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# EDITED TRANSCRIPT

AMG.N - Affiliated Managers Group Inc at Goldman Sachs U.S. Financial Services Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Jay C. Horgen** *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

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

## CONFERENCE CALL PARTICIPANTS

**Alexander Blostein** *Goldman Sachs - Analyst*

## PRESENTATION

**Alexander Blostein** - *Goldman Sachs - Analyst*

All right. Well, thanks, everybody. We're going to get started with our next session. It's my pleasure to introduce Jay Horgen, President and CEO of AMG; and Dava Ritchea, the company's CFO. With over \$700 billion in assets under management, AMG operates a diverse network of asset management affiliates with increasing presence in alternative products, which comprise about 50% of the firm's EBITDA.

The firm's focus on this part of the market is paying off with flows improving over the course of 2024. At the same time, AMG's capital position creates lots of flexibility to pursue additional partnerships and to return capital to shareholders like we've seen over the last couple of years. So we look forward to getting an update from Jay and Dava on the business. Thank you both for being here.

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Thank you very much.

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

Thank you for having us.

## QUESTIONS AND ANSWERS

**Alexander Blostein** - *Goldman Sachs - Analyst*

So why don't we start with a little bit of a bigger picture question. It's something we talked about to most asset managers that spoke so far today is around just trends in asset allocation as we look out into 2025. Clearly, lots of macro tailwinds at play, equity market is strong in the US, maybe a little less outside the US Credit spreads are pretty tight. How are clients repositioning their portfolios looking into '25? And more importantly, how is AMG positioned to participate in that rotation?

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Yeah. Great. Is my mic on? Can you hear me? Need to just make sure. Sorry about that. So maybe I'll start by a very high-level statement, but we think that the current market environment, and frankly, the forward market environment, it allows for a bit more risk taking. And it also -- we think it's constructive for the deal environment, and that will play out in a couple of different ways. So I'll take the client allocation piece inside of this answer.

But maybe to start with for AMG, the constructive deal environment for us is helpful. And it allows us to make new investments in areas of growth -- areas of secular growth, which we've been doing and hope to continue to do and expect that with the market environment, we will do more capital allocation towards new investment growth strategy.

It also means that we're allocating capital to product development and products with existing affiliates that are in these areas of secular growth. And when we maybe take a step back and say on the -- both the risk-taking and the constructive deal environment, that lends itself to private markets in particular. So we can see our capital moving even more towards private markets in both new and existing affiliates.

So that we have been seeing, and we expect that to maybe accelerate here both on the new investment side for us, but also the product development side. As far as the asset sort of allocation trends of the client, I would say that within institutions, the more risk on environment does lend itself to more equity-oriented type investments. I think we see that in lots of different areas.

On the wealth side, the story, we'll probably talk more about this, is that the allocations to private markets and alternatives, more generally just needs to go up. And so we're seeing pretty significant growth rates within wealth in that client base.

And that's a big opportunity for AMG because we've had some real success in the wealth channel. And then lastly, I would say that the market environment in general is constructive. And so for equities and for long-only assets, our asset levels are high and the run rate associated with that just means that we're starting off on a good foot for 2025.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

Great. All right. Well, we'll spend time on all of these points, obviously, but I wanted to start with alternatives. AMG has made a very meaningful progress in kind of pivoting the business towards more secular growth areas like private markets, in particular, but even your liquid alts book started to do better over the last year or so. Collectively, as we said, 50% of EBITDA between those two kind of subcategories.

Looking at private market specifically, I think it accounts for a little bit over 20% of EBITDA. Over the last two years, most of the industry growth has been in private credit in parts of infra, but we're starting to see a little bit of broadening in fundraising. It's what kind of the sentiment we hear from some of the other alt managers as broadly as capital velocity improves and things like that.

So can you talk a little bit about how growth trends within your private markets affiliates are shaping up over the next couple of years? What are you most excited about in terms of kind of organic growth and fundraising there?

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

So, maybe I'll ask Dava to take some of this question, but I'll start by acknowledging for us that is the fastest-growing segment. If you look at it in just our flow profile, quarter over quarter, year over year, not only are we seeing growth in private markets, but we're seeing accelerated growth. Part of that is we brought some new affiliates online over the past couple of years.

And in general, those private markets affiliates have been, as I mentioned earlier, in areas of secular growth, so digital transformation, energy transition, life sciences would be another area and in some parts of the real estate market, which we see growing. And that has really added to our flow profile.

And so we've seen this acceleration both in existing affiliates as they continue to grow, but also new affiliates coming online. And so, in total, we have nine private market affiliates, a little over \$130 billion in private market assets. So -- and we do see that we're set up well for a strong 2025, and maybe with the wealth channel being a big component of growth, even better 2025.

I don't know, maybe I'll pause and just what else would you like to add maybe broaden it to alternatives more broadly.

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

Yeah. So why don't I add a little bit more detail on that. We've continued to see really strong fundraising across our private market affiliates. Just in the third quarter alone, we had several affiliates that exceeded their fundraising targets for their most recent funds. And we've now got, as Jay mentioned, about nine private market affiliates over the course of the year across these affiliates, we saw about 20% annualized growth rate within that segment.

And the reason for that is our affiliates in the segment are sitting at the forefront really of secular growth trends. So I can give you a few examples of that. We've got Peppertree in communications infrastructure, which is aligned really well with data proliferation. We've got Forbion in biotech venture and growth investing, which is very well aligned with healthcare and demographic trends. We've got Ara Partners in industrial decarbonization, which is aligned really well with the energy transition and a move to a lower-carbon environment.

And we've got somebody like Pantheon, who's the leader in secondary investments across all private market asset classes and they're benefiting from a lot of the trends that we're seeing in private market assets and the overall liquidity profile. So we've got these really unique and differentiated investment managers that are sitting in the front of those secular trends, and we think that that is a real catalyst for growth.

And then if we think about how those nine diversified private market affiliates impact fundraising, what you see is that many of them are in the market sort of at the same time. So we often have many products within a calendar year that are actively capital raising and that leads to more consistency in flows from that segment.

So as opposed to if you have a single lumpy flagship fund, we've got products in the market at all time, and that's really leading to a more consistent flow profile for us. And it's important also to remember that these are incredibly valuable flows to us. They're long in duration. They carry really strong fee rates, and they also have the ability to generate carried interest for us over time.

**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Great. And maybe I'll just say one more thing. You mentioned really, you were focused on the private markets, but more broadly, alternatives in the liquid alternative space, and maybe that is potentially where we'll head next. We do have some really strong franchises in liquid alternatives, AQR, Garda, Capula would be just three, Systematica as a fourth. And in that segment, you're seeing good performance and you're seeing those businesses grow over time.

We had positive flows in the past quarter, and we've seen positive constructive momentum over a longer period of time. And in particular, for AQR, in the tax managed segment, there's a real growth opportunity for them using what I'll call their technology on the trading side and their technology on -- in liquid alternative area to really bring in a new generation of products to market, and that's a very fast-growing area for us.

**Alexander Blostein** - *Goldman Sachs - Analyst*

Can we expand on that a little bit because when people think about AMG's growth algorithm, I think it's easy to sign off on private markets. We see that across the whole universe, right? The liquid alts part of the business has been more challenged in the past. We see some outflows. And to your point, just now, you've definitely struck a more constructive tone on that part of the market.

So expand a little bit on terms of what do you think on that part of the business into 2025. I mean it sounds like AQR will be a contributor. But how broad of the strength are you seeing in the liquid alts?

**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Yeah. So I'm going to just put a framework out there to start because it will be helpful to talk about it. So let's just say roughly 50% alternatives split half and half, and it kind of depends on the performance fees, so 25%, 25% private markets, liquid alternatives, and then 50% differentiated long-only, and most of that's in equities, but some of that's in other areas like wealth, wealth managers, and other types of offerings. But we just talked about the -- just a minute there, we're talking about private markets. If we focus on the liquid alternatives segment, in that segment, we have a pretty diverse group of affiliates.

Some of them are focused on, what I'll call, very plain vanilla, absolute return products. And then you start to expand from there. You get all kinds of unique return streams relative to value fixed income. HR's got a wealth of different types of strategies. Systematica does trend following and has some other interesting absolute returns and ValueAct is more of an equity-based business. So we have a pretty rich and diverse group of affiliates there.

In general, that group has been growing. Of course, it grows both by performance and by flows. And then as they grow, they have an opportunity to earn even more performance fees. So the performance fee opportunity for us, over a long period of time, while it has more volatility than say, management fee earnings, it's actually not that volatile to us given the stream that's really diversified across all those managers. So that's a big opportunity in that segment.

And then within that segment, the one that's got really good momentum is AQR, honestly, because they have moved towards -- well, their performance has been very good, which you can see. And then on top of that, the opportunity in the wealth channel, which is a tax managed product in general, that is a big growth engine. They all have growth opportunities, but that one, I would just single out as having extra opportunity and growth.

Did I miss any thing there? So then the last thing we should probably talk about is just the long-only differentiated. And I don't know if you want to start that and we can --?

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

Sure. So I would say on the long-only side, we certainly had challenges as the rest of the industry has seen, but we have a few really good points that we think are coming out of this. One, the flow story has gotten a little bit more constructive over the last year or two, and we've seen some moderation in the outflows within that segment.

And two, we have a really diverse set of affiliates in our long-only differentiated book that have performed for clients across market cycles. And we've, with our new product specialist team, have really been partnering with those affiliates and thinking through what could be real growth drivers for those businesses over time?

And so we've been working really closely with those managers on things like active ETFs and things like SMAs, which we think have long-term growth drivers within that channel.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

Got it. Since you mentioned active equities, I just wanted to zone in on a couple of more recent trends. Performance has been a little bit volatile recently. I think some of your affiliates started to underperform a little bit more in the last couple of quarters. Any concerns around that with respect to 2025 in terms of organic growth?

Or generally, you expect that to sort of stay within the same range that we've been in over the last 12 to 18 months?

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

Yeah, we think about that. Again, our affiliates are quite diverse across a wide-ranging array of strategies and have seen differentiated performance, again, over long-term track records. And so our view is, again, you can put your own assumptions on what you think will happen with that industry. We think it will continue to face some headwinds over time, but we think our affiliates are still well positioned within that segment.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

I got you. Let's talk about the wealth channel. It's key topic for everybody in the alternative asset management space. Obviously, it's a big topic for you guys as well. You're making pretty nice progress here. You expanded your lineup. I think there's about \$5 billion in AUM now across several products.

So can you discuss AMG's product inspection strategy and really your distribution strategy in this channel, when it comes to private market alts in the wealth channel? And I guess, how meaningful of a growth driver do you expect this channel to be over time?

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Right. So I want to put it in the context of our business strategy. As everyone knows, we invest in independent firms, and our goal is to both be the champion of independence. We preserve their independence in a whole bunch of ways, including through succession planning and using our balance sheet to help them, but we also strategically engage and so we're strategic in terms of magnifying their own success.

And around that area, wealth is a huge opportunity for our affiliates because in general, our affiliates are mid-sized independent firms that generally don't staff up for selling into the wealth channel. And they can come to AMG and use our resources, about 100-person team that we can deploy to help our affiliates enter the channel and then help those affiliates scale their product offering, and I'm going to come back to our -- basically, our success so far in that channel.

But just putting it back in the context of the strategy. So year in, year out, we look for good new investment opportunities as a growth engine to AMG. And so if you think about adding one to three new affiliates a year, which has been our -- inside of our average, the opportunity for us to do unique things for those affiliates and really win more of those businesses is going up because we can actually strategically engage and help them in a whole channel that they would not otherwise be able to get into.

So the first point I would make is our success actually in the first instance really helps us on the new investment side. So it's very good for us to have this opportunity. Our time to market has really become, I guess, best-in-class. We can get a new affiliate into the wealth channel pretty quickly because we've got all the setup from the administrator to the administration, to the process, to the filing, to the portfolio construction to ultimately getting it into a group of people who can sell the product.

And so that's a really important aspect as well because right now, there's a bit of an arms race going into wealth, and we can get them into the wealth channel and in an expeditious way. We also earn product revenue as we build our own distribution. We do share a joint venture way with our affiliates. So there's revenue that flows through our affiliates, which we participate in, and then there's revenue that comes to AMG. It's a growth opportunity for AMG.

At this point in time, we're reinvesting that because we see the growth opportunity ahead of us. So we're really, in a CapEx way, putting more money towards people to grow that franchise.

And then let's just talk about what we've done already. About 10 years ago now, we introduced an interval product. Interval product is a continuously offered product in the private market space through Pantheon. The AMG Pantheon Fund is what is called. And for many, many years, it sort of sat in the \$100 million to \$300 million range. And then about five years ago, it started to really tick up. And today, we're getting very close to the \$5 billion mark in that product alone.

Why has that happened? Well, of course, the adoption rate of -- in the wealth channel is -- has gone way up. The allocations are moving from the low single digits probably into the 15% range. That's by any means 5x. We have had a marquee product with good performance at a reasonable price point, and that has really led to brand enhancement at both Pantheon and AMG within that channel.

We've now introduced a secondary credit product that Pantheon has done. That product is up to \$500 million, and it hasn't even been put on the wire houses yet. It's likely to go on the wire houses in the near future. And once that happens, you would see a pickup in growth.

Yesterday, we filed the third interval fund for the infrastructure franchise for Pantheon. Interestingly, that's the largest franchise. The infrastructure secondaries is the one that Pantheon is most known for, and that filing occurred yesterday, I think you probably pulled down the article on it.

In addition to that, we've bought -- we have another continuously offered product in the credit space, a BDC that we've launched, and were in the deployment. We raised the seed capital run in deployment phase, and then that will eventually go live in 2025. We've seeded a few other products on the liquid alternative side. And when we look forward at our pipeline, we have a whole slate of other affiliates that are going to come online.

And as we build on this success -- and I think when you add it all up, we're well over \$5 billion, maybe close to \$6 billion already. That growth rate for us is it's a growth rate that is much higher than anything else that we're doing. And given that we can earn product revenue and affiliate revenue off of that, it's just a big opportunity for AMG. And it's a big opportunity for our affiliates, and then it also helps for new investments.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

Can you talk about the investment component of that relationship? Because one theme that we continue to hear from both distributors and asset managers that are trying to participate in this channel is that it's very costly. The support required to make these products successful from financial adviser support, education, just customer service is much more significant than you find with many institutional products.

Who's bearing the cost at AMG? How do you split that out? Like how does it ultimately contribute to (multiple speakers) --

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

It's a really good question. I think you got to go back to our history. We've been in the wealth space for 20-plus years now. We actually had a business that was focused on long-only mutual funds. It's -- that business today for us is still \$40 billion to \$50 billion.

And the benefit of that is that we've had a 20-year history of being in the markets with products, mutual funds in this case. Interval funds aren't too far away from the mutual fund origin, and the infrastructure has been built over all that period of time. Both the infrastructure at AMG, the people that we've had to hire and the providers that we need to integrate to do that, we've become very efficient at that, although it still costs us a good amount of money, and I'll come back to how we fund it.

But we also have made investments at the Morgan Stanleys, the Merrill Lynchs, the JPMorgans in terms of relationships and that takes time. And that's not something that you can just -- you can throw money at it, but it still takes time.

So from our perspective, we repositioned what otherwise was a mutual fund business into selling private markets. So we already had an installed base of revenue. We already had an installed base of relationships, and we already had some know-how. What we really need to do is pivot towards the private markets piece of it. And so we have brought in some new people.

We have a new head of all of the distribution and client business. We brought in a product specialist to help go get the right IP at our affiliates to put into new products. And so we've been on an aggressive hiring plan. And so where do we get that money, the incremental money? Well, obviously it's coming from the growth in private markets that I just described, but again, it's coming from that product revenue that we joint venture with our affiliates, some of it flows to AMG.

And so as we scale ourselves, for the moment, we're reinvesting that so that we can continue to build the momentum. At some point, that will become profit, and so there is an opportunity there. I don't know if you want to add --

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

No, agree. Over time, we see that being both a benefit to our affiliates on (multiple speakers) --

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

So when you take a big step back, we already have \$40-plus billion of fee-paying clients in that space. So we're pretty sizable, and we've been in wealth for quite some time.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

Yeah. Okay. Great. Makes sense. Let's talk about acquisitions.

You sort of opened with that a bit to my first question and that echoes, of course, some of the things you said publicly on the last earnings call, just talking about the pipeline being larger and there's a few things in a later stages. So just double-clicking on that, the types of deals and the type of managers that perhaps are closer to the finish line, what does that look like?

And maybe as a follow up to that, we've seen quite a bit of consolidation particularly in private market space with a number of buyers, both large and small, at pretty healthy multiple to say the least. Now those are consolidation deals, which are quite different from what you guys offer. So when you talk to potential prospects, I'm assuming there's going to be some overlap between them considering acquire one versus partner with AMG. What do you win? What do people ultimately get attracted to when it comes to you guys?

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Yeah. So I'm going to go through our sort of differentiated competitive advantages. Maybe I'll have Dava help me here because you asked a few things in that to make sure that I get them all. Let's just start with, when we approach the marketplace for a new affiliate, I'd say the majority, but let's just say it's between 50% and 70%, they come to us and they've already decided they want to stay independent. And that's an important factor.

But there is a minority, let's just say 25% maybe more that they'll look at both, right? And it's interesting because we actually think we compete well with both sides of this. So we have competitive advantage that we can offer. So let me just start by saying, there are a lot of people who can preserve independence by just being passive, right? You can make an investment and you stay independent.

So we have to compete with the passive side of that. And then on the consolidated side, the benefit that they generally offer is they say, we'll give you either synergies, which is not really an asset management concept, but it's more we can help you grow, we can help you raise more assets. So if you think about where we're trying to play is we're trying to play right in the middle of that.

So we -- our competitive advantage is we'll leave you independent, but we will engage both on a product basis, on a business development basis, on a balance sheet basis because we are seeding a lot of these products, and we will be your strategic partner that competes with the consolidated, but we are not a passive partner.

And so where we are winning, and even when we look at the current pipeline, it tends to be larger minority deals up to majority deals where we can be strategically engaged. So if you look at the complexion of our pipeline, let's say there's roughly a handful, then I would say that in most cases, we will be distributing one or more of their products.

So strategically, we're engaging with them. We'll probably be seeding those products once those transactions -- if we get those transactions done. And so that gives you a flavor for how we're competing and why people are choosing us.

As it relates to the sort of the nature of those businesses, they're most -- they're all in alternatives, I should say, and mostly private markets, but there's a mix between liquid markets and private markets. I do think that we haven't done a deal in a year, which is an important statement, but we have a pretty big backlog that's moving far down our pipeline, and we actually have a lot of capital. So maybe I can pivot and just say how we've been thinking about capital allocation, both repurchases and planning for new investment volume.

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

Sure. So why don't I start on repurchases because that's been a little bit more of the story this year. So over time, we've been consistently buying back our stock. We've been averaging about \$500 million or 10% of our shares outstanding per year. And this year, just given a bunch of combinations, our strong liquidity profile, the strength and duration of our balance sheet, where we see the value in our underlying business versus where the stock price has been, we've increased our share repurchases.

And so for this year, we've done about \$580 million through the third quarter. We're on track to do about \$700 million this year. And so that will give us our largest year of share repurchases in history. If we think about that forward view, which is really what you're coming to, again, just looking back, the last few -- over the last five years, say, we've put about 60% of our capital towards buying back shares and about 40% of our capital towards new growth investments. In an ideal world, we would like to see those things flipped.

But we're incredibly disciplined around our capital allocation process. And our view is to be really good stewards of capital over time. So we're not looking to push out investments in a single quarter or over the course of a single year. We're really looking at what is the best and highest use of that capital over time and making sure we're deploying against that.

So again, sitting here today, with the annual recurring cash flow that comes off of our business, with the strength of our current balance sheet, the strength of our liquidity position, our current leverage levels, we think we're in a really good position both to execute on this pipeline that Jay is talking about, and also to continue to buy back shares.

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

And just given that balance sheet position that Dava is describing, we do expect to put to work either through new investment growth opportunities, seed capital opportunities with existing affiliates or repurchases, a significant amount of capital over the next two to three quarters. And as Dava said, we're going to see how the current pipeline materializes. But we would expect it to be in both and we'd expect it to be maybe above normal in terms of capital deployed.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

I got you. And then taking into account your active deal commentary, do you think that's kind of what's going to ultimately push you kind of towards a 40%-ish buyback? Or do you think you can sustain the sort of 60% payout in terms of buyback as you look out the next kind of 12 to 18 months?

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Well, it does depend on the new investment pipeline. We -- I think we were opportunistic earlier this year where we saw our stock dip. We are very mindful of -- we actually have -- we run internally model to look at both return on investment for repurchases and return on investment for new investment. And when we see that opportunity in our shares, we actually acted on it earlier this year, and we could do that again.

But at the moment, I think it's a nice balance between good growth opportunities in our pipeline and good growth opportunities in the value of our stock. So I think you'll see us do both, but the reality is it will depend on the mix of new investments.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

I got you. And just another one on the M&A front. All this extra appetite for private markets from traditional players, all players, how is that impacting purchase prices and multiples? Again, the public multiples that we've seen, frankly, for both publicly traded securities and the deals of public traded companies that have been done are quite high, and that's probably outside of what you'd normally find acceptable for AMG. And I think you've got deals in the high single digit, maybe 10 times EBITDA kind of range. What is that doing in the market multiples?

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Well, it's a really good question. I mean, the private market has been high for some time. So I would say that the public markets have gravitated to where the private markets is. So I'm not sure that it's changed our pricing discipline or pricing in the market recently. It could in the future, but for the moment, it hasn't because they were already higher in the public markets.

The other thing I would say is that, generally speaking, for us, we buy, and you've heard us say this, it takes a little while to process it, but we tend to buy a higher share of NFRE in these businesses, which is more stable and has the potential for some margin expansion and a lower percentage share of carry. And generally speaking, we buy future fund carry.

So it does allow us to -- when you talk in the M&A market to build the perimeter, it allows us to compete very effectively because AMG is just taking on this future slice of NFRE plus a little bit of carry, and allows the manager to really value their carry because they're the best owner of their own carry. They put the lowest discount rate on it. They think about carry in a way and so that allows us to be a good competitor in the market on pricing, just given the sleeve and the slice of earnings that we tend to buy.

So we have not had a problem competing for those businesses, and we tend to try to stay in that \$5 billion to \$15 billion range so those businesses can triple. And so, even if we have to tick up a little bit higher multiple than, say, our current price, we'll get it back and growth.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

I got you. I got it. All right. So kind of bringing all these pieces together, it's not a metric that you guys talk about publicly a ton, but it's something that obviously we focus on is, which is kind of organic EBITDA growth in the company. And there's a few layers to that. And Tom and I spend I feel like endless hours talking about this, but there's the mix, there's the ownership, there's a growth of the (inaudible) all of that together, right?

So when I think about the pivot towards the liquids, which is obviously very helpful to your EBITDA growth trajectory, if you sustain that momentum, what does that mean for kind of your organic EBITDA growth over the next couple of years? What are you ultimately aspiring to?

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Yeah. So look, I think we can both maybe take a shot at this answer because I think there's two different ways to answer it. I think, at the highest level, the -- when you look at our overall flows, right? Our overall flows are coming -- when we have outflows, they tend to be dominated by the long-only side. And when we have inflows, it means that the private markets or the alternatives have offset the outflows in the long-only business.

But everybody knows that in the private markets and the liquid alternatives, the fee rates are oftentimes 3 times higher than they are in the long-only business. And then the next question just gets along the debate you were referencing is just how much do we own, right? And so that's a hard one for us because not only do we own different percentages, but sometimes we just own different securities. And so it's not -- it's the way they interact with each other is -- even, for us, we have to spend a lot of time modeling it.

So what I would say in general is there's a tipping point here, and we're very close to that tipping point, which is even in an outflow environment, we may still be organically growing. I think that's the point that you were trying to make. And I don't know if you wanted to add any more to that answer. But I do think that there's -- when we see it from the bottoms-up perspective, we're actually seeing the contribution from all the different aspects of our alternatives business, really taking more share away from the long-only side.

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

Yeah, I think that's right. And maybe I'll just add to it in terms of the other fee stream that we can get from these alternative firms, which is on performance fees, right? And so where you've typically seen us in the past as most of our performance fees have been coming from our liquid alternative strategies. Over time, we expect a higher contribution of that to be coming from our private market strategies. And the reason for that is when we make a new investment, we're typically not buying the in-the-ground carry, but we're buying future carry opportunity.

And because of the way that we recognize revenue, which is a little bit different than many of the public alternative peers, we -- that tends to be very back ended for us 7 to 10 years out. And a lot of those private market opportunities that we've recently invested in, we've really partnered with those firms over the last five years. And so we're just starting to get on the precipice of starting to see some of that carry from the private market funds.

And so we think, over time, that will be a growing part of our overall earnings picture, a little less in the near term, but a nice driver for us in the long term.

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**Alexander Blostein** - *Goldman Sachs - Analyst*

Got it. All right. If you were to zoom out and think about the business over the next five years, you guys have been on a very consistent path towards this private markets alts broadly trajectory, what do you think the business ultimately looks like over the next five years?

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**Jay C. Horgen** - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Right? So I do think that you'll see the \$130 billion of private markets grow pretty significantly. And in the most recent period, it's grown at double-digit rates, but it is close to 20%. But I think you'll see it grow in double-digit rates for the foreseeable future. So that alone is going to change our mix.

I think on -- and then on the liquid alternatives side, we are seeing those businesses grow. And as they grow, both from performance and from flows, you see both the asset levels getting higher, but the performance fee opportunity growing as well. So that mix, which is now roughly 25%, 25%, I do think that that gets to one-third, one-third, one-third of the long-only business, partly because of just the growth on its own.

But then when you take the new investment pipeline and you assume that that's where most of the new affiliates are going to be where we're going to be contributing new affiliates to the mix, that is likely to accelerate that growth path over that five-year period. So we might get there to one-third, one-third, one-third sooner than even five years.

And then the last thing I would say just to watch out for, which is a good thing for us is that we are continuing to product innovate. And so I think you'll see more products driven by AMG at the wealth side, which will include us feeding more of our -- some more capital to our balance sheet will grow a little bit in order of magnitude of a couple of hundred million dollars, I think, but it will be meaningful to the affiliates that we see. And I do think that the product center will begin to express itself as profitable growth.

So -- and that will ultimately, in the buckets that we go back to will probably be in that alternatives area. So that's what you'll see is that growth of the private markets and the liquid alternatives eclipsing the growth of the long-only business.

**Alexander Blostein** - *Goldman Sachs - Analyst*

Perfect. All right. All makes sense. Thank you both very much. We're out of time. So we'll leave it there. Thanks, all, for joining. Appreciate it.

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

Thanks for having us.

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