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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 September 30, 2003

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes ☒ No o

There were 21,327,439 shares of the Registrant's Common Stock outstanding as of November 11, 2003.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	December 31, 2002	September 30, 2003
ASSETS		
Current assets:		

Cash and cash equivalents	$ 27,708	$ 231,093
Investment advisory fees receivable	50,798	56,215
Other current assets	11,009	16,902
Total current assets	89,515	304,210
Fixed assets, net	19,228	37,755
Acquired client relationships, net	374,011	363,885
Goodwill, net	739,053	745,614
Other assets	21,187	23,938
Total assets	$ 1,242,994	$ 1,475,402
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 81,404	$ 80,258
Notes payable to related parties	12,348	11,930
Total current liabilities	93,752	92,188
Senior convertible debt	229,023	423,186
Mandatory convertible securities	230,000	230,000
Deferred income taxes	61,658	83,818
Other long-term liabilities	26,202	18,896
Total liabilities	640,635	848,088
Commitments and contingencies	—	—
Minority interest	30,498	33,111
Stockholders' equity:		
Common Stock	235	235
Additional paid-in capital	405,769	407,829
Accumulated other comprehensive income (loss)	(244)	714
Retained earnings	246,444	289,659
	652,204	698,437
Less: treasury stock, at cost	(80,343)	(104,234)
Total stockholders' equity	571,861	594,203
Total liabilities and stockholders' equity	$ 1,242,994	$ 1,475,402

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Revenue	$ 115,258	$ 128,465	$ 364,224	$ 355,413
Operating expenses:				
Compensation and related expenses	41,525	47,054	125,013	126,578
Amortization of intangible assets	3,825	4,065	10,521	12,112
Depreciation and other amortization	1,525	1,560	4,327	4,684
Selling, general and administrative	18,893	21,447	62,561	61,843
Other operating expenses	4,265	3,741	11,279	11,519
	70,033	77,867	213,701	216,736
Operating income	45,225	50,598	150,523	138,677
Non-operating (income) and expenses:				
Investment and other income	(1,206)	(3,334)	(2,598)	(6,293)

Interest expense	5,974	5,901	19,554	17,323
	4,768	2,567	16,956	11,030
Income before minority interest and taxes	40,457	48,031	133,567	127,647
Minority interest	(19,091)	(20,243)	(62,433)	(55,158)
Income before income taxes	21,366	27,788	71,134	72,489
Income taxes—current	2,550	3,372	11,421	7,114
Income taxes—intangible-related deferred	5,984	5,950	16,898	17,849
Income taxes—other deferred	13	2,071	135	4,311
Net Income	$ 12,819	$ 16,395	$ 42,680	$ 43,215
Average shares outstanding—basic	21,907,342	21,228,912	22,108,441	21,221,305
Average shares outstanding—diluted	22,301,801	21,967,888	22,714,620	21,715,123
Earnings per share—basic	$ 0.59	$ 0.77	$ 1.93	$ 2.04
Earnings per share—diluted	$ 0.57	$ 0.75	$ 1.88	$ 1.99
Supplemental disclosure of comprehensive income:				
Net Income	$ 12,819	$ 16,395	$ 42,680	$ 43,215
Other comprehensive income	193	392	475	714
Comprehensive income	$ 13,012	$ 16,787	$ 43,155	$ 43,929

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

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	**2003**	**2002**	**2003**
Cash flow from operating activities:				
Net Income	$ 12,819	$ 16,395	$ 42,680	$ 43,215
Adjustments to reconcile Net Income to net cash flow from operating activities:				
Amortization of intangible assets	3,825	4,065	10,521	12,112
Amortization of debt issuance costs	316	958	2,958	2,414
Depreciation and other amortization	1,525	1,560	4,327	4,684
Deferred income tax provision	5,997	8,021	17,033	22,160
Accretion of interest	290	154	857	559
Tax benefit from exercise of stock options	1,446	1,506	1,446	2,420
Other adjustments	62	—	(524)	(555)
Changes in assets and liabilities:				
Decrease (increase) in investment advisory fees receivable	14,328	(4,825)	10,327	(5,417)
Increase in other current assets	(1,900)	(2,360)	(2,284)	(3,065)
Decrease (increase) in non-current other receivables	(889)	3,364	(912)	2,664
Increase (decrease) in accounts payable, accrued expenses and other liabilities	5,295	13,996	14,057	(770)
Increase (decrease) in minority interest	(2,766)	6,514	(8,585)	2,613
Cash flow from operating activities	40,348	49,348	91,901	83,034
Cash flow used in investing activities:				
Purchase of fixed assets	(1,183)	(20,352)	(5,050)	(23,211)
Cost of investments, net of cash acquired	(119,025)	(1,750)	(134,822)	(7,868)
Investment in marketable securities	—	—	—	(1,852)
Increase in other assets	—	—	(213)	(12)
Repayment of loans	1,566	—	1,566	—

Cash flow used in investing activities	(118,642)	(22,102)	(138,519)	(32,943)
Cash flow from financing activities:				
Borrowings of senior bank debt	130,000	—	290,000	85,000
Repayments of senior bank debt	(80,000)	—	(240,000)	(85,000)
Issuances of debt securities	—	—	30,000	300,000
Issuances of equity securities	860	4,199	3,453	8,972
Repayments of notes payable	—	(506)	—	(8,574)
Repurchases of stock	(19,731)	—	(28,291)	(33,688)
Repurchases of debt securities	—	—	—	(105,841)
Debt issuance costs	(2,892)	(358)	(4,158)	(7,819)
Cash flow from financing activities	28,237	3,335	51,004	153,050
Effect of foreign exchange rate changes on cash flow	35	—	79	244
Net increase (decrease) in cash and cash equivalents	(50,022)	30,581	4,465	203,385
Cash and cash equivalents at beginning of period	127,914	200,512	73,427	27,708
Cash and cash equivalents at end of period	$ 77,892	$ 231,093	$ 77,892	$ 231,093
Supplemental disclosure of non-cash activities:				
Notes issued for Affiliate equity purchases	$ —	$ —	$ 12,593	$ 938
Notes received for Affiliate equity sales	—	260	1,800	520
Capital lease obligations for fixed assets	—	—	—	320
Common Stock issued in Affiliate equity purchases	2,113	—	2,113	—
Common Stock issued in repayment of note	—	—	—	465
Common Stock received in repayment of loans	2,263	—	2,263	—

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

AFFILIATED MANAGERS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands)

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 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, 2002 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. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents held at various financial institutions. For AMG and certain Affiliates, cash deposits at a financial institution may exceed FDIC insurance limits.

3. Long-Term Debt

At September 30, 2003, long-term senior debt was $653,186, consisting of $123,186 of zero coupon senior convertible notes, $300,000 of floating rate senior convertible securities and $230,000 of mandatory convertible securities. At December 31, 2002, long-term senior debt consisted of $229,023 of zero coupon senior convertible notes and $230,000 of mandatory convertible securities.

Senior Revolving Credit Facility

In August 2002, the Company replaced its former senior revolving credit facility with a new senior 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 $250,000 at rates of interest (based either on the Eurodollar rate or the Prime rate as in effect from time to time) that vary depending on the Company's credit ratings. There were no outstanding borrowings under the Facility at September 30, 2003 or December 31, 2002. Subject to the agreement of the lenders (or prospective lenders) to increase their commitments, the Company has the option to increase the Facility to $350,000. The Facility contains financial covenants with respect to net worth, leverage and interest coverage. The Facility also contains customary affirmative and negative covenants, including limitations on indebtedness, liens, dividends and fundamental corporate changes. All borrowings under the Facility are collateralized by pledges of all capital stock or other equity interests owned by AMG.

Zero Coupon Senior Convertible Notes

In May 2001, the Company completed a private placement of zero coupon senior convertible notes. In this private placement, the Company sold 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. Each security is convertible into 11.62 shares of the Company's Common Stock upon the occurrence of certain events, including the following: (i) if the closing price of a share of the Company's Common Stock is more than a specified price over certain periods (initially $93.53 and increasing incrementally at the end of each calendar quarter to $94.62 on April 1, 2021); (ii) if the credit rating assigned by Standard & Poor's to the securities is below BB-; or (iii) if the Company calls the securities for redemption. The 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. During the nine months ended September 30, 2003, the Company repurchased $116,500 principal amount at maturity of zero coupon senior convertible notes in privately negotiated transactions, which resulted in a gain of $555.

Mandatory Convertible Debt Securities

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. As described below, these securities are structured to provide $230,000 in additional proceeds to the Company following a successful remarketing and the exercise of forward purchase contracts in November 2004.

Each FELINE PRIDE initially consists of (i) a senior note due November 17, 2006 (each, a "Senior Note"), on which the Company pays interest quarterly at the annual rate of 6%, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase shares of the Company's Common Stock on November 17, 2004, with the number of shares to be determined based upon the average trading price of the Company's Common Stock for a period preceding that date. Depending on the average trading price in that period, the number of shares of the Company's Common Stock to be issued in the settlement of the contracts will range from 2,736,000 to 3,146,000. Based on the current trading price of the Company's Common Stock, the purchase contracts would settle for 3,146,000 shares, which equates to the receipt of $73.10 per share.

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. A successful 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. As referenced above, the number of shares of Common Stock to be issued will be determined by the price of the Company's 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.

Floating Rate Senior Convertible Securities

In February 2003, the Company completed a private placement of $300,000 of floating rate senior convertible securities due 2033 ("convertible securities"). The convertible securities bear interest at a rate equal to 3-month LIBOR minus 0.50%, payable in cash quarterly. Each security is convertible into shares of the Company's Common Stock upon the occurrence of certain events, including the following: (i) if the closing price of a share of the Company's Common Stock exceeds $97.50 over certain periods;

(ii) if the credit rating assigned by Standard & Poor's is below BB-; or (iii) if the Company calls the securities for redemption. Upon conversion, holders of the securities will receive 12.3077 shares of the Company's Common Stock for each convertible security. In addition, if the market price of the Company's Common Stock exceeds $81.25 per share at the time of conversion, holders will receive additional shares of the Company's Common Stock based on the Company's stock price at the time of the conversion. The Company may redeem the convertible securities for cash at any time on or after February 25, 2008, at their principal amount. The holders of the convertible securities may require the Company to repurchase such securities on February 25 of 2008, 2013, 2018, 2023 and 2028, at their principal amount. The Company may choose to pay the purchase price for such repurchases in cash or shares of the Company's Common Stock or some combination thereof.

4. Income Taxes

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2003	2002	2003
Federal:				
Current	$ 2,231	$ 2,951	$ 10,620	$ 6,226
Deferred	5,247	7,018	14,904	19,389
State:				
Current	319	421	801	888
Deferred	750	1,003	2,129	2,771
Provision for income taxes	$ 8,547	$ 11,393	$ 28,454	$ 29,274

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

	December 31, 2002	September 30, 2003
Deferred assets (liabilities):		

State net operating loss and credit carryforwards	$ 5,385	$ 6,579
Intangible amortization	(66,727)	(84,577)
Deferred compensation	452	452
Convertible securities interest	—	(3,524)
Accruals	4,042	2,882
	(56,848)	(78,188)
Valuation allowance	(4,810)	(5,630)
Net deferred income taxes	$ (61,658)	$ (83,818)

The Company has state net operating loss carryforwards that will expire over a 15-year period beginning in 2003. The Company also has state tax credit carryforwards, which will expire over a 10-year period beginning in 2003. The valuation allowance at December 31, 2002 and September 30, 2003 is related to the uncertainty of the realization of most of these loss and credit carryforwards, the use of which depends upon the Company's generation of sufficient taxable income prior to their expiration.

5. Comprehensive Income

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2003	2002	2003
Net Income	$ 12,819	$ 16,395	$ 42,680	$ 43,215
Change in unrealized foreign currency gains	35	—	79	—
Change in net unrealized loss on derivative instruments	158	—	396	—
Change in unrealized gain on investment securities	—	392	—	714
Comprehensive income	$ 13,012	$ 16,787	$ 43,155	$ 43,929

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

	December 31, 2002	September 30, 2003
Foreign currency translation adjustment	$ (244)	$ —
Unrealized gain on investment securities	—	714

6. Earnings Per Share

The calculation for basic Earnings per share is based on the weighted average number of shares of the Company's Common Stock outstanding during the relevant period. Diluted Earnings per share is similar to basic Earnings per share, but adjusts for the effect of the potential issuance of incremental shares of the Company's Common Stock. Certain options to purchase shares of the Company's Common Stock that were outstanding during the periods are not included in the computation of diluted Earnings per share because the exercise price of these options was greater than the average market price of the Company's Common Stock during the relevant period. 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 Ended September 30,		For the Nine Months Ended September 30,	
	2002	2003	2002	2003
Numerator:				
Net Income	$ 12,819,000	$ 16,395,000	$ 42,680,000	$ 43,215,000
Denominator:				
Average shares outstanding—basic	21,907,342	21,228,912	22,108,441	21,221,305
Incremental common shares	394,459	738,976	606,179	493,818
Average shares outstanding—diluted	22,301,801	21,967,888	22,714,620	21,715,123
Earnings per share:				
Basic	$ 0.59	$ 0.77	$ 1.93	$ 2.04
Diluted	$ 0.57	$ 0.75	$ 1.88	$ 1.99

During the nine months ended September 30, 2003, the Company repurchased 744,500 shares of its Common Stock at an average price of $45.24 per share under its share repurchase program. This share repurchase program was authorized by the Board of Directors in April 2000, permitting the Company to repurchase up to 5% of its issued and outstanding shares of Common Stock. In July 2002 and April 2003, the Company's Board of Directors approved increases to the existing share repurchase program, in each case authorizing the purchase of up to an additional 5% of the Company's issued and

outstanding shares of Common Stock. The timing and amount of purchases are determined at the discretion of the Company's management. At September 30, 2003, a total of 1,341,144 shares of Common Stock remained authorized for repurchase under the program.

7. Commitments and Contingencies

The Company's operating agreements provide Affiliate managers the conditional right to require AMG to purchase their retained equity interests at certain intervals. These agreements also generally provide AMG the conditional right to require Affiliate managers to sell their retained equity interests upon their death, disability or termination of employment and Affiliate managers the conditional right to require the Company to purchase such retained equity interests upon the occurrence of such events, while in certain cases the Company has the conditional obligation to purchase such retained equity interests upon such events. These conditional purchases are generally calculated based upon a multiple of the Affiliate's cash flow distributions, which is intended to represent fair value. As one measure of the potential magnitude of such purchases, in the event that a triggering event and resulting purchase occurred with respect to all such retained equity interests as of September 30, 2003, the aggregate amount of these payments would have totaled approximately $596,530. In the event that all such transactions were closed, AMG would own the prospective cash flow distributions of all equity interests that would be purchased from the Affiliate managers. As of September 30, 2003, this amount would represent approximately $80,996 on an annualized basis.

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

8. Related Party Transactions

In connection with the purchase of Affiliate equity interests, the Company periodically issues notes to Affiliate partners. As of September 30, 2003, the notes totaled $27,406, of which $11,930 is included on the Consolidated Balance Sheet as a current liability and $15,476 is included in other long-term liabilities. These notes bear interest at a weighted average rate of 4.3% and have maturity dates that range from 2003 to 2008.

9. Equity-Based Compensation Plans

Financial Accounting Standard No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation," encourages but does not require adoption of a fair value-based accounting method for stock-based compensation arrangements. Under the fair value method prescribed by FAS 123, compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense over the expected service period. An entity may continue to apply Accounting Principles Board Opinion No. 25 ("APB 25") and related interpretations, provided it discloses its pro forma Net Income and Earnings per share as if the fair value-based method had been applied in measuring compensation cost.

In December 2002, the Financial Accounting Standards Board (the "FASB") issued Financial Accounting Standard No. 148 ("FAS 148"), "Accounting for Stock-Based Compensation—Transition and Disclosure." FAS 148 amended FAS 123 to provide alternative methods of transition to the fair value method of accounting for stock-based compensation if companies elect to expense stock options at fair value at the time of grant. Since the Company continues to apply APB 25 and related interpretations in accounting for its equity-based compensation arrangements, the transition provision of FAS 148 does not currently apply.

If the Company's expense for equity-based compensation arrangements had been determined based on the fair value method promulgated by FAS 123, the Company's Net Income and Earnings per share would have been as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2003	2002	2003
Net Income—as reported	$ 12,819	$ 16,395	$ 42,680	$ 43,215
Less: Total stock-based compensation expense determined under fair value based method for all awards, net of tax	2,441	2,984	7,323	7,628
Net Income—FAS 123 pro forma	$ 10,378	$ 13,411	$ 35,357	$ 35,587
Earnings per share—basic—as reported	$ 0.59	$ 0.77	$ 1.93	$ 2.04
Earnings per share—basic—pro forma	0.47	0.63	1.60	1.68
Earnings per share—diluted—as reported	0.57	0.75	1.88	1.99
Earnings per share—diluted—pro forma	0.46	0.61	1.56	1.64

10. Segment Information

Financial Accounting Standard 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. In the case of Affiliates with transaction-based brokerage fee businesses, revenue reported in each distribution channel includes fees earned for transactions on behalf of clients in that channel.

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

Statements of Income

	For the Three Months Ended September 30, 2002			
	High Net Worth	Mutual Fund	Institutional	Total
Revenue	$ 35,500	$ 40,317	$ 39,441	$ 115,258
Operating expenses:				
Depreciation and amortization	1,616	324	3,410	5,350
Other operating expenses	20,027	22,078	22,578	64,683
	21,643	22,402	25,988	70,033
Operating income	13,857	17,915	13,453	45,225
Non-operating (income) and expenses:				
Investment and other income	(353)	(359)	(494)	(1,206)
Interest expense	1,983	2,077	1,914	5,974
	1,630	1,718	1,420	4,768
Income before minority interest and income taxes	12,227	16,197	12,033	40,457
Minority interest	(5,374)	(6,863)	(6,854)	(19,091)
Income before income taxes	6,853	9,334	5,179	21,366
Income taxes	2,741	3,734	2,072	8,547
Net income	$ 4,112	$ 5,600	$ 3,107	$ 12,819

	For the Three Months Ended September 30, 2003			
	High Net Worth	Mutual Fund	Institutional	Total
Revenue	$ 33,415	$ 50,094	$ 44,956	$ 128,465
Operating expenses:				
Depreciation and amortization	1,729	385	3,511	5,625
Other operating expenses	20,017	27,079	25,146	72,242
	21,746	27,464	28,657	77,867
Operating income	11,669	22,630	16,299	50,598
Non-operating (income) and expenses:				
Investment and other income	(2,214)	(732)	(388)	(3,334)
Interest expense	1,676	2,395	1,830	5,901
	(538)	1,663	1,442	2,567
Income before minority interest and income taxes	12,207	20,967	14,857	48,031
Minority interest	(4,905)	(7,772)	(7,566)	(20,243)
Income before income taxes	7,302	13,195	7,291	27,788
Income taxes	2,994	5,410	2,989	11,393

Net income	$ 4,308	$ 7,785	$ 4,302	$ 16,395

	For the Nine Months Ended September 30, 2002			
	High Net Worth	Mutual Fund	Institutional	Total
Revenue	$ 106,904	$ 120,230	$ 137,090	$ 364,224
Operating expenses:				
Depreciation and amortization	4,132	886	9,830	14,848
Other operating expenses	58,722	63,917	76,214	198,853
	62,854	64,803	86,044	213,701
Operating income	44,050	55,427	51,046	150,523
Non-operating (income) and expenses:				
Investment and other income	(758)	(777)	(1,063)	(2,598)
Interest expense	6,244	6,493	6,817	19,554
	5,486	5,716	5,754	16,956
Income before minority interest and income taxes	38,564	49,711	45,292	133,567
Minority interest	(16,450)	(20,891)	(25,092)	(62,433)
Income before income taxes	22,114	28,820	20,200	71,134
Income taxes	8,845	11,528	8,081	28,454
Net income	$ 13,269	$ 17,292	$ 12,119	$ 42,680

	For the Nine Months Ended September 30, 2003			
	High Net Worth	Mutual Fund	Institutional	Total
Revenue	$ 96,907	$ 136,286	$ 122,220	$ 355,413
Operating expenses:				
Depreciation and amortization	4,758	1,183	10,855	16,796
Other operating expenses	56,442	74,323	69,175	199,940
	61,200	75,506	80,030	216,736
Operating income	35,707	60,780	42,190	138,677
Non-operating (income) and expenses:				
Investment and other income	(3,051)	(2,013)	(1,229)	(6,293)
Interest expense	5,040	6,882	5,401	17,323
	1,989	4,869	4,172	11,030
Income before minority interest and income taxes	33,718	55,911	38,018	127,647
Minority interest	(13,441)	(21,976)	(19,741)	(55,158)
Income before income taxes	20,277	33,935	18,277	72,489
Income taxes	8,184	13,706	7,384	29,274
Net income	$ 12,093	$ 20,229	$ 10,893	$ 43,215

Balance Sheet Information

	Total Assets			
At December 31, 2002	$ 290,227	$ 498,154	$ 454,613	$ 1,242,994
At September 30, 2003	$ 332,142	$ 606,566	$ 536,694	$ 1,475,402

11. Goodwill and Other Intangible Assets

During the nine months ended September 30, 2003, the Company made payments to acquire interests in existing Affiliates of the Company. The increase in goodwill associated with such transactions, as well as the carrying amounts of goodwill, are reflected in the following table for each of the Company's operating segments. All goodwill acquired during the period will be deductible for tax purposes.

	High Net Worth	Mutual Fund	Institutional	Total
Balance, as of December 31, 2002	$ 181,207	$ 268,534	$ 289,312	$ 739,053
Goodwill acquired	961	1,321	4,279	6,561
Balance, as of September 30, 2003	$ 182,168	$ 269,855	$ 293,591	$ 745,614

The following table reflects the components of intangible assets as of September 30, 2003:

	Intangible Assets	Accumulated Amortization
Amortized intangible assets:		
Acquired client relationships	$ 232,040	$ 61,834
Non-amortized intangible assets:		
Acquired client relationships—mutual fund management contracts	193,679	—
Goodwill	745,614	—

Amortizable acquired client relationships are amortized using the straight-line method over a weighted average life of approximately 14 years. Amortization expense was $3,825 and $4,065 for the three months ended September 30, 2002 and 2003, respectively, and $10,521 and $12,112 for the nine months ended September 30, 2002 and 2003, respectively. The Company estimates that amortization expense will be approximately $16,200 per year from 2004 through 2008, assuming no additional investments in new or existing Affiliates.

12. Recent Accounting Developments

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

While the adoption of FIN 46 is not expected to impact the Company's net income or stockholders' equity, in the fourth quarter of 2003 the Company may be required to consolidate approximately $75,000 of assets under management that are held by clients in investment vehicles (such as certain hedge funds) that qualify as VIEs. Our assessment may change as the FASB issues additional guidance in the coming months.

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

Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q 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 executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "believes," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among others, the following:

- *our performance is directly affected by changing conditions in the financial markets generally and in the equity markets particularly, and a decline or a lack of sustained growth in these markets may result in decreased advisory fees or performance fees and a corresponding decline (or lack of growth) in the cash flow distributable to us from our Affiliates and our operating results;*
- *we cannot be certain that we will be successful in finding or investing in additional investment management firms on favorable terms, 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, 2002.*

These factors (among others) could affect our financial performance and cause actual results to differ materially from historical earnings and those presently anticipated and projected. We will not undertake and we specifically disclaim any obligation to release publicly the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of events, whether or not anticipated. In that respect, we wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

Overview

We are an asset management company with equity investments in a diverse group of mid-sized investment management firms (our "Affiliates"). As of September 30, 2003, our affiliated investment management firms managed approximately $81.9 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 our existing businesses across these three channels, in addition to investments in mid-sized investment management firms and strategic transactions and relationships designed to enhance our Affiliates' businesses and growth prospects.

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

- Affiliate clients in the High Net Worth distribution channel include high net worth and affluent individuals, family trusts and managed accounts at brokerage firms and other sponsors that are attributable to individuals. Through our Affiliates, we provide customized investment management services for high net worth individuals and families through direct relationships, as well as through more than 90 managed account programs.

- Our Affiliates provide advisory or sub-advisory services to more than 30 domestic and offshore mutual funds. These funds 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.

- Through our Affiliates, we offer investment products across more than 20 different investment styles in the Institutional distribution channel, including small, small/mid, mid and large capitalization value and growth equity. Through this distribution channel, we manage assets for foundations and endowments, defined benefit and defined contribution plans for corporations and municipalities and Taft-Hartley plans.

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

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

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

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

- to participate in the growth of their firm's revenue, which may increase their compensation from the Operating Allocation and their distributions from the Owners' Allocation; and

- to control operating expenses, thereby increasing the portion of the Operating Allocation 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).

Some of our Affiliates are not subject to a revenue sharing arrangement, but instead operate on a profit-based model (although we continue to provide equity incentives at these Affiliates). In our profit-based Affiliates, we participate in a budgeting process with the Affiliate and receive as cash flow a share of its profits. As a result, we participate more fully in any increase or decrease in the revenue or expenses of such firms. In those cases, we generally provide incentives to management through compensation arrangements based on the performance of the Affiliate. Currently, our profit-based Affiliates account for less than 10% of our EBITDA (as defined in Note 2 on page 19).

Net Income on our income statement reflects the consolidation of substantially all of the revenue of our affiliated investment management firms, reduced by:

- the operating expenses of our Affiliates;

-

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

- the profits allocated to our Affiliates' management owners (referred to on our income statement as "minority interest").

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

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

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

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

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

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

Results of Operations

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

Assets under Management—Operating Segment	**December 31, 2002**	**September 30, 2003**
(dollars in billions)		
High Net Worth	$ 20.6	$ 21.8

Mutual Fund	16.4	19.8
Institutional	33.8	40.3
	$ 70.8	$ 81.9
Directly managed assets—percent of total	91%	91%
Overlay assets—percent of total	9%	9%
	100%	100%

Assets under Management—Statement of Changes	For the Three Months Ended September 30, 2003	For the Nine Months Ended September 30, 2003
(dollars in billions)		
Beginning of period	$ 77.3	$ 70.8
Net client cash flows	1.4	1.3
Investment performance	3.2	9.8
End of period	$ 81.9	$ 81.9

The equity markets experienced significant decreases in 2002 and increases in 2003 that impact certain comparisons of our assets under management and revenue in this report. For the twelve-month period ended December 31, 2002, the S&P 500 Index and Dow Jones Industrial Average decreased 23.4% and 16.8%, respectively. In contrast, for the nine-month period ended September 30, 2003, the S&P 500 Index and Dow Jones Industrial Average increased 13.2% and 11.2%, respectively.

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

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

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(in millions, except as noted)	2002	2003	% Change	2002	2003	% Change
Average assets under management (in billions)						
High Net Worth	$ 21.2	$ 21.6	2%	$ 23.0	$ 20.9	(9)%
Mutual Fund	15.3	19.4	27%	15.0	17.5	17%
Institutional	35.0	39.0	11%	38.4	36.3	(5)%
Total	$ 71.5	$ 80.0	12%	$ 76.4	$ 74.7	(2)%
Revenue[(1)]						
High Net Worth	$ 35.5	$ 33.4	(6)%	$ 106.9	$ 96.9	(9)%
Mutual Fund	40.3	50.1	24%	120.2	136.3	13%
Institutional	39.5	45.0	14%	137.1	122.2	(11)%
Total	$ 115.3	$ 128.5	11%	$ 364.2	$ 355.4	(2)%
Net Income[(1)]						
High Net Worth	$ 4.1	$ 4.3	5%	$ 13.3	$ 12.1	(9)%
Mutual Fund	5.6	7.8	39%	17.3	20.2	17%
Institutional	3.1	4.3	39%	12.1	10.9	(10)%
Total	$ 12.8	$ 16.4	28%	$ 42.7	$ 43.2	1%
EBITDA[(2)]						
High Net Worth	$ 10.5	$ 10.7	2%	$ 32.5	$ 30.1	(7)%
Mutual Fund	11.7	16.0	37%	36.2	42.0	16%
Institutional	10.5	12.6	20%	36.8	34.5	(6)%
Total	$ 32.7	$ 39.3	20%	$ 105.5	$ 106.6	1%

(1) Note 10 to our Consolidated Financial Statements describes the basis of presentation of the financial results of our three operating segments.

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

Revenue

Our revenue is generally determined by the following factors:

- our assets under management (including increases or decreases relating to new investments, net client cash flows or changes in the value of assets that are attributable to fluctuations in the equity markets);

- the portion of our assets across the three operating segments and our Affiliates, which realize different fee rates;
- the portion of our directly managed and overlay assets, which realize different fee rates;
- the recognition of any performance fees charged by certain Affiliates; and
- the level of transaction-based brokerage fees.

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

Our revenue increased 11% in the three months ended September 30, 2003, as compared to the three months ended September 30 2002, primarily as a result of an increase in the value of average assets under management. This increase resulted principally from the increase in the equity markets during 2003, our investment in Third Avenue (which closed in August 2002) and positive net client cash flows. Our revenue decreased 2% in the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002, principally as a result of a net decline in the value of average assets under management, which resulted primarily from the net decline in the equity markets since the beginning of 2002. This decline was partially offset by an increase in average assets under management attributable to our investment in Third Avenue.

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

High Net Worth Distribution Channel

Notwithstanding an increase in average assets under management, revenue in the High Net Worth distribution channel decreased by 6% in the three months ended September 30, 2003, as compared to the three months ended September 30, 2002. As the advance billing method is generally used in this distribution channel, the decrease in revenue resulted principally from a decline in assets under management as measured at the beginning of the referenced periods. Average assets under management increased principally as a result of the increase in the equity markets during 2003, partially offset by net client cash outflows in this distribution channel.

The decrease in revenue of 9% in the High Net Worth distribution channel in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, resulted primarily from a decline in average assets under management, which in turn resulted from a net decline in the equity markets since the beginning of 2002 and, to a lesser degree, net client cash outflows in this distribution channel. The decline in average assets under management was partially offset by an increase in average assets under management resulting from our investment in Third Avenue.

Mutual Fund Distribution Channel

The increase in revenue of 24% in the Mutual Fund distribution channel in the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, resulted primarily from an increase in average assets under management, which was principally attributable to our investment in Third Avenue and the increase in the equity markets during 2003.

The increase in revenue of 13% in the Mutual Fund distribution channel in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, resulted primarily

from an increase in average assets under management, which was principally attributable to our investment in Third Avenue and, unrelated to the changes in assets under management, an increase in transaction-based brokerage fee revenue also associated with our investment in Third Avenue. These increases were partially offset by the net decline in the equity markets since the beginning of 2002.

Institutional Distribution Channel

The increase in revenue of 14% in the Institutional distribution channel in the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, resulted primarily from an increase in average assets under management, resulting principally from the increase in the equity markets during 2003.

The decrease in revenue of 11% in the Institutional distribution channel in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, resulted primarily from a decrease in performance fee revenue, and to a lesser extent, a decline in average assets under management, which in turn resulted principally from a net decline in the equity markets since the beginning in 2002. The decrease in revenue was proportionately greater than the decrease in average assets under management because of the decrease in performance fees.

Operating Expenses

A substantial portion of our operating expenses is incurred by our Affiliates, and a substantial majority of Affiliate expenses is incurred at Affiliates with revenue sharing arrangements. For Affiliates with revenue sharing arrangements, an Affiliate's Operating Allocation generally determines its operating expenses, and therefore our consolidated operating expenses are generally impacted by increases or decreases in Affiliate revenue and corresponding increases or decreases in our Affiliates' Operating Allocations. Similarly, our consolidated compensation and related expenses generally increase or decrease in proportion to increases or decreases in revenue. In the case of profit-based Affiliates, we participate fully in any increase or decrease in the expenses of such Affiliates.

The following table summarizes our consolidated operating expenses.

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(dollars in millions)	**2002**	**2003**	**% Change**	**2002**	**2003**	**% Change**
Compensation and related expenses	$ 41.5	$ 47.1	13%	$ 125.0	$ 126.6	1%
Selling, general and administrative	18.9	21.4	13%	62.6	61.8	(1)%
Other operating expenses	4.3	3.7	(14)%	11.3	11.5	2%
Amortization of intangible assets	3.8	4.1	8%	10.5	12.1	15%
Depreciation and other amortization	1.5	1.6	7%	4.3	4.7	9%
Total operating expenses	$ 70.0	$ 77.9	11%	$ 213.7	$ 216.7	1%

Compensation and related expenses increased 13% during the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, primarily as a result of the increased revenue at Affiliates with revenue sharing arrangements and an increase in aggregate Affiliate expenses resulting from our investment in Third Avenue. Compensation and related expenses increased 1% during the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, primarily as a result of an increase in aggregate Affiliate expenses resulting from our investment in Third Avenue, offset almost entirely by decreased revenue at Affiliates with revenue sharing arrangements and, to a lesser degree, lower holding company compensation.

Selling, general and administrative expenses increased 13% during the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, principally as a result of an increase in aggregate Affiliate expenses resulting from our investment in Third Avenue. Selling, general and administrative expenses decreased 1% during the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, principally as a result of decreases in spending by our Affiliates from their Operating Allocations, partially offset by an increase in aggregate Affiliate expenses resulting from our investment in Third Avenue.

Other operating expenses decreased 14% during the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, principally as a result of decreases in spending by our Affiliates from their Operating Allocations, partially offset by an increase in aggregate Affiliate expenses resulting from our investment in Third Avenue. Other operating expenses increased 2% during the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, as a result of an increase in aggregate Affiliate expenses resulting from our investment in Third Avenue, offset partially by a decrease in spending at our profit-based Affiliates.

The increases in amortization of intangible assets of 8% and 15%, respectively, in the three and nine months ended September 30, 2003, as compared to the three and nine months ended September 30, 2002, resulted principally from an increase in intangible assets resulting from our investment in Third Avenue and, to a lesser extent, our purchases of additional interests in existing Affiliates during 2002 and the first nine months of 2003.

Other Income Statement Data

The following table summarizes other income statement data.

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
(dollars in millions)	**2002**	**2003**	**% Change**	**2002**	**2003**	**% Change**
Minority interest	$ 19.1	$ 20.2	6%	$ 62.4	$ 55.2	(12)%
Income tax expense	8.5	11.4	34%	28.5	29.3	3%
Interest expense	6.0	5.9	(2)%	19.6	17.3	(12)%
Investment and other income	1.2	3.3	175%	2.6	6.3	142%

Minority interest, which represents the profits allocated to our Affiliates' management owners, increased 6% in the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, as a result of the previously discussed increase in revenue. The increase in minority interest was proportionately less than the increase in revenue because of investment spending by certain Affiliates from their Owners' Allocation, which decreased the minority interest at such Affiliates.

Minority interest decreased 12% during the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, as a result of the previously discussed decrease in revenue. The decrease in minority interest was proportionately greater than the decrease in revenue because of investment spending by certain Affiliates from their Owners' Allocation, which decreased the minority interest at such Affiliates.

The 34% increase in income tax expense in the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, was principally attributable to an increase in income before taxes, as well as an increase in the effective tax rate from 40% to 41% as a result of an increase in state taxes attributable to the growth of certain of our Affiliates in relatively higher tax rate jurisdictions. The 3% increase in income tax expense in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, was attributable to an increase in income

before taxes and, to a lesser extent, the increase in the effective tax rate in the three months ended September 30, 2003, as discussed above.

Interest expense decreased 2% in the three months ended September 30, 2003, as compared to the three months ended September 30, 2002. The decrease in interest expense was principally attributable to our borrowings on our senior revolving credit facility and payments related to interest rate derivative contracts, which occurred in 2002 but did not recur in 2003. This decrease was partially offset by the interest expense on our floating rate senior convertible securities issued in February 2003, and the amortization of debt issuance costs related to our senior revolving credit facility and our floating rate senior convertible securities, both further described in "Liquidity and Capital Resources."

Interest expense decreased 12% in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002. The decrease in interest expense was principally attributable to our borrowings on our senior revolving credit facility and payments related to interest rate derivative contracts, which occurred in 2002 but did not recur in 2003. The decrease in interest expense was also attributable to the amortization of debt issuance costs on the zero coupon senior convertible notes, which were fully amortized by the end of the second quarter of 2002. These decreases were partially offset by interest expense attributable to our floating rate senior convertible securities and the amortization of debt issuance costs related to our senior revolving credit facility and our floating rate senior convertible securities.

Investment and other income increased 175% and 142%, respectively, in the three and nine months ended September 30, 2003, as compared to the three and nine months ended September 30, 2002. These increases were primarily a result of income recognized in the third quarter of 2003 from an alliance between our Affiliate, Rorer Asset Management, LLC ("Rorer"), and SEI Investments, Inc. ("SEI"). The alliance will provide Rorer with additional payments over the next five years, including a fee equal to a percentage of revenue generated by SEI as part of the alliance. The increases in investment and other income were also attributable to the maintenance of higher levels of cash at the holding company.

Net Income

The following table summarizes Net Income:

(dollars in millions)	For the Three Months Ended September 30, 2002	For the Three Months Ended September 30, 2003	% Change	For the Nine Months Ended September 30, 2002	For the Nine Months Ended September 30, 2003	% Change
Net Income	$ 12.8	$ 16.4	28%	$ 42.7	$ 43.2	1%

The 28% increase in Net Income in the three months ended September 30, 2003, as compared to the three months ended September 30, 2002, resulted principally from the previously discussed increase in revenue, offset partially by the increases in operating, minority interest and income tax expenses, as described above. The 1% increase in Net Income in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, resulted primarily from the decreases in minority interest and interest expenses.

Supplemental Performance Measure

As supplemental information, we provide a non-GAAP performance measure that we refer to as Cash Net Income. This measure is provided in addition to, but not as a substitute for, Net Income. Cash Net Income is defined as Net Income plus amortization and deferred taxes related to intangible assets plus Affiliate depreciation. We consider Cash Net Income an important measure of our financial performance, as we believe it best represents operating performance before non-cash expenses relating to the acquisition of interests in our affiliated investment management firms. Cash Net Income is used

by our management and Board of Directors as a principal performance benchmark, including as a measure for aligning executive compensation with stockholder value.

Since our acquired assets do not generally depreciate or require replacement by AMG, and since they generate deferred tax expenses that are unlikely to reverse, we add back these non-cash expenses to Net Income to measure operating performance. We add back amortization attributable to acquired client relationships because this expense does not correspond to the changes in value of these assets, which do not diminish predictably over time. The portion of deferred taxes generally attributable to intangible assets (including goodwill) that we no longer amortize but which continue to generate tax deductions is added back, because these accruals would be used only in the event of a future sale of an Affiliate or an impairment charge, which we consider unlikely. We add back the portion of consolidated depreciation expense incurred by our Affiliates because under our Affiliates' operating agreements we are generally not required to replenish these depreciating assets. Conversely, we do not add back the deferred taxes relating to our floating rate senior convertible securities or other depreciation expenses. In connection with our issuance of these convertible securities in February 2003, we modified our definition of Cash Net Income to clarify that deferred taxes relating to these securities and certain depreciation are not added back. In prior periods, Cash Net Income represented Net Income plus amortization, deferred taxes and depreciation.

The following table provides a reconciliation of Cash Net Income to Net Income for the following periods.

(dollars in millions)	For the Three Months Ended September 30, 2002[1]	2003	For the Nine Months Ended September 30, 2002[1]	2003
Net Income	$ 12.8	$ 16.4	$ 42.7	$ 43.2
Intangible amortization	3.8	4.1	10.5	12.1
Intangible-related deferred taxes[2]	6.0	5.9	17.1	17.9
Affiliate depreciation[3]	1.6	1.1	4.3	3.3
Cash Net Income[1]	$ 24.2	$ 27.5	$ 74.6	$ 76.5

(1) Cash Net Income for the three and nine months ended September 30, 2002 is presented as previously reported under our prior definition and represents Net Income plus amortization, deferred taxes and depreciation. As described above, we modified our definition of Cash Net Income in connection with our issuance of the floating rate senior convertible securities in February 2003. If we had used the modified definition of Cash Net Income for that period, Cash Net Income would have been $23.8 million and $73.3 million, respectively, for the three and nine months ended September 30, 2002.

(2) Under our definition of Cash Net Income prior to our issuance of the floating rate senior convertible securities, the figure for the three and nine months ended September 30, 2002 represents our total deferred taxes.

(3) Under our definition of Cash Net Income prior to our issuance of the floating rate senior convertible securities, the figure for the three and nine months ended September 30, 2002 represents our consolidated depreciation.

Cash Net Income increased 14% and 3%, respectively in the three and nine months ended September 30, 2003, as compared to the three and nine months ended September 30, 2002, primarily as a result of the previously described factors affecting Net Income, and increases in intangible amortization and (in the nine months ended September 30, 2003) intangible-related deferred taxes, partially offset by the decrease in depreciation as a result of the modification of our definition, as described above. If we had used our prior definition of Cash Net Income for the three and nine

months ended September 30, 2003, including adding back the deferred taxes relating to our floating rate senior convertible securities, Cash Net Income would have been higher by approximately $2.5 million and $5.7 million, respectively.

Liquidity and Capital Resources

The following table summarizes certain key financial data relating to our liquidity and capital resources as of the periods indicated below:

(dollars in millions)	December 31, 2002	September 30, 2003
Balance Sheet Data		
Cash and cash equivalents	$ 27.7	$ 231.1
Senior bank debt	—	—
Zero coupon convertible debt	229.0	123.2
Floating rate convertible securities	—	300.0
Mandatory convertible securities	230.0	230.0

	For the Three Months Ended September 30, 2002	2003	For the Nine Months Ended September 30, 2002	2003
Cash Flow Data				
Operating cash flow	$ 40.3	$ 49.3	$ 91.9	$ 83.0
Investing cash flow	(118.6)	(22.1)	(138.5)	(32.9)
Financing cash flow	28.2	3.3	51.0	153.1
EBITDA[1]	32.7	39.3	105.5	106.6

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

We have met our cash requirements primarily through cash generated by operating activities, the issuances of convertible debt securities and borrowings under our senior credit facility. For the nine months ended September 30, 2002, our principal uses of cash were to make investments in new and existing Affiliates, repay indebtedness, make distributions to Affiliate managers and repurchase shares of our Common Stock. For the nine months ended September 30, 2003, our principal uses of cash were to repurchase a portion of our outstanding zero coupon senior convertible securities, repurchase shares of our Common Stock, repay indebtedness, make investments in existing Affiliates and make distributions to Affiliate managers. We expect that our principal uses of cash for the foreseeable future will be for investments in new Affiliates, distributions to Affiliate managers, payment of principal and interest on outstanding debt, additional equity investments in existing Affiliates, the repurchase of shares of our Common Stock and for working capital purposes.

In August 2002, we replaced our former senior revolving credit facility with a new senior revolving credit facility (the "Facility") with several major commercial banks. The Facility, which is scheduled to mature in August 2005, currently provides that we may borrow up to $250 million at rates of interest (based either on the Eurodollar rate or the Prime rate as in effect from time to time) that vary depending on our credit ratings. Subject to the agreement of the lenders (or prospective lenders) to increase commitments, we have the option to increase the Facility to $350 million. The Facility contains financial covenants with respect to net worth, leverage and interest coverage, and requires us to pay a quarterly commitment fee on any unused portion. The Facility also contains customary affirmative and negative covenants, including limitations on indebtedness, liens, dividends and fundamental corporate

changes. All borrowings under the Facility are collateralized by pledges of all capital stock or other equity interests owned by us.

In May 2001, we completed a 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 certain events, including the following: (i) if the closing price of a share of our Common Stock exceeds specified levels for specified periods; (ii) if the credit rating assigned by Standard & Poor's is below BB-; or (iii) if we call the securities for redemption. 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 or a combination thereof. During the nine months ended September 30, 2003, we repurchased $116.5 million principal amount at maturity of these notes in privately negotiated transactions with a portion of the proceeds of a private placement of $300 million of floating rate senior convertible securities, further described below.

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. As described below, these securities are structured to provide $230 million in additional proceeds to us following a successful remarketing and the exercise of forward purchase contracts in November 2004.

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 interest quarterly at the annual rate of 6%, 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 our Common Stock to be issued in the settlement of the contracts will range from 2,736,000 to 3,146,000, which represents a "settlement rate" of 0.2974 to 0.3420 shares, respectively, per $25 Senior Note. Based on the current trading price of our Common Stock, the purchase contracts would settle for 3,146,000 shares, which equates to the receipt of $73.10 for each share issued.

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. A successful 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. As referenced above, the number of shares of Common Stock to be issued will be determined by the price of our Common Stock at that time. The Senior Notes will remain outstanding until November 2006 and (assuming a successful remarketing) will be held by the new investors.

In anticipation of the repurchase of outstanding zero coupon senior convertible notes, as discussed above, we completed a private placement of $300 million of floating rate senior convertible securities in February 2003. These securities bear interest at a rate equal to 3-month LIBOR minus 0.50%, payable in cash quarterly. Each $1,000 floating rate senior convertible security is convertible into shares of our Common Stock upon the occurrence of certain events, including the following: (i) if the closing price of our Common Stock on the New York Stock Exchange exceeds $97.50 per share over certain periods; (ii) if the credit rating assigned by Standard & Poor's is below BB-; or (iii) if we call the securities for redemption. Upon conversion, the holders will receive 12.3077 shares of our Common Stock for each $1,000 floating rate senior convertible security. In addition, if the market price of our Common Stock

exceeds $81.25 per share at the time of conversion, holders will receive additional shares of our Common Stock based on the price of our Common Stock at the time of the conversion. We may redeem the floating rate senior convertible securities for cash at any time on or after February 25, 2008 at their principal amount. The holders of the convertible securities may require us to repurchase such securities on February 25 of 2008, 2013, 2018, 2023 and 2028, at their principal amount. We may choose to pay the purchase price for such repurchases in cash or shares of our Common Stock or a combination thereof.

The floating rate senior convertible securities are considered contingent payment debt instruments under federal income tax regulations. These regulations require us to deduct interest expense at the rate at which we would issue a non-contingent, non-convertible, fixed-rate debt instrument. When the implied interest rate for tax purposes is greater than the actual interest rate, a deferred tax expense is generated. While the implied interest rate for these securities for tax purposes is 5.62%, the actual rate is three-month LIBOR minus 0.50% (as of November 11, 2003, this rate equaled 0.68%). Based on current LIBOR rates, we believe our issuance of these securities will increase our deferred taxes by approximately $5.7 million per year. While these deferred tax liabilities may never reverse, all will reverse if, on the fifth anniversary of the issuance of the securities or later, the securities are redeemed, and if our Common Stock is trading at $81.25 per share or less. All deferred taxes will be reclassified to equity if the securities convert and our Common Stock is trading at more than $91.35 per share when it is delivered to holders.

Our Affiliate operating agreements provide our Affiliate managers the conditional right to require us to purchase their retained equity interests at certain intervals. These agreements also generally provide us the conditional right to require Affiliate managers to sell their retained equity interests upon their death, disability or termination of employment and Affiliate managers the conditional right to require us to purchase such retained equity interests upon the occurrence of such events, while in certain cases we have the conditional obligation to purchase such retained equity interests upon such events. These conditional purchases will occur at varying times and in varying amounts over a period of approximately 14 years, and the actual timing and amounts of such purchases generally cannot be predicted with any certainty. These conditional purchases are generally calculated based upon a multiple of the Affiliate's cash flow distributions, which is intended to represent fair value. As one measure of the potential magnitude of such purchases, in the event that a triggering event and resulting purchase occurred with respect to all such retained equity interests as of September 30, 2003, the aggregate amount of these payments would have totaled approximately $596.5 million. In the event that all such transactions were closed, we would own the prospective cash flow distributions of all equity interests that would be purchased from our Affiliate managers. As of September 30, 2003, this amount would represent approximately $81.0 million on an annualized basis. In order to provide the funds necessary for us to make such payments 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 purchases, combined with our other cash needs, may require more cash than is available from operations, and therefore, we may need to raise capital by making additional borrowings or by selling shares of our stock or other equity or debt securities, or to otherwise refinance a portion of these purchases.

Operating Cash Flow

Cash flow from operations generally represents net income plus non-cash charges for amortization, deferred taxes and depreciation as well as the changes in our consolidated working capital. The decrease in cash flow from operations in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, resulted principally from the timing of year-end bonus compensation payments. For the year ended December 31, 2001, a significant portion of bonus compensation payments was made in December 2001, while a significant portion of such payments for

the year ended December 31, 2002 was made in the first quarter of 2003, which reduced cash flow from operations for the nine months ended September 30, 2003.

Supplemental Liquidity Measure

As supplemental information in this report, we have provided information regarding our EBITDA, a non-GAAP liquidity measure. This measure is provided in addition to, but not as a substitute for, cash flow from operations. EBITDA represents earnings before interest expense, income taxes, depreciation and amortization. EBITDA, as calculated by us, may not be consistent with computations of EBITDA by other companies. As a measure of liquidity, we believe EBITDA is useful as an indicator of our ability to service debt, make new investments and meet working capital requirements.

The following table provides a reconciliation of EBITDA to cash flow from operations for the each of the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(dollars in millions)	**2002**	**2003**	**2002**	**2003**
Cash flow from operations	$ 40.3	$ 49.3	$ 91.9	$ 83.0
Interest expense, net of non-cash items	5.4	4.8	15.7	14.4
Current tax provision	2.6	3.4	11.4	7.1
Changes in assets and liabilities and other adjustments	(15.6)	(18.2)	(13.5)	2.1
EBITDA	$ 32.7	$ 39.3	$ 105.5	$ 106.6

Investing Cash Flow

The decrease in cash flow used in investing activities in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, resulted primarily from a decrease in investments in new and existing Affiliates. Net cash flow used to make these investments was $134.8 million and $7.9 million for the nine months ended September 30, 2002, and September 30, 2003, respectively.

Financing Cash Flow

The increase in net cash flow from financing activities in the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002, was attributable to our issuance of the floating rate senior convertible securities in February 2003. The principal sources of cash from financing activities during the nine months ended September 30, 2002 and September 30, 2003 were the issuances of convertible debt securities. In the nine months ended September 30, 2003, our uses of cash from financing activities were for the repurchase of $116.5 million of principal amount at maturity of the zero coupon senior convertible securities, the repurchase of shares of our Common Stock and the repayment of debt.

During the nine months ended September 30, 2003, we repurchased 744,500 shares of our Common Stock at an average price of $45.24 per share under our share repurchase program. Our share repurchase program was authorized by the Board of Directors in April 2000, permitting us to repurchase up to 5% of our issued and outstanding shares of Common Stock. In July 2002 and April 2003, our Board of Directors approved increases to the existing share repurchase program, in each case authorizing the purchase of up to an additional 5% of our issued and outstanding shares of Common Stock. The timing and amount of purchases are determined at the discretion of our management. At November 11, 2003, a total of 1,341,144 shares of Common Stock remained authorized for repurchase under the program.

Market Risk

We are currently affected by changes in interest rates through our floating rate senior convertible securities, which bear interest at a rate equal to three-month LIBOR minus 0.50%, currently calculated to be 0.68%. If three-month LIBOR increased, our interest expense would increase and, as a result, our Net Income would decrease. For example, if three-month LIBOR increases 0.50% (i.e., 50 basis points), our quarterly interest expense, net of taxes, would increase by approximately $220,000.

In the past we have used interest rate derivative contracts to manage interest rate risk associated with our borrowings under our senior credit facility, which are subject to changes in the LIBOR rate. During February 2001, we became a party to $50 million notional amount of interest rate swap contracts. 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 December 2002 our remaining $25 million notional amount interest rate swap contract expired. Although we do not currently have any interest rate swap contracts in place, we may enter into such contracts, or engage in similar hedging activities, in the future.

In using these derivative instruments, we face certain risks that are not directly related to market movements including, but not limited to, 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. There can be no assurance that we will use such derivative contracts in the future or that the amount of coverage that we might obtain will cover all of our indebtedness outstanding at any such time. Therefore, there can be no assurance that any future derivative contracts will meet their overall objective of reducing our interest expense.

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.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2003, our disclosure controls and procedures are effectively designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. We continue to review and document our disclosure controls and procedures and may from time to time make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business.

(b) Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this quarterly report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we and our Affiliates may be parties to various claims, suits and complaints. Currently, there are no such claims, suits or complaints that, in 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

None

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

31.1	Certification of our Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of our Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

We filed the following Current Reports on Form 8-K during the quarter ended September 30, 2003:

Current Report on Form 8-K filed July 23, 2003, containing our press release announcing our financial and operating results for the period ended June 30, 2003.

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)

November 14, 2003

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Exhibit 31.1

CERTIFICATION

I, William J. Nutt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Affiliated Managers Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003	/s/ WILLIAM J. NUTT
	William J. Nutt Chairman and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION

I, Darrell W. Crate, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Affiliated Managers Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2003	/s/ DARRELL W. CRATE
	Darrell W. Crate Executive Vice President, Chief Financial Officer and Treasurer

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Exhibit 32.1

CERTIFICATION

The undersigned officers of Affiliated Managers Group, Inc. (the "Company") hereby certify that the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 14, 2003

By:	/s/ WILLIAM J. NUTT
Name:	William J. Nutt
Title:	Chairman and Chief Executive Officer
By:	/s/ DARRELL W. CRATE
Name:	Darrell W. Crate
Title:	Executive Vice President, Chief Financial Officer and Treasurer

This certification shall not be deemed "filed" for any purpose, nor shall it be deemed incorporated by reference into any filing, under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

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