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PRESENTATION

Operator

Greetings, and welcome to the AMG First Quarter 2023 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Patricia Figueroa, Head of Investor Relations for AMG. Thank you. You may begin.

Patricia Figueroa - *Affiliated Managers Group - Head of IR*

Good morning, and thank you for joining us today to discuss AMG's results for the first quarter of 2023.

Before we begin, I'd like to remind you that during this call, we may make a number of forward-looking statements, which could differ from our actual results materially, and AMG assumes no obligation to update these statements. A replay of today's call will be available on the Investor Relations section of our website, along with a copy of our earnings release and a reconciliation of any non-GAAP financial measures, including any earnings guidance announced on this call. In addition, we posted an updated investor presentation to our website this morning, and encourage investors to consult our site regularly for updated information.

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

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

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

Thanks, Patricia, and good morning, everyone. AMG delivered solid results to start 2023, reporting Economic earnings per share of $4.18 in the first quarter, driven by excellent Affiliate investment performance and the positive impact of our capital allocation strategy. During the quarter, we advanced several attractive new investment opportunities, we invested in our distribution resources and product development capabilities, and we enhanced our liquidity position to capitalize on the forward opportunity set.

Also during the quarter, we continued to see the impact of the changing market environment, as evidenced by the disruption in the banking sector and the historic volatility in treasury rates. High-quality alpha-oriented managers, across both alternative and active equity strategies have distinguished themselves in this environment, as elevated volatility, asset dispersion and macroeconomic uncertainty have created opportunities to generate differentiated returns.

Over the past three years, we have seen a resurgence of alpha generation in nearly every liquid alternatives category. And in 2022, active equity outperformance reached levels last seen more than a decade ago. Consistent with those trends, our Affiliates' performance continues to be excellent, with approximately 90% of assets under management in both liquid alternatives and private markets delivering excess returns -- and more than 80% of our U.S. equity strategies above 3-year benchmarks. We expect the existing market dynamics to persist, and high-quality, alpha-oriented managers are well positioned to outperform.

Differentiated return streams are critical for clients to achieve their long-term objectives. We believe that independent partner-owned firms have competitive advantages in generating those differentiated returns across all stages of a market cycle. With strong long-term investment track records, entrepreneurial cultures, and alignment with their clients, our Affiliates represent the best of independent firms focused on alpha-oriented strategies. Their entrepreneurial spirit and ownership cultures enable them to protect and grow client assets in rapidly changing markets.

AMG offers a unique opportunity to invest in a diversified array of independent alpha-oriented managers at scale. We have built our business one partnership at a time with a proven approach that is attractive to the highest quality firms, and we have decades of experience in identifying and partnering with them. AMG's model enables each independent firm to preserve their entrepreneurial culture and maintain their investment focus as well as their alignment with clients.

Today, with nearly 40 partner-owned firms across asset classes, strategies, and geographies, along with our ability to make investments in new and existing Affiliates, AMG offers shareholders an attractive, diversified business profile that is well positioned for long-term growth. And we see an opportunity to partner with additional alpha-oriented, independent firms at a time when we expect client demand for these differentiated return streams to accelerate. Our approach continues to resonate with those firms seeking to preserve their independence, while simultaneously benefiting from collaboration with a strategic partner.

Our steadfast commitment to offering solutions to independent partner-owned firms, and our ability to invest across all stages of a market cycle, have distinguished AMG over time. And we formed a number of our most successful partnerships during challenging market periods. Given our 30-year track record, enhanced financial flexibility and proprietary relationships with prospective Affiliates, we are well-positioned to increase our level of new investment activity.

Challenging periods can present opportunities and also highlight the value of an engaged strategic partner. Choosing a partner is one of the most important decisions that principals of an independent firm make for their business. And in that process, the value of AMG's expertise and orientation is paramount. We work with our partners to magnify their efforts and strengthen their competitive positioning, ultimately creating value for all stakeholders.

As part of that strategic engagement, we continue to invest alongside our Affiliates using our capital and resources to advance our Affiliates' long-term objectives, including through succession planning, capital formation and other business development initiatives. Given our confidence in AMG's and our Affiliates' ability to capitalize on the increasingly attractive opportunities for growth, we recently invested in key hires to further enhance AMG's product development and distribution capabilities, including a new Head of Client Solutions.

More broadly, given our focus on high-performing, independent firms and our ongoing strategic evolution towards areas of secular growth, AMG's long-term organic growth profile is improving, enhancing our cash flow and earnings growth over time. And as you know, over the last few years, we have strategically evolved AMG by aligning our capital and resources with long-term demand trends and investing in high-quality partner-owned firms that can benefit from these trends.

Since 2019, we have made $1.4 billion in growth investments in new and existing Affiliates. Alternatives, across both liquid alternatives and private markets, accounted for approximately two-thirds of these investments, with the remaining one-third primarily in sustainable strategies. Today, more than half of our earnings are generated by Affiliates in areas of secular growth, nearly doubling our exposure since 2019. And, as we continue to add new Affiliates in high-growth areas, we will further evolve our composition towards in-demand strategies, driving our long-term organic growth and further differentiating AMG.

Finally, capital allocation decisions are fundamental to our strategy, and we evaluate every opportunity on a risk-adjusted basis, factoring in the impact of the investment to our business mix, cash flow and franchise. These decisions require judgment, and our allocation discipline is embedded across all elements of our process and culture. In executing growth investments in new and existing Affiliates, we ensure proper alignment with our Affiliate partners and structure investments that benefit all stakeholders.

Looking ahead, our opportunities to invest for growth have been steadily building as a result of our broadened capabilities and the changing market environment, which, as we have seen historically, can present unique opportunities to invest and create value. Given the combination of our enhanced opportunity set and our disciplined approach to capital allocation, we are confident in our growth strategy and our ability to create shareholder value going forward.

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

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Thank you, Jay, and good morning, everyone. The quality and stability of AMG's earnings -- across private markets, liquid alternatives and alpha-oriented strategies -- demonstrates the value of the diversity of our Affiliates and their ability to navigate volatility on behalf of clients. The combination of our business mix, our strong balance sheet and capital position and our partnership solution set position AMG well to execute on our strategy to partner with high-quality new and existing Affiliates to create significant shareholder value.

This quarter, we updated our definition of EBITDA, Economic Net Income and Economic Earnings per Share to reflect the realized returns on the capital we invest on our balance sheet to facilitate the growth of Affiliate products and execute our overall strategy. We will now include realized gains and losses on seed capital, GP commitments and other strategic balance sheet investments in our supplemental earnings metrics. And, you'll see in our press release that we've retroactively applied this definitional change to prior periods and also excluded any historical unrealized gains and losses.

Now turning to our first quarter results. Adjusted EBITDA of $217 million included $25 million of net performance fee earnings, reflecting the ongoing execution of our strategy to invest in secular growth areas and strong performance at liquid alternatives Affiliates. Economic earnings per share were $4.18 and additionally benefited from the ongoing impact of share repurchases.

Turning to flows. Net client cash outflows, excluding certain quantitative strategies, were $2 billion, a meaningful improvement compared to recent quarters, reflecting strong overall investment performance and continued strength across both liquid alternatives and private markets as well as improving trends in fundamental equities.

Now turning to performance across our business and excluding certain quantitative strategies. In alternatives, we again reported strong results with net inflows of $3 billion in the first quarter. These inflows reflect $2.5 billion of private markets flows at Pantheon, EIG and Comvest. Our Affiliates continue to generate outstanding investment performance, and their excellent long-term track records across credit, real estate, secondaries and infrastructure continue to drive fundraising momentum. These diversified, long-duration assets are a source of stable and growing management fees as well as a performance fee opportunity that is building over the long term.

We also saw strong demand for liquid alternatives, where we have outstanding performance across a wide range of products, and our Affiliates generated nearly $0.5 billion of inflows ex quant in the quarter, as clients look for uncorrelated and differentiated return streams to add diversity to their portfolios. In addition, we generated nearly $1 billion of inflows in certain quantitative liquid alternative strategies, which is an encouraging sign, building on strong performance over the last 2 to 3 years.

Turning to global equities. Net outflows slowed considerably to $3 billion, a meaningful improvement versus prior quarters. And while overall near-term performance in global equities remains mixed, Our Affiliates' strong long-term track records across multiple cycles position them well to recapture client demand over time.

In U.S. equities, we saw net outflows of $2 billion, also moderating relative to last quarter. We continue to generate excellent investment performance in this category with approximately 80% of assets outperforming on a 3-, 5- and 10-year basis, highlighted by value-oriented strategies at Yacktman, Frontier and RiverRoad.

Finally, multi-asset and fixed income strategies saw a second consecutive quarter of improvement, with inflows of $500 million, driven by fixed income strategies at GW&K and Artemis.

Now moving to second quarter guidance. We expect second quarter Adjusted EBITDA to be between $210 million and $220 million, based on current AUM levels reflecting our market blend, which was up 1% quarter-to-date as of Friday and including net performance fee earnings of $15 million to $25 million as well as the impact of our newest Affiliate, Peppertree.

Turning to specific modeling items. For the first quarter, our share of interest expense was $31 million, controlling interest depreciation was $2 million, amortization and impairments were $29 million, and intangible-related deferred taxes were $15 million. We expect each of these metrics to remain at similar levels for the second quarter.

Our effective GAAP and cash tax rates were 24% and 16%, respectively, and we expect them to be 26% and 17% for the second quarter. Other economic items were negative $4 million in the first quarter. Other economic items included $1 million in realized gains, which are now included in Economic Net Income under our updated definition. Going forward, we expect $1 million to $2 million of realized gains per quarter and do not expect any additional contribution from other economic items.

Our adjusted weighted average share count for the first quarter was 37.9 million, reflecting the impact of the accelerated share repurchase program that we launched at the end of last year. We expect our share count to remain at a similar level in the second quarter.

Finally, turning to the balance sheet and capital allocation. Our balance sheet is in an excellent position and remains a significant source of strength as we look to generate incremental shareholder value. In the quarter, we completed the monetization of the freely tradable EQT shares we received in connection with the Baring transaction, bringing total realized gross proceeds to nearly $750 million. The lockup on the remaining 25% of the shares expired in mid-April, and we will continue to monetize the position over time.

Our strong capital position ensures that we are able to invest across market cycles, including in times of dislocation, where our cash and liquidity have the potential to significantly impact our long-term earnings per share profile. We continue to expect share repurchases of at least $425 million for the full year, inclusive of the $225 million ASR. As always, these expectations remain subject to market conditions and new investment activity. Given the combination of compelling new investment opportunities ahead and ongoing market volatility, we are holding more cash and have substantial flexibility as our opportunity set continues to evolve.

To the extent compelling new investment opportunities do not materialize over time, we expect to return additional capital to shareholders via repurchases as we have demonstrated over the last 4 years, while simultaneously managing our leverage. We remain committed to making disciplined capital allocation decisions and evaluating all opportunities under a common framework.

Looking ahead, we view the current market environment as an opportunity to continue to position AMG for long-term growth. The fundamentally changing environment further reinforces our conviction in our strategy and positions us to deliver compound earnings growth and generate long-term value for our shareholders.

Now we're happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Bill Katz with Credit Suisse.

William Raymond Katz - *Crédit Suisse AG, Research Division - MD*

So Jay, maybe one for you. Just you mentioned in your prepared commentary, and Tom as well, that sort of the opportunity set on the Affiliate side might be expanding a little bit. Sort of wondering if you could talk a little bit about where that pipeline sits today versus where we were maybe 3 or 6 months ago. And where is the sense between the bid-ask between what sellers may be looking for versus what your pricing might be and what areas that you continue to look into?

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

Yes. Thanks, Bill. So you're right. In my prepared remarks, I did mention that we've advanced discussions with several prospective Affiliates. And we continue to see our pipeline build on earlier stage prospecting and our efforts there. I think we're seeing the momentum in our pipeline for several reasons, and I'll touch on those and then maybe I'll come back to the actual -- the environment that we're operating in.

So the first thing, I think, on the momentum point, I think you've heard us say this in the past that we do have a growth strategy to invest in areas that are long-term secular in nature in terms of growth, which includes liquid alternatives, private markets, Asia, wealth management and sustainable strategies. Given our high conviction there and the durability of these trends, we have been methodically targeting these areas for the last several years, which has expanded our prospect universe.

I guess second, a few years back, we reorganized within new investments and increased our resources to originate and maintain relationships in this target universe. So we put more effort to it and more people.

And then third, over time, we've broadened our partnership solution. So not just succession planning, we've added growth capital, strategic distribution and other resources for our Affiliates. And this expanded solution set is even more attractive to an evolving landscape that's increasing the number of conversations that we're having.

So taking all three of those together, our partnership approach is resonating with the highest quality independent firms. And I do think we're significantly differentiated because of it. Why? Because we preserve independence while also engaging strategically with our partner firms. So that, I think, is helping us with the increasing supply of opportunities in our pipeline.

Then to your point, on the transaction environment, it is constructive today. We're seeing reasonable expectations and reasonable valuations, at least within our ability to structure and risk-share with our Affiliates because we come to partner with them for the long term. And with that favorable environment, I think that adds an incremental tailwind as our activity levels and our pipeline has increased. So we are constructive about doing new investments over the sort of near and medium term, as I said in my prepared remarks.

And given the attractiveness of our model and the solution set that we offer, we do see our competitive position increasing and the demand for our partnership solutions increasing. So thanks for your question, Bill.

Operator

Our next question comes from the line of Daniel Fannon with Jefferies.

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

So I wanted to follow up just on some of the flow trends. I think certainly some seasonal improvement as we see the numbers in the first quarter. I believe you did highlight that there was $1 billion of inflows in certain quant funds, but ex, it -- basically that's a little bit more a new disclosure. So trying to bifurcate what was within the quant bucket, maybe a little more detail of what was doing well. And then maybe just talk prospectively here about the fundraising kind of private markets outlook, given what is viewed as maybe a broader slowdown in this kind of backdrop and maybe what you're seeing if that's different.

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

Thanks for your question. I'm going to have Tom start with that.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Thanks, Dan. So I think I'll try and hit all of that and just give you an overview in terms of not only what we saw in flows, but also just generally kind of how the business is setting up in terms of client trends going forward.

So, as Jay talked about in some of his prepared remarks, our growth strategy really is driving an evolution of our business mix more toward key secular growth areas. And as we continue to execute against that strategy, we really enhanced the long-term economic profile of the business, organic growth and earnings growth overall.

In terms of where we currently stand, I'd say the flow story continues to be bifurcated, really strength across alternatives and then some pluses and minuses on the fundamental equity side. And to your point, overall, the first quarter was a really good start to the year for us relative to some of the headwinds we saw last year.

We continue to benefit from the diversity and depth of our private markets Affiliates, and we're seeing them raise assets across a number of well-positioned strategies, including credit, infrastructure and real estate. And as you know, these flows are incredibly valuable given their fee rate, their duration and the potential to create carry over time.

And to your question, I think we're positioned a bit differently from some others in the private market space, given the vast majority of our exposure there is not sort of traditional buyout-style private equity, but more specialized strategies that are not as exposed to some of the denominator effect issues that we're seeing in the market.

On the liquid alternatives side, we're delivering excellent performance, and that continues to translate into flows. More than 90% of the AUM in our liquid alternatives book has delivered alpha over a 3-year period. And we're having very active dialogue with clients around portfolio construction and the value of uncorrelated and diversifying return sources.

And you mentioned what we're seeing on the certain quant side, and we did sort of raise that in my prepared remarks, we've seen very strong performance there from a number of our Affiliates over the course of the past couple of years, particularly within alternatives and particularly within absolute return strategies. So it was nice this quarter to start to see some of the early impact of that in terms of client flows into those certain quant strategies that have had some historical challenges.

In total, over the last couple of years, we've seen more than $40 billion of inflows into alternative strategies, and alternatives now represent nearly 50% of our overall run rate EBITDA.

And then maybe to touch briefly on the equity side, and as I mentioned, it's kind of a tale of two cities. On the global side, we are continuing to see some headwinds in line with what we're seeing in the industry, but still very good long-term track records, very high-quality Affiliate businesses and brands. And I think it's also worth noting that we have some very strong performance in a number of international products that sit in that category, and that's an opportunity for us.

On the other side, in U.S. equities, we're very well positioned. 80% of our AUM is outperforming across all time periods. And if you look at value, that number is more like 90%. So overall, despite some near-term outflows, we're very positive about the long-term organic growth prospects for our Affiliates on the U.S. equity side, and it also seems like client demand trends are moving in that direction as well.

And then lastly, just to round it out, on multi-asset and fixed income, that's a category that's been a long-term steady growth contributor for us. We saw about $0.5 billion of inflows there this quarter. And overall, when you kind of look at the total picture, a sizable portion of our business is both inflowing today and also well positioned for the future. And in general, we really feel confident about our ability to generate growth. And as we execute on our strategy and to some of the points Jay made in the answer to the previous question, as we add new Affiliates in these secular growth areas, we expect to continue to push that organic growth profile more and more positive over time.

Operator

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

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

Jay and Tom, hope you're both doing well. So I want to follow up to your response to the first question on the competitive dynamics for M&A new investments. How do you see competition trending specifically for alternative managers? And have you been bumping into the three large GP minority investment funds at all?

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

Yes. So just to recap the ending of what I said previously, and then I'll come to the answer to your question, we do see that AMG's solution set is broader than really anyone else that is addressing independent partner-owned firms. So let me just make that point first.

And then the other thing I would say is our addressable market really is the full range of asset management. So when you think about AMG's opportunity set, it's both leave you alone as well as offer strategic distribution, strategic business development help. And we are doing that across liquid alternatives, private markets and differentiated active equities.

So to some extent, we view our competitive position to be just different and differently situated than the traditional stake buyers. Within the very narrow space of private markets, we still see them. But again, when people choose AMG, they usually are choosing us for the investment and for strategic help. And so we tend to be very well competitively advantaged, I guess, in that context when there's an "and" statement there -- when they're looking for a strategic partner and to be left alone.

And then zooming back out and looking across liquid alternatives and differentiated active equities, especially in the category of either succession planning or really just being a reputable, long-tenured, long-track record partner, we really are well positioned, maybe best positioned in those market segments. So when we see our opportunity set and we look at our own pipeline, we see representation in all three buckets, and we are very constructive on our ability to continue to make attractive new investments for AMG.

Operator

Our next question comes from the line of Alex Blostein with Goldman Sachs.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

I was hoping we could zone in on some of the dynamics in the liquid quant or systematic products. That category saw a lot of improvement in performance last year. Things were obviously a bit more volatile so far this year. So maybe help us frame how much of your EBITDA is being contributed by liquid quant products and strategies. And to what extent the more turbulent backdrop in those strategies year-to-date could be a risk to organic growth?

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Thanks, Alex. So let me maybe start. So to your point, we did see an industry-wide pullback in trend following performance in the quarter really impacted by the historical levels of interest rate volatility that we saw following the banking crisis that ensued earlier this year.

To put it in perspective, in some of those strategies, we saw roughly a 10% drawdown over a couple week period. But in context, those same funds were up 20% to 30% in 2022. So when you look over the intermediate term and certainly over the long term, performance in trend following continues to be very strong.

I think importantly, to your broader question, trend following is one subset of our strategies, but really, it makes up only a piece of what we're doing overall in alternatives, sort of a subset of which is liquid alternatives, a subset of which is absolute return, a subset of which is trend following. So when you think about that category overall, there are many others who started the year very strong, including relative value fixed income at Garda and Capula as well as some of our long-biased products. So again, we're really seeing the diversification in our performance fee earnings-eligible book play an important role and have a very positive impact for us.

Stepping back, our performance fee earnings overall are very well diversified with approximately $200 billion of performance fee-eligible assets across more than a dozen Affiliates and a multiple of that in terms of products across beta-sensitive, absolute return, and private market buckets. And all of those performance fees are cash, right? We only report on a realized basis, so that's all cash to us. And you've seen that diversity and that durability really play through over time.

So I think when we look at our overall book, we feel very good about the way the liquid alternatives book has performed over the course of the past many years. And the setup going forward, certainly a near-term bump on trend following, but in the context of the last year and certainly, over the last 5 years, again, continue to have very strong performance there overall.

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

Yes and I'll just add my perspective on the more quantitatively driven firms, which really is the bucket of AQR, Systematica and Winton. Those are broadly diversified by strategy, so some of them have equity strategies, some of them have cross market strategies, some of them have trend-following strategies. So really, we're narrowing it down, as Tom said in his subset of subsets, to a fairly narrow set of strategies. The broader picture, the zoom-out picture, is those businesses are doing well and are broadly diversified. So we're excited about their opportunity, especially given their kind of last 12 months, last 3 years' worth of performance.

Operator

Our next question comes from the line of Brian Bedell with Deutsche Bank.

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

Jay, I think you talked about some new hires, especially the new Head of Client Solutions. Can you talk a little bit about what your sort of, I guess, long-term expectation is in general for the AMG partnership side of sales generation? I know it's not as easy to define exactly. But I guess the big picture question would be, do you anticipate internal efforts at AMG distribution to materially positively influence the net flow dynamics over, say, the medium to longer term?

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

Yes. Thanks, Brian. Thanks for your question. Look, the short answer is, yes, we do think that our own efforts will positively impact long-term flow trends at our Affiliates. So maybe I'll step back then first to talk about why we think that.

We have been, over the last several years, aligning our capital resources with growth opportunities. We do think centralized distribution and, frankly, centralized support on business initiatives will help our Affiliates over long periods. So it will be good for their partners, and it will be good for our shareholders.

So we've strategically evolved our distribution capabilities across both institutional and wealth platforms over this period really to further align our resources with the ability to deliver the differentiated returns that our Affiliates have to end-clients.

To more effectively do that, we reorganized and integrated our teams into a single effort, which we're calling Capital Formation. That really brought together our product strategy and development, so Affiliate product strategy and development group, the platform and operations, everything that makes our ability to deliver those strategies to end-clients and the client solutions, which were the sales groups, both institutional and wealth. And that overall group called the Capital Formation team, it really is focused on delivering the differentiated return streams of our Affiliates. We'll collaborate more closely with our Affiliates on opportunities to launch new products and bring existing strategies to new client channels and new geographies, really to extend our Affiliates' reach with their strategies.

So, in addition to integrating and reorganizing these teams, we've also allocated senior resources to the effort. We've invested in a number of key hires in product development. We brought in a new Head of Client Solutions, Rachel Jacobs, to provide sales leadership across geographies and channels across both institutional and wealth. Rachel is a highly respected leader in the investment industry, who has deep relationships with key distribution partners and platforms and a track record of developing highly effective sales teams. So she'll work closely with the product strategy team, and she's already working on a number of initiatives with our Affiliates.

So we're excited about this. AMG's Capital Formation capabilities position us strategically with our Affiliates. So in addition to being a partner that leaves our Affiliates independent, both from an investment process and a day-to-day operations, we are able to help them and strategically deliver unique expertise, operational support and client-facing capabilities to them. So we're excited about this. And again, to answer your question, we do anticipate that we'll positively impact their organic growth profile over time.

Operator

Our next question comes from the line of Patrick Davitt with Autonomous Research.

Patrick Davitt - *Autonomous Research US LP - Senior Analyst of US Asset Managers*

I'm curious how you would frame the impact of the bank dislocations over the last month or so on two fronts. One, given there's a lot of bank-owned asset managers and wealth managers, have you seen any kind of tangible wins from all the assets in motion or potential assets in motion? And then on the other hand, do you think it helps or hurts the new Affiliate discussions? I could argue it either way, so just curious what you are seeing.

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

Yes. Thanks, Patrick. Thanks for your question. So maybe, Tom and I will each take a shot at this. I'll let Tom -- you go first, and then I'll follow up.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

So I guess, first, Patrick, just to frame it from an AMG perspective, at a corporate level, we didn't have any exposure to any of the banks in question. And our Affiliates didn't really have any corporate exposure. We had a couple of Affiliates who owned a couple of the stocks, but none in a material or outsized way. So as a first order impact, we really didn't see much in terms of some of the volatility around the banking issues in the quarter.

In terms of what the new investment opportunity looks like or sort of changes in dialogue, maybe Jay will touch more specifically on how it's impacting prospecting and our conversations. But I'll say one thing is, it's another sort of leg to a multi-leg stool of what's just been happening over the course of the past several years in terms of volatility in markets and in terms of the way that independent partner-owned firms are viewing the overall landscape and really thinking about how do they build their business from here.

As each sort of new event occurs in the market kind of creating uncertainty, creating volatility, you see a lot of businesses really thinking more and more about the value of an institutional quality strategic partner to try and help them navigate volatility, to try and help them prosecute these big opportunities out in front of them. So from a macro-level perspective, I think it's just another addition to the list of things that people are thinking about, how do I make my business better and can AMG really help? And then maybe Jay can talk a little bit specifically about any impact in terms of prospecting.

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

Yes. Well, I'm going to end with prospecting, but I'll maybe take it at the most fundamental level. Obviously, at the individual security level with banks, there's an opportunity for fundamental differentiated active managers to make discerning choices, which really then brings me to a broader point, which is at the market level, the impact of markets. We have seen alpha in liquid alts strategies, and we've seen differentiated returns in our active equity strategies. So I think this is symptomatic of an environment where you're seeing alpha. And that's really good for independent partner-owned firms because they have a strategic advantage relative to consolidated employee-based organizations, in my opinion.

So then I would say, maybe taking it at a structural perspective, non-bank asset management has been a decade-long trend. And I think what's happening in banks today might accelerate those non-bank asset management functions. We've seen it in a range of areas, most notably, and the one that people talk about today is the direct lending area. But there are many other areas that non-bank kind of asset management has filled the spot of where banks used to, either on the asset side or even on the consulting side and really helped, I guess, call it, Main Street America. And so we're seeing that trend in new business starts, new capital formed within the asset management industry, and we're focused on these long-term secular trends. That's kind of one of the reasons why I get to the last point, which is new investments.

It's clearly benefited from disruption in markets because, generally speaking, it means that people are leaving -- it's not necessarily banks divesting. It's just high-quality people leaving the banks and starting asset management or joining independent firms. So it's really a human capital point that I'm making here, which is we do think that independent partner-owned firms are the best place to find human capital. It's where alpha is created in our minds. And therefore, we are excited about AMG's opportunity to participate. And as I said in my prepared remarks, we are uniquely advantaged because you can invest in AMG, and that's investing in a diversified array of independent high-quality alpha-oriented organizations. Thanks, Patrick, for your question.

Operator

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

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

Thank you all again for joining us this morning. As you heard, AMG achieved strong results in the first quarter. And through the execution of our growth strategy and our disciplined capital allocation framework, we are confident in our ability to create significant shareholder value going forward. We look forward to speaking with you next quarter.

Operator

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