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AMG.N - Q2 2022 Affiliated Managers Group Inc Earnings Call

EVENT DATE/TIME: AUGUST 01, 2022 / 12:30PM GMT

OVERVIEW:

Co. reported 2Q22 economic EPS of $4.03.

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PRESENTATION

Operator

Greetings, and welcome to the AMG Second Quarter 2022 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Anjali Aggarwal, Head of Investor Relations for AMG. Thank you. You may begin.

Anjali Aggarwal - *Affiliated Managers Group, Inc. - Head of IR*

Good morning, and thank you for joining us today to discuss AMG's results for the second quarter of 2022. Before we begin, I'd like to remind you that during this call, we may make a number of forward-looking statements, which could differ from our actual results materially, and AMG assumes no obligation to update these statements. A replay of today's call will be available on the Investor Relations section of our website along with a copy of our earnings release and the reconciliation of any non-GAAP financial measures, including any earnings guidance announced on this call.

In addition, we posted an updated investor presentation to our website this morning and encourage investors to consult our site regularly for updated information.

With us today to discuss the company's results for the quarter are Jay Horgen, President and Chief Executive Officer; and Tom Wojcik, Chief Financial Officer. With that, I'll turn the call over to Jay.

Jay C. Horgen - *Affiliated Managers Group, Inc. - CEO, President & Director*

Thanks, Anjali, and good morning, everyone.

AMG's business proved resilient in the second quarter delivering Economic Earnings per Share, in-line with the year ago quarter despite a significantly more challenging market and industry backdrop. Our results demonstrate the strength and efficacy of our business model. Through disciplined execution, we have evolved our business by increasing our exposures in areas of secular growth and further diversified and enhanced the resiliency of our earnings.

Today, AMG is positioned to deliver differentiated business performance in all market environments, including the current one. The era of globally coordinated monetary policy has been replaced by inflationary pressures, rising rates and increased geopolitical uncertainty, creating challenging economic conditions. Markets are reflecting these dynamics and investors reduced risk in their portfolios in the first half of 2022.

During the quarter, changes in client behavior resulted in elevated outflows in our equity strategies, particularly in global equities. However, given the impact of our capital decisions and our Affiliates' investment performance, especially in liquid alternatives, our earnings per share grew in the

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first half of the year relative to the year-ago period. And with our Affiliates strong investment results and momentum in our business, we expect continued strength in second half earnings, which would result in annual growth on a per share basis, highlighting our differentiated business profile and earnings power.

As we've been saying for some time now, the market environment has fundamentally changed and a new paradigm has formed. For the better part of the last decade, owning passive equities in a low-volatility, rising market, proved to be an effective strategy and allowed for complacency to set into portfolio construction. Today's increased market volatility underscores the imperative for investors to change course rather than simply betting that markets and risk assets will continue to rise.

Taking an active approach will be critical to achieving clients' goals and objectives. With the unprecedented combination of losses in equity and fixed income markets, we expect a sense of urgency among investors to review exposures and diversify into uncorrelated return streams. We are seeing early signs of this shift as evidenced by a significant uptick in industry flows into liquid alternatives this year, and a number of our Affiliates are benefiting.

We also continue to see broad-based fundraising strength in private markets across infrastructure, real estate and credit, and our Affiliates are generating inflows into ESG strategies in sharp contrast to industry outflows. With 25% of our business in private markets, ESG and wealth management and another 25% in liquid alternatives, our overall positioning is distinctly advantaged given the current market dynamics.

In addition, after a decade of underperformance, the significant outperformance of value has benefited AMG Affiliates managing value-oriented strategies. The changing environment is creating significant opportunities to deliver excellent investment performance and in many cases, strong and recurring performance fee earnings. Today, our Affiliates manage approximately $200 billion of assets under management that can generate performance fees across absolute return, private markets and beta-sensitive strategies, reflecting significant diversity in their contribution to our earnings.

As longtime shareholders know, performance fee earnings have been a steady and reliable contributor to our annual results. Given that our Affiliates continue to generate strong and differentiated investment performance in these attractive areas, especially in absolute return, relative value and trend-following strategies, our earnings power has increased as asset levels have grown, and we see a significant opportunity for earnings growth in 2022 and going forward.

More broadly, our business is based on providing solutions to independent asset management firms by aligning their founders and owners with our shareholders through unique partnership structures. By actively collaborating with our Affiliates to magnify their efforts, we align AMG's capital and capabilities with their growth opportunities and act as a catalyst for further growth as they execute on their respective business plans.

AMG's business model is uniquely advantaged in this respect. We have the ability to shape our business and scale our earnings power through investments in new Affiliates operating in areas of secular growth, direct investments in existing Affiliates, including in new products and strategies, and investments in AMG capabilities to accelerate our Affiliates' growth. In periods of volatility and dislocation, like the current environment, we expect to see an even greater number of high-quality investment opportunities.

While these opportunities may take several quarters to fully develop, we expect that our competitive position will become even more clear. As we execute our strategy of investing in areas of secular growth, including in private markets, liquid alternatives, wealth management, Asia, and ESG, our partnership approach continues to resonate with the highest quality partner-owned investment firms. The current environment is particularly favorable to us as low-conviction buyers are increasingly stepping back.

In addition, through our ongoing dialogue with prospective Affiliates, we are seeing a shift in the way some high-quality firms evaluate their forward paths. In today's environment, many firms are ascribing an even greater value to having an engaged, aligned strategic partner like AMG. This evolving dynamic further enhances AMG's competitive position and increases the probability of success in executing new Affiliate partnerships.

Alongside the expected expansion of our opportunity set, I want to underscore our commitment to a disciplined and analytical capital allocation framework. Capital decisions are fundamental to our strategy, and our allocation discipline is simple: we evaluate every opportunity on a risk-adjusted

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basis, factoring in the impact of the investment to our business, cash flows and franchise. These capital decisions require judgment, and we have evolved our organizational structure to ensure that our capital allocation discipline is embedded across all elements of our process and culture.

As we apply this discipline, we generally expect to have excess capital that we can return to shareholders. Over the past three years, in addition to investing more than $1 billion in growth initiatives, our capital allocation framework has resulted in a 25% reduction in share count, including nearly 5% already retired this year. The combination of AMG's unique opportunity set and our discipline in allocating capital will increasingly differentiate our value creation over time.

Finally, as discussed, the market environment has fundamentally changed. And given AMG's and our Affiliates' track record of success in periods of market dislocation, we are energized by our enhanced forward opportunity set and confident in our ability to create substantial value for our shareholders.

And with that, I'll turn it over to Tom to review the details of the quarter.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - CFO*

Thank you, Jay. And good morning, everyone.

Against the backdrop of a changing market environment, AMG's unique partnership model and disciplined approach to capital allocation again contributed to the resilience of our financial results. Our earnings this quarter and our expectations for the full year, evidence AMG's ability to utilize the comparative advantages inherent in our business model to deliver earnings stability and growth positively differentiating our results.

Market drawdowns impact asset managers in different ways, and AMG's unique advantages position us well to outperform in challenging markets. And you were seeing exactly that, as Affiliate performance and associated performance fee earnings, continued investments in new and existing Affiliates and the impact of share repurchases position AMG to deliver growth in per share earnings.

Turning to our second quarter results. Economic earnings per share were $4.03 in line with last year's quarterly results as new investment activity and share repurchases offset the impact of markets, foreign exchange rates and net flows.

Net client cash outflows were $11 billion. Excluding certain quantitative strategies, net outflows were $6 billion. These flows were primarily a result of redemptions in global equities while we saw continued strong demand in private markets, liquid alternatives and ESG strategies.

Turning to performance across our business and excluding certain quantitative strategies. We saw another strong quarter for our Alternatives businesses with $6 billion in net inflows led by private markets with $5 billion. Illiquid fundraising strength was broad-based across our Affiliates and their diverse book of strategies this quarter with inflows at Pantheon, Comvest, EIG and Abacus.

Performance in these strategies remains excellent, and the mix of equity, credit, real estate, infrastructure and secondaries capabilities creates ongoing fundraising stability and provides a stable source of long duration management fees and the potential for future carried interest. These businesses continue to demonstrate excellent growth characteristics and we remain active on the investment side, both in terms of product development and new investments, to continue to add to and diversify our private markets capabilities.

Demand for liquid alternatives continued with approximately $1 billion of net inflows in the second quarter. The volatility and correlation in traditional equity and fixed income markets has led many investors to seek alternative sources of return and diversification. Our liquid alternative managers, including Systematica, Capula and Garda, are delivering outstanding performance with many strategies producing meaningfully positive returns for clients. The strong performance we are seeing in this category supports our positive outlook for earnings this year and continued momentum for these products.

We believe we are in the early days of clients repositioning portfolios with diversification and stability in mind after a period of complacency, and we expect liquid alternatives to be well positioned for future inflows.

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Turning to active equities. It was a challenging quarter for our industry as flow activity was impacted by elevated market volatility, which resulted in significant client de-risking across a broad range of strategies. Within global equities, we experienced net outflows of $9.8 billion, which mirrored much of what we've seen more broadly in terms of client behaviour, with the greatest pressure coming in growth strategies.

Long-term performance remains strong with 81% of Global Equity AUM outperforming benchmarks over the 10-year period, and our seasoned high-quality Affiliates are well positioned to deliver strong outcomes for clients.

In U.S. equities, we saw net outflows of $1.7 billion in the quarter, as client de-risking activity was partially offset by strength in ESG strategies. We have continued to see strong demand for sustainable and impact strategies and are well positioned to benefit from this long-term secular trend.

Performance in U.S. equities remains excellent with the continued outperformance of value, benefiting many of our strategies, including at Yacktman, River Road and Frontier.

Finally, multi-asset and fixed income strategies experienced net outflows of $500 million in the quarter. This was largely a result of outflows in fixed income, consistent with broader industry trends.

Now turning to financials. For the second quarter, Adjusted EBITDA of $213 million, including $7 million of net performance fee earnings was down 6% year-over-year, primarily driven by lower performance fee earnings as new investment activity largely offset markets and FX.

Economic earnings per share of $4.03 were in line year-over-year, benefiting from share repurchase activity.

Now moving to specific modeling items. We expect third quarter adjusted EBITDA to be approximately $210 million, including net performance fee earnings in line with second quarter levels. This is based on current AUM levels, reflecting our market blend, which was up 5% quarter-to-date as of Friday, offsetting the impact of the second quarter drawdown in equity markets.

For the second quarter, our share of interest expense was $27 million, and controlling interest depreciation was $2 million, and we expect each of these items to remain at a similar level for the third quarter.

Our share of reported amortization and impairments was $43 million for the second quarter. We expect it to be approximately $40 million in the third quarter. Our effective GAAP and cash tax rates were 25% and 16%, respectively, for the second quarter and we expect GAAP and cash tax rates to be at similar levels in the third quarter.

Intangible-related deferred taxes were $13 million this quarter, and we expect the third quarter to be at a similar level. Other economic items were $(5) million in the second quarter, which included the mark-to-market impact on GP and seed capital investments.

In the third quarter, for modeling purposes, we don't expect any material other economic items, excluding any mark-to-market impact on GP and seed. Our adjusted weighted average share count for the second quarter was 39.9 million, and we expect our share count to be approximately 39.4 million for the third quarter.

I also want to make a couple of comments on our positioning for full year 2022 earnings. Notwithstanding the severity of the market drawdown in the first half of the year, our economic earnings per share grew nearly 5% over that time period as capital allocated to new investments and share repurchases, and the overall diversity and performance of our business more than offset the impact of markets. And given the strong year-to-date performance at our absolute return liquid alternatives managers -- we expect full-year earnings per share in 2022 to be above those we generated in 2021, further evidencing AMG's unique strengths.

We have also added a new page to our investor deck that illustrates the diversity and stability of our historical performance fee earnings. We have seen strong earnings contribution across all periods averaging 10% of our earnings each year across a combination of absolute return, beta-oriented and private market strategies with asymmetry generally to the upside, and we expect to be above that 10% level this year given the diversity of our business and assuming current performance levels.

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Over the past decade, we have generated approximately $1 billion in total performance fee earnings, and that stable and recurring stream of earnings is highly valuable to our shareholders.

Finally, turning to the balance sheet and capital allocation. Our balance sheet is in excellent position and remains a significant source of strength as we look to generate incremental shareholder value. In the second quarter, we retired $125 million of equity and equity-linked securities, including $80 million of share repurchases and $45 million of 5.15% convertible debt securities below par. We now expect to repurchase at least $400 million of shares for the full year.

As always, these expectations remain subject to market conditions and new investment activity, and they are also subject to the timing of the close of the Baring transaction, which is on track to close by year-end. As a reminder, the significant capital generated from Baring is incremental to our 2022 guidance and will drive future earnings growth as it is deployed. We expect approximately 40% of the proceeds to fund taxes, transaction fees and debt pay down and will deploy 60% into growth investments and share repurchases.

As Jay discussed, we are committed to being analytical and disciplined as we make capital allocation decisions. Our approach to investing in the growth of our business is intentional. We generate a substantial amount of cash, and we have a diverse set of growth opportunities available to us, investments in new Affiliates, innovating alongside our existing Affiliates and investing in AMG capabilities.

And after making these growth investments, we will then return excess capital through share repurchases and managing our leverage as evidenced once again this quarter. Looking ahead, we view the current market environment as an opportunity to further press our comparative advantages and position the business for long-term growth. The fundamentally changing environment further reinforces our conviction in our strategy and positions us to deliver compound earnings growth and generate long-term value for our shareholders.

Now we're happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Dan Fannon with Jefferies.

Daniel Thomas Fannon - *Jefferies LLC, Research Division - Senior Equity Research Analyst*

I wanted to follow up on just the outlook for the second half of the year and the -- certainly, the performance fee numbers seem to be quite strong. So typically, well, based on your guidance, we can see that that's a fourth quarter kind of event. And given we're sitting here in August 1, is there some contractual component that gives you, I guess, increased confidence that we typically don't -- you typically don't give this good of guidance this early in the year for what might be a fourth quarter? So again, a little more color around the strategies and the firms.

And then also you mentioned absolute return, but does that include the quantitative firms that have been struggling for -- that have been doing better this year, but previously been struggling?

Jay C. Horgen - *Affiliated Managers Group, Inc. - CEO, President & Director*

Thank you for your questions. It's nice to hear from you. Tom, why don't you start and then I'll add. I think there's a couple of different sub questions in there, and I think we can address all of them.

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Thomas M. Wojcik - *Affiliated Managers Group, Inc. - CFO*

Sure. Thanks, Jay. Thanks, Dan. So Dan, let me talk a little bit about performance fee earnings. And as I referenced in my prepared remarks, we did include a new slide in our investor materials, and I'll talk more about that as well. The performance fee earnings are a really important part of our business.

They provide us diversification. They provide significant cash generation that enables us to execute on our growth strategy. And given the diversity of our Affiliates and our investment strategies, they are a real differentiator for AMG, particularly in times of market dislocation.

And to your question, it's not a contractual thing or a specific outcome that is giving us confidence in the year. It's really the breadth and the excellence of performance across our business that's giving us confidence in being able to project the way we think the year will likely shake out.

As I mentioned, this quarter, we added a new page to our materials that really highlights that stability and diversity of our performance fee earnings over time. As you know, Dan, our industry does tend to discount performance fee earnings given there's often a lot of volatility for many firms, there's 1 or 2 products that tend to drive the majority of performance fees and I think this page really underscores the fact that AMG is just different.

The breadth that we have is incredibly unique. The diversity and the variable nature of just the types of businesses we have is really unique in our industry. Importantly, all of our performance fee earnings are reported on a realized basis. So that's real cash to us. They're spread across more than a dozen Affiliates and really a multiple of that in terms of the individual products that are managed by those Affiliates. So it's a really durable earnings stream.

Over the course of the past decade or so, we've seen performance fee earnings average about 10% of our overall earnings and the asymmetry there has generally been to the upside. And we expect that in 2022, we're going to see another above-average year driven by absolute return performance despite the challenging market environment.

Now to your point, look, there's still some time left this year. So we know that there's a lot that can happen. But broadly speaking, we feel very confident in the level of our performance fee earnings given the breadth and diversity of the strategies that are contributing.

And let me talk a little bit about that. So we have about $200 billion of performance fee earnings eligible AUM really across 3 big buckets, and they tend to complement each other, frankly, across market cycles. The one that you referenced is absolute return strategies. That's businesses like Systematica, like Garda, like Capula and also like AQR, to your question around quant, where exceptionally strong performance is resulting in significant potential performance fee earnings not only in 2022, but also as we think about the long term as these businesses continue to grow.

And I would say, broadly, improving high watermark dynamics across some of our quantitative strategies is contributing to our outlook as well here. The second bucket is private markets where we're investing for long-term growth, and we're building a significant carried interest bank there that we think is going to be a really important longer-term opportunity for us and we're going to continue to expand our presence there, not only through new investments, but also through product development at our existing Affiliates.

And then lastly, beta sensitive strategies. Obviously, that's going to be a little bit more challenging this year, which again speaks to that diversity where we have a lot of different engines that can fire at different times. But when you look at the last 10 years, beta sensitive has been a huge contributor.

So taking a step back, over the last decade, we've generated more than $1 billion in cash flows from performance fee earnings. That significantly enhanced our capital position and it's benefited our shareholders through executing on our growth strategy and through repurchases. And it's really another reason why our earnings and cash flow profile tend to be more stable and more durable in volatile times than many others.

So I think hopefully, that addresses a number of your questions. And Jay, I think you wanted to add something more as well.

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Jay C. Horgen - *Affiliated Managers Group, Inc. - CEO, President & Director*

Yes. Thanks, Tom. That was a good summary. Look, Dan, it is the case that we have got good performance. I think we've also got good business momentum here. And I think we're constructively looking to the second half with that business momentum as well as the performance and saying we're positive on the outlook for the rest of the year.

And just commenting a moment on the business momentum, and I said it in my prepared remarks, 25% of the business in private markets, ESG and wealth and another 25% in liquid alternatives, so our overall positioning is very advantaged certainly relative to other periods where really everything was growth oriented. And the liquid alternatives segment was not really expressing itself. So I think you're seeing in 2022, our concentration of liquid alternatives really adding to our earnings flow.

The other thing that I think we've talked about in the prior call, but I'll revisit it again, is value equities. So when you look at our long-only book, in general, we have a value orientation and as we've all seen, value has outperformed significantly this year. And clients, as they think about their allocations, we think they will increasingly look to more value-oriented strategies, which is going to benefit a number of our Affiliates, including AQR, but also Yacktman, River Road, Tweedy and Veritas. So we're very constructive on the portion of our business that's long-only equities as well.

And then lastly, just to make a finer point, the impact of our capital allocation strategy is notable this year. Clearly, investments in new Affiliates are contributing, but also the excess capital that we returned through repurchases having done already about 5% year-to-date. All of those things taken together, I think, are the reasons why we've made the comments on the second half.

Operator

Our next question comes from the line of Craig Siegenthaler with Bank of America.

Craig William Siegenthaler - *BofA Securities, Research Division - MD and Head of the North American Asset Managers, Brokers & Exchanges Team*

So my question is on the M&A pipeline. So I was curious to see how the pipeline has evolved year-to-date, and also, how are your conversations going with some of these targets? Are they looking to take a step back and pause just given AUM levels? So an update on the M&A pipeline would be helpful.

Jay C. Horgen - *Affiliated Managers Group, Inc. - CEO, President & Director*

Yes. Thanks, Craig, and that's a good question. Maybe I'll just connect it to the prepared remarks. The setup has been for the last couple of quarters that the environment really has changed or is changing. The more challenging environment that we're in, I think, is constructive for AMG because we have a proven track record of capitalizing on new investment opportunities in periods just like this.

Our strategy of providing solutions to independent partner-owned firms and acting as a catalyst to support their growth initiatives - it operates across all market cycles because independent firms are always in need of solutions and strategic support. So maybe taking a step back before I specifically talk about the pipeline.

At the end of a growth cycle, I think we all know this in every industry, people talk about inorganic growth or acquisitions. We're no longer in that growth cycle. So just ponder that for a moment. We're in a more challenging environment. But that's where AMG shines because of our commitment to our strategy in periods of market dislocation and volatility.

So we see a more favorable environment for investing in independent firms today for several reasons. The first, just really being the buyer universe is changing. Opportunistic buyers, they tend to step aside in these environments. Consolidators, they become inwardly focused on their strategy. They often freeze inorganic growth plans and even the well-capitalized financial buyers, they become more conservative.

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The second thing that's going on, we think, in this environment is the needs of independent firms have become more acute, and therefore, they're more motivated. So increasingly, what we're seeing is independent firms are seeking a partner to support their business goals, whether it be growth capital, distribution, strategic advice or just a strong reputable partner. We think the independent firms are looking to take advantage of the benefits of an engaged institutional partner like AMG to differentiate themselves in these types of environments.

And then finally, environments like this generally have a more constructive environment for pricing and structure, and we think inures to the benefit of our shareholders. So taking all of these things together, we think the positive dynamics will increase our success rate with high-quality firms and structures that are attractive to our shareholders.

So now maybe to address your specific question on the pipeline itself, our current pipeline - it broadly reflects our growth strategy to invest in firms in areas of secular growth. We have a representation of businesses operating in illiquid and liquid alternatives, ESG, Asia and wealth, all in our pipeline today. Not all of these conversations will lead to new partnerships, but a number will and we are excited about the resulting enhanced business mix, which will lead to better organic growth as we execute on these transactions.

Even more specifically, there are certain areas within each segment we're really focused on. For example, in illiquids, we are very focused on the intersection between infrastructure, technology, energy and sustainability. We think with the current geopolitical environment, the need for government assistance and stimulus, we expect more tailwinds in this area.

And so we're very focused on executing at that intersection. On the liquid alternatives side, we are focused on both absolute return, but also opportunistic strategies that are well positioned not only for continued volatility, but also strategies that can take advantage of a recession or a downturn.

We also think we can help sell liquid alternative strategies. We've been doing it for many, many years. And we think that in particular, we can help our Affiliates to support their growth initiatives in these areas.

In ESG, we're having conversations on both the long only and also the illiquid side to really take advantage of those who are truly authentic in their approach to stewardship, engagement and development.

And then I guess, finally, on the Asia and wealth management areas, we are being very selective here, but we do have some opportunities in both these areas over the medium term. So really to kind of summarize, we are pleased with our current pipeline, and we expect to be able to deploy capital in one or several of these opportunities.

Operator

(Operator Instructions) Our next question comes from the line of Brian Bedell with Deutsche Bank.

Brian Bertram Bedell - *Deutsche Bank AG, Research Division - Director in Equity Research*

Great answers to the last 2 questions that there's remind as well. But let me expand on that second one, Jay, if I can. On the investment opportunities in the pipeline, given how you've described it in this new environment, which may last for a while in terms of how management of potential investments may be thinking about partnering, if you really do see an acceleration of that desire and you can create good investment opportunities, both on pricing and strategically additive. Would that shift to your capital allocation strategy to orient it more towards fulfilling those investments as opposed to buyback? And would it even -- would you end up pausing on buyback if that pipeline looked like it was going to come to fruition even with the markets down here?

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Jay C. Horgen - *Affiliated Managers Group, Inc. - CEO, President & Director*

Yes. A very good question, Brian. Let me start. I think I will turn it over to Tom after I give a little more color on the opportunity set. And then we're going to talk about capital because I do think the short answer to your question is we're going to do both. I think we're going to make investments in new and existing Affiliates, and we're also going to return capital to shareholders.

Because generally speaking, we have a lot of capital and a very strong balance sheet, and Tom was going to elaborate further on that. But maybe to get one layer deeper on the investment opportunities in the pipeline, I think, this is just a current environment comment. It's sort of been building over the last 5, 7 years, at least maybe even over the last 1 to 2 decades.

Independent firms, they want to stay independent, generally speaking, but they need help. And so I think our 3 decades of experience, our track record with helping our Affiliates both strategically and through distribution efforts as well as new product support, that's really our differentiating advantage in the marketplace today.

So you can kind of have your cake and eat it too. We will leave you alone. It's your business. We're going to support your goals, but we're also going to try to help.

And I think we're getting better at that each day that goes by. And we've proven that over a longer period of time. And I think we're starting to really lean into it from an engagement perspective and from a distribution perspective.

So when we look at our current pipeline, we're very excited about the opportunity not only to structure at attractive levels, but we're also excited about the growth that we might be able to help our Affiliates achieve once we partnered with those firms. So I think almost all of the firms in our pipeline, we will actively sell their product post investments.

So I think we're very excited about that intersection between the strategic and the partnership. Some of the firms in our pipeline are also succession-oriented transactions that have the demographic need for partners to solve that age-old problem of succession. And we continue to do that well. I think we're the best at succession planning. So we do have some of those, but it's a minority of the pipeline today.

Now going to your capital question, and I won't steal Tom's thunder here, but I will just say, over the past 3 years, we put out over $1 billion into growth investments, and it's much more than that into repurchases. I think that, that balance is probably 50-50, 60-40 one way or the other, but that still means there's a lot of capital to return to shareholders. And maybe I'll leave it to Tom to talk a little bit about our capital planning, our balance sheet and also the Baring transaction, which is really not in our numbers today.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - CFO*

Yes. Thanks, Jay, and thanks for your question, Brian. So Jay and I both talked about this in our prepared remarks, but capital is incredibly valuable to us. It's incredibly valuable to our shareholders. We take a very disciplined approach to where we're going to allocate that capital.

And we do that because we know the value that we can create if we allocate our capital efficiently and if we allocate it to the best places to ultimately drive long-term value. So there's nothing that we debate culturally more so internally than where to put our capital. It's hugely important to the shape of our business and executing on our strategy.

As you know, our business is highly diversified. Our P&L has significant structural advantages in the context of market volatility and you're really seeing that play out in the resilience of our earnings, and that translates into strong and recurring cash flows for our business, and that's a super valuable asset for us. As you also know, we have a very strong balance sheet, flexible long duration and that's further going to be advanced with a significant amount of additional liquidity that comes through post the close of the Baring transaction, and I'll talk a little bit more about that in a moment.

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Taken together, as Jay said, that enables us to be opportunistic in terms of investing for growth where we see great opportunities, but also always disciplined to make sure that we have that right combination of investing for the long-term growth of the business, but keeping the bar very high and then returning excess capital to shareholders through both repurchases and managing our leverage.

As Jay mentioned, we put more than $1 billion of capital to work in growth investments over the course of the past few years since this management team has been in place. That includes 9 new investments all across secular growth areas that are making an outsized contribution both to our earnings and our flows. And we've returned about $1.6 billion of capital over that same time period through repurchases, reducing our share count by about 25%. And we're continuing to do that.

We repurchased $80 million of shares this quarter. As I said in my prepared remarks, we're targeting full year repurchases of at least $400 million and we're continuing to monitor the market with regard to the Baring transaction.

So as a reminder, that is a significant amount of capital, about $1 billion pre-tax. And that's entirely incremental to our 2022 guidance and it's going to drive earnings growth as we deploy it in the future. And as we've said previously, we think plus or minus 10% and probably more to the plus side in terms of long-term earnings growth and accretion from putting that capital to work over time.

And look, it will take us some time to put that capital to work as the new investment pipeline develops, as our growth opportunities develop and as we continue to be thoughtful in terms of repurchasing our shares.

Looking forward, I'll just land on, we have tremendous flexibility. We see a lot of compelling growth opportunities in front of us, and we see a significant opportunity to return capital to shareholders at a very attractive valuation. And ultimately, we think that puts us in a very unique position to deliver long-term compounded earnings growth.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Horgen for any final comments.

Jay C. Horgen - *Affiliated Managers Group, Inc. - CEO, President & Director*

Thank you all again for joining us this morning. As you heard, we are pleased with AMG's second quarter results. And given our strong business momentum, we're confident in our ability to generate earnings growth in 2022 as well as compounded growth over the long term. We look forward to speaking with you next quarter.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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