QuickLinks -- Click here to rapidly navigate through this document

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 June 30, 2002

OR

o **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 o

There were 21,879,137 shares of the Registrant's Common Stock outstanding as of August 9, 2002.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	December 31, 2001	June 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 73,427	$ 127,914
Investment advisory fees receivable	57,148	61,149
Other current assets	9,464	8,966

Total current assets	140,039	198,029
Fixed assets, net	17,802	19,853
Equity investment in Affiliate	1,732	—
Acquired client relationships, net	319,645	323,384
Goodwill, net	655,311	673,381
Other assets	25,792	25,604
Total assets	$ 1,160,321	$ 1,240,251
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 67,136	$ 73,503
Zero coupon convertible debt	227,894	—
Senior bank debt	25,000	—
Total current liabilities	320,030	73,503
Senior bank debt	—	25,000
Zero coupon convertible debt	—	228,461
Mandatory convertible debt	200,000	230,000
Deferred taxes	38,081	49,251
Other long-term liabilities	23,795	36,440
Total liabilities	581,906	642,655
Minority interest	35,075	29,256
Stockholders' equity:		
Common stock	235	235
Additional paid-in capital	405,087	405,769
Accumulated other comprehensive income	(846)	(564)
Retained earnings	190,502	220,362
	594,978	625,802
Less treasury shares, at cost	(51,638)	(57,462)
Total stockholders' equity	543,340	568,340
Total liabilities and stockholders' equity	$ 1,160,321	$ 1,240,251

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 June 30,		For the Six Months Ended June 30,	
	2001	2002	2001	2002
Revenue	$ 100,663	$ 129,631	$ 201,138	$ 248,966
Operating expenses:				
Compensation and related expenses	32,698	42,046	66,906	83,488
Amortization of intangible assets	6,940	3,364	13,842	6,696
Depreciation and other amortization	1,428	1,452	2,786	2,802
Selling, general and administrative	19,034	24,061	37,115	43,669
Other operating expenses	2,673	3,148	5,288	7,014
	62,773	74,071	125,937	143,669
Operating income	37,890	55,560	75,201	105,297
Non-operating (income) and expenses:				
Investment and other income	(1,470)	(792)	(1,994)	(1,392)

Interest expense	3,351	7,044	6,512	13,580
	1,881	6,252	4,518	12,188
Income before minority interest and income taxes	36,009	49,308	70,683	93,109
Minority interest	(14,164)	(23,720)	(28,956)	(43,342)
Income before income taxes	21,845	25,588	41,727	49,767
Income taxes—current	8,110	4,696	13,947	8,871
Income taxes—deferred	628	5,539	2,743	11,036
Net income	$ 13,107	$ 15,353	$ 25,037	$ 29,860
Earnings per share—basic	$ 0.59	$ 0.69	$ 1.13	$ 1.34
Earnings per share—diluted	$ 0.58	$ 0.67	$ 1.11	$ 1.30
Average shares outstanding—basic	22,109,068	22,196,540	22,086,244	22,210,658
Average shares outstanding—diluted	22,654,951	22,862,980	22,612,010	22,912,528

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 Six Months Ended June 30,	
	2001	**2002**
Cash flow from operating activities:		
Net income	$ 25,037	$ 29,860
Adjustments to reconcile net income to net cash flow from operating activities:		
Amortization of intangible assets	13,842	6,696
Depreciation and other amortization	2,786	5,444
Deferred income tax provision	2,743	11,036
FAS 133 transition adjustment	(2,201)	(708)
Reclassification of FAS 133 adjustment to net income	1,467	122
Accretion of interest	170	567
Changes in assets and liabilities:		
(Increase) decrease in investment advisory fees receivable	11,840	(4,001)
(Increase) decrease in other current assets	5,200	(384)
(Increase) decrease in non-current other receivables	5,465	(23)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(26,204)	8,763
Decrease in minority interest	(6,193)	(5,819)
Cash flow from operating activities	33,952	51,553
Cash flow used in investing activities:		
Purchase of fixed assets	(1,953)	(3,867)
Costs of investments, net of cash acquired	(13,331)	(15,797)
Increase in other assets	(101)	(213)
Cash flow used in investing activities	(15,385)	(19,877)
Cash flow from financing activities:		
Borrowings of senior bank debt	49,300	160,000
Repayments of senior bank debt	(150,300)	(160,000)
Issuances of equity securities	6,142	2,593
Issuances of debt securities	227,143	30,000
Repurchase of stock	(698)	(8,560)
Debt issuance costs	(5,932)	(1,266)

Cash flow from financing activities	125,655	22,767
Effect of foreign exchange rate changes on cash flow	1	44
Net increase in cash and cash equivalents	144,223	54,487
Cash and cash equivalents at beginning of period	31,612	73,427
Cash and cash equivalents at end of period	$ 175,835	$ 127,914
Supplemental disclosure of non-cash financing activities:		
Notes issued for Affiliate equity purchases	$ 3,055	$ 12,593
Notes received for Affiliate equity sales	$ —	$ 1,800

The accompanying notes are an integral part of the 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 generally accepted accounting principles 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 generally accepted accounting principles 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 generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included. All material intercompany balances and transactions have been eliminated. All dollar amounts in these notes (except per share data) 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, 2001 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. Goodwill and Other Intangible Assets

In July 2001, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standard No. 141 ("FAS 141"), "Business Combinations," and Financial Accounting Standard No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets." FAS 141 limits the method of accounting for business combinations to the purchase method and establishes new criteria for the recognition of other intangible assets. FAS 142 requires that goodwill and other intangible assets with indefinite lives no longer be amortized, but instead be tested for impairment at least annually. The Company adopted FAS 141 on July 1, 2001 and FAS 142 on January 1, 2002. In accordance with FAS 141, goodwill and any other intangible assets determined to have indefinite lives that were acquired in a purchase business combination after June 30, 2001 (i.e., Friess Associates, LLC and Welch & Forbes LLC) were not amortized from their respective dates of acquisition in the fourth quarter of 2001. All other goodwill and other intangible assets determined to have indefinite lives were no longer amortized beginning January 1, 2002. Pursuant to FAS 142, the Company has reviewed the goodwill acquired in prior business combinations for impairment, and determined that there was no impairment.

The following table reflects our operating results adjusted as though the Company had not amortized goodwill and other indefinitely lived intangible assets in 2001.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2001	2002	2001	2002
Reported net income	$ 13,107	$ 15,353	$ 25,037	$ 29,860
Add back: intangible asset amortization	4,723	—	9,579	—
Tax effect at effective tax rate	(1,889)	—	(3,831)	—
Adjusted net income	15,941	15,353	30,785	29,860
Basic earnings per share—as reported	$ 0.59	$ 0.69	$ 1.13	$ 1.34
Basic earnings per share—as adjusted	$ 0.72	$ 0.69	$ 1.39	$ 1.34
Diluted earnings per share—as reported	$ 0.58	$ 0.67	$ 1.11	$ 1.30
Diluted earnings per share—as adjusted	$ 0.70	$ 0.67	$ 1.36	$ 1.30

As further described in Note 4, the Company made payments to acquire interests in existing Affiliates during the six months ended June 30, 2002. The increase in the carrying amount of goodwill

associated with such transactions, as well as the carrying amounts of goodwill, are shown in the following table:

	High Net Worth	Mutual Fund	Institutional	Total
Balance, as of December 31, 2001	$ 169,429	$ 214,741	$ 271,141	$ 655,311
Goodwill acquired	4,618	771	12,681	18,070

Balance, as of June 30, 2002	$ 174,047	$ 215,512	$ 283,822	$ 673,381

The following table reflects the components of intangible assets as of June 30, 2002:

	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		
Acquired client relationships	$ 220,838	$ 41,889
Non-amortized intangible assets:		
Acquired client relationships—mutual fund management contracts	155,275	10,840
Goodwill	741,494	68,113

The cost of amortizable acquired client relationships is amortized using the straight-line method over a weighted average life of approximately 16 years. Including incremental amortization attributable to the Company's investment in Third Avenue Management, which is described in Note 4, the Company estimates that amortization expense will be $13,800 for 2002, $14,500 for 2003, and $13,500 for 2004, 2005 and 2006.

3. Derivative Financial Instruments

On January 1, 2001, the Company adopted Financial Accounting Standard No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended by Financial Accounting Standard No. 138, "Accounting For Certain Derivative Instruments and Certain Hedging Activities." FAS 133 requires that all derivatives be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. The cumulative effect of adopting FAS 133 was not material to the Company's consolidated financial statements.

The Company is exposed to interest rate risk inherent in its debt liabilities. The Company's risk management strategy includes the use of financial instruments, specifically interest rate swap contracts, to hedge certain variable rate interest rate exposures. In entering into these contracts, AMG intends to offset relative cash flow gains and losses that occur due to changes in interest rates on its existing debt liabilities with cash flow losses and gains on the contracts hedging these liabilities. For example, the Company may agree with a counterparty (typically a major commercial bank) to exchange the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount.

The Company records all derivatives on the balance sheet at fair value. As the Company's hedges are designated and qualify as cash flow hedges, the effective portion of the unrealized gain or loss on the derivative instrument is recorded in accumulated other comprehensive income as a separate component of stockholders' equity and reclassified into earnings when periodic settlement of variable rate liabilities are recorded in earnings. For interest rate swaps, hedge effectiveness is measured by comparing the present value of the cumulative change in the expected future variable cash flows of the hedged contract with the present value of the cumulative change in the expected future variable cash flows of the hedged item, both of which are based on LIBOR rates. To the extent that the critical

terms of the hedged item and the derivative are not identical, hedge ineffectiveness is reported in earnings as interest expense. Hedge ineffectiveness was not material in the second quarter of 2002.

In February 2002, the Company entered into a $25,000 notional amount interest rate swap contract with a major commercial bank as counterparty to exchange the difference between fixed-rate and floating-rate interest amounts calculated by reference to the notional amount. This contract, which did not qualify for hedge accounting, was closed in the second quarter of 2002, and the realized loss, which was not material, was recorded in earnings.

At June 30, 2002, the net amount of the Company's interest rate swap liability attributable to $25,000 notional amount of interest rate swap contracts outstanding was $400, which was recorded on the consolidated balance sheet in accounts payable and accrued liabilities. AMG estimates the fair values of derivatives based on quoted market prices. At June 30, 2002, the Company had recorded approximately $314 of net unrealized losses on derivative instruments, net of taxes, in accumulated other comprehensive income. AMG expects that 100% of these losses will be reclassified to earnings within one year.

4. Acquisitions

During the six months ended June 30, 2002, the Company made payments to acquire interests in existing Affiliates, which were financed through working capital and the issuance of notes.

On August 8, 2002, the Company completed its acquisition of a majority equity interest in the business of New York-based Third Avenue Management, which serves as the adviser to the Third Avenue family of no-load mutual funds and the sub-adviser to non-proprietary mutual funds and annuities, and also manages separate accounts for high net worth individuals and institutions. The transaction was financed through the Company's working capital and borrowings under the Company's revolving credit facility, as described in greater detail in Note 8.

5. Comprehensive Income

The Company's comprehensive income includes net income, changes in unrealized foreign currency gains and losses and changes in unrealized gains and losses on derivative instruments, which also reflect the cumulative effect of adopting FAS 133. Comprehensive income, net of taxes, was as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2001	2002	2001	2002
Net income	$ 13,107	$ 15,353	$ 25,037	$ 29,860
Change in unrealized foreign currency gains (losses)	17	77	25	44
Change in net unrealized loss on derivative instruments	(149)	27	(289)	165

Cumulative effect of change in accounting principle—FAS 133 transition adjustment	—	—	(1,321)	—
Reclassification of FAS 133 transition adjustment to net income	716	36	881	73
Comprehensive income	$ 13,691	$ 15,493	$ 24,333	$ 30,142

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

	December 31, 2001	June 30, 2002
Foreign currency translation adjustment	$ (294)	$ (250)
Unrealized loss on derivative instruments	(552)	(314)
Accumulated other comprehensive income	$ (846)	$ (564)

6. Income Taxes

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2001	2002	2001	2002
Federal:				
Current	$ 7,096	$ 4,736	$ 12,203	$ 8,389
Deferred	550	4,847	2,401	9,657
State:				
Current	1,014	(40)	1,744	482
Deferred	78	692	342	1,379
Provision for income taxes	$ 8,738	$ 10,235	$ 16,690	$ 19,907

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

	December 31, 2001	June 30, 2002
Deferred assets (liabilities):		
State net operating loss carryforwards	$ 2,345	$ 3,189
Intangible amortization	(43,067)	(54,431)
Deferred compensation	1,716	1,930
Accruals	2,721	2,795
	(36,285)	(46,517)
Valuation allowance	(1,796)	(2,734)
Net deferred income taxes	$ (38,081)	$ (49,251)

The Company's state net operating loss carryforwards expire from 2007 to 2016. The realization of these carryforwards is dependent on generating sufficient taxable income prior to their expiration. The valuation allowances at December 31, 2001 and June 30, 2002 relate to the uncertainty of the realization of these loss carryforwards.

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. The calculation of diluted earnings per share gives effect to potential dilution from the Company's stock option plans. The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share

computations. Unlike all other dollar amounts in these notes, net income in this table is not presented in thousands.

	For the Three Months	For the Six Months

	Ended June 30,		Ended June 30,	
	2001	2002	2001	2002
Numerator:				
Net income	$ 13,107,000	$ 15,353,000	$ 25,037,000	$ 29,860,000
Denominator:				
Average shares outstanding—basic	22,109,068	22,196,540	22,086,244	22,210,658
Incremental shares for stock options	545,883	666,440	525,766	701,870
Average shares outstanding—diluted	22,654,951	22,862,980	22,612,010	22,912,528
Earnings per share:				
Basic	$ 0.59	$ 0.69	$ 1.13	$ 1.34
Diluted	$ 0.58	$ 0.67	$ 1.11	$ 1.30

In April 2000, the Board of Directors authorized a share repurchase program pursuant to which AMG is authorized to repurchase up to 5% of its issued and outstanding shares of Common Stock, with the timing of purchases and the amount of stock purchased determined at the discretion of AMG's management. In July 2002, the Board of Directors approved an increase in the share repurchase program, authorizing the purchase of up to an additional 5% of its issued and outstanding shares of Common Stock, with the timing of purchases and the amount of stock purchased determined at the discretion of AMG's management.

8. Long-term Debt

At June 30, 2002, long-term senior debt was $483,461, consisting of $228,461 of zero coupon senior convertible notes, $230,000 of mandatory convertible notes and $25,000 outstanding under the Company's then-existing revolving credit facility. Long-term senior debt consisted of $200,000 of mandatory convertible notes at December 31, 2001.

In August 2002, the Company replaced its existing revolving credit facility with a new revolving credit facility (the "Facility") with several major commercial banks. The Facility, which is scheduled to mature in August 2005, currently provides that the Company may borrow up to $235,000 at rates of interest (based either on the LIBOR rate or the Prime rate as in effect from time to time) that vary depending on the level of usage of the Facility and the Company's credit ratings. Subject to the agreement of the lenders (or prospective lenders) to increase their commitments, the Facility may be increased to $350,000 at the request of the Company. The Facility contains financial covenants with respect to net worth, leverage and interest coverage, and requires the Company to pay an annual commitment fee on any unused portion. The Facility also limits the Company's ability to pay dividends and incur certain additional indebtedness. All borrowings under the Facility are collateralized by pledges of all capital stock or other equity interests owned by AMG.

In December 2001, the Company completed a public offering of mandatory convertible debt securities ("FELINE PRIDES"). A sale of an over-allotment of the securities was completed in January 2002, and increased the amount outstanding to $230,000. Each FELINE PRIDE initially consists of (i) a senior note due November 17, 2006 with a principal amount of $25 per note (each, a "Senior Note"), on which the Company pays a 6% coupon quarterly, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase, for $25 per contract, shares of 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 number of shares of Common Stock to be issued in the settlement of the contracts will range from 2,736,000 to 3,146,000.

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, the Senior Notes will be remarketed to new investors. If successful, the remarketing will generate $230,000 of proceeds to be used by the original holders of the FELINE 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. The number of shares of Common Stock to be issued will be determined by the price of Common Stock at that time. The Senior Notes will remain outstanding until November 2006, and (assuming a successful remarketing) will be held by the new investors.

In May 2001, the Company completed a private placement of zero coupon senior convertible notes. In this private placement, the Company sold a total 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 annum. The Company has the option to redeem the securities for cash on or after May 7, 2006 and may be required to repurchase the securities at the accreted value at the option of the holders on May 7 of 2004, 2006, 2011 and 2016. If the holders exercise this option, the Company may elect to repurchase the securities with cash, shares of its Common Stock or some combination thereof. It is the Company's current intention to repurchase the securities with cash. Holders also had the option to require the Company to repurchase the securities on May 7, 2002, but none of the holders exercised this option.

9. Segment Information

Statement of Financial Accounting Standards No. 131 ("FAS 131"), "Disclosures about Segments of an Enterprise and Related Information," establishes disclosure requirements relating to operating segments in annual and interim financial statements. Management has assessed the requirements of FAS 131 and determined that the Company operates in three business segments representing the Company's three principal distribution channels: High Net Worth, Mutual Fund and Institutional.

Revenue in the High Net Worth distribution channel is earned from relationships with wealthy individuals, family trusts and managed account programs. 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. Expenses incurred by Affiliates that are reported in segment operating results are generally based upon the revenue sharing agreements with the Company's Affiliates. As described in greater detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations", 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, the expenses corresponding to an Affiliate's Operating Allocation are allocated to a particular

segment on a pro rata basis with respect to the revenue generated by that Affiliate in such segment. If revenue increases, additional compensation is typically paid to Affiliate management partners from the Operating Allocation. As a result, the contractual expense allocation pursuant to such revenue sharing arrangement may result in the characterization of any growth in profit margin beyond our Owners' Allocation as an operating expense. All other operating expenses (except intangible amortization) and interest expense have been allocated to segments based on the proportion of aggregate EBITDA Contribution (as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations") reported by Affiliates in each segment.

Statements of Income

	For the Three Months Ended June 30, 2001			
	High Net Worth	Mutual Fund	Institutional	Total
Revenue	$ 29,914	$ 26,933	$ 43,816	$ 100,663
Operating expenses:				
Depreciation and amortization	2,729	818	4,821	8,368
Other operating expenses	15,972	15,081	23,352	54,405
	18,701	15,899	28,173	62,773
Operating income	11,213	11,034	15,643	37,890
Non-operating (income) and expenses:				
Investment and other income	(426)	(299)	(745)	(1,470)
Interest expense	1,156	856	1,339	3,351
	730	557	594	1,881
Income before minority interest and income taxes	10,483	10,477	15,049	36,009
Minority interest	(3,655)	(3,097)	(7,412)	(14,164)
Income before income taxes	6,828	7,380	7,637	21,845
Income taxes	2,731	2,952	3,055	8,738
Net income	$ 4,097	$ 4,428	$ 4,582	$ 13,107

	For the Three Months Ended June 30, 2002			
	High Net Worth	Mutual Fund	Institutional	Total
Revenue	$ 35,183	$ 41,235	$ 53,213	$ 129,631
Operating expenses:				
Depreciation and amortization	1,320	294	3,202	4,816
Other operating expenses	18,890	21,752	28,613	69,255
	20,210	22,046	31,815	74,071
Operating income	14,973	19,189	21,398	55,560
Non-operating (income) and expenses:				
Investment and other income	(243)	(266)	(283)	(792)
Interest expense	2,130	2,288	2,626	7,044
	1,887	2,022	2,343	6,252
Income before minority interest and income taxes	13,086	17,167	19,055	49,308
Minority interest	(5,540)	(7,202)	(10,978)	(23,720)
Income before income taxes	7,546	9,965	8,077	25,588
Income taxes	3,018	3,986	3,231	10,235
Net income	$ 4,528	$ 5,979	$ 4,846	$ 15,353

	For the Six Months Ended June 30, 2001			
	High Net Worth	Mutual Fund	Institutional	Total
Revenue	$ 61,340	$ 53,012	$ 86,786	$ 201,138
Operating expenses:				

Depreciation and amortization	4,852	2,887	8,889	16,628
Other operating expenses	32,593	29,878	46,838	109,309
	37,445	32,765	55,727	125,937
Operating income	23,895	20,247	31,059	75,201
Non-operating (income) and expenses:				
Investment and other income	(90)	(475)	(1,429)	(1,994)
Interest expense	2,294	1,633	2,585	6,512
	2,204	1,158	1,156	4,518
Income before minority interest and income taxes	21,691	19,089	29,903	70,683
Minority interest	(7,699)	(6,335)	(14,922)	(28,956)
Income before income taxes	13,992	12,754	14,981	41,727
Income taxes	5,597	5,102	5,991	16,690
Net income	$ 8,395	$ 7,652	$ 8,990	$ 25,037

	For the Six Months Ended June 30, 2002			
	High Net Worth	Mutual Fund	Institutional	Total
Revenue	$ 71,404	$ 79,913	$ 97,649	$ 248,966
Operating expenses:				
Depreciation and amortization	2,516	562	6,420	9,498
Other operating expenses	38,695	41,839	53,637	134,171
	41,211	42,401	60,057	143,669
Operating income	30,193	37,512	37,592	105,297
Non-operating (income) and expenses:				
Investment and other income	(405)	(418)	(569)	(1,392)
Interest expense	4,261	4,416	4,903	13,580
	3,856	3,998	4,334	12,188
Income before minority interest and income taxes	26,337	33,514	33,258	93,109
Minority interest	(11,076)	(14,028)	(18,238)	(43,342)
Income before income taxes	15,261	19,486	15,020	49,767
Income taxes	6,104	7,794	6,009	19,907
Net income	$ 9,157	$ 11,692	$ 9,011	$ 29,860

Balance Sheet Information

	Total assets			
At December 31, 2001	$ 294,053	$ 381,882	$ 484,386	$ 1,160,321
At June 30, 2002	$ 306,046	$ 399,913	$ 534,292	$ 1,240,251

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

Forward-Looking Statements

When used in this Form 10-Q and in our future filings with the Securities and Exchange Commission, in our press releases and in oral statements made with the approval of an authorized 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 and securities markets, and a decline or a lack of sustained growth in the financial 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;*

- *we cannot be certain that we will be successful in finding or investing in additional investment management firms on favorable terms, 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 affiliated investment management firms, 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-Cautionary Statements" in our Annual Report on Form 10-K for the year ended December 31, 2001.*

These factors (among others) could affect our financial performance and cause our 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 June 30, 2002, our affiliated investment management firms managed approximately $74.1 billion in assets across a broad range of investment styles and in three principal distribution channels (High Net Worth, Mutual Fund and Institutional). We pursue a growth strategy designed to generate shareholder value through the internal growth of existing Affiliates, investments in additional, mid-sized investment management firms, and strategic transactions and relationships designed to enhance our Affiliates' businesses and growth prospects.

In our investments in Affiliates, we typically hold a majority equity interest in each firm, with the remaining equity interests retained by the management of the Affiliate. Each Affiliate is organized as a separate and largely autonomous limited liability company or limited partnership. Each Affiliate operating agreement is tailored to meet the particular characteristics of the Affiliate. Many of our Affiliates' organizational documents include revenue sharing arrangements. Each such revenue sharing arrangement allocates a percentage of revenue for use by management of that Affiliate in paying operating expenses of the Affiliate, including salaries and bonuses. We call this the "Operating Allocation." We determine the percentage of revenue designated as Operating Allocation for each Affiliate in consultation with senior management of the Affiliate at the time of our investment based

on the Affiliate's historical and projected operating margins. The organizational document of each such Affiliate allocates the remaining portion of the Affiliate's revenue to the owners of that Affiliate (including us). We call this 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.

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 which is 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).

The revenue sharing arrangements allow us to participate in the revenue growth of each Affiliate because we receive a portion of the additional revenue as our share of the Owners' Allocation. We participate in that growth to a lesser extent than the Affiliate's managers, however, because we do not share in the growth of the Operating Allocation or in any increases in profit margin.

In certain other cases (such as, for example, The Managers Funds LLC), the Affiliate is not subject to a revenue sharing arrangement, but instead operates on a profit-based model. As a result, we participate fully in any increase or decrease in the revenue or expenses of such firms.

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 (which generally are limited to their Operating Allocations);

- our operating expenses (i.e., our holding company expenses, including interest, amortization and income taxes); and

- the profits owned by our Affiliates' managers (representing their share of the Owners' Allocation and referred to on our income statement as "minority interest").

As discussed above, the operating expenses of an 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. While our profit distributions generally take priority over the distributions to other owners, if there are any expenses in excess of the Operating Allocation of an Affiliate, 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 reductions in our portion of the Owners' Allocation are generally required to be paid back to us out of future Owners' Allocation. In any period in which an Affiliate's expenses exceed its Operating Allocation, the operating expenses for that Affiliate for that period will exceed the portion of such Affiliate's revenues generally established by the revenue sharing agreement.

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

- 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;

- a variety of factors affecting the securities markets generally, which could potentially result in considerable increases or decreases in the assets under management at our Affiliates;

- the receipt of Owners' Allocation, which depends on the ability of our existing and future Affiliates to maintain certain levels of operating profit margins;

- the availability and cost of the 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.

We generally derive our revenue from the provision of investment management services for fees by our Affiliates. 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 of the Affiliates bill advisory fees for all or a portion of their clients based upon assets under management valued at the beginning of a billing period ("in advance"). Other Affiliates bill advisory fees for all or a portion of their clients based upon assets under management valued at the end of the billing period ("in arrears"), while mutual fund clients are billed based upon daily assets. 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, fees paid on the basis of investment performance ("performance fees") at certain Affiliates may affect the profitability of those Affiliates and us. Performance fees are inherently dependent on investment results, and therefore may vary substantially from period to period.

We believe it is significant to distinguish certain amortization and other non-cash expenses from other operating expenses since these expenses do not require the use of cash. We have provided additional supplemental information in this report for "cash" related earnings as an addition to, but not as a substitute for, measures of financial performance under generally accepted accounting principles, and our calculations may not be consistent with those of other companies. Our additional measures of "cash" related earnings are:

- Cash Net Income (net income plus depreciation, amortization and deferred taxes), which we believe is useful to investors as an indicator of funds available to us which may be used to make new investments, repay debt obligations, repurchase shares of our Common Stock or pay dividends on our Common Stock (although we have no current plans to pay dividends);

- EBITDA (earnings before interest expense, income taxes, depreciation and amortization), which we believe is useful to investors as an indicator of our ability to service debt, make new investments and meet working capital requirements; and

- EBITDA Contribution (EBITDA plus our holding company operating expenses), which we believe is useful to investors as an indicator of funds available from our Affiliates' operations to pay holding company operating expenses, service debt, make new investments and meet working capital requirements.

Our measure of Cash Net Income has been modified in response to our adoption of Financial Accounting Standard No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets" on January 1, 2002. Prior to this change, deferred tax expenses were accrued because intangible assets were amortized over different periods for financial reporting and income tax purposes (since we structure our investments as taxable transactions, and since our cash taxes are reduced by amortization deductions over the periods prescribed by tax laws). While FAS 142 eliminated the amortization of goodwill and certain other intangible assets, it continues to require the accrual of deferred tax expenses for these assets. Nevertheless, because under FAS 142 this deferred tax accrual would reverse only in the event of a future sale or impairment of an Affiliate, we believe deferred tax accruals should be added back in calculating Cash Net Income to best approximate the actual funds available to us to make new investments, repay debt obligations or repurchase shares of our Common Stock. Accordingly, we now define Cash Net Income as "net income plus depreciation, amortization and deferred taxes." For periods prior to 2002 and our adoption of FAS 142, we defined Cash Net Income as "net income plus depreciation and amortization," and results for such periods are presented on that basis in this report.

Results of Operations

We conduct our business in three operating segments corresponding with the three principal distribution channels in which our Affiliates provide investment management services: High Net Worth, Mutual Fund and Institutional. Clients in the High Net Worth distribution channel include wealthy individuals and family trusts, with whom our Affiliates have direct relationships or indirect relationships through managed account programs. In the Mutual Fund distribution channel, our Affiliates provide advisory or sub-advisory services to mutual funds that are distributed to retail and institutional clients directly and through intermediaries, including independent investment advisers, retirement plan sponsors, broker-dealers, major fund marketplaces and bank trust departments. In the Institutional distribution channel, our Affiliates manage assets for foundations and endowments, defined benefit and defined contribution plans for corporations and municipalities and Taft-Hartley plans.

Our assets under management include assets which are directly managed and those that underlie overlay strategies. Overlay assets (assets managed subject to strategies which employ futures, options or other derivative securities) generate fees which typically are substantially lower than the fees generated by our

Affiliates' other investment strategies. Therefore, changes in directly managed assets have a greater impact on our revenue than changes in total assets under management (a figure which includes overlay assets).

The following tables present a summary of our reported assets under management by distribution channel and activity.

Assets under Management—By Distribution Channel	December 31, 2001	June 30, 2002
(Dollars in billions)		
High Net Worth	$ 24.6	$ 22.1
Mutual Fund	14.4	14.6
Institutional	42.0	37.4
	$ 81.0	$ 74.1
Directly managed assets—Percent of total	88%	88%
Overlay assets—Percent of total	12%	12%
	100%	100%

Assets under Management—Statement of Changes	For the Three Months Ended June 30, 2002	For the Six Months Ended June 30, 2002
(Dollars in billions)		
Beginning of period	$ 81.4	$ 81.0
Sale of Paradigm Asset Management Company, L.L.C.	(1.0)	(1.0)
Net client cash flows—directly managed assets	(0.1)	0.1
Net client cash flows—overlay assets	0.1	(0.3)
Investment performance	(6.3)	(5.7)
End of period	$ 74.1	$ 74.1

In August 2002, we closed our investment in Third Avenue Management. Pro forma for the investment in Third Avenue, our assets under management at June 30, 2002 were $79.4 billion.

The decrease in our assets under management in the quarter ended June 30, 2002 is primarily the result of a decline in the value of assets corresponding to broad declines in the equity markets. Broad declines in the equity markets have continued in the current quarterly period. As examples of these declines, from June 30, 2002 to August 9, 2002 the Dow Jones Industrial Average and the NASDAQ Composite Index experienced declines of 5.4% and 10.7%, respectively. These declines are anticipated to decrease our average assets under management for the current quarterly period and, depending on future equity market performance, may have the continuing effect of decreasing our average assets under management in future periods.

The following table presents selected financial data for each of our operating segments.

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
(Dollars in millions, except as noted)	2001	2002	% Change	2001	2002	% Change
Average assets under management (in billions)(1)						
High Net Worth	$ 23.7	$ 23.5	(1)%	$ 23.4	$ 24.0	3 %
Mutual Fund	9.9	15.2	54 %	9.6	14.8	54 %
Institutional	38.5	38.7	1 %	40.9	39.3	(4)%
Total	$ 72.1	$ 77.4	7 %	$ 73.9	$ 78.1	6 %
Revenue						
High Net Worth	$ 29.9	$ 35.2	18 %	$ 61.3	$ 71.4	16 %
Mutual Fund	26.9	41.2	53 %	53.0	79.9	51 %
Institutional	43.8	53.2	21 %	86.8	97.6	12 %
Total	$ 100.6	$ 129.6	29 %	$ 201.1	$ 248.9	24 %

Net income(2)						
High Net Worth	$ 4.1	$ 4.5	10 %	$ 8.4	$ 9.1	8 %
Mutual Fund	4.4	6.0	36 %	7.6	11.7	54 %
Institutional	4.6	4.9	7 %	9.0	9.1	1 %
Total	$ 13.1	$ 15.4	18 %	$ 25.0	$ 29.9	20 %
EBITDA(2)						
High Net Worth	$ 10.7	$ 11.0	3 %	$ 21.1	$ 22.1	5 %
Mutual Fund	9.1	12.5	37 %	17.3	24.4	41 %
Institutional	13.8	13.9	1 %	26.5	26.3	(1)%
Total	$ 33.6	$ 37.4	11 %	$ 64.9	$ 72.8	12 %

(1) Average assets under management for the High Net Worth and Institutional distribution channels represents an average of the assets under management at the beginning and the end of each quarter. Average assets under management for the Mutual Fund distribution channel represents an average of daily net assets for the quarter.

(2) Note 9 to our Consolidated Financial Statements describes the basis of presentation of the financial results of our three operating segments.

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 directly managed and overlay assets, which realize different fee rates;
- the portion of our assets across the three principal distribution channels and our Affiliates, which realize different fee rates; and
- the recognition of any performance fees charged by certain Affiliates.

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.

Total revenue increased 29% and 24%, respectively, in the quarter and six months ended June 30, 2002 from the quarter and six months ended June 30, 2001. The increase in revenue in the quarter and six months ended June 30, 2002 resulted primarily from an increase in average assets under management and an increase in performance fees that were earned. In the quarter ended June 30, 2002, the increase in revenue also resulted from a larger percentage of assets under management that billed in advance as compared to the quarter ended June 30, 2001. The increase in average assets under management is attributable to our investments in two new Affiliates in the fourth quarter of 2001 (Friess Associates, LLC ("Friess") and Welch & Forbes LLC ("Welch & Forbes") and to positive net client cash flows from directly managed assets during 2001, partially offset by net client cash outflows from overlay assets in the same periods and a decline in the value of assets under management, which resulted principally from a broad decline in the equity markets during these periods.

As described above, the broad declines in the equity markets experienced in the second quarter and to date in the current quarterly period are anticipated to decrease our average assets under management in the current quarterly period. As a result, we anticipate that revenue and other principal financial measures—including Cash Net Income, EBITDA and Net Income—will be lower in this period. Depending on the future performance of the equity markets, we may experience the continuing effect of declines in such measures in future periods.

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

High Net Worth Distribution Channel

The increase in revenue of 18% in the High Net Worth distribution channel in the quarter ended June 30, 2002 as compared to the quarter ended June 30, 2001 resulted principally from increases in assets under management attributable to our investment in Welch & Forbes in November 2001, positive net client cash flows from directly managed assets during 2001 and a shift in assets under management to client relationships that realize higher fees and bill advisory fees in advance. The increase was partially offset by a decline in the value of assets under management resulting principally from a broad decline in the equity markets, and by net client cash outflows from directly managed assets in the first six months of 2002.

The increase in revenue of 16% in the High Net Worth distribution channel in the six months ended June 30, 2002 as compared to the six months ended June 30, 2001 resulted principally from increases in assets under management attributable to our investment in Welch & Forbes in 2001, positive net client cash flows from directly managed assets during 2001 and a shift in assets under management to client relationships that realize higher fees. The increase in revenue was partially offset by a decline in the value of assets under management resulting principally from a broad decline in the equity markets, and by net client cash outflows from directly managed assets in the first six months of 2002.

Mutual Fund Distribution Channel

The increase in revenue of 53% and 51%, respectively, in the Mutual Fund distribution channel in the quarter and six months ended June 30, 2002 as compared to the quarter and six months ended June 30, 2001 resulted principally from an increase in average assets under management. The increase in average assets under management from both the quarter and six months ended June 30, 2001 to the quarter and six months ended June 30, 2002 was primarily attributable to our investment in Friess in October 2001 and to positive net client cash flows from directly managed assets, and was partially offset by a decline in the value of assets under management, which resulted principally from a broad decline in the equity markets.

Institutional Distribution Channel

The increase in revenue of 21% in the Institutional distribution channel in the quarter ended June 30, 2002 as compared to the quarter ended June 30, 2001 resulted principally from an increase in performance fees and from an increase in our assets under management attributable to our investment in Friess in 2001. The increase in revenue was partially offset by a shift in directly managed assets to client relationships that realize lower fees and a decline in the value of assets under management from a broad decline in the equity markets, as well as from net client cash outflows from directly managed assets.

The increase in revenue of 12% in the Institutional distribution channel in the six months ended June 30, 2002 as compared to the six months ended June 30, 2001 resulted principally from an increase in performance fees and from an increase in assets under management related to our investment in Friess in 2001. The increase was partially offset by a decline in the value of assets under management related to a broad decline in the equity markets, and from net client cash outflows from directly managed assets.

Operating Expenses

The following table presents a summary of our consolidated operating expenses (our holding company expenses and our Affiliates' Operating Allocations).

(Dollars in millions, except as noted)	For the Three Months Ended June 30, 2001	For the Three Months Ended June 30, 2002	% Change	For the Six Months Ended June 30, 2001	For the Six Months Ended June 30, 2002	% Change
Compensation and related expenses	$ 32.7	$ 42.0	28 %	$ 66.9	$ 83.5	25 %
Selling, general and administrative	19.0	24.1	27 %	37.1	43.7	18 %
Amortization of intangible assets	7.0	3.4	(51)%	13.8	6.7	(51)%
Depreciation and other amortization	1.4	1.4	0 %	2.8	2.8	0 %
Other operating expenses	2.7	3.2	19 %	5.3	7.0	32 %
Total operating expenses	$ 62.8	$ 74.1	18 %	$ 125.9	$ 143.7	14 %

Because a substantial portion of these expenses (excluding intangible amortization) are incurred by our Affiliates and because Affiliate expenses are generally limited to an Operating Allocation, our total operating expenses are impacted by increases or decreases in an Affiliate's revenue, which correspondingly increase or decrease that Affiliate's Operating Allocation. Total operating expenses (excluding intangible amortization) increased 27% and 22%, respectively, from the quarter and six months ended June 30, 2001 to the quarter and six months ended June 30, 2002, reflecting the general relationship between revenue and the Operating Allocations for Affiliates with revenue sharing arrangements.

Compensation and related expenses increased 28% and 25%, respectively, in the quarter and six months ended June 30, 2002 as compared to the quarter and six months ended June 30, 2001, primarily as a result of the relationship between revenue and operating expenses described above.

Selling, general and administrative expenses increased 27% and 18%, respectively, from the quarter and six months ended June 30, 2001 to the quarter and six months ended June 30, 2002. This increase in selling, general and administrative expenses was principally attributable to an increase in aggregate Affiliate expenses resulting from the expenses of Friess and Welch & Forbes that are now included in our consolidated results, as well as other increases in such expenses at our existing Affiliates.

The decrease in amortization of intangible assets of 51% in both the quarter and six months ended June 30, 2002 as compared to the quarter and six months ended June 30, 2001 resulted from our adoption of FAS 142, which requires that goodwill and other intangible assets with indefinite lives no longer be amortized. The decrease in amortization expense resulting from our adoption of FAS 142 was partially offset by increases in amortization from our investments in Friess and Welch & Forbes.

Other Income Statement Data

The following table summarizes other income statement data.

(Dollars in millions, except as noted)	For the Three Months Ended June 30, 2001	For the Three Months Ended June 30, 2002	% Change	For the Six Months Ended June 30, 2001	For the Six Months Ended June 30, 2002	% Change
Minority interest	$ 14.2	$ 23.7	67 %	$ 29.0	$ 43.3	49 %
Income tax expense	8.7	10.2	17 %	16.7	19.9	19 %
Interest expense	3.4	7.0	106 %	6.5	13.6	109 %
Investment and other income	1.5	0.8	(47)%	2.0	1.4	(30)%

Minority interest increased 67% and 49%, respectively, from the quarter and six months ended June 30, 2001 to the quarter and six months ended June 30, 2002, resulting from our new investments in Friess and Welch & Forbes and the other factors impacting revenue described above. In the quarter ended June 30, 2002, the increase in minority interest was proportionately greater than the increase in revenue because of our investment in Friess, in which we initially acquired

a 51% interest, an investment interest that is at the lower end of our typical range of equity ownership in our Affiliates. In addition, performance fees were earned during the quarter at Affiliates in which our equity ownership was comparatively lower than other arrangements.

The increase in income taxes of 17% and 19%, respectively, from the quarter and six months ended June 30, 2001 to the quarter and six months ended June 30, 2002 was attributable to the increase in income before taxes. Our effective tax rate remained the same for the periods.

Interest expense increased 106% and 109%, respectively, from the quarter and six months ended June 30, 2001 to the quarter and six months ended June 30, 2002, principally as a result of an increase in weighted average debt outstanding (and related debt issuance costs) during those periods. In May 2001, we completed the private placement of $251 million principal amount at maturity of zero coupon senior convertible notes, and in December 2001, we completed a public offering of $200 million principal amount at maturity of mandatory convertible securities, followed by a sale of over-allotment units in January 2002 that increased the principal amount outstanding to $230 million. The increase in interest expense attributable to the increase in weighted average debt outstanding from the first quarter and first six months of 2001 to the first quarter and first six months of 2002 was partially offset by the decrease in our effective interest rate, which resulted from a decline in LIBOR rates and the 0.50% accretion rate on the zero coupon senior convertible notes.

Net Income and Other Financial Data

The following table summarizes historical levels of Net Income and other supplemental measures of cash-related earnings presented as an addition to, but not as a substitute for, Net Income.

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
(Dollars in millions, except as noted)	2001	2002	% Change	2001	2002	% Change
Net Income	$ 13.1	$ 15.4	18%	$ 25.0	$ 29.9	20%
EBITDA Contribution	38.1	43.4	14%	73.9	84.8	15%
EBITDA	33.6	37.4	11%	64.9	72.8	12%
Cash Net Income	21.5	25.7	20%	41.7	50.4	21%

Net Income and Cash Net Income figures that are presented for the quarter and six month periods ended June 30, 2002 reflect changes in the accounting for intangible assets as a result of the implementation of FAS 142 in the first quarter of 2002, and therefore are not directly comparable to the operating results presented for the quarter and six months ended June 30, 2001. Note 2 to our Consolidated Financial Statements presents our Net Income for the quarter and six month periods ended June 30, 2001 as though we had adopted FAS 142 on January 1, 2001. If we had adopted FAS 142 on January 1, 2001 and our definition of Cash Net Income had been modified accordingly, Cash Net Income for the quarter and six month periods ended June 30, 2001 would have been $22.1 million and $44.4 million, respectively.

The increase in Net Income of 18% and 20%, respectively, from the quarter and six months ended June 30, 2001 to the quarter and six months ended June 30, 2002 resulted principally from the change in the EBITDA Contribution of our Affiliates and the decrease in amortization expense resulting from our adoption of FAS 142. The increases in EBITDA Contribution and EBITDA were principally attributable to the factors that affected our revenue, as discussed above under "Revenue."

Cash Net Income increased 20% and 21%, respectively, from the quarter and six months ended June 30, 2001 to the quarter and six months ended June 30, 2002, primarily as a result of the previously described factors affecting Net Income and related changes in the accounting for intangible assets resulting from our adoption of FAS 142.

Liquidity and Capital Resources

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

(Dollars in millions)	December 31, 2001	June 30, 2002
Balance Sheet Data		
Cash and cash equivalents	$ 73.4	$ 127.9
Senior bank debt	25.0	25.0
Zero coupon convertible debt	227.9	228.5
Mandatory convertible debt	200.0	230.0

	For the Six Months Ended June 30,	
	2001	2002
Cash Flow Data		
Operating cash flows	$ 34.0	$ 51.6
Investing cash flows	(15.4)	(19.9)
Financing cash flows	125.6	22.8

We have met our cash requirements primarily through borrowings from our banks, cash generated by operating activities and the issuance of equity and convertible debt securities. Our principal uses of cash have been to make investments in new Affiliates, repay indebtedness, pay income taxes, repurchase shares of our Common Stock, make additional investments in existing Affiliates (including our purchase of Affiliate managers' retained equity), support our and our

Affiliates' operating activities and for working capital purposes. We expect that our principal uses of funds for the foreseeable future will be for additional investments, distributions to Affiliate managers, payment of interest on outstanding debt, payment of income taxes, capital expenditures, additional investments in existing Affiliates (including our purchase of Affiliate managers' retained equity), repurchases of shares of our Common Stock and for working capital purposes.

In August 2002, we replaced our existing revolving credit facility with a new 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 up to $235 million at rates of interest (based either on the LIBOR rate or the Prime rate as in effect from time to time) that vary depending on the level of usage of the Facility and our credit ratings. Subject to the agreement of the lenders (or prospective lenders) to increase their commitments, the Facility may be increased to $350 million at our request. The Facility contains financial covenants with respect to net worth, leverage and interest coverage, and requires us to pay an annual commitment fee on any unused portion. The Facility also limits our ability to pay dividends and incur certain additional indebtedness. All borrowings under the Facility are collateralized by pledges of all capital stock or other equity interests owned by us.

We closed our investment in Third Avenue Management on August 8, 2002 using working capital and borrowings under the Facility. Giving effect to this transaction and other borrowings and repayment activity, at August 9, 2002 we had outstanding borrowings under the Facility of $130 million, and the ability to borrow an additional $105 million.

In 2001 and January 2002, we issued convertible debt securities. In May 2001, we completed the private placement of zero coupon senior convertible notes in which we sold a total of $251 million principal amount at maturity of zero coupon senior convertible notes due 2021, accreting at a rate of 0.50% per annum. Each $1,000 zero coupon senior convertible note is convertible into 11.62 shares of our Common Stock upon the occurrence of any of the following events: (i) if the closing price of shares of our Common Stock exceeds specified levels for specified periods; (ii) if the credit rating assigned to the securities is below a specified level; (iii) if we call the securities for redemption; or (iv) if we take certain corporate actions. We have the option to redeem the securities for cash on or after May 7, 2006, and the holders may require us to repurchase the securities at their accreted value on May 7 of 2004, 2006, 2011 and 2016. The purchase price for such repurchases may be paid in cash or shares of our Common Stock. It is our current intention to repurchase the securities with cash. Holders also had the option to require the Company to repurchase the securities on May 7, 2002, but none of the holders exercised this option. In addition, in December 2001 and January 2002, we issued mandatory convertible debt securities, which are discussed below under "Financing Cash Flows."

Our obligations to purchase additional equity in our Affiliates extend over the next 15 years. At June 30, 2002, if all of these obligations became due in their entirety, the aggregate amount of these obligations and other obligations for contingent payments would have been approximately $628 million. Assuming the closing of the additional purchases, we would own the prospective Owners' Allocation of all additional equity so purchased, estimated based on financial results through June 30, 2002 to represent approximately $87 million on an annualized basis. In order to provide the funds necessary for us to meet such obligations and for us to continue to acquire interests in investment management firms, it may be necessary for us to incur, from time to time, additional debt and/or to issue equity or debt securities, depending on market and other conditions. These potential obligations, 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 additional borrowings or by selling shares of our stock or other equity or debt securities, or to otherwise refinance a portion of these obligations.

Cash and cash equivalents aggregated $127.9 million at June 30, 2002, an increase of $54.5 million from December 31, 2001. Excluding balances held by our Affiliates, we had approximately $87.0 million in cash and cash equivalents at June 30, 2002. Giving effect to our investment in Third Avenue Management, as of August 9, 2002 (excluding balances held by Affiliates), we had approximately $77 million in cash and cash equivalents.

Operating Cash Flows

The increase in net cash flow from operating activities from the six months ended June 30, 2001 to the six months ended June 30, 2002 resulted principally from changes in accounts payable during the six months ended June 30, 2001 and June 30, 2002.

Investing Cash Flows

Changes in net cash flow from investing activities primarily result from our investments in new and existing Affiliates. Net cash flow used to make investments was $15.8 million and $13.3 million for the six months ended June 30, 2002 and June 30, 2001, respectively, reflecting our additional investments in existing Affiliates.

Financing Cash Flows

The decrease in net cash flow from financing activities from the six months ended June 30, 2001 to the six months ended June 30, 2002 was attributable to our issuance of zero coupon senior convertible notes in May 2001, partially offset by our issuance of mandatory convertible debt securities in January 2002, further described below. The principal source of cash from financing activities during the six months ended June 30, 2001 and 2002 was our issuance of convertible debt securities and borrowings under the Facility. Our principal use of cash from financing activities during these periods was for the repayment of debt and for general corporate purposes.

In December 2001, we completed a public offering of mandatory convertible debt securities ("FELINE PRIDES"). A sale of an over-allotment of the securities was completed in January 2002, and increased the amount outstanding to $230 million. Each FELINE PRIDE initially consists of (i) a senior note due November 17, 2006 with a principal amount of $25 per note (each, a "Senior Note"), on which we pay a 6% coupon quarterly, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase, for $25 per contract, 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 number of shares of Common Stock to be issued in the settlement of the contracts will range from 2,736,000 to 3,146,000.

Each of the Senior Notes is pledged to us to collateralize the holder's obligations under the forward purchase contracts. Beginning in August 2004, the Senior Notes will be remarketed to new investors. If successful, the remarketing will generate $230 million of proceeds to be used by the original holders of the FELINE 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. The number of shares of Common Stock to be issued will be determined by the price of our Common Stock at that time. The Senior Notes will remain outstanding until November 2006, and (assuming a successful remarketing) will be held by the new investors.

During the quarter ended June 30, 2002, we repurchased 133,100 shares of Common Stock. Pursuant to a share repurchase program authorized by our Board of Directors in April 2000, we are

---

authorized to repurchase up to 5% of our issued and outstanding shares of Common Stock in open market transactions, with the timing of purchases and the amount of stock purchased determined at the discretion of our executive officers. In July 2002, our Board of Directors approved an increase in the share program, authorizing the purchase of up to an additional 5% of shares outstanding, with the timing of purchases and the amount of stock purchased at the discretion of our executive officers. From July 1, 2002 through August 9, 2002, we repurchased 299,300 shares of our Common Stock under the April 2000 repurchase program. At August 9, 2002, a total of 1,185,633 shares of Common Stock remained authorized for repurchase under the program.

Market Risk

We use interest rate derivative contracts to manage market exposures associated with our variable rate debt by creating offsetting market exposure. During February 2001, we became a party, with two major commercial banks as counterparties, to $50 million notional amount of interest rate swap contracts that are linked to the three-month LIBOR rate. Under these swap contracts, we agreed to exchange the difference between fixed-rate and floating-rate interest amounts calculated by reference to the notional amount. In February 2002, we closed $25 million notional amount of these contracts and entered into a new $25 million notional amount contract, which was subsequently closed in June 2002.

In using these derivative instruments, we face certain risks that are not directly related to market movements and are therefore not easy to quantify, and as such are not represented in the analysis which follows. These risks include country risk, legal risk and credit risk. Credit risk, or the risk of loss arising from a counterparty's failure or inability to meet payment or performance terms of a contract, is a particularly significant element of an interest rate swap contract. We attempt to control this risk through analysis of our counterparties and ongoing examinations of outstanding payments and delinquencies.

We have performed a sensitivity analysis on our hedged contract assuming a hypothetical 10% adverse movement in LIBOR rates, sustained for three months. This analysis reflects the impact of such movement on the combination of our senior debt under the Facility and our interest rate derivative contracts, by multiplying the notional amount of the interest rate derivative contract by the effect of a 10% decrease in LIBOR rates, and then factoring in the offsetting interest rate savings on the underlying senior debt. As of August 9, 2002, this analysis indicated that this hypothetical movement in LIBOR rates would have resulted in a quarterly loss, net of taxes, of approximately $120,000.

There can be no assurance that we will continue to maintain such derivative contracts at their existing levels of coverage or that the amount of coverage maintained will cover all of our indebtedness outstanding at any such time. Therefore, there can be no assurance that the derivative contracts will meet their overall objective of reducing our interest expense. In addition, there can be no assurance that we will be successful in obtaining derivative contracts in the future on our existing or any new indebtedness.

Item 3. Quantitative And Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting us, see "Market Risk" above, which is incorporated herein by reference.

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 the opinion of management, would have a material adverse effect on our financial position, liquidity or results of operations.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

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

The Annual Meeting of Stockholders of Affiliated Managers Group, Inc. was held in Boston, Massachusetts on June 4, 2002. At that meeting, the stockholders considered and acted upon the following proposals:

1. THE ELECTION OF DIRECTORS. By the vote reflected below, the stockholders elected the following individuals to serve as directors until the 2003 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified:

Director	Shares Voted For	Shares Withheld
William J. Nutt	18,195,493	237,740
Sean M. Healey	18,270,549	162,684
Richard E. Floor	17,715,076	718,157
Stephen J. Lockwood	18,195,523	237,710
Harold J. Meyerman	18,270,793	162,440
Rita M. Rodriguez	18,195,508	237,725
William F. Weld	18,195,009	238,224

2. THE APPROVAL OF AN AMENDMENT AND RESTATEMENT OF THE COMPANY'S 1997 STOCK OPTION AND INCENTIVE PLAN. The stockholders voted to approve the amendment and restatement of the Company's 1997 Stock Option and Incentive Plan (the "Plan") as follows: to increase the number of shares of Common Stock reserved for issuance under the Plan from 4,550,000 to 5,250,000, to discontinue the ability to issue shares of Common Stock under the Plan, other than pursuant to stock options, and to restrict the ability of the Company to cancel and re-grant stock options under the Plan at a lower exercise price. 13,744,463 shares voted for the proposal, 4,578,787 shares voted against the proposal, and 109,983 shares abstained from voting on the proposal.

3. THE APPROVAL OF AN AMENDMENT OF THE COMPANY'S LONG-TERM EXECUTIVE INCENTIVE PLAN. The stockholders voted to approve an amendment to the Company's Long-Term Executive Incentive Plan as follows: to change the definition of "Cash Net Income" to mean the Company's earnings after interest expense and income taxes, but before depreciation, amortization and deferred taxes and extraordinary items in accordance with generally accepted accounting principles for such fiscal year. 14,200,118 shares voted for the proposal, 2,462,472 shares voted against the proposal, and 113,350 shares abstained from voting on the proposal.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

10.11 Affiliated Managers Group, Inc. Amended and Restated 1997 Stock Option and Incentive Plan.

10.27 Amendment to Affiliated Managers Group, Inc. Long-Term Executive Incentive Plan.

(b) Reports on Form 8-K:

None.

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)

/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)

August 13, 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)

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

PART II—OTHER INFORMATION

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 10.11

AFFILIATED MANAGERS GROUP, INC.

1997 STOCK OPTION AND INCENTIVE PLAN

AS AMENDED AND RESTATED AS OF APRIL 12, 2002

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Affiliated Managers Group, Inc. 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;

(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;

(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.

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 increased from 4,550,000 to 5,250,000. 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 700,000 shares 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: (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 those that are not then exercisable, subject 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 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, 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 as of the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to 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 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 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 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.

(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

(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 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 12, 2002.]

Exhibit 10.27

AMENDMENT
TO THE
AFFILIATED MANAGERS GROUP, INC.
LONG-TERM EXECUTIVE INCENTIVE PLAN

This Amendment to the Affiliated Managers Group, Inc. Long-Term Executive Incentive Plan (the "Plan") shall become effective upon approval by the stockholders of a majority of the votes cast at a meeting of stockholders at which a quorum is present or by written consent in accordance with applicable law.

1. DEFINITION OF "CASH NET INCOME". Subparagraph (g) of Section 2 of the Plan is hereby deleted in its entirety and the following substituted therefor:

> "`CASH NET INCOME' for any fiscal year shall mean the Company's earnings after interest expense and income taxes, but before depreciation, and amortization, deferred taxes and extraordinary items, as determined in accordance with generally accepted accounting principles for such fiscal year."

2. STATUS OF PLAN. Except as specifically amended hereby, the Plan shall continue in full force and effect. From and after the date hereof, all references in any agreements covering awards granted under the Plan shall be deemed to be references to the Plan as hereby amended.

Amended as of April 12, 2002.