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AMG.N - Q4 2025 Affiliated Managers Group Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Greetings, and welcome to the AMG fourth-quarter 2025 earnings call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the call over to your host, Patricia Figueroa, Head of Investor Relations for AMG. Thank you. You may begin.

Patricia Figueroa - *Affiliated Managers Group Inc - Head of Investor Relations*

Good morning, and thank you for joining us today to discuss AMG's results for the fourth quarter and full year 2025. Before we begin, I'd like to remind you that during this call, we may make a number of forward-looking statements, which could differ from our actual results materially, and AMG assumes no obligation to update these statements. Also, please note that nothing on this call constitutes an offer of any products, investment vehicles, or services of any AMG Affiliates.

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

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

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

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

Thanks, Patricia, and good morning, everyone. AMG delivered outstanding results in 2025, one of the strongest years in our company's history, with record annual economic earnings per share and substantial organic growth, including record net inflows in alternative strategies. Our results reflect the accelerating evolution of our business towards areas of secular demand, most notably in private markets and liquid alternatives.

AMG generated full-year economic earnings per share of $26.05, an increase of 22% year-over-year, driven by our strong organic growth and the positive impact of our capital allocation strategy. Our Affiliates generated approximately $29 billion in annual net client cash flows, the highest level since 2013 and representing an organic growth rate of 4%.

As evidenced by our strong earnings growth and flow profile, our business momentum is accelerating. And given our confidence in our long-term prospects, in 2025, we repurchased approximately $700 million of our shares, or 11% of our shares outstanding.

It was a landmark year for growth at AMG. Throughout 2025, across both organic growth and new Affiliate investments, AMG added approximately $97 billion in alternative assets under management, representing an increase of 35% in our total alternative AUM. This increase includes $74 billion in net inflows generated by existing Affiliates managing alternative strategies, and $23 billion in additional alternative AUM from partnerships with new Affiliates. As we have seen in recent years, our growing footprint in alternatives has fueled significant organic growth and accelerated earnings.

With more than $1 billion in capital committed across five new investments, we deployed near record levels of capital in growth opportunities in 2025. We began the year with an investment in NorthBridge, a private markets manager specializing in industrial logistics; followed by a partnership with Verition, a premier multi-strategy liquid alternatives firm; next, we invested in Montefiore, a European private equity firm focused on the services sector; and then Qualitas Energy, a leading renewables focused global infrastructure manager specializing in energy transition. And later in the year, we announced a strategic collaboration with Brown Brothers Harriman to develop structured and alternative credit products for the US wealth market.

In addition, we continued to invest our capital and resources in and alongside our Affiliates, collaborating with our partner firms to develop new products for the US wealth channel, including additional innovative alternative solutions across private markets and liquid alternatives. Each of our new Affiliate partnerships reflects AMG's differentiated partnership approach, which magnifies our Affiliates' long-term success through strategic engagement while preserving their independence. Our unique investment model continues to attract outstanding independent firms seeking a strategic partner, and our new investment pipeline remains strong. As further evidence, we just announced a new partnership with HighBrook, a private markets manager operating in the real estate sector that invests across the US and Europe in high-growth areas, including logistics, data centers, and housing.

We also announced an incremental minority investment in Garda, an existing Affiliate operating in liquid alternatives. This incremental investment reflects the strength of our partnership and supports Garda's long-term objective of building an enduring independent firm. Garda's outstanding multi-decade track record of performance and its leading position in the fast-growing area within liquid alternatives underpin our strong conviction in the firm's long-term prospects. Both investments are consistent with our strategy and are expected to be accretive to our earnings in 2026.

In addition, in 2025, we collaborated with Peppertree, Comvest, and MBI on strategic transactions that created value for all stakeholders and resulted in liquidity events for AMG. Across these three transactions, AMG received more than $730 million in pretax distributions and sale proceeds, more than 2.5x our invested capital and with an average IRR of more than 35%.

We were pleased that AMG's strategic engagement ultimately resulted in an excellent outcome for all stakeholders, including AMG shareholders. The significant proceeds from these liquidity events highlights the underlying value of our Affiliates and enhances our flexibility to execute our growth strategy. The growth investments we have strategically and deliberately made over the last several years have played a critical role in reshaping AMG's business profile.

Today, our Affiliates manage $373 billion in alternative AUM, which contributes approximately 60% of our EBITDA on a run rate basis, including sizable contributions from two of AMG's largest and long-standing Affiliates, Pantheon and AQR. As you know, AQR continues to deliver excellent performance and capitalize on emerging secular trends, including in tax aware solutions in the wealth channel, which is driving significant organic growth and an increasing EBITDA contribution to AMG on an absolute and percentage basis. In addition, Pantheon has established itself as a leading secondaries manager across private equity, private credit, and infrastructure and also has a significant presence in the US wealth channel.

Beyond AQR and Pantheon, our Affiliates managing alternative strategies delivered organic growth in 2025 and contributed to AMG's strong results in the year. As we continue to execute on our strategy, investing our capital in firms and initiatives aligned with long-term growth trends, we expect to further accelerate the evolution of our business towards a greater participation in alternatives, driving future growth and further differentiating AMG.

Now stepping back, over the past six years, we have fundamentally transformed AMG and built a strong foundation and business profile, which we believe will benefit shareholders for years to come. During this period, our business generated more than $4.5 billion in capital from operations and approximately $1.4 billion in after-tax proceeds from the sales of our interest in our Affiliates, all of which, through our disciplined capital allocation strategy, we have reallocated to both high conviction growth investments and meaningful return of capital to shareholders, exemplifying our commitment to long-term value creation.

In doing so, over this period, we have strategically evolved our business mix towards areas of secular growth, pivoting towards alternative strategies and increasing the contribution of these strategies from roughly one-third of our EBITDA to approximately 60% today. In addition, we have grown our alternative AUM by approximately 55%, and that's net of Affiliate sales, primarily driven by a combination of net client inflows from existing Affiliates and the addition of nine new Affiliates operating across private markets and liquid alternatives.

We also reduced our share count by more than 40%, further compounding our growth in economic earnings per share. Together, these strategic actions have resulted in exceptional shareholder returns, with AMG's stock appreciating at a 23% compound annual growth rate over the past six years.

Despite these transformational results, we believe we are still in the early innings of our growth story with much more opportunity ahead. Looking forward, we will continue to press our advantages, executing the same proven strategy with the same level of discipline that brought us here. This means investing in additional high-quality Affiliates in areas of secular growth while also leaning further into product innovation and distribution expansion to enhance our Affiliates' success and drive organic growth. We expect to see ongoing growth from our existing Affiliates operating in alternatives, most notably from AQR and Pantheon.

With our unique partnership-centric, cash-generative, return-focused model, we are well positioned to continue delivering long-term value. As we enter 2026, AMG's reputation, value proposition, and capital flexibility have never been stronger, a powerful combination for our firm and for our shareholders. With this durable foundation and our accelerating momentum, we are very excited about what we can accomplish over the next five years, and we are confident that the best is yet to come. We look forward to delivering even greater success for our Affiliates, our clients, and our shareholders.

Finally, I would like to take a moment to recognize Tom Wojcik for his meaningful contributions to AMG over the past seven years and to thank him for being part of our executive team during a critical period for AMG. Tom has informed us that he is ready to take a next step in his career and will leave AMG to pursue other leadership opportunities. Tom joined AMG in 2019, distinguishing himself as our CFO and contributing more broadly to the organization in areas such as strategy and team development over the years.

Today, we have a clear and effective strategy that is being executed by an outstanding leadership team that has even greater depth and breadth than we've ever had at AMG. With Tom's exceptional talent and experience, I have every confidence that he will be tremendously successful in whatever role he chooses next.

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

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

Thank you, Jay, and good morning, everyone. I'd like to start by thanking the AMG team for giving me the opportunity to be part of such a great organization over the past seven years. The relationships I've had a chance to build within AMG and its broader set of constituents have made this an incredible experience, and I'm grateful to have been part of a strategy and an organization that I believe in. The time has come for me to contemplate the next stage of my career, and the team is in an excellent position for this transition to begin. I'm highly confident that the team will continue to successfully prosecute AMG's opportunity set ahead.

2025 was a pivotal year in AMG's ongoing evolution, one that reflects both the strength of our strategy and the discipline with which we've executed on that strategy. We entered 2026 with significant momentum. Our alternatives business continues to scale, underpinned by strong organic growth from existing Affiliates and further enhanced by the addition of a number of new high-quality partnerships. Our presence in the US wealth market continues to expand, and our opportunity set to invest in growth remains robust.

This year also marked a significant inflection point. AMG returned to organic growth, fueled by accelerating client demand for liquid alternative strategies and ongoing fundraising strength in private markets. In the fourth quarter, net client cash inflows of $12 billion brought full year inflows to $29 billion, representing an annualized organic growth rate of 6% for the quarter and 4% for the full year, respectively.

With $23 billion in net inflows and alternatives, the fourth quarter capped a record year for flows from alternative strategies at AMG, which totaled $74 billion in the year, more than offsetting $45 billion in outflows in active equities, and highlighting the advantages of AMG's business profile, which is increasingly weighted toward high-growth alternative asset classes.

In liquid alternatives, our Affiliates' value proposition continues to resonate with clients. AMG posted another record quarter in liquid alternatives with $15 billion in net inflows. Full year net inflows of $51 billion, which represent a 36% annualized organic growth rate, were primarily driven by AQR with positive contributions from a number of Affiliates, including Capula, Garda, and Verition.

Importantly, alongside the significant ongoing opportunity in US wealth, including for solutions focused on after-tax returns, we are seeing strong demand and increasingly constructive sentiment for liquid alternatives from institutional clients. Building on this momentum, AMG's diverse group of Affiliates managing liquid alternative strategies is well-positioned to deliver excellent risk-adjusted returns for clients and continue to attract new flows over time.

Our private markets Affiliates raised $9 billion in the quarter, bringing full year fundraising to $24 billion, which represents an annualized organic growth rate of 18%. These inflows were mainly driven by Pantheon as well as fundraising at Ara, Abacus, EIG, Forbion, and Montefiore. The ongoing fundraising momentum of our private markets Affiliates reflects investors' conviction in their specialized investment strategies, along with their position at the forefront of secular growth trends.

Looking ahead, the fee-related earnings growth and carried interest potential across our private markets Affiliates represents a significant source of upside for the long-term earnings profile of our business.

In equities, we saw net outflows of approximately $12 billion in the quarter and $45 billion in the year, reflecting industry headwinds. Multi-asset and fixed income was flat for both the quarter and the year. We continue to have an outstanding group of differentiated long-only firms with multi-decade track records, which have been able to perform and deliver for clients through cycles. And notwithstanding some of the challenges in the industry, we think a lot of these businesses continue to be very well positioned to deliver for clients.

As we continue to form new partnerships with growing, high-quality independent firms, such as our new investment in HighBrook and our follow-on investment in Garda this year, we are broadening our exposure to fast-growing specialty areas within alternatives and further diversifying our business.

Over the past few years, we have made significant investments in our Capital Formation capabilities, transforming our US wealth platform from one focused primarily on long-only mutual funds to a platform with a proven track record of developing, launching, and distributing alternative products in the high-growth US wealth market. Alternatives AUM on AMG's US wealth platform reached approximately $8 billion in 2025, with $2.2 billion in alternative net new flows during the year.

Today, our platform has five continuously offered alternative solutions, including Pantheon products covering each of private equity, credit secondaries, and infrastructure, giving clients direct access to a diverse range of differentiated institutional quality investment capabilities.

And we continue to work with our Affiliates to bring new in-demand products to market to capitalize on the multi-decade growth opportunity in alternatives in US wealth.

In December, we filed for the registration of the AMG BBH Asset-Backed Credit Fund, leveraging BBH's expertise in structured credit markets. Looking ahead, we expect to collaborate on a number of alternative credit products, leveraging BBH's differentiated investment engine and AMG's strengths in evergreen product development and distribution, further expanding our alternatives offering for the US wealth market and bringing additional innovative solutions to help clients achieve their long-term investment goals.

Along with the growth we are generating on AMG's US wealth platform, our Affiliates, especially Pantheon and AQR, continue to take advantage of tailwinds in wealth through their own product development and distribution capabilities. And as a result, AMG and our Affiliates are collectively among the largest sponsors of alternative products for wealth markets globally.

Today, global wealth AUM at AMG and Affiliates now totals more than $100 billion and grew organically at more than 100% in 2025. The success that we are having in the wealth channel is resonating not only with clients and existing AMG Affiliates, but also with new investment prospects as accessing this attractive market requires scale and it's difficult, if not impossible, for independent firms to do on their own, given the resources required to be effective in the channel.

With the ongoing growth of our existing Affiliates in both liquid alternatives and private markets, our proven strategic capabilities to enhance our Affiliates' long-term success and our expanded opportunities to invest in growth, we have entered 2026 in a position of strength.

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

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

Thank you, Tom, and good morning, everyone. 2025 was a very exciting year for AMG. We continue to successfully execute on our disciplined capital allocation strategy and further evolved our business composition towards areas of secular growth. Together with the strength and momentum of our existing Affiliates, our strategic actions and execution contribute to record economic earnings per share in 2025.

We committed more than $1 billion in capital across growth investments and returned $700 million to shareholders through share repurchases. Given our strong balance sheet, significant cash generation, and the overall positive trajectory of our business, we are in an excellent position heading into 2026 to build on these results and generate further meaningful earnings growth.

I will start by discussing results for the quarter, then talk about the positive impact of recent capital activity and existing business growth on our forward earnings and conclude with a discussion of our balance sheet.

In the fourth quarter, we reported adjusted EBITDA of $378 million, which grew 34% year-over-year and included $125 million in net performance fee earnings. On a full year basis, we reported adjusted EBITDA of $1.1 billion, up 11% versus 2024, which included $161 million of net performance fee earnings. Fee-related earnings, which exclude net performance fees, grew 20% year-over-year for the quarter and 8% for the full year, driven by the positive impact of our investment performance, positive organic growth, and margin expansion at some of our largest Affiliates.

Economic earnings per share of $9.48 for the fourth quarter and $26.05 for the full year 2025 further benefited from the impact of share repurchases. Economic earnings per share grew 45% year-over-year in the fourth quarter and 22% on a full year basis.

Now moving to first quarter guidance. We expect adjusted EBITDA to be in the range of $310 million to $330 million based on current AUM levels reflecting our market blend, which was up 3% quarter-to-date as of February 11th and including net performance fees of $40 million to $60 million. Based on this, we expect first quarter economic earnings per share to be between $7.98 and $8.52, assuming an adjusted weighted average share count of 27.4 million for the quarter, which represents 60% growth versus Q1 2025 at the midpoint of the range.

This guidance includes the impact of 2025 announced new investments and Affiliate sales as well as the partial impact from our recently announced incremental investment in Garda and new investment in HighBrook. Combined, we expect these two newly announced transactions to add an incremental $20 million to adjusted EBITDA on a full year basis, a portion of which will be in Q1.

Q1 fee-related earnings guidance of $270 million, which is our adjusted EBITDA guidance less net performance fees in the quarter, is a good starting point for purposes of modeling full year 2026, incorporating all our capital allocation activity and organic growth in 2025, and represents 30% expected growth in quarterly fee-related earnings versus Q1 2025.

As it relates to performance fees, we are starting the year from a solid point, given our first quarter guidance range. We expect net performance fee earnings of approximately $170 million for 2026, which is consistent with our five-year average from 2021 to 2025. However, it is still early, and we plan to provide an update later in the year. Overall, we continue to have significant capacity to execute on new investments, beyond Garda and HighBrook, that could further enhance AMG's earnings power over time.

Our capital allocation strategy, together with strong organic growth in our existing business, has driven growth in AUM, fee-related earnings, adjusted EBITDA, and economic earnings per share in 2025, and this momentum that we've built in our business has set the stage for meaningful growth potential in 2026 and beyond.

Growth in alternatives in 2025 included substantial contributions from two of our largest Affiliates, Pantheon and AQR, both of which were double-digit contributors to AMG's earnings. Given their strong performance, ongoing innovation, and differentiated expertise, we expect a growing contribution in 2026, with AQR likely to contribute more than 20% to our earnings. Further, we continue to diversify our business through new partnerships, and we feel good about the opportunities ahead as we strategically engage with our new and existing Affiliates.

Finally, turning to the balance sheet and capital allocation. Our balance sheet is in a strong position, given our long-dated debt, low leverage level, and access to our revolver. In August 2025, our 10-year senior $350 million institutional bond matured and was repaid. In December 2025, we completed the issuance of a 10-year $425 million senior note at a 5.5% coupon rate and used the proceeds to redeem and settle conversions related to our 2037 junior convertible trust preferred securities, which were settled fully in cash in January 2026.

The total cost to refinance the security was $516 million, which included $342 million of debt and $174 million of conversion premium. The $174 million of conversion premium effectively represents the repurchase of approximately 600,000 adjusted diluted shares at a stock price of $293. Given this occurred in Q1 of this year, you can still see these shares in our Q4 2025 average adjusted diluted shares outstanding. The share dilution associated with these securities has now been fully removed for purposes of our Q1 '26 share count guidance of $27.4 million. Together, these transactions resulted in a simplified balance sheet and removed share count dilution from our capital structure.

2025 was an active year for us in terms of capital allocation. We committed more than $1 billion to growth investments, which included new partnerships with NorthBridge in Q1, Verition in Q2, and Qualitas Energy and Montefiore in Q4, plus our announced strategic collaboration with BBH Credit Partners.

We repurchased $350 million in shares in the fourth quarter, our largest quarterly repurchase amount in firm history, bringing full year repurchases to approximately $700 million for the second consecutive year. We received aggregate pre-tax proceeds of approximately $570 million from the sale of our minority stakes in Peppertree, which closed in Q3 and Comvest's private credit business and Montrusco Bolton, both of which closed in Q4. These transactions represented positive outcomes for all stakeholders and collectively supported our $1.7 billion gross capital deployment in 2025 across new investments and share repurchases.

We have continued to actively allocate capital into 2026. We announced a new partnership with HighBrook and a follow-on investment in Garda. The combination of the $175 million committed to new investments, which are immediately accretive to EBITDA, and the $174 million conversion premium on the settlement of the trust preferred, which further reduces our share count, creates strong earnings momentum to start the year.

As we have demonstrated over the years, we aim to maintain a balance of strong deployment of capital across both growth investments and return of capital to shareholders. Along these lines, we anticipate repurchasing at least $400 million in shares in 2026 beyond the conversion premium on the trust preferred securities, subject to market conditions and capital allocation activity. This does not reflect our full deployment capacity, and we plan to update everyone throughout the year as the quantum and pace of growth investments come into view.

2025 was a year in which every element of our growth strategy - from Affiliate performance, to organic growth, to new Affiliate investments and other growth investments, to share repurchases and effective capital management - all contributed to standout business results. And looking ahead, we are very excited to continue to build on this momentum in 2026. We have a diverse set of opportunities ahead of us, and we remain deliberate and disciplined in our approach to deploying capital. We have entered the year in a position of strength, and we are confident in our ability to continue to generate meaningful incremental value for our shareholders.

Now we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Dan Fannon, Jefferies.

Daniel Fannon - *Jefferies LLC - Equity Analyst*

Thanks, good morning. Best of luck, Tom, on your next endeavor. Just wanted to dive a little bit deeper into the outlook for 2026. In terms of AQR, they've obviously had very good growth. You talked about them being a more meaningful contributor in '26. Was hoping you could expand a bit upon the diversity of flows, some of these tax strategies, and how you're thinking about competition and potentially the run rate and/or growth outlook for what some of these newer strategies have done and how successful they've been?

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

Yeah. Thanks, Dan, and good morning to you. Maybe I'll start here and just say that the momentum in our flow profile really is coming through both in the private markets area and the liquid alternatives area, and most notably, Pantheon and AQR. But beyond Pantheon and AQR, we still have positive flows in these areas. So I just want to give you some context to that. And there is good diversity of flows across the other firms as well.

There are two standouts. I think that's what you're noting, and your specific question on AQR I'll come back to you, and I'll ask Dava to fill in some more details. But maybe I'll just note that one of the benefits of our flow profile, which is the strongest that we've had since 2013, is that the average fee rates that they're coming in from the private markets and from the liquid alternatives is higher than our average fee rates. And those flows are coming into Affiliates where they're scaling quite nicely. So we are getting the benefit of that, too.

Maybe now I'll just say that Pantheon and AQR are our two largest and long-standing Affiliates. They represent about 30%, maybe a little over 30% of our AUM today and over 30% of our adjusted EBITDA. They are growing very fast. They have tailwinds because they're alternatives businesses, one, liquid alts, one, private markets with substantial footing in the wealth channel. And so they're seeing significant growth there in US wealth. And those tailwinds, if nothing more than just continuing at this rapid pace, as we saw at the end of last year, they seem to be actually accelerating.

Maybe now I'll just say one more thing and turn it over to Dava, just on AQR. What's interesting about AQR is that, as you know, they are an innovator. They've innovated over so many years, outstanding investment product for a multitude of clients around the world, institutional US wealth, even retail, and they continue to do that.

And so I think there's a part of AQR that is ever evolving and growing, and we're seeing that real time. They've had excellent performance. They've tapped into a need in the wealth channel, which is tax-aware space, but they're also raising assets globally, institutionally, and even in the mutual fund format. So we're seeing growth across the diverse group of clients that they have both in the traditional liquid alts, but also in some of their long-only products.

So maybe if I -left any meat on the bone, I'll turn it over to Dava because I think there are some other details that we can give.

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

Sure. Maybe just to build on what Jay was speaking to. AQR really has a decade-long track record of true innovation, product differentiation, portfolio diversification, and strong performance, and they built on that in 2025. They've built a platform that's attractive both to institutional and wealth clients and have a long history of strong client service and distribution reach across these investors. As they continue to innovate, they've expanded their reach with both institutional investors and the largest gatekeepers of US wealth assets.

And there's been ongoing strong demand for these products. We've continued to see flows into these products into the first quarter. AQR has been thoughtfully diversifying its distribution reach and continue to innovate on product design and solutions. So there's multiple avenues for growth here.

When it comes to competition, again, AQR really has this history of innovation that's built on a decade-long track record. Their product offering and platform are unique within the industry, and they certainly have a first-mover advantage in many of their innovative offerings. It's expected that competition will come, but few firms have the institutional, operational, and distribution platforms to match AQR.

Operator

Alex Blostein, Goldman Sachs.

Alexander Blostein - *Goldman Sachs Group Inc - Analyst*

Hey, good morning. Tom, best of luck to you and the next endeavor. Building on the alts discussion, can we spend a couple of minutes on the private side of the equation as well? I was hoping you guys could frame the pipeline of some of the maybe larger funds that you expect to come to market from your private or liquid alternatives in 2026 and how you think about sort of the contribution to organic growth from that part of the model.

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

Yeah. Thanks, Alex. Good morning to you. I might ask Tom to do part of that as well with me and especially just on some of the new product that's coming to the market from AMG. Maybe I'll just start with Pantheon and also just talk about more broadly our approach to the other Affiliates with respect to private markets.

So on Pantheon, as you know, they are a specialist in secondaries across private equity, credit, and infrastructure. So they specialize in secondaries across those three platforms. And they do have wealth products that are designed to attract individuals into those products. And so in each of those areas, they have unique wealth products.

Those products, while offered in the US, they also have structures that allow international and non-US investors to invest into those products. So they have mirror structures that allow growth to come not just from the US but non-US. So the benefit of their position, which they've now secured over the last decade, is that they are well known in the channel. They have the structures to accumulate wealth assets, both in the US and non-US and they continue to grow that franchise.

Outside of those products, we are innovating additional products with our Affiliates. We're also selling drawdown funds into the wirehouses and RIA networks for a number of our Affiliates. And so we are actively marketing private markets products for our Affiliates in those channels.

And so maybe, Tom, if I could just ask you to expand just a little bit on the product side and other ideas that we have coming to market.

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

Yeah. Thanks, Jay. And Alex and Dan, thank you both for the kind words. Maybe actually to take the last two questions and just pull them up half a level, and then I'll get into a little bit more of the detail on product development. But if you think about liquid alternatives and private markets, they are really driving our flow profile, and that flow profile is entirely a function of our strategy. And as we start to get close to that two-thirds level of our EBITDA coming from alternatives, you're really seeing a significant impact in terms of the overall growth profile. And a lot of that is coming from wealth, whether that's from our own efforts or more broadly in the wealth ecosystem, we're seeing a tremendous amount of momentum there.

One of the big initiatives that we have going into 2026 and beyond is our new partnership with Brown Brothers. And we did announce late last year the registration for our first fund there, the AMG BBH Asset-Backed Credit Fund. And a part of that strategic collaboration is really to think about not just one product, but hopefully two, three, four, five over the course of the next couple of years, where we can take the combination of the really unique investment expertise that exists across structured credit at Brothers Herman and combine that with what we're able to do on the product development side and on the distribution side and really pair that with the client demand trends that we're seeing.

So I think Jay hit a lot of the highlights in terms of where we're seeing a lot of momentum in private markets. And I think our goal at AMG and the team's goal going forward is not only to continue to prosecute those things from an existing AMG Affiliate level but also to continue to be innovative and think about new ways that we can partner with both existing and new Affiliates to build new IP for the channel.

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

Yeah. And thank you, Tom, very much for that. So I think what's interesting to also note, and I think you all are tracking this, but we continue to put our own capital behind the product innovation. And what that means is we're seeding a number of these products, we've committed to seed these products. And we're looking to scale these products.

From our perspective, from an ROI perspective, it's one of the most valuable things that we can do here, which is to create products. Obviously, we have investments in Affiliates, and we have returns that we expect to make off our investments in those Affiliates. But to start something new, something that wasn't there before, where we can really scale, and BBH with their structured credit and alternative credit products, it's an opportunity to really scale those products, that ROI can be very high for AMG shareholders.

So this is in part a capital allocation decision, it's also magnifying our Affiliates' prospects. And ultimately, what we're trying to do is make our independent partner-owned firms, stronger, better, faster, more valuable, and I think we're doing that.

Operator

Bill Katz, TD Cowen.

Bill Katz - *Cowen and Company LLC - Analyst*

Great, thank you. And Tom, best of luck for sure. One statistic that you laid out in this call was $100 billion of global wealth management. Most of your comments seems to be focused on driving growth in the US wealth management platform. But could we maybe zoom out a level or two and just maybe speak to the other $90 billion that you seem to have? You mentioned a very strong growth rate. And how we should think about maybe the combined opportunity for wealth as we look ahead? That would be helpful.

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

Yeah. So let me start by saying we are seeing significant growth in wealth. That is the case. And it's primarily alternatives. We also support our long-only business in the wealth channel as well, and we have seen pockets of growth there. And so we do take a holistic approach on our own efforts to work with our Affiliates to innovate new products. We've looked into and have already supported ETFs for a number of our long-only managers. So I wanted to make sure that I said that.

As it relates more broadly, we are seeing good flows, but also just increasing interest in liquid alternatives. So beyond US wealth, we are seeing opportunities to grow those assets from an inflow perspective. And part of that is I think the volatility in markets, part of it's good performance on our liquid alts side. So there is opportunity to see not just US wealth growth, but growth outside of that on the institutional side.

I don't know, Dava, if you want to pick up on that.

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

Sure, happy to. When we think about accessing that wealth channel, both within AMG, but also at our Affiliates, it's important to think about those two pieces together, right? So we've talked a lot about what we are doing in terms of building product alongside of our Affiliates within the US wealth space. And that's where we've had a lot of success, particularly with Pantheon.

Additionally, though, two of our largest Affiliates in Pantheon and AQR additionally have access to wealth distribution sort of through their own channels. We've helped them think through product development in some of those spaces as well and really collaborated. But when you think about the breadth of wealth access across the AMG platform, it's important to think about both what we're offering through our US wealth distribution platform directly, but also that of our Affiliates as well.

Operator

Brian Bedell, Deutsche Bank.

Brian Bedell - *Deutsche Bank AG - Analyst*

Thanks, good morning. And also, congrats, Tom. Great working with you at AMG, and best of luck for the next endeavor. Maybe if I can squeeze in a two-parter here just related to AQR and then also performance fees. Sorry if I missed the contribution from AQR in 2025. I know you said it was going to be over 20% of EBITDA in 2026. I just wanted to see what that incremental pickup is. And then does that contemplate any changes in the wealth channel in any of your major distribution partners, either growing distribution partners or seeing more competition at distribution partners?

And then if I can just squeeze in a longer-term one on performance fee makeup, you got the $170 million for '26, which is around your five-year average. But as we think about, say, over the next three years or so, given the growth of your private markets and liquid alternatives businesses just structurally, should we be thinking of a longer-term higher trajectory of performance fees, particularly since I think you -- on the private Affiliates that you've invested in, you get carry on the new funds that have started up as opposed to the old one, so maybe we're lagging into a bigger carry stream going forward?

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

Yeah. Thanks, Brian. -And good morning. I'm going to see if I can parse this out, and then I'll come back and answer one of these questions. So maybe, Dava, if you could address in whatever order you like, either the performance fee makeup and the kind of growing nature of it, and then the question on AQR concentration this year and last year. And then I'll come back, and please feel free to comment on it as well, but I'll come back and just talk about strategy for the resources and growing our partnerships in wealth.

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

Sure. So why don't I try to do this a little bit in the order you asked here, Brian. So on the AQR side in 2025, we had mentioned that AQR was a double-digit contributor to EBITDA in 2025. And we do expect that to grow into 2026 and expect them to be north of 20% this year. That's really on the back of strong organic growth leading into what we think are really positive momentum dynamics into 2026.

In terms of 2025 results for AQR, it was really buffeted by two things. One, they had very strong positive net flows into their liquid alternative products. But two, they generated strong investment performance across their platform, leading to substantial performance fee contributions for AMG.

When we then think about the longer term in terms of performance fees, so I'll shift gears a little bit and think about that. The way we tend to think about our guidance, and this is what you see going into 2026 and why we're thinking about the $170 million of guidance here. We think about that really as using the past five years as a good representation of a through-the-cycle number. There are certainly going to be periods of both outperformance on that and periods of underperformance on that.

But if you look at the big picture, the mix of strategies that we manage here through our Affiliates that generate performance fees is a diverse group across both liquid alternatives and private markets, and this leads to a more stable and predictable earnings stream over time. And as AUM that is performance fee or carry eligible increases, we expect it to positively impact that trend line over time.

And Brian, as you mentioned, since we generally don't buy in the ground carry when we're making new investments in private market Affiliates, but rather participate in future fund carry, these do tend to be more back-ended opportunities, and we expect their performance fee contribution to grow over time.

It's separately important to note that as we've executed on our firm-wide strategy to invest in areas of secular growth and have benefited from net organic flows into alternative strategies, we've increased our AUM from strategies that typically earn a higher management fee, which you can already see impacting our year-over-year aggregate fee rate and growth in our fee-related earnings. This is shifting our mix of business towards a higher contribution from fee-related earnings.

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

And so let me pick up now on the question on the wealth strategy and just resources and growing it. I'm going to just walk through, I think, where we see AMG leaning into our own wealth strategy, and I'll start with just product creation. So we have a group that thinks about what -- and receives feedback from clients in the marketplace on what products we should be creating. And then we go out to our Affiliates and work with them to put those strategies into structures that are best suited for the US wealth channel. So product creation, we've invested resources and people, human capital, to grow that area for AMG.

We also have increased our balance sheet in terms of seeding. So once we've got an idea, we will seed it. That's very helpful in going out to the market. Generally speaking, capital starts to form after we seed. Generally, in the early adopters in the RIA market, we've increased the number of people and resources that we have addressing that part of the market. Once we raise critical mass, we go out to the regionals and larger RIA platforms. Again, we've increased our resources there.

And then ultimately, in a place where AMG has always been particularly good is in the wirehouses. And so once the products graduate to a scale and size that they can get on the major wirehouses we have a wholesaling salesforce to grow that.

So across our platform, from product creation to seed to RIA channel all the way up to the wirehouses, we've added people and resources and effort. And so that is our strategy to continue to grow that. And so far, we've seen some success in doing so.

Then maybe zooming way out, because I see that we're getting close to the end of our time, I do want to just say a few things about where AMG stands today. We have really pivoted the firm. Today, our business is being driven by alternatives, both private markets and liquid alternatives. And we expect to continue to press our advantages of supporting independent high-quality firms and helping them with their own strategy and their own success and magnifying their benefits while also preserving their independence.

When you think about what happened to us in 2025 and where we are already in 2026, it's really just a culmination of our strategy. And it really is beginning the foundation of the next five years. And as I said in my prepared remarks, and we want to be humble about this, but we really do think that the best is yet to come for us because we now see very clearly how to continue to prosecute that strategy going forward, whether that's across making new investments in high-quality firms, in areas of secular trends, helping those firms grow by investing in our capital formation efforts, and where we can return capital to shareholders at attractive prices to help us compound our earnings.

Those are the things that we're going to continue to do. That is our strategy, and we look forward to creating more value in the future.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. And we'll conclude our call today. We thank you for your interest and participation. You may now disconnect your lines.
