund companies, broker-dealers and mutual fund distributors, including Affiliates of the Company. The Company believes there will be no material adverse effect as a result of these matters on the financial condition of the Company.

Certain Affiliates operate under regulatory authorities which require they maintain minimum financial or capital requirements. Management is not aware of any violations of such financial requirements occurring during the quarter ended March 31, 2004.

9. Related Party Transactions

In connection with the purchase of additional Affiliate equity interests, the Company periodically issues notes to Affiliate partners. As of March 31, 2004, the notes totaled \$20,717, of which \$9,510 is included on the Consolidated Balance Sheet as a current liability and \$11,207 is included in other long-term liabilities.

10. Equity-Based Compensation Plans

The Company follows the provisions of the Financial Accounting Standards Board (the "FASB") Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), as amended by FASB Statement No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure" ("FAS 148"). The provisions of FAS 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), provided the entity discloses its pro forma Net Income and Earnings per share as if the fair value method had been applied in measuring compensation cost.

The Company continues to apply the intrinsic value method prescribed by APB 25 in accounting for its stock option incentive plans. Under this method, compensation cost is measured at the grant date based on the intrinsic value of the award and is recognized over the vesting period. Because no outstanding options vested in the first quarter of 2004, the Company reported no pro forma expense under the fair value method for the three months ended March 31, 2004. Had compensation cost for the Company's stock option plans been determined based on the fair value method set forth in FAS 123, Net Income and Earnings per share would have been as follows:

| | For the Three Months Ended March 31, ⁽¹⁾ | |
|--|--|-----------|
| | 2003 | 2004 |
| Net Income—as reported | \$ 12,997 | \$ 18,170 |
| Less: Stock-based compensation expense determined under fair value method, net of tax | 2,322 | — |
| Net Income—FAS 123 pro forma | \$ 10,675 | \$ 18,170 |
| Earnings per share—basic—as reported | \$ 0.41 | \$ 0.60 |
| Earnings per share—basic—FAS 123 pro forma | 0.33 | 0.60 |
| Earnings per share—diluted—as reported | 0.40 | 0.57 |
| Earnings per share—diluted—FAS 123 pro forma | 0.33 | 0.57 |

(1) The Earnings per share data reflects a three-for-two stock split that occurred in March 2004.

11. Segment Information

The Company operates in three business segments representing the Company's three principal distribution channels: Mutual Fund, Institutional and High Net Worth. Revenue in the Mutual Fund distribution channel is earned from advisory and sub-advisory relationships with mutual funds. Revenue in the Institutional distribution channel is earned from relationships with foundations and endowments, defined benefit and defined contribution plans and Taft-Hartley plans. Revenue in the High Net Worth distribution channel is earned from relationships with wealthy individuals, family trusts and managed account programs. In the case of Affiliates with transaction-based brokerage fee businesses, revenue reported in each distribution channel includes fees earned for transactions on behalf of clients in that channel.

As described in greater detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations," in firms with revenue sharing arrangements, a certain percentage of revenue is allocated for use by management of an Affiliate in paying operating expenses of that Affiliate, including salaries and bonuses, and is called an "Operating Allocation." In reporting segment operating expenses, Affiliate expenses are allocated to a particular segment on a pro rata basis with respect to the revenue generated by that Affiliate in such segment. Generally, as revenue increases, additional compensation is typically paid to Affiliate management partners from the Operating Allocation. As a result, the contractual expense allocation pursuant to a revenue sharing arrangement may result in the characterization of any growth in profit margin beyond the Company's Owners' Allocation as an operating expense. All other operating expenses (excluding intangible amortization) and interest expense, have been allocated to segments based on the proportion of cash flow distributions reported by Affiliates in each segment.

Statements of Income

| | For the Three Months Ended March 31, 2003 | | | |
|--|---|---------------|----------------|------------|
| | Mutual Fund | Institutional | High Net Worth | Total |
| Revenue | \$ 41,446 | \$ 36,786 | \$ 32,015 | \$ 110,247 |
| Operating expenses: | | | | |
| Depreciation and amortization | 347 | 3,665 | 1,516 | 5,528 |
| Other operating expenses | 23,154 | 21,267 | 18,376 | 62,797 |
| | 23,501 | 24,932 | 19,892 | 68,325 |
| Operating income | 17,945 | 11,854 | 12,123 | 41,922 |
| Non-operating (income) and expenses: | | | | |
| Investment and other income | (682) | (400) | (393) | (1,475) |
| Interest expense | 2,126 | 1,674 | 1,641 | 5,441 |
| | 1,444 | 1,274 | 1,248 | 3,966 |
| Income before minority interest and income taxes | 16,501 | 10,580 | 10,875 | 37,956 |
| Minority interest | (6,624) | (5,417) | (4,253) | (16,294) |
| Income before income taxes | 9,877 | 5,163 | 6,622 | 21,662 |
| Income taxes | 3,951 | 2,065 | 2,649 | 8,665 |
| Net Income | \$ 5,926 | \$ 3,098 | \$ 3,973 | \$ 12,997 |

| | For the Three Months Ended March 31, 2004 | | | |
|--|---|---------------|----------------|------------|
| | Mutual Fund | Institutional | High Net Worth | Total |
| Revenue | \$ 60,303 | \$ 55,241 | \$ 36,090 | \$ 151,634 |
| Operating expenses: | | | | |
| Depreciation and amortization | 383 | 3,283 | 1,974 | 5,640 |
| Other operating expenses | 33,684 | 29,866 | 20,784 | 84,334 |
| | 34,067 | 33,149 | 22,758 | 89,974 |
| Operating income | 26,236 | 22,092 | 13,332 | 61,660 |
| Non-operating (income) and expenses: | | | | |
| Investment and other income | (1,114) | (389) | (381) | (1,884) |
| Interest expense | 3,021 | 2,472 | 1,822 | 7,315 |
| | 1,907 | 2,083 | 1,441 | 5,431 |
| Income before minority interest and income taxes | 24,329 | 20,009 | 11,891 | 56,229 |
| Minority interest | (9,622) | (10,524) | (5,286) | (25,432) |
| Income before income taxes | 14,707 | 9,485 | 6,605 | 30,797 |
| Income taxes | 6,030 | 3,889 | 2,708 | 12,627 |
| Net Income | \$ 8,677 | \$ 5,596 | \$ 3,897 | \$ 18,170 |

Balance Sheet Information

| | Mutual Fund | Institutional | High Net Worth | Total |
|--------------------------------------|-------------|---------------|----------------|--------------|
| Total assets as of December 31, 2003 | \$ 628,417 | \$ 560,483 | \$ 330,305 | \$ 1,519,205 |
| Total assets as of March 31, 2004 | \$ 678,338 | \$ 602,529 | \$ 353,994 | \$ 1,634,861 |

12. Goodwill and Acquired Client Relationships

During the three months ended March 31, 2004, the Company acquired additional interests in existing Affiliates and transferred certain interests to Affiliate management. Within the following table, the change in goodwill associated with such transactions is presented net of the cost of the transferred interests. All goodwill acquired during the quarter is deductible for tax purposes.

| | <u>Mutual Fund</u> | <u>Institutional</u> | <u>High Net Worth</u> | <u>Total</u> |
|---------------------------------|--------------------|----------------------|-----------------------|--------------|
| Balance as of December 31, 2003 | \$ 272,917 | \$ 296,012 | \$ 182,678 | \$ 751,607 |
| Goodwill acquired, net | (92) | (231) | (19) | (342) |
| Balance as of March 31, 2004 | \$ 272,825 | \$ 295,781 | \$ 182,659 | \$ 751,265 |

The following table reflects the components of intangible assets:

| | <u>December 31, 2003</u> | | <u>March 31, 2004</u> | |
|--|--------------------------|---------------------------------|------------------------|---------------------------------|
| | <u>Carrying Amount</u> | <u>Accumulated Amortization</u> | <u>Carrying Amount</u> | <u>Accumulated Amortization</u> |
| Amortized intangible assets: | | | | |
| Acquired client relationships | \$ 233,004 | \$ 65,898 | \$ 232,077 | \$ 69,999 |
| Non-amortized intangible assets: | | | | |
| Acquired client relationships—mutual fund management contracts | 197,323 | — | 197,323 | — |
| Goodwill | 751,607 | — | 751,265 | — |

Amortizable acquired client relationships are amortized using the straight-line method over a weighted average life of approximately 14 years. Amortization expense was \$4,014 and \$4,101 for the three months ended March 31, 2003 and 2004, respectively. The Company estimates that amortization expense will be approximately \$16,500 per year through 2008, assuming no additional investments in new or existing Affiliates.

13. Recent Accounting Developments

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities," which provides new accounting guidance on when to consolidate a variable interest entity ("VIE"). FIN 46 defines a VIE as a legal entity that either has no equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE will be consolidated by the enterprise that absorbs the majority of the VIE's expected losses or, if no enterprise absorbs the majority of the losses, the VIE will be consolidated by the enterprise that receives the majority of the expected residual returns. FIN 46 was immediately effective for the Company for VIEs created after January 31, 2003, and, as amended, became effective for VIEs created prior to February 1, 2003 on March 31, 2004. The adoption of FIN 46 did not have a material impact on the Company.

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

Forward-Looking Statements

When used 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, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "believes," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among others, the following:

- our performance is directly affected by changing conditions in the financial markets generally and in the equity markets particularly, and a decline or a lack of sustained growth in these markets may result in decreased advisory fees or performance fees and a corresponding decline (or lack of growth) in the cash flow distributable to us from our Affiliates and our operating results;
- we cannot be certain that we will be successful in finding or investing in additional investment management firms on favorable terms, that we will be able to consummate announced investments in new investment management firms, or that existing and new Affiliates will have favorable operating results;
- we may need to raise capital by making long-term or short-term borrowings or by selling shares of our stock or other securities in order to finance investments in additional investment management firms or additional investments in our existing Affiliates, and we cannot be sure that such capital will be available to us on acceptable terms, if at all; and
- those certain other factors discussed under the caption "Business-Cautious Statements" in our Annual Report on Form 10-K for the year ended December 31, 2003, and in any other filings we make with the Securities and Exchange Commission from time to time.

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. We will not undertake and we specifically disclaim any obligation to release publicly the result of any revisions which 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 wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

Overview

We are an asset management company with equity investments in a diverse group of mid-sized investment management firms (our "Affiliates"). As of March 31, 2004, our affiliated investment management firms managed approximately \$94.8 billion in assets across a broad range of investment styles and in three principal distribution channels: Mutual Fund, Institutional and High Net Worth. We pursue a growth strategy designed to generate shareholder value through the internal growth of our existing businesses across these three channels, in addition to investments in mid-sized investment management firms and strategic transactions and relationships designed to enhance our Affiliates' businesses and growth prospects.

Through our Affiliates, we provide more than 150 investment products across a wide variety of asset classes and investment styles in our three principal distribution channels. We believe that our diversification across asset classes, investment styles and distribution channels helps to mitigate our exposure to the risks created by changing market environments. The following summarizes our operations in our three principal distribution channels.

- Our Affiliates provide advisory or sub-advisory services to more than 50 mutual funds. These funds are distributed to retail and institutional clients directly and through intermediaries,

including independent investment advisors, retirement plan sponsors, broker-dealers, major fund marketplaces and bank trust departments.

- Through our Affiliates, we offer more than 75 investment products across more than 25 different investment styles in the Institutional distribution channel, including small, small/mid, mid and large capitalization value and growth equity. In addition, our Affiliates offer fixed income and specialty products. Through this distribution channel, our Affiliates manage assets for foundations and endowments, defined benefit and defined contribution plans for corporations and municipalities, and Taft-Hartley plans, with disciplined and focused investment styles that address the specialized needs of institutional clients.
- The High Net Worth distribution channel is comprised broadly of two principal client groups. The first group consists principally of direct relationships with ultra high net worth and affluent individuals and families and charitable foundations. For these clients, our Affiliates provide investment management or customized investment counseling and fiduciary services. The second group consists of individual managed account client relationships established through intermediaries, generally brokerage firms or other sponsors. Our Affiliates provide investment management services through more than 90 managed account programs.

While we operate our business through our Affiliates in our three principal distribution channels, we strive to maintain each Affiliate's distinct entrepreneurial culture and independence through our investment structure. Our principal investment structure involves the ownership of a majority interest in our Affiliates, with each Affiliate organized as a separate firm. Each Affiliate operating agreement is tailored to meet that Affiliate's particular characteristics and to enable us to cause or prevent certain actions to protect our interests.

We have revenue sharing arrangements with most of our Affiliates. Under these arrangements, a percentage of revenue (or in certain cases different percentages relating to the various sources or amounts of revenue of a particular Affiliate) is allocated for use by management of that Affiliate in paying operating expenses of the Affiliate, including salaries and bonuses. We call this the "Operating Allocation." The remaining portion of the Affiliate's revenue is allocated to the owners of that Affiliate (including us), and called the "Owners' Allocation." Each Affiliate distributes its Owners' Allocation to its managers and to us generally in proportion to their and our respective ownership interests in that Affiliate.

We only agree to a particular revenue sharing arrangement if we believe that the Operating Allocation will cover operating expenses of the Affiliate, including a potential increase in expenses or decrease in revenue without a corresponding decrease in operating expenses. To the extent that we are unable to anticipate changes in the revenue and expense base of an Affiliate, the agreed-upon Operating Allocation may not be large enough to pay for all of the Affiliate's operating expenses. The allocations and distributions of cash to us under the Owners' Allocation generally have priority over the allocations and distributions to the Affiliate's managers, which help to protect us if there are any expenses in excess of the Operating Allocation of the Affiliate. Thus, if an Affiliate's expenses exceed its Operating Allocation, the excess expenses first reduce the portion of the Owners' Allocation allocated to the Affiliate's managers until that portion is eliminated, and then reduce the portion allocated to us. Any such reduction in our portion of the Owners' Allocation is required to be paid back to us out of the portion of future Owners' Allocation allocated to the Affiliate's managers. Nevertheless, we may agree to adjustments to revenue sharing arrangements to accommodate our business needs or those of our Affiliates, including deferring or foregoing the receipt of some portion or all of our share of an Affiliate's revenue to permit the Affiliate to fund operating expenses or restructuring our relationship with an Affiliate, if we believe that doing so will maximize the long-term benefits to us. In addition, a revenue sharing arrangement may be modified to a profit-based arrangement (as described below) to better accommodate our business needs or those of our Affiliates.

One of the purposes of our revenue sharing arrangements is to provide ongoing incentives for Affiliate managers by allowing them:

- to participate in the growth of their firm's revenue, which may increase their compensation from the Operating Allocation and their distributions from the Owners' Allocation; and
- to control operating expenses, thereby increasing the portion of the Operating Allocation available for growth initiatives and compensation.

An Affiliate's managers therefore have incentives to increase revenue (thereby increasing the Operating Allocation and their share of the Owners' Allocation) and to control expenses (thereby increasing the amount of Operating Allocation available for their compensation). For the quarter ended March 31, 2004, approximately \$24.2 million was reported as compensation to our Affiliate managers from their respective Operating Allocations. Additionally, during this period we allocated approximately \$25.4 million of Affiliates' profits to their managers (referred to on our income statement as "minority interest").

Some of our Affiliates are not subject to a revenue sharing arrangement, but instead operate on a profit-based model similar to a wholly-owned subsidiary. In our profit-based Affiliates, we participate in a budgeting process with the Affiliate and receive as cash flow a share of its profits. As a result, we participate fully in any increase or decrease in the revenue or expenses of such firms. In those cases, we generally provide incentives to management through compensation arrangements based on the performance of the Affiliate. In recent periods, approximately 10% of our earnings has been generated by our profit-based Affiliates.

Net Income on our income statement reflects the consolidation of substantially all of the revenue of our Affiliates, reduced by:

- the operating expenses of our Affiliates;
- our operating expenses (i.e., our holding company expenses, including interest, amortization, income taxes and compensation for our employees); and
- the profits allocated to our Affiliates' managers, or minority interest.

As discussed above, for Affiliates with revenue sharing arrangements, the operating expenses of the Affiliate as well as its managers' minority interest generally increase (or decrease) as the Affiliate's revenue increases (or decreases) because of the direct relationship established in many of our agreements between the Affiliate's revenue and its Operating Allocation and Owners' Allocation. At our profit-based Affiliates, expenses may or may not correspond to increases or decreases in the Affiliates' revenues.

Our level of profitability will depend on a variety of factors, including:

- those affecting the financial markets generally and the equity markets particularly, which could potentially result in considerable increases or decreases in the assets under management at our Affiliates;
- the level of Affiliate revenue, which is dependent on the ability of our existing and future Affiliates to maintain or increase assets under management by maintaining their existing investment advisory relationships and fee structures, marketing their services successfully to new clients and obtaining favorable investment results;
- our receipt of Owners' Allocation from Affiliates with revenue sharing arrangements, which depends on the ability of our existing and future Affiliates to maintain certain levels of operating profit margins;

- the increases or decreases in the revenue and expenses of Affiliates that operate on a profit-based model;
- the availability and cost of capital with which we finance our existing and new investments;
- our success in making new investments and the terms upon which such transactions are completed;
- the level of intangible assets and the associated amortization expense resulting from our investments;
- the level of expenses incurred for holding company operations, including compensation for our employees; and
- the level of taxation to which we are subject.

Through our affiliated investment management firms, we derive most of our revenue from the provision of investment management services. Investment management fees ("asset-based fees") are usually determined as a percentage fee charged on periodic values of a client's assets under management. Certain clients are billed for all or a portion of their accounts based upon assets under management valued at the beginning of a billing period ("in advance"). Other clients are billed for all or a portion of their accounts based upon assets under management valued at the end of the billing period ("in arrears"). For example, most client accounts in the High Net Worth distribution channel are billed in advance, and most client accounts in the Institutional distribution channel are billed in arrears. Clients in the Mutual Fund distribution channel are billed based upon average daily assets under management. Advisory fees billed in advance will not reflect subsequent changes in the market value of assets under management for that period. Conversely, advisory fees billed in arrears will reflect changes in the market value of assets under management for that period. In addition, in the High Net Worth and Institutional distribution channels, certain clients are billed on the basis of investment performance ("performance fees"). Performance fees are inherently dependent on investment results and therefore may vary substantially from period to period.

Principally, our assets under management are directly managed by our Affiliates. One of our Affiliates also manages assets in the Institutional distribution channel using an overlay strategy. Overlay assets (assets that are managed subject to strategies which employ futures, options or other derivative securities) generate asset-based fees that are typically substantially lower than the asset-based fees generated by our Affiliates' other investment strategies. Therefore, changes in directly managed assets generally have a greater impact on our revenue from asset-based fees than changes in total assets under management (a figure which includes overlay assets).

In addition to the revenue derived from providing investment management services, we derive a small portion of our revenue from transaction-based brokerage fees and distribution fees at certain Affiliates. In the case of the transaction-based brokerage business at Third Avenue Management LLC ("Third Avenue"), our percentage participation in Third Avenue's brokerage fee revenue is substantially less than our percentage participation in the investment management fee revenue realized by Third Avenue and our other Affiliates. For this reason, increases or decreases in our consolidated revenue that are attributable to Third Avenue brokerage fees will not affect our earnings in the same manner as investment management services revenue from Third Avenue and our other Affiliates.

Results of Operations

The following tables present our Affiliates' reported assets under management by operating segment (which are also referred to as distribution channels in this Quarterly Report on Form 10-Q) and a statement of changes for each period.

| Assets under Management—Operating Segment | December 31, 2003 | March 31, 2004 |
|---|----------------------|--|
| <i>(dollars in billions)</i> | | |
| Mutual Fund | \$ 23.3 | \$ 25.2 |
| Institutional | 44.7 | 46.4 |
| High Net Worth | 23.5 | 23.2 |
| | <u>\$ 91.5</u> | <u>\$ 94.8</u> |
| Directly managed assets—percent of total | 91% | 91% |
| Overlay assets—percent of total | 9% | 9% |
| | <u>100%</u> | <u>100%</u> |
| Assets under Management—Statement of Changes | | For the Three Months Ended March 31, 2004 |
| <i>(dollars in billions)</i> | | |
| Beginning of period | \$ | 91.5 |
| New investments ⁽¹⁾ | | 0.4 |
| Net client cash flows | | 0.2 |
| Investment performance | | 2.7 |
| End of period | <u>\$</u> | <u>94.8</u> |

(1) Through our Affiliate, The Managers Funds LLC, we acquired the mutual fund business of 40/86 Advisors, Inc. (previously Conseco Capital Management, Inc.) on March 31, 2004.

The operating segment analysis presented in the following table is based on average assets under management. For the Mutual Fund distribution channel, average assets under management represents an average of the daily net assets under management. For the Institutional and High Net Worth distribution channels, average assets under management represents an average of the assets at the beginning and end of each calendar quarter during the applicable period. We believe that this analysis

more closely correlates to the billing cycle of each distribution channel and, as such, provides a more meaningful relationship to revenue.

| <i>(in millions, except as noted)</i> | For the Three Months Ended March 31, | | |
|--|---|-----------------|-----------------|
| | 2003 | 2004 | % Change |
| Average Assets under Management (in billions) | | | |
| Mutual Fund | \$ 15.9 | \$ 24.5 | 54% |
| Institutional | 33.6 | 45.6 | 36% |
| High Net Worth | 20.1 | 23.3 | 16% |
| Total | \$ 69.6 | \$ 93.4 | 34% |
| Revenue⁽¹⁾ | | | |
| Mutual Fund | \$ 41.4 | \$ 60.3 | 46% |
| Institutional | 36.8 | 55.2 | 50% |
| High Net Worth | 32.0 | 36.1 | 13% |
| Total | \$ 110.2 | \$ 151.6 | 38% |
| Net Income⁽¹⁾ | | | |
| Mutual Fund | \$ 5.9 | \$ 8.7 | 47% |
| Institutional | 3.1 | 5.6 | 81% |
| High Net Worth | 4.0 | 3.9 | (3%) |
| Total | \$ 13.0 | \$ 18.2 | 40% |
| EBITDA⁽²⁾ | | | |
| Mutual Fund | \$ 12.3 | \$ 18.2 | 48% |
| Institutional | 10.5 | 15.2 | 45% |
| High Net Worth | 9.8 | 10.4 | 6% |
| Total | \$ 32.6 | \$ 43.8 | 34% |

(1) Note 11 to our Consolidated Financial Statements describes the basis of presentation of the financial results of our three operating segments.

(2) EBITDA represents earnings before interest expense, income taxes, depreciation and amortization. As a measure of liquidity, we believe that EBITDA is useful as an indicator of our ability to service debt, make new investments and meet working capital requirements. EBITDA is not a measure of liquidity under generally accepted accounting principles and should not be considered an alternative to cash flow from operations. EBITDA, as calculated by us, may not be consistent with computations of EBITDA by other companies. Our use of EBITDA, including a reconciliation to cash flow from operations, is described in greater detail in "Liquidity and Capital Resources." For purposes of our distribution channel operating results, holding company expenses have been allocated based on the proportion of aggregate cash flow distributions reported by each Affiliate in the particular distribution channel.

Revenue

Our revenue is generally determined by the following factors:

- our assets under management (including increases or decreases relating to new investments, net client cash flows or changes in the value of assets that are attributable to fluctuations in the equity markets);
- the portion of our assets across the three operating segments and our Affiliates, which realize different fee rates;
- the portion of our directly managed and overlay assets, which realize different fee rates;
- the recognition of any performance fees; and

- the level of transaction-based brokerage fees.

In addition, the billing patterns of our Affiliates will have an impact on revenue in cases of rising or falling markets. As described previously, advisory fees billed in advance will not reflect subsequent changes in the market value of assets under management for that period, while advisory fees billed in arrears will reflect changes in the market value of assets under management for that period. As a consequence, when equity market declines result in decreased assets under management in a particular period, revenue reported on accounts that are billed in advance of that period may appear to have a relatively higher quarterly fee rate, and in the case of equity market appreciation, revenue reported on accounts that are billed in advance of that period may appear to have a relatively lower quarterly fee rate.

Our revenue increased 38% in the quarter ended March 31, 2004, as compared to the quarter ended March 31, 2003, primarily as a result of an increase in average assets under management. This increase in average assets under management resulted principally from positive investment performance in the twelve months ended March 31, 2004, and, to a lesser extent, positive net client cash flows. Further contributing to the growth in revenue were higher performance fees in the quarter ended March 31, 2004, as compared to the quarter ended March 31, 2003.

The following discusses the changes in our revenue by operating segments.

Mutual Fund Distribution Channel

The increase in revenue of 46% in the Mutual Fund distribution channel in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, resulted primarily from an increase in average assets under management. This increase in average assets under management resulted principally from positive investment performance in the twelve months ended March 31, 2004, and, to a lesser extent, positive net client cash flows. The increase in revenue was proportionately less than the growth in average assets under management because of a relative increase in assets under management that realize lower fees.

Institutional Distribution Channel

The increase in revenue of 50% in the Institutional distribution channel in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, resulted primarily from an increase in average assets under management. This increase in average assets under management resulted principally from positive investment performance in the twelve months ended March 31, 2004, and, to a lesser extent, positive net client cash flows. Unrelated to the increase in assets under management, revenue also increased as a result of an increase in performance fees.

High Net Worth Distribution Channel

The increase in revenue of 13% in the High Net Worth distribution channel in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, resulted primarily from an increase in average assets under management. The increase in average assets under management was primarily attributable to positive investment performance in the twelve months ended March 31, 2004, partially offset by net client cash outflows.

Operating Expenses

The following table summarizes our consolidated operating expenses.

| <i>(dollars in millions)</i> | For the Three Months Ended March 31, | | |
|-------------------------------------|---|---------|----------|
| | 2003 | 2004 | % Change |
| Compensation and related expenses | \$ 39.3 | \$ 57.3 | 46% |
| Selling, general and administrative | 19.5 | 23.3 | 19% |
| Amortization of intangible assets | 4.0 | 4.1 | 3% |
| Depreciation and other amortization | 1.5 | 1.5 | —% |
| Other operating expenses | 4.0 | 3.8 | (5%) |
| Total operating expenses | \$ 68.3 | \$ 90.0 | 32% |

A substantial portion of our operating expenses is incurred by our Affiliates, and a substantial majority of Affiliate expenses is incurred by Affiliates with revenue sharing arrangements. For Affiliates with revenue sharing arrangements, an Affiliate's Operating Allocation percentage generally determines its operating expenses. Most notably, our compensation expenses are generally impacted by increases or decreases in each Affiliate's revenue and the corresponding increases or decreases in their respective aggregate Operating Allocations. During the quarter ended March 31, 2004, approximately \$24.2 million, or about 42% of our consolidated compensation expense, was attributable to compensation allocated to our Affiliate managers from their respective Operating Allocations. As described previously, the percentage of revenue allocated to operating expenses varies from one Affiliate to another and can vary within an Affiliate depending on the source or amounts of revenue. As a result, changes in our aggregate revenue may not impact our consolidated operating expenses to the same degree. In addition, we participate fully in any increase or decrease in revenue and expenses at our profit-based Affiliates.

Compensation and related expenses increased 46% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003. The increase in compensation and related expenses reflects the relationship between revenue and operating expenses at Affiliates with revenue sharing arrangements, which experienced aggregate increases in revenue, and accordingly, reported higher compensation expense. The increase was also related to higher holding company compensation.

Selling, general and administrative expenses increased 19% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003. The increase was principally attributable to higher sub-advisory and distribution expenses resulting from the growth in assets under management at The Managers Funds LLC, as well as increases in professional fees incurred at the holding company.

Amortization of intangible assets increased 3% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, principally from an increase in definite-lived intangible assets resulting from our purchases of additional interests in existing Affiliates during 2003.

Other operating expenses decreased 5% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, principally as a result of a net decrease in spending by Affiliates on various smaller items.

Other Income Statement Data

The following table summarizes other income statement data.

| <i>(dollars in millions)</i> | For the Three Months Ended March 31, | | |
|------------------------------|---|---------|----------|
| | 2003 | 2004 | % Change |
| Minority interest | \$ 16.3 | \$ 25.4 | 56% |
| Income tax expense | 8.7 | 12.6 | 45% |
| Interest expense | 5.4 | 7.3 | 35% |
| Investment and other income | 1.5 | 1.9 | 27% |

Minority interest increased 56% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, principally as a result of the previously discussed increase in revenue. Given the relative decrease in investment spending by certain Affiliates from their Owners' Allocation (which has the corresponding effect of increasing minority interest), the increase in minority interest was proportionately greater than the 38% increase in revenue. Additionally, this increase was attributable to an increase in revenue at profit-based Affiliates, at which increases (or decreases) in revenue do not result in proportionate increases (or decreases) in operating expenses or minority interest.

Income taxes increased by 45% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003. This increase is attributable to the increase in income before taxes, as well as the increase in our effective tax rate from 40% in the three months ended March 31, 2003 to 41% in the three months ended March 31, 2004.

Interest expense increased 35% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003. The increase is principally attributable to our issuance of \$300 million of mandatory convertible securities in February 2004, which we refer to as the "2004 PRIDES" (as described in greater detail in "Liquidity and Capital Resources").

Investment and other income increased 27% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003. The increase was attributable to the maintenance of higher levels of excess cash at the holding company following our issuance of the 2004 PRIDES, as discussed above.

Net Income

The following table summarizes Net Income:

| <i>(dollars in millions)</i> | For the Three Months Ended March 31, | | |
|------------------------------|---|---------|----------|
| | 2003 | 2004 | % Change |
| Net Income | \$ 13.0 | \$ 18.2 | 40% |

The 40% increase in Net Income in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, resulted principally from the increases in revenue and investment and other income, partially offset by increases in reported operating, interest, minority interest and tax expenses, as described above.

Supplemental Performance Measure

As supplemental information, we provide a non-GAAP performance measure that we refer to as Cash Net Income. This measure is provided in addition to, but not as a substitute for, Net Income. Cash Net Income is defined as Net Income plus amortization and deferred taxes related to intangible

assets plus Affiliate depreciation. We consider Cash Net Income an important measure of our financial performance, as we believe it best represents operating performance before non-cash expenses relating to our acquisition of interests in our Affiliates. Cash Net Income is used by our management and Board of Directors as a principal performance benchmark, including as a measure for aligning executive compensation with stockholder value.

Since our acquired assets do not generally depreciate or require replacement by AMG, and since they generate deferred tax expenses that are unlikely to reverse, we add back these non-cash expenses to Net Income to measure operating performance. We add back amortization attributable to acquired client relationships because this expense does not correspond to the changes in value of these assets, which do not diminish predictably over time. The portion of deferred taxes generally attributable to intangible assets (including goodwill) that we no longer amortize but which continues to generate tax deductions is added back, because these accruals would be used only in the event of a future sale of an Affiliate or an impairment charge, which we consider unlikely. We add back the portion of consolidated depreciation expense incurred by our Affiliates because under our Affiliates' operating agreements we are generally not required to replenish these depreciating assets. Conversely, we do not add back the deferred taxes relating to our floating rate senior convertible securities or other depreciation expenses.

The following table provides a reconciliation of Net Income to Cash Net Income:

| <i>(dollars in millions)</i> | For the Three Months Ended March 31, | |
|-----------------------------------|---|----------------|
| | 2003 | 2004 |
| Net Income | \$ 13.0 | \$ 18.2 |
| Intangible amortization | 4.0 | 4.1 |
| Intangible-related deferred taxes | 6.0 | 6.1 |
| Affiliate depreciation | 1.0 | 1.0 |
| Cash Net Income | \$ 24.0 | \$ 29.4 |

Cash Net Income increased 23% in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, primarily as a result of the previously described factors affecting Net Income.

Liquidity and Capital Resources

The following table summarizes certain key financial data relating to our liquidity and capital resources:

| <i>(dollars in millions)</i> | December 31, 2003 | March 31, 2004 |
|--------------------------------------|---|-------------------|
| Balance Sheet Data | | |
| Cash and cash equivalents | \$ 253.3 | \$ 359.7 |
| Senior revolving credit facility | — | — |
| Zero coupon convertible debt | 123.3 | 123.5 |
| Floating rate convertible securities | 300.0 | 300.0 |
| Mandatory convertible securities | 230.0 | 530.0 |
| | For the Three Months Ended March 31, | |
| | 2003 | 2004 |
| Cash Flow Data | | |
| Operating cash flows | \$ (2.1) | \$ 11.8 |
| Investing cash flows | (4.6) | (8.1) |
| Financing cash flows | 150.2 | 102.7 |
| EBITDA ⁽¹⁾ | 32.6 | 43.8 |

(1) The definition of EBITDA is presented in Note 2 on page 19.

We have met our cash requirements primarily through cash generated by operating activities and the issuance of convertible debt securities. Our principal uses of cash in the quarter ended March 31, 2004 were to repurchase shares of our common stock and make distributions to Affiliate managers. We expect that our principal uses of cash for the foreseeable future will be for investments in new and existing Affiliates, distributions to Affiliate managers, payment of principal and interest on outstanding debt, the repurchase of debt securities, the repurchase of shares of our common stock and for working capital purposes.

We view our ratio of debt to EBITDA (our "leverage ratio") as an important gauge of our ability to service debt, make new investments and access capital. Consistent with industry practice, we do not consider our mandatory convertible securities as debt for the purpose of determining our leverage ratio. As more fully discussed below, each unit of our 2001 PRIDES and 2004 PRIDES is comprised of a senior note and a forward purchase contract. Under the terms of each security, the exercise of the forward purchase contracts at the respective remarketing dates will result in the issuance of shares of our common stock that will generate cash proceeds sufficient to amortize debt in an amount equal to the remaining note portion of each security. We also view our leverage on a "net debt" basis by deducting our cash and cash equivalents from our debt balance. The leverage covenant of our senior revolving credit facility is generally consistent with our treatment of the PRIDES securities and our net debt approach. At March 31, 2004, our leverage ratio was 0.4:1.

Senior Revolving Credit Facility

We have a \$250 million senior revolving credit facility (the "Facility") with several major commercial banks. The Facility, which is scheduled to mature in August 2005, currently provides that we may borrow at rates of interest (based either on the Eurodollar rate or the Prime rate as in effect from time to time) that vary depending on our credit ratings. Subject to the agreement of the lenders (or prospective lenders) to increase their commitments, we have the option to increase the Facility to \$350 million. The Facility contains financial covenants with respect to net worth, leverage and interest coverage, and requires us to pay a quarterly commitment fee on any unused portion. The Facility also

contains customary affirmative and negative covenants, including limitations on indebtedness, liens, cash dividends and fundamental corporate changes. Any borrowings under the Facility would be collateralized by pledges of all capital stock or other equity interests owned by us.

Zero Coupon Senior Convertible Notes

In May 2001, we completed a private placement of zero coupon senior convertible notes in which we sold an aggregate of \$251 million principal amount at maturity of zero coupon senior convertible notes due 2021, accreting at a rate of 0.50% per year. Each \$1,000 principal amount at maturity zero coupon senior convertible note is convertible into 17.429 shares of our common stock (the "settlement rate") upon the occurrence of certain events, including the following: (i) if the closing price of a share of our common stock is more than a specified price over certain periods (initially \$62.36 and increasing incrementally at the end of each calendar quarter to \$63.08 on April 1, 2021); (ii) if the credit rating assigned by Standard & Poor's to the securities is below BB-; or (iii) if we call the securities for redemption. The holders may require us to repurchase the securities at their accreted value on May 7 of 2006, 2011 and 2016. (Holders also had the option to require us to repurchase the securities on May 7, 2004, but no holders exercised this option.) If the holders exercise this option in the future, we may choose to pay the purchase price for such repurchases with cash, shares of our common stock or some combination thereof. We may redeem the securities for cash on or after May 7, 2006 at their accreted value. In 2003, we repurchased \$116.5 million principal amount at maturity of these notes in privately negotiated transactions.

2001 Mandatory Convertible Securities

In December 2001, we completed a public offering of mandatory convertible securities ("2001 PRIDES"). A sale of an over-allotment of the securities was completed in January 2002, increasing the aggregate amount outstanding to \$230 million. As described below, these securities are structured to provide \$230 million in additional proceeds to us following a remarketing and the exercise of forward purchase contracts in November 2004.

Each unit of the 2001 PRIDES initially consists of (i) a senior note due November 17, 2006 with a principal amount of \$25 per note, on which we pay interest quarterly at the annual rate of 6%, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase shares of our common stock on November 17, 2004, with the number of shares to be determined based upon the average trading price of our common stock for a period preceding that date. Depending on the average trading price in that period, the settlement rate will range from 0.4461 to 0.5130 shares per \$25 senior note. Based on the trading price of our common stock as of March 31, 2004, the purchase contracts would have a settlement rate of 0.4580.

Each of the senior notes is pledged to us to collateralize the holder's obligations under the forward purchase contracts. Beginning in August 2004, under the terms of the 2001 PRIDES, the senior notes will be remarketed to new investors. A successful remarketing will generate \$230 million of proceeds to be used by the original holders of the 2001 PRIDES to honor their obligations on the forward purchase contracts. In exchange for the additional \$230 million in payment on the forward purchase contracts, we will issue shares of our common stock to the original holders of the senior notes. As referenced above, the number of shares of common stock to be issued will be determined by the price of our common stock at that time. Assuming a successful remarketing, the senior notes will remain outstanding until November 2006.

Floating Rate Senior Convertible Securities

In February 2003, we completed a private placement of an aggregate of \$300 million of floating rate senior convertible securities. These securities bear interest at a rate equal to 3-month LIBOR

minus 0.50%, payable in cash quarterly. Each \$1,000 floating rate senior convertible security is convertible into shares of our common stock upon the occurrence of certain events, including the following: (i) if the closing price of our common stock exceeds \$65.00 per share over certain periods; (ii) if the credit rating assigned to us by Standard & Poor's is below BB-; or (iii) if we call the securities for redemption. Upon conversion, the initial settlement rate will be 18.462 shares of our common stock for each \$1,000 floating rate senior convertible security. In addition, if the market price of our common stock exceeds \$54.17 per share at the time of conversion, holders will receive additional shares of our common stock based on the price of our common stock at that time. Based on the trading price of our common stock as of March 31, 2004, each security would have a settlement rate of 18.547 shares. The holders of the securities may require us to repurchase these securities on February 25 of 2008, 2013, 2018, 2023 and 2028, at their principal amount. We may choose to pay the purchase price for such repurchases with cash, shares of our common stock or some combination thereof. We have the option to redeem the securities for cash at any time on or after February 25, 2008 at their principal amount.

The floating rate senior convertible securities are considered contingent payment debt instruments under federal income tax regulations. These regulations require us to deduct interest expense at the rate at which we would issue a non-contingent, non-convertible, fixed-rate debt instrument. When the implied interest rate for tax purposes is greater than the actual interest rate, a deferred tax expense is generated. While the implied interest rate for these securities is 5.62% for tax purposes, the actual rate is three-month LIBOR minus 0.50% (which equaled 0.61% as of March 31, 2004). Based on current LIBOR rates, these securities generate approximately \$5.8 million of deferred taxes each year. While these deferred tax liabilities may never reverse, such liabilities will reverse if we redeem the securities on February 25, 2008 or later and if our common stock is trading at \$54.17 per share or less on the date of redemption. All deferred taxes related to the securities will be reclassified to equity if the securities convert and our common stock is trading at more than \$60.90 per share when it is delivered to holders.

2004 Mandatory Convertible Securities

In February 2004, we completed a private placement of \$300 million of mandatory convertible securities ("2004 PRIDES"). As described below, these securities are structured to provide \$300 million of additional proceeds to us following a successful remarketing and the exercise of forward purchase contracts in February 2008.

Each unit of the 2004 PRIDES initially consists of (i) a senior note due February 17, 2010 with a principal amount of \$1,000 per note, on which we pay interest quarterly at the annual rate of 4.125%, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase shares of our common stock on February 17, 2008. Holders of the purchase contracts will receive a quarterly contract adjustment payment at the annual rate of 2.525% per \$1,000 contract. The present value of the contract adjustment payments (\$24 million) is recorded in additional paid-in capital, with a corresponding increase in current liabilities (\$6 million) and other long-term liabilities (\$18 million). The number of shares to be issued on February 17, 2008 will be determined based upon the average trading price of our common stock for a period preceding that date. Depending on the average trading price in that period, the settlement rate will range from 11.7851 to 18.0311 shares per \$1,000 senior note. Based on the trading price of our common stock as of March 31, 2004, the purchase contracts would have a settlement rate of 18.0311.

Each of the senior notes is pledged to us to collateralize the holder's obligations under the forward purchase contracts. Beginning in August 2007, under the terms of the 2004 PRIDES, the senior notes will be remarketed to new investors. A successful remarketing will generate \$300 million of proceeds to be used by the original holders of the 2004 PRIDES to honor their obligations on the forward purchase contracts. In exchange for the additional \$300 million in payment on the forward purchase contracts,

we will issue shares of our common stock to the original holders of the senior notes. As referenced above, the number of shares of common stock to be issued will be determined by the market price of our common stock at that time. Assuming a successful remarketing, the senior notes will remain outstanding until at least February 2010.

In connection with our 2004 PRIDES private placement, we repurchased an aggregate of approximately 3.5 million shares of our common stock through March 31, 2004. The share repurchases are intended to offset our obligation to issue shares of our common stock in November 2004 under the terms of the forward purchase contracts of our 2001 PRIDES.

Purchases of Affiliate Equity

Our Affiliate operating agreements provide our Affiliate managers the conditional right to require us to purchase their retained equity interests at certain intervals. The agreements also provide us the conditional right to require Affiliate managers to sell their retained equity interests upon their death, permanent incapacity or termination of employment and provide Affiliate managers the conditional right to require us to purchase such retained equity interests upon the occurrence of such events. These purchases will occur at varying times and in varying amounts over a period of approximately 14 years; however, the actual timing and amounts of such purchases generally cannot be predicted with any certainty. These purchases are generally calculated based upon a multiple of the Affiliate's cash flow distributions, which is intended to represent fair value. As one measure of the potential magnitude of such purchases, in the event that a triggering event and resulting purchase occurred with respect to all such retained equity interests as of March 31, 2004, the aggregate amount of these payments would have totaled approximately \$666.6 million. In the event that all such transactions were closed, we would own the prospective cash flow distributions of all equity interests that would be purchased from our Affiliate managers. As of March 31, 2004, this amount would represent approximately \$90.5 million on an annualized basis. We pay for these purchases in cash, shares of our common stock or other forms of consideration. With our approval, Affiliate managers are also permitted to sell their equity interests to other individuals or entities. These potential purchases, combined with our other cash needs, may require more cash than is available from operations, and therefore, we may need to raise capital by making borrowings under our Facility, by selling shares of our common stock or other equity or debt securities, or to otherwise refinance a portion of these purchases.

Operating Cash Flow

Cash flow from operations generally represents net income plus non-cash charges for amortization, deferred taxes and depreciation, as well as the changes in our consolidated working capital. The increase in cash flow from operations in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, resulted principally from the growth in revenue and earnings in the first quarter of 2004 as compared to the same period in 2003. This increase was also attributable to tax benefits realized from the exercise of stock options during the first quarter of 2004.

Supplemental Liquidity Measure

As supplemental information in this Quarterly Report on Form 10-Q, we have provided information regarding our EBITDA, a non-GAAP liquidity measure. This measure is provided in addition to, but not as a substitute for, cash flow from operations. EBITDA represents earnings before interest expense, income taxes, depreciation and amortization. EBITDA, as calculated by us, may not be consistent with computations of EBITDA by other companies. As a measure of liquidity, we believe that EBITDA is useful as an indicator of our ability to service debt, make new investments and meet working capital requirements. We further believe that many investors use this information when analyzing the financial position of companies in the investment management industry.

The following table provides a reconciliation of cash flow from operations to EBITDA:

| <i>(dollars in millions)</i> | For the Three Months Ended March 31, | |
|--|---|----------------|
| | 2003 | 2004 |
| Cash flow from operations | \$ (2.1) | \$ 11.8 |
| Interest expense, net of non-cash items | 4.6 | 6.3 |
| Current tax provision | 2.0 | 4.5 |
| Changes in assets and liabilities, and other adjustments | 28.1 | 21.2 |
| EBITDA | \$ 32.6 | \$ 43.8 |

Investing Cash Flow

The increase in net cash flow used in investing activities resulted primarily from investments in marketable securities. Net cash flow used to make investments in existing Affiliates was \$3.1 million and \$4.1 million for the three months ended March 31, 2003 and 2004, respectively.

In January 2004, we entered into a definitive agreement with Genesis Holdings International ("Genesis") to acquire a 60% equity interest in the operating business of Genesis. The management partners of Genesis will hold the remaining equity interests and continue to direct its day-to-day operations. Genesis, with offices in London, Guernsey, Chile and Brazil, managed approximately \$8.0 billion in assets as of March 31, 2004. The transaction is expected to close by the end of the second quarter and will be funded from available cash.

Financing Cash Flow

Cash flows from financing activities decreased in the three months ended March 31, 2004, as compared to the three months ended March 31, 2003, as a result of increased repurchase activity in the first quarter of 2004. In the three months ended March 31, 2003, we repurchased a portion of our outstanding zero coupon senior convertible notes for \$101.3 million and common stock for \$33.7 million, while in the quarter ended March 31, 2004, we repurchased common stock for \$194.3 million. During the quarter ended March 31, 2004, we repurchased approximately 3.5 million shares of our common stock at an average price of \$55.73 per share under share repurchase programs authorized by our Board of Directors. As of March 31, 2004, approximately 3.0 million shares remain authorized for repurchase.

During the three months ended March 31, 2004, our principal source of cash from financing activities was the issuance of \$300 million of mandatory convertible securities, while during the same period in 2003, our principal source of cash from financing activities was the issuance of \$300 million of floating rate senior convertible securities.

Contractual Obligations

The following table summarizes our contractual obligations as of March 31, 2004:

| Contractual Obligations | Total | Payments Due | | | |
|--|-------------------|-------------------|-----------------|-----------------|-----------------|
| | | Remainder of 2004 | 2005-2006 | 2007-2008 | Thereafter |
| <i>(dollars in millions)</i> | | | | | |
| Long-term debt ⁽¹⁾ | \$ 953.5 | \$ — | \$ 230.0 | \$ — | \$ 723.5 |
| Purchases of Affiliate equity ⁽²⁾ | 666.6 | 105.7 | 134.2 | 199.8 | 226.9 |
| Leases | 64.0 | 9.6 | 20.8 | 14.2 | 19.4 |
| Other liabilities ⁽³⁾ | 20.7 | 4.1 | 11.8 | 4.8 | — |
| Total | \$ 1,704.8 | \$ 119.4 | \$ 396.8 | \$ 218.8 | \$ 969.8 |

- (1) Long-term debt reflects the principal payments on the zero coupon senior convertible notes and floating rate senior convertible securities, as well as the mandatory convertible securities. As more fully discussed on page 24, consistent with industry practice, we do not consider our mandatory convertible securities as debt for the purpose of determining our leverage ratio. Each unit of our 2001 PRIDES and 2004 PRIDES is comprised of a senior note and a forward purchase contract. Under the terms of the securities, the exercise of the forward purchase contracts at the respective remarketing dates will result in the issuance of shares of our common stock and will generate cash proceeds to amortize debt in an amount equal to the remaining note portion of each security.
- (2) Purchases of Affiliate equity reflect estimates of our conditional purchases of additional equity in our Affiliates and assume that all conditions to such purchases are met and that such purchases will all be effected on the date that they are first exercisable. As described previously, these purchases could occur in varying amounts over the next 14 years; however, the actual timing and amounts of such purchases generally cannot be predicted with any certainty. Additionally, in many instances we have the discretion to settle these purchases with our common stock and in all cases can consent to the sale of these interests to other individuals or entities. As one measure of the potential magnitude of such purchases, assuming that all such purchases had been effected as of March 31, 2004, the aggregate purchase amount would have totaled approximately \$666.6 million. Assuming the closing of such additional purchases, we would own the prospective cash flow distributions associated with all additional equity so purchased, estimated to be approximately \$90.5 million on an annualized basis as of March 31, 2004. We have an option to purchase a 19% interest in our Affiliate, Friess Associates, LLC ("Friess"), in the fourth quarter of 2004 in the event a right to sell this interest to us is not exercised; this potential purchase of the Friess equity represents the substantial majority of prospective Affiliate equity purchases for the remainder of fiscal 2004.
- (3) Other liabilities reflect notes payable to Affiliate managers that were issued in connection with our purchase of additional Affiliate equity interests.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We periodically use interest rate derivative contracts to manage market exposures associated with our variable rate debt by creating offsetting market exposures. As of March 31, 2004, we were not a party to any such contracts; however, we intend to enter into such contracts, or engage in similar hedging activities, in the future. There can be no assurance that the amount of coverage maintained would cover all of our variable rate debt outstanding at any given time. Moreover, there can be no assurance that the derivative contracts would meet their overall objective of reducing our interest expense.

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. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2004, our disclosure controls and procedures are, to the best of their knowledge, effectively designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. We continue to review

and document our disclosure controls and procedures and may from time to time make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business.

There was no significant change in our internal control over financial reporting that 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 1. Legal Proceedings

From time to time, we and our Affiliates may be parties to various claims, suits and complaints. Currently, there are no such claims, suits or complaints that, in our opinion, would have a material adverse effect on our financial position, liquidity or results of operations.

Item 2. Changes in Securities and Use of Proceeds

| Period ⁽¹⁾⁽²⁾ | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|------------------------------|----------------------------------|------------------------------|--|--|
| January 1—January 31, 2004 | — | — | — | 6,511,715 |
| February 1—February 29, 2004 | 3,483,512 | \$ 55.73 | 3,483,512 | 3,028,203 |
| March 1—March 31, 2004 | 3,000 | \$ 56.36 | 3,000 | 3,025,203 |
| Total | 3,486,512 | \$ 55.73 | 3,486,512 | 3,025,203 |

(1) The share and per share data presented reflect a three-for-two stock split that occurred in March 2004.

- (2) (A) In February 2004, our Board of Directors announced share repurchase programs in connection with the Company's 2004 PRIDES private placement pursuant to which the Company was authorized to repurchase (i) up to 3.0 million shares of common stock at the time of the closing of the 2004 PRIDES and (ii) up to an additional 1.5 million shares of common stock over a twelve-month period following the closing of the 2004 PRIDES (which closed in February 2004).
- (B) In April 2003, our Board of Directors announced a share repurchase program permitting the Company to repurchase up to 5% of its issued and outstanding shares of common stock.
- (C) In April 2000, our Board of Directors announced a share repurchase program permitting the Company to repurchase up to 5% of its issued and outstanding shares of common stock. In July 2002, the Board of Directors announced an increase to this program, which permitted the repurchase of up to an additional 5% of the Company's issued and outstanding shares of common stock.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

- (a) The Exhibit Index attached hereto is incorporated by reference herein.
- (b) Reports on Form 8-K:

We filed the following Current Reports on Form 8-K during the quarter ended March 31, 2004:

- (1) On January 28, 2004, we furnished a Current Report on Form 8-K under Item 12 containing a copy of our press release announcing our financial and operating results for the period ended December 31, 2003.

- (2) On January 29, 2004, we furnished a Current Report on Form 8-K under Item 9 containing a copy of our press release announcing we had entered into a definitive agreement to acquire a majority interest in Genesis Asset Managers.
- (3) On January 29, 2004, we furnished a Current Report on Form 8-K under Item 9 containing a copy of our press release announcing a stock split of our outstanding shares of common stock.
- (4) On February 9, 2004, we furnished a Current Report on Form 8-K under Item 9 containing a copy of our press release announcing that we had entered into agreements to sell \$250 million of mandatory convertible securities and, simultaneously, to repurchase shares of our common stock. We also announced our intention to repurchase shares of our common stock under a newly-authorized share repurchase program.
- (5) On February 23, 2004, we furnished a Current Report on Form 8-K under Item 5 containing a copy of our press release announcing that we had closed our previously announced placement of \$250 million of mandatory convertible securities and repurchase of approximately 1.7 million shares of our common stock.
- (6) On March 2, 2004, we furnished a Current Report on Form 8-K under Item 9 containing a copy of our press release announcing that we had sold an additional \$50 million of mandatory convertible securities.

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.

AFFILIATED MANAGERS GROUP, INC.
(Registrant)

May 7, 2004

/s/ DARRELL W. CRATE

(Darrell W. Crate)
on behalf of the Registrant as Executive Vice President, Chief Financial Officer
and Treasurer
(and also as Principal Financial and Principal Accounting Officer)

EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|--|
| 10.1 | Amended and Restated 1997 Stock Option and Incentive Plan. |
| 10.2 | Amended and Restated 2002 Stock Option and Incentive Plan. |
| 31.1 | Certification of Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Registrant's Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Registrant's Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

QuickLinks

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

[AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED STATEMENTS OF INCOME \(dollars in thousands, except per share data\) \(unaudited\)](#)

[AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS \(in thousands\) \(unaudited\)](#)

[AFFILIATED MANAGERS GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS](#)

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes in Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Submission of Matters to a Vote of Security Holders

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

EXHIBIT INDEX

AFFILIATED MANAGERS GROUP, INC.

AMENDED AND RESTATED 1997 STOCK OPTION AND INCENTIVE PLAN

APRIL 27, 2004

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Affiliated Managers Group, Inc. Amended and Restated 1997 Stock Option and Incentive Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees, Independent Directors and other key persons (including consultants) of Affiliated Managers Group, Inc. (the "Company") and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

"ACT" means the Securities Exchange Act of 1934, as amended.

"ADMINISTRATOR" is defined in Section 2(a).

"AWARD" or "AWARDS," except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options and Non-Qualified Stock Options.

"BOARD" means the Board of Directors of the Company.

"CHANGE OF CONTROL" is defined in Section 10.

"CODE" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"COMMITTEE" means the Committee of the Board referred to in Section 2.

"COVERED EMPLOYEE" means an employee who is a "Covered Employee" within the meaning of Section 162(m) of the Code.

"EFFECTIVE DATE" means the date on which the Plan is approved by stockholders as set forth in Section 12.

"FAIR MARKET VALUE" of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that (i) if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), the Fair Market Value on any given date shall not be less than the average of the highest bid and lowest asked prices of the Stock reported for such date or, if no

bid and asked prices were reported for such date, for the last day preceding such date for which such prices were reported, or (ii) if the Stock is admitted to trading on a national securities exchange or the NASDAQ National Market System, the Fair Market Value on any date shall not be less than the closing price reported for the Stock on such exchange or system for such date or, if no sales were reported for such date, for the last date preceding the date for such a sale was reported. Notwithstanding the foregoing, the Fair Market Value on the first day of the Company's initial public offering of Stock shall be the initial public price as set forth in the final prospectus for the Company's initial public offering.

"INCENTIVE STOCK OPTION" means any Stock Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

"INDEPENDENT DIRECTOR" means a member of the Board who is not also an employee of the Company or any Subsidiary.

"NON-QUALIFIED STOCK OPTION" means any Stock Option that is not an Incentive Stock Option.

"OPTION" or "STOCK OPTION" means any option to purchase shares of Stock granted pursuant to Section 5.

"STOCK" means the Common Stock, par value \$.01 per share, of the Company, subject to adjustments pursuant to Section 3.

"SUBSIDIARY" means any corporation or other entity (other than the Company) in any unbroken chain of corporations or other entities beginning with the Company if each of the corporations or entities (other than the last corporation or entity in the unbroken chain) owns stock or other interests possessing 50 percent or more of the economic interest or the total combined voting power of all classes of stock or other interests in one of the other corporations or entities in the chain.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT PARTICIPANTS AND DETERMINE AWARDS

(a) COMMITTEE. The Plan shall be administered by either the Board or a committee of not less than two Independent Directors (in either case, the "Administrator"). Each member of the Committee shall be an "outside director" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder and a "non-employee director" within the meaning of Rule 16b-3(b)(3)(i) promulgated under the Act, or any successor definition under said rule.

(b) POWERS OF ADMINISTRATOR. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

2

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options and Non-Qualified Stock Options, or any combination of the foregoing, granted to any one or more participants;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award or the lapsing at any time of any restrictions on transfer of all or any portion of any Award;

(vi) subject to the provisions of Section 5(a)(ii), to extend at any time the period in which Stock Options may be exercised;

(vii) to determine at any time whether, to what extent, and under what circumstances distribution or the receipt of Stock and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the participant and whether and to what extent the Company shall pay or credit amounts constituting interest (at rates determined by the Administrator) or dividends or deemed dividends on such deferrals; and

(viii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan participants.

(c) DELEGATION OF AUTHORITY TO GRANT AWARDS. The Administrator, in its discretion, may delegate to the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards at Fair Market Value, to individuals who are not subject to the reporting and other provisions of Section 16 of the Act or Covered Employees. Any such delegation by the Administrator shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price of any Option, the

conversion ratio or price of other Awards and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

3

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) STOCK ISSUABLE. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 7,875,000 (which amount gives effect to the three-for-two stock split declared by the Board in January 2004 and effected by a stock dividend in March 2004). For purposes of this limitation, the shares of Stock underlying any Awards which are forfeited, cancelled, reacquired by the Company, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitation, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options with respect to no more than 1,050,000 shares (which amount gives effect to the three-for-two stock split declared by the Board in January 2004 and effected by a stock dividend in March 2004) of Stock may be granted to any one individual participant during any one calendar year period. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company and held in its treasury.

(b) CHANGES IN STOCK. If, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number of Stock Options that can be granted to any one individual participant, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, and (iv) the price for each share subject to any then outstanding Stock Options under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options) as to which such Stock Options remain exercisable. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

The Administrator may also adjust the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event if it is determined by the Administrator that such adjustment is appropriate to avoid distortion in the operation of the Plan, provided that no such adjustment shall be made in the case of an Incentive Stock Option, without the consent of the participant, if it would constitute a modification, extension or renewal of the Option within the meaning of Section 424(h) of the Code.

(c) MERGERS. In contemplation of and subject to the consummation of a consolidation or merger or sale of all or substantially all of the assets of the Company in which outstanding shares of Stock are exchanged for securities, cash or other property of an unrelated corporation or business entity or in the event of a liquidation of the Company (in each case, a "Transaction"), the Board, or the board of directors of any corporation assuming the obligations of the Company, may, in its discretion, take any one or more of the following actions, as to outstanding Awards:

4

(i) provide that such Awards shall be assumed or equivalent awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), and/or (ii) upon written notice to the participants, provide that all Awards will terminate immediately prior to the consummation of the Transaction. In the event that, pursuant to clause (ii) above, Awards will terminate immediately prior to the consummation of the Transaction, all vested Stock Options shall be fully settled, in cash or in kind, in an amount equal to the difference between (A) the consideration payable per share of Stock pursuant to the business combination (the "Merger Price") times the number of shares of Stock subject to such outstanding Stock Options (to the extent then exercisable at prices not in excess of the Merger Price) and (B) the aggregate exercise price of all such outstanding Stock Options; provided, however, that each

participant shall be permitted, within a specified period determined by the Administrator prior to the consummation of the Transaction, to exercise all outstanding Stock Options, including any that are not then exercisable; and, provided further, that any restrictions on transfer then in effect with respect to any Stock issued or issuable upon the exercise of outstanding Stock Options shall lapse and be of no further force or effect, subject, in each case, to the consummation of the Transaction.

(d) SUBSTITUTE AWARDS. The Administrator may grant Awards under the Plan in substitution for stock and stock based awards held by employees of another corporation who become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Administrator may direct that the substitute awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances.

SECTION 4. ELIGIBILITY

Participants in the Plan will be such full or part-time officers and other employees, Independent Directors and key persons of the Company and its Subsidiaries who are responsible for or contribute to the management, growth or profitability of the Company and its Subsidiaries as are selected from time to time by the Administrator in its sole discretion.

SECTION 5. STOCK OPTIONS

Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

No Incentive Stock Option shall be granted under the Plan after April 14, 2009.

(a) GRANT OF STOCK OPTIONS. The Administrator in its discretion may grant Stock Options to employees, Independent Directors and key persons of the Company or any Subsidiary. Stock Options granted pursuant to this Section 5(a) shall be subject to the following

5

terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable.

(i) EXERCISE PRICE. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5(a) shall be determined by the Administrator at the time of grant but, except as provided in the last sentence of this Section 5(a)(i), shall not be less than 100 percent of the Fair Market Value on the date of grant. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the option price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the participant's election, subject to such terms and conditions as the Administrator may establish. Stock Options granted in lieu of cash compensation may have an exercise price less than 100 percent of the Fair Market Value on the date of grant.

(ii) OPTION TERM. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than seven years after the date the option is granted. If an employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation and an Incentive Stock Option is granted to such employee, the term of such option shall be no more than five years from the date of grant.

(iii) EXERCISABILITY; RIGHTS OF A STOCKHOLDER. Stock Options shall become exercisable at such time or times and any Stock issued or issuable thereunder shall become free of any restrictions on transfer, whether or not in installments, as shall be determined by the Administrator at or after the grant

date; provided, however, that Stock Options granted in lieu of compensation shall be exercisable in full and any Stock issued or issuable thereunder shall be free of any restrictions on transfer as of the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option and the lapsing of any restrictions on transfer on any Stock issued or issuable thereunder, as the case may be. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option, subject to any applicable restrictions on transfer on the issued Stock, and not as to any unexercised Stock Options.

(iv) METHOD OF EXERCISE. Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Option Award agreement:

(A) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(B) Through the delivery (or attestation to the ownership) of shares of Stock that are not then subject to restrictions under any Company plan and that have been purchased by the optionee on the open market or have been beneficially owned by the

6

optionee for at least six months, if permitted by the Administrator in its discretion. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(C) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or

(D) By the optionee delivering to the Company a promissory note if the Board, upon the advice of counsel, has expressly authorized the loan of funds to the optionee for the purpose of enabling or assisting the optionee to effect the exercise of his Stock Option; provided that at least so much of the exercise price as represents the par value of the Stock shall be paid other than with a promissory note.

Payment instruments will be received subject to collection. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option or applicable provisions of laws. In the event an optionee chooses to pay the purchase price by delivery of previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of shares attested to.

(v) ANNUAL LIMIT ON INCENTIVE STOCK OPTIONS. To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

(b) RELOAD OPTIONS. At the discretion of the Administrator, Options granted under the Plan may include a "reload" feature pursuant to which an optionee exercising an option by the delivery of a number of shares of Stock in accordance with Section 5(a)(iv)(B) hereof would automatically be granted an additional Option (with an exercise price equal to the Fair Market Value of the Stock on the date the additional Option is granted and with such other terms as the Administrator may provide) to purchase that number of shares of Stock equal to the number delivered to exercise the original Option with an Option term equal to the remainder of the original Option term unless the Administrator otherwise determines in the Award agreement for the original Option grant.

(c) NON-TRANSFERABILITY OF OPTIONS. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent

shall be exercisable, during the optionee's lifetime, only by the optionee. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide in the Award agreement regarding a given Option that the optionee may transfer, without consideration for the transfer, his Non-Qualified Stock Options to members of his 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 agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Option.

(d) TERMINATION. Except as may otherwise be provided by the Administrator either in the Award agreement, or subject to Section 8 below, in writing after the Award agreement is issued, an optionee's rights in all Stock Options shall automatically terminate upon the participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

SECTION 6. TAX WITHHOLDING

(a) PAYMENT BY PARTICIPANT. Each participant shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the participant for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant. The Company's obligation to deliver stock certificates to any participant is subject to and conditioned on tax obligations being satisfied by the participant.

(b) PAYMENT IN STOCK. Subject to approval by the Administrator, a participant may elect to have the minimum tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due, or (ii) transferring to the Company shares of Stock owned by the participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due.

SECTION 7. TRANSFER, LEAVE OF ABSENCE, ETC.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 8. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. If and to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code or to ensure that compensation earned under Stock Options qualifies as performance-based compensation under Section 162(m) of the Code, if and to the extent intended to so qualify, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Except as provided in Section 3(b) or 3(c), any action by the Board or the Administrator to reduce the exercise price of any outstanding Stock Option or to cancel any outstanding Stock Option and re-grant such Stock Option at a lower exercise price, shall be subject to approval by the Company's stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 8 shall limit the Board's authority to take any action permitted pursuant to Section 3(c).

SECTION 9. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a participant, a participant shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 10. CHANGE OF CONTROL PROVISIONS

Upon the occurrence of a Change of Control as defined in this Section 10:

(a) Except as otherwise provided in the applicable Award agreement, each outstanding Stock Option shall automatically become fully exercisable and any Stock issued or issuable thereunder shall become free of any restrictions on transfer.

(b) "Change of Control" shall mean the occurrence of any one of the following events:

(i) any "PERSON," as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its Subsidiaries, 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 Subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the 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 Company's Board of Directors ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from the Company); or

9

(ii) the stockholders of the Company shall approve (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 Act), directly or indirectly, shares representing in the aggregate 50 percent or more of the voting shares of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, 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) any plan or proposal for 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 clause (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, HOWEVER, 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 clause (i).

SECTION 11. GENERAL PROVISIONS

(a) NO DISTRIBUTION; COMPLIANCE WITH LEGAL REQUIREMENTS. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

(b) DELIVERY OF STOCK CERTIFICATES. Stock certificates to participants under this Plan shall be deemed delivered for all purposes when the Company or a

stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the participant, at the participant's last known address on file with the Company.

(c) OTHER COMPENSATION ARRANGEMENTS; NO EMPLOYMENT RIGHTS. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(d) TRADING POLICY RESTRICTIONS. Option exercises and other Awards under the Plan shall be subject to such Company's insider-trading-policy-related restrictions, terms and

10

conditions as may be established by the Administrator, or in accordance with policies set by the Administrator, from time to time.

(e) LOANS. The Board may, in its sole discretion, authorize the grant of loans to selected key employees to be used solely for the purchase of shares of Stock or payment of taxes in connection with Awards under the Plan. The terms of such loans shall be determined at the sole discretion of the Board. Such loans shall be secured by the shares of Stock, and may be made with or without recourse against the employee.

SECTION 12. EFFECTIVE DATE OF PLAN

This Plan first became effective in October, 1997.

SECTION 13. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

[This Plan has been amended and restated as of April 27, 2004.]

11

AFFILIATED MANAGERS GROUP, INC.

AMENDED AND RESTATED 2002 STOCK OPTION AND INCENTIVE PLAN

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Affiliated Managers Group, Inc. 2002 Amended and Restated Stock Option and Incentive Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees and Independent Directors of Affiliated Managers Group, Inc. (the "Company") and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

"ACT" means the Securities Exchange Act of 1934, as amended.

"ADMINISTRATOR" is defined in Section 2(a).

"AWARD" or "AWARDS," except where referring to a particular category of grant under the Plan, shall include Stock Options, Deferred Stock Awards, Restricted Stock Awards, Unrestricted Stock Awards, Performance Share Awards and Dividend Equivalent Rights.

"BOARD" means the Board of Directors of the Company.

"CHANGE OF CONTROL" is defined in Section 15.

"CODE" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"COMMITTEE" means the Committee of the Board referred to in Section 2.

"DEFERRED STOCK AWARD" means Awards granted pursuant to Section 7.

"DIVIDEND EQUIVALENT RIGHT" means Awards granted pursuant to Section 10.

"FAIR MARKET VALUE" of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that (i) if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), the Fair Market Value on any given date shall not be less than the average of the highest bid and lowest asked prices of the Stock reported for such date or, if no bid and asked prices were reported for such date, for the last day preceding such date for which

such prices were reported, or (ii) if the Stock is admitted to trading on a national securities exchange or the NASDAQ National Market System, the Fair Market Value on any date shall not be less than the closing price reported for the Stock on such exchange or system for such date or, if no sales were reported for such date, for the last date preceding the date for such a sale was reported. Notwithstanding the foregoing, the Fair Market Value on the first day of the Company's initial public offering of Stock shall be the initial public price as set forth in the final prospectus for the Company's initial public offering.

"INDEPENDENT DIRECTOR" means a member of the Board who is not also an employee of the Company or any Subsidiary.

"OPTION" or "STOCK OPTION" means any option to purchase shares of Stock granted pursuant to Section 5.

"PERFORMANCE SHARE AWARD" means Awards granted pursuant to Section 9.

"RESTRICTED STOCK AWARD" means Awards granted pursuant to Section 6.

"STOCK" means the Common Stock, par value \$.01 per share, of the Company, subject to adjustments pursuant to Section 3.

"SUBSIDIARY" means any corporation or other entity (other than the Company) in any unbroken chain of corporations or other entities beginning with the Company if each of the corporations or entities (other than the last corporation or entity in the unbroken chain) owns stock or other interests possessing 50 percent or more of the economic interest or the total combined voting power of all classes of stock or other interests in one of the other corporations or entities in the chain.

"UNRESTRICTED STOCK AWARD" means any Award granted pursuant to Section 8.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT PARTICIPANTS AND DETERMINE AWARDS

(a) COMMITTEE. The Plan shall be administered by either the Board or a committee of not less than two Independent Directors (in either case, the "Administrator"). Each member of the Committee shall be a "non-employee director" within the meaning of Rule 16b-3(b)(3)(i) promulgated under the Act, or any successor definition under said rule.

(b) POWERS OF ADMINISTRATOR. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Stock Options, Restricted Stock Awards, Deferred Stock Awards, Unrestricted Stock Awards, Performance Share Awards and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more participants;

2

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and participants, and to approve the form of written instruments evidencing the Awards;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award or the lapsing at any time of any restrictions on transfer of all or any portion of any Award;

(vi) subject to the provisions of Section 5(a)(ii), to extend at any time the period in which Stock Options may be exercised;

(vii) to determine at any time whether, to what extent, and under what circumstances distribution or the receipt of Stock and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the participant and whether and to what extent the Company shall pay or credit amounts constituting interest (at rates determined by the Administrator) or dividends or deemed dividends on such deferrals; and

(viii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan participants.

(c) DELEGATION OF AUTHORITY TO GRANT AWARDS. The Administrator, in its discretion, may delegate to the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards at Fair Market Value, to individuals who are not subject to the reporting and other provisions of Section 16 of the Act. Any such delegation by the Administrator shall include a limitation as to the amount of Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price of any Option, the conversion ratio or price of other Awards and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) STOCK ISSUABLE. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 3,375,000 (which amount gives effect to the three-for-two stock split declared by the Board in January 2004 and effected by a stock dividend in March 2004). For purposes of this limitation, the shares of Stock underlying any Awards which are

3

forfeited, cancelled, reacquired by the Company, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. Subject to such overall limitation, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award. At least a majority of the shares of Stock or the shares of Stock underlying the Options awarded under the Plan during any three year period shall be awarded to employees of the Company who are not, at the time the award is made, officers (within the meaning of Rule 16a-1(f) under the Act) or directors of the Company. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company and held in its treasury.

(b) CHANGES IN STOCK. If, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, (ii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, and (iii) the price for each share subject to any then outstanding Stock Options under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options) as to which such Stock Options remain exercisable. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

The Administrator may also adjust the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration material changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or any other event if it is determined by the Administrator that such adjustment is appropriate to avoid distortion in the operation of the Plan.

(c) MERGERS. In contemplation of and subject to the consummation of a consolidation or merger or sale of all or substantially all of the assets of the Company in which outstanding shares of Stock are exchanged for securities, cash or other property of an unrelated corporation or business entity or in the event of a liquidation of the Company (in each case, a "Transaction"), the Board, or the board of directors of any corporation assuming the obligations of the Company, may, in its discretion, take any one or more of the following actions, as to outstanding Awards: (i) provide that such Awards shall be assumed or equivalent awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), and/or (ii) upon written notice to the participants, provide that all Awards will terminate immediately prior to the consummation of the Transaction. In the event that, pursuant to clause (ii) above, Awards will terminate immediately prior to the consummation of the Transaction, all vested Awards, other than Stock Options, shall be fully settled in cash or in kind at such appropriate consideration as determined by the Administrator in its sole discretion after taking into account the consideration payable per share of Stock pursuant to the business combination (the "Merger Price") and all vested Stock

4

Options shall be fully settled, in cash or in kind, in an amount equal to the difference between (A) the Merger Price times the number of shares of Stock subject to such outstanding Stock Options (to the extent then exercisable at prices not in excess of the Merger Price) and (B) the aggregate exercise price of all such outstanding Stock Options; provided, however, that each participant shall be permitted, within a specified period determined by the Administrator prior to the consummation of the Transaction, to exercise all outstanding Stock Options, including any that are not then exercisable; and, provided further, that any restrictions on transfer then in effect with respect to any Stock

issued or issuable upon the exercise of outstanding Stock Options shall lapse and be of no further force or effect, subject, in each case, to the consummation of the Transaction.

(d) **SUBSTITUTE AWARDS.** The Administrator may grant Awards under the Plan in substitution for stock and stock based awards held by employees of another corporation who become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Administrator may direct that the substitute awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances.

SECTION 4. ELIGIBILITY

Participants in the Plan will be such full or part-time officers and other employees, and Independent Directors of the Company and its Subsidiaries as are selected from time to time by the Administrator in its sole discretion. At all times at least a majority of the Company's full-time employees in the United States who are "exempt employees" as defined under the Fair Labor Standards Act of 1938 shall be eligible to receive Awards under the Plan.

SECTION 5. STOCK OPTIONS

Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve. Stock Options granted under the Plan shall not be "incentive stock options" as defined in Section 422 of the Code.

(a) **GRANT OF STOCK OPTIONS.** The Administrator in its discretion may grant Stock Options to officers, employees and Independent Directors of the Company or any Subsidiary. Stock Options granted pursuant to this Section 5(a) shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable.

(i) **EXERCISE PRICE.** The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5(a) shall be determined by the Administrator at the time of grant but, except as provided in the last sentence of this Section 5(a)(i), shall not be less than 85 percent of the Fair Market Value on the date of grant. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the participant's election, subject to such terms and conditions as the Administrator may establish. Stock Options granted in lieu of cash compensation may have an exercise price less than 85 percent of the Fair Market Value on the date of grant.

5

(ii) **OPTION TERM.** The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date the Stock Option is granted.

(iii) **EXERCISABILITY; RIGHTS OF A STOCKHOLDER.** Stock Options shall become exercisable at such time or times and any Stock issued or issuable thereunder shall become free of any restrictions on transfer, whether or not in installments, as shall be determined by the Administrator at or after the grant date; provided, however, that Stock Options granted in lieu of compensation shall be exercisable in full and any Stock issued or issuable thereunder shall be free of any restrictions on transfer as of the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option and the lapsing of any restrictions on transfer on any Stock issued or issuable thereunder, as the case may be. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option, subject to any applicable restrictions on transfer on the issued Stock, and not as to any unexercised Stock Options.

(iv) **METHOD OF EXERCISE.** Stock Options may be exercised in whole or in part, by giving written notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Option Award agreement:

(A) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(B) Through the delivery (or attestation to the ownership) of shares of Stock that are not then subject to restrictions under any Company plan and that have been purchased by the optionee on the open market or have been beneficially owned by the optionee for at least six

months, if permitted by the Administrator in its discretion. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(C) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or

(D) By the optionee delivering to the Company a promissory note if the Board, upon the advice of counsel, has expressly authorized the loan of funds to the optionee for the purpose of enabling or assisting the optionee to effect the exercise of his Stock Option; provided that at least so much of the exercise price as represents the par value of the Stock shall be paid other than with a promissory note.

Payment instruments will be received subject to collection. The delivery of certificates representing the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his

6

stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Stock Option or applicable provisions of laws. In the event an optionee chooses to pay the purchase price by delivery of previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of shares attested to.

(b) RELOAD OPTIONS. At the discretion of the Administrator, Options granted under the Plan may include a "reload" feature pursuant to which an optionee exercising an option by the delivery of a number of shares of Stock in accordance with Section 5(a)(iv)(B) hereof would automatically be granted an additional Option (with an exercise price equal to the Fair Market Value of the Stock on the date the additional Option is granted and with such other terms as the Administrator may provide) to purchase that number of shares of Stock equal to the number delivered to exercise the original Option with an Option term equal to the remainder of the original Option term unless the Administrator otherwise determines in the Award agreement for the original Option grant.

(c) NON-TRANSFERABILITY OF OPTIONS. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide in the Award agreement regarding a given Option that the optionee may transfer, without consideration for the transfer, his Stock Options to members of his 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 agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Option.

(d) TERMINATION. Except as may otherwise be provided by the Administrator either in the Award agreement, or subject to Section 13 below, in writing after the Award agreement is issued, an optionee's rights in all Stock Options shall automatically terminate upon the participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

SECTION 6. RESTRICTED STOCK AWARDS

(a) NATURE OF RESTRICTED STOCK AWARDS. A Restricted Stock Award is an Award entitling the recipient to acquire, at par value or such other higher purchase price determined by the Administrator, shares of Stock subject to such restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Conditions may be based on continuing employment (or other business relationship) and/or achievement of pre-established performance goals and objectives, including, but not limited to, increase in cash net income or increase in stock price. The grant of a Restricted Stock Award is contingent on the participant executing the Restricted Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and participants.

(b) RIGHTS AS A STOCKHOLDER. Upon execution of a written instrument setting forth the Restricted Stock Award and payment of any applicable purchase price, a participant shall have the rights of a stockholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the written instrument evidencing the Restricted Stock Award. Unless the Administrator shall otherwise determine, certificates evidencing the Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 6(d) below, and the participant shall be required, as a condition of the grant, to deliver to the Company a stock power endorsed in blank.

(c) RESTRICTIONS. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award agreement. If a participant's employment (or other business relationship) with the Company and its Subsidiaries terminates for any reason, the Company shall have the right to repurchase Restricted Stock that has not vested at the time of termination at its original purchase price, from the participant or the participant's legal representative.

(d) VESTING OF RESTRICTED STOCK. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Stock and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 13 below, in writing after the Award agreement is issued, a participant's rights in any shares of Restricted Stock that have not vested shall automatically terminate upon the participant's termination of employment (or other business relationship) with the Company and its Subsidiaries and such shares shall be subject to the Company's right of repurchase as provided in Section 6(c) above.

(e) WAIVER, DEFERRAL AND REINVESTMENT OF DIVIDENDS. The Restricted Stock Award agreement may require or permit the immediate payment, waiver, deferral or investment of dividends paid on the Restricted Stock.

SECTION 7. DEFERRED STOCK AWARDS

(a) NATURE OF DEFERRED STOCK AWARDS. A Deferred Stock Award is an Award of phantom stock units to a participant, subject to restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other business relationship) and/or achievement of pre-established performance goals and objectives, including, but not limited to, increase in cash net income and increase in stock price. The grant of a Deferred Stock Award is contingent on the participant executing the Deferred Stock Award agreement. The terms and conditions of each such agreement shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and participants. At the end of the deferral period, the Deferred Stock Award, to the extent vested, shall be paid to the participant in the form of shares of Stock.

(b) ELECTION TO RECEIVE DEFERRED STOCK AWARDS IN LIEU OF COMPENSATION. The Administrator may, in its sole discretion, permit a participant to elect to receive a portion of the cash compensation or Restricted Stock Award otherwise due to such participant in the form of a Deferred Stock Award. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with rules and procedures established by the Administrator. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate.

(c) RIGHTS AS A STOCKHOLDER. During the deferral period, a participant shall have no rights as a stockholder; provided, however, that the participant may be credited with Dividend Equivalent Rights with respect to the phantom stock units underlying his Deferred Stock Award, subject to such terms and conditions as the Administrator may determine.

(d) RESTRICTIONS. A Deferred Stock Award may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of during the deferral period.

(e) TERMINATION. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 13 below, in writing after the Award agreement is issued, a participant's right in all Deferred Stock Awards that have not vested shall automatically terminate upon the participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

SECTION 8. UNRESTRICTED STOCK AWARDS

GRANT OR SALE OF UNRESTRICTED STOCK. The Administrator may, in its sole discretion, grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award to any participant pursuant to which such participant may receive shares of Stock free of any restrictions ("Unrestricted Stock") under the Plan. Unrestricted Stock Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of cash compensation due to such participant.

SECTION 9. PERFORMANCE SHARE AWARDS

(a) NATURE OF PERFORMANCE SHARE AWARDS. A Performance Share Award is an Award entitling the recipient to acquire shares of Stock upon the attainment of specified performance goals, including, but not limited to, increase in cash net income or increase in stock price. The Administrator may make Performance Share Awards independent of or in connection with the granting of any other Award under the Plan. The Administrator in its sole discretion shall determine whether and to whom Performance Share Awards shall be made, the performance goals, the periods during which performance is to be measured, and all other limitations and conditions.

(b) RIGHTS AS A STOCKHOLDER. A participant receiving a Performance Share Award shall have the rights of a stockholder only as to shares actually received by the participant under the Plan and not with respect to shares subject to the Award but not actually received by the participant. A participant shall be entitled to receive a stock certificate evidencing the

9

acquisition of shares of Stock under a Performance Share Award only upon satisfaction of all conditions specified in the Performance Share Award agreement (or in a performance plan adopted by the Administrator).

(c) TERMINATION. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 13 below, in writing after the Award agreement is issued, a participant's rights in all Performance Share Awards shall automatically terminate upon the participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

(d) ACCELERATION, WAIVER, ETC. At any time prior to the participant's termination of employment (or other business relationship) by the Company and its Subsidiaries, the Administrator may in its sole discretion accelerate, waive or, subject to Section 13, amend any or all of the goals, restrictions or conditions applicable to a Performance Share Award.

SECTION 10. DIVIDEND EQUIVALENT RIGHTS

(a) DIVIDEND EQUIVALENT RIGHTS. A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any participant as a component of another Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other award. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other award.

(b) INTEREST EQUIVALENTS. Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide in the grant for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

(c) TERMINATION. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 13 below, in writing after the Award agreement is issued, a participant's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the participant's termination of employment (or cessation of business relationship) with the Company and its Subsidiaries for any reason.

10

SECTION 11. TAX WITHHOLDING

(a) PAYMENT BY PARTICIPANT. Each participant shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the participant for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant. The Company's obligation to deliver stock certificates to any participant is subject to and conditioned on tax obligations being satisfied by the participant.

(b) PAYMENT IN STOCK. Subject to approval by the Administrator, a participant may elect to have the minimum tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due, or (ii) transferring to the Company shares of Stock owned by the participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due.

SECTION 12. TRANSFER, LEAVE OF ABSENCE, ETC.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 13. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. Nothing in this Section 13 shall limit the Board's authority to take any action permitted pursuant to Section 3(c).

SECTION 14. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a participant, a participant shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the

11

Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 15. CHANGE OF CONTROL PROVISIONS

Upon the occurrence of a Change of Control as defined in this Section 15:

(a) Except as otherwise provided in the applicable Award agreement, each outstanding Stock Option shall automatically become fully exercisable and any Stock issued or issuable thereunder shall become free of any restrictions on transfer.

(b) Each outstanding Restricted Stock Award and Performance Share Award shall be subject to such terms, if any, with respect to a Change of Control as have been provided by the Administrator in the Award agreement, or subject to Section 13 above, in writing after the Award agreement is issued.

(c) "Change of Control" shall mean the occurrence of any one of the following events:

(i) any "PERSON," as such term is used in Sections 13(d) and 14(d) of the Act (other than the Company, any of its Subsidiaries, 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 Subsidiaries), together with all "affiliates" and "associates" (as such terms are defined in Rule 12b-2 under the Act) of such person, shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the 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 Company's Board ("Voting Securities") (in such case other than as a result of an acquisition of securities directly from the Company); or

(ii) the stockholders of the Company shall approve (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 Act), directly or indirectly, shares representing in the aggregate 50 percent or more of the voting shares of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, 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) any plan or proposal for 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 clause (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, HOWEVER, that if any person referred to in this sentence shall

12

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 clause (i).

SECTION 16. GENERAL PROVISIONS

(a) NO DISTRIBUTION; COMPLIANCE WITH LEGAL REQUIREMENTS. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

No shares of Stock shall be issued pursuant to an Award until all applicable securities law and other legal and stock exchange or similar requirements have been satisfied. The Administrator may require the placing of such stop-orders and restrictive legends on certificates for Stock and Awards as it deems appropriate.

(b) DELIVERY OF STOCK CERTIFICATES. Stock certificates to participants under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the participant, at the participant's last known address on file with the Company.

(c) OTHER COMPENSATION ARRANGEMENTS; NO EMPLOYMENT RIGHTS. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to

continued employment with the Company or any Subsidiary.

(d) TRADING POLICY RESTRICTIONS. Option exercises and other Awards under the Plan shall be subject to such Company's insider-trading-policy-related restrictions, terms and conditions as may be established by the Administrator, or in accordance with policies set by the Administrator, from time to time.

(e) LOANS. The Board may, in its sole discretion, authorize the grant of loans to selected key employees to be used solely for the purchase of shares of Stock or payment of taxes in connection with Awards under the Plan. The terms of such loans shall be determined at the sole discretion of the Board. Such loans shall be secured by the shares of Stock, and may be made with or without recourse against the employee.

SECTION 17. EFFECTIVE DATE OF PLAN

This Plan became effective on July 23, 2002 and, as amended and restated, on April 27, 2004.

13

SECTION 18. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

Dated as of April 27, 2004

14

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

I, William J. Nutt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc.;
2. Based on my knowledge, this Quarterly 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 Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly 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)) for the registrant and we 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 Quarterly Report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
 - c) Disclosed in this Quarterly 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 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 controls over financial reporting.

Date: May 7, 2004

/s/ WILLIAM J. NUTT

William J. Nutt
Chairman and Chief Executive Officer

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[Exhibit 31.1](#)

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

I, Darrell W. Crate, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc.;
2. Based on my knowledge, this Quarterly 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 Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly 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)) for the registrant and we 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 Quarterly Report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
 - c) Disclosed in this Quarterly 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 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 controls over financial reporting.

Date: May 7, 2004

/s/ DARRELL W. CRATE

Darrell W. Crate
Executive Vice 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, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, William J. Nutt, Chairman and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (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 7, 2004

By: /s/ WILLIAM J. NUTT

William J. Nutt
Chairman and Chief Executive Officer

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[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, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Darrell W. Crate, Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (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 7, 2004

By: /s/ DARRELL W. CRATE

Darrell W. Crate
Executive Vice President,
Chief Financial Officer and Treasurer

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[Exhibit 32.2](#)