

AFFILIATED MANAGERS GROUP INC

Form 10-Q

August 06, 2013

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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 June 30, 2013

OR

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)

600 Hale Street, P.O. Box 1000, Prides Crossing, Massachusetts 01965

(Address of principal executive offices)

(617) 747-3300

(Registrant's telephone number, including area code)

04-3218510

(IRS Employer Identification Number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company)  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 52,852,201 shares of the registrant's common stock outstanding on August 2, 2013.

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

AFFILIATED MANAGERS GROUP, INC.  
CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data)

(unaudited)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2012	2013	2012	2013
Revenue	\$429.6	\$541.0	\$847.2	\$1,043.3
Operating expenses:				
Compensation and related expenses	188.1	235.4	369.2	450.0
Selling, general and administrative	88.8	99.5	173.8	191.8
Intangible amortization and impairments	114.7	32.6	145.1	65.5
Depreciation and other amortization	3.6	3.3	7.1	6.9
Other operating expenses	9.4	8.8	18.2	17.2
	404.6	379.6	713.4	731.4
Operating income	25.0	161.4	133.8	311.9
Income from equity method investments	13.4	36.2	27.9	86.9
Other non-operating (income) and expenses:				
Investment and other income	(3.0	) (7.5	) (13.4	) (12.0
Interest expense	18.5	24.3	37.1	48.5
Imputed interest and contingent payment arrangements	(40.0	) 8.4	(42.5	) 22.6
	(24.5	) 25.2	(18.8	) 59.1
Income before income taxes	62.9	172.4	180.5	339.7
Income taxes	2.0	38.2	26.6	75.7
Net income	60.9	134.2	153.9	264.0
Net income (non-controlling interests)	(54.3	) (69.5	) (109.9	) (136.9
Net income (controlling interest)	\$6.6	\$64.7	\$44.0	\$127.1
Average shares outstanding—basic	51.4	53.1	51.5	52.9
Average shares outstanding—diluted	52.7	54.6	52.8	54.4
Earnings per share—basic	\$0.13	\$1.22	\$0.85	\$2.40
Earnings per share—diluted	\$0.12	\$1.18	\$0.83	\$2.33

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

AFFILIATED MANAGERS GROUP, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(in millions)  
(unaudited)

	For the Three Months		For the Six Months		
	Ended June 30,		Ended June 30,		
	2012	2013	2012	2013	
Net income	\$60.9	\$134.2	\$153.9	\$264.0	
Other comprehensive income (loss):					
Foreign currency translation adjustment	(9.9	) (9.7	) 4.5	(32.5	)
Change in net realized and unrealized gain (loss) on derivative securities, net of tax	(0.5	) 0.6	(0.6	) 0.8	
Change in net unrealized loss on investment securities, net of tax	(11.4	) (11.3	) (2.3	) (10.2	)
Other comprehensive income (loss)	(21.8	) (20.4	) 1.6	(41.9	)
Comprehensive income	39.1	113.8	155.5	222.1	
Comprehensive income (non-controlling interests)	(54.1	) (68.5	) (111.4	) (135.5	)
Comprehensive income (loss) (controlling interest)	\$(15.0	) \$45.3	\$44.1	\$86.6	

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

AFFILIATED MANAGERS GROUP, INC.  
CONSOLIDATED BALANCE SHEETS  
(in millions)  
(unaudited)

	December 31, 2012	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 430.4	\$ 413.8
Investment advisory fees receivable	255.5	275.4
Investments in marketable securities	128.9	120.1
Unsettled fund shares receivable	40.1	104.3
Prepaid expenses and other current assets	57.4	59.3
Total current assets	912.3	972.9
Fixed assets, net	81.5	84.1
Equity method investments in Affiliates	1,031.3	964.6
Acquired client relationships, net	1,585.5	1,502.3
Goodwill	2,355.2	2,334.7
Other assets	221.3	214.1
Total assets	\$ 6,187.1	\$ 6,072.7
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 324.7	\$ 287.0
Unsettled fund shares payable	39.8	107.1
Payables to related party	11.3	29.6
Total current liabilities	375.8	423.7
Senior bank debt	325.0	100.0
Senior notes	340.0	340.0
Senior convertible securities	450.1	404.8
Junior convertible trust preferred securities	515.5	517.1
Deferred income taxes	497.1	505.8
Other long-term liabilities	164.7	169.1
Total liabilities	2,668.2	2,460.5
Redeemable non-controlling interests	477.5	519.8
Equity:		
Common stock	0.5	0.5
Additional paid-in capital	868.5	781.5
Accumulated other comprehensive income	79.1	38.6
Retained earnings	1,350.7	1,477.8
	2,298.8	2,298.4
Less treasury stock, at cost	(214.6	) (143.6
Total stockholders' equity	2,084.2	2,154.8
Non-controlling interests	957.2	937.6
Total equity	3,041.4	3,092.4
Total liabilities and equity	\$ 6,187.1	\$ 6,072.7

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

AFFILIATED MANAGERS GROUP, INC.  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(in millions)  
(unaudited)

	Total Stockholders' Equity						
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock at Cost	Non- controlling interests	Total Equity
December 31, 2012	\$0.5	\$868.5	\$79.1	\$1,350.7	\$(214.6 )	\$957.2	\$3,041.4
Stock issued under option and other incentive plans	—	(36.5 )	—	—	71.0	—	34.5
Tax benefit of option exercises	—	11.0	—	—	—	—	11.0
Changes in the value of Affiliate equity and other	—	(71.6 )	—	—	—	24.2	(47.4 )
Share-based payment arrangements	—	20.1	—	—	—	—	20.1
Repurchase of senior convertible securities	—	(10.0 )	—	—	—	—	(10.0 )
Distributions to non-controlling interests	—	—	—	—	—	(179.3 )	(179.3 )
Net income	—	—	—	127.1	—	136.9	264.0
Other comprehensive loss	—	—	(40.5 )	—	—	(1.4 )	(41.9 )
June 30, 2013	\$0.5	\$781.5	\$38.6	\$1,477.8	\$(143.6 )	\$937.6	\$3,092.4

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

AFFILIATED MANAGERS GROUP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in millions)  
(unaudited)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2012	2013	2012	2013
Cash flow from operating activities:				
Net income	\$60.9	\$134.2	\$153.9	\$264.0
Adjustments to reconcile Net income to net cash flow from operating activities:				
Intangible amortization and impairments	114.7	32.6	145.1	65.5
Amortization of issuance costs	1.8	3.2	3.7	5.7
Depreciation and other amortization	3.6	3.3	7.1	6.9
Deferred income tax provision	(15.5 )	16.1	(2.0 )	28.8
Imputed interest and contingent payment arrangements	(40.0 )	8.4	(42.5 )	22.6
Income from equity method investments, net of amortization	(13.4 )	(36.2 )	(27.9 )	(86.9 )
Distributions received from equity method investments	21.8	52.5	58.6	146.4
Tax benefit from exercise of stock options	0.3	0.2	0.7	0.8
Share-based compensation	7.9	8.8	16.1	17.7
Affiliate equity expense	4.9	3.2	7.1	8.4
Other adjustments	5.4	7.6	(0.6 )	8.5
Changes in assets and liabilities:				
Increase in investment advisory fees receivable	(11.2 )	(17.9 )	(23.7 )	(14.2 )
(Increase) decrease in prepaids and other current assets	—	0.8	(9.1 )	(6.7 )
(Increase) decrease in other assets	(0.4 )	0.2	(0.9 )	0.1
(Increase) decrease in unsettled fund shares receivable	35.5	171.8	(9.7 )	(66.6 )
Increase (decrease) in unsettled fund shares payable	(35.3 )	(172.4 )	6.3	69.6
Increase (decrease) in accounts payable, accrued liabilities and other long-term liabilities	42.4	46.3	(46.2 )	(5.8 )
Cash flow from operating activities	183.4	262.7	236.0	464.8
Cash flow used in investing activities:				
Investments in Affiliates	(405.3 )	—	(405.3 )	—
Purchase of fixed assets	(3.7 )	(4.3 )	(5.0 )	(8.9 )
Purchase of investment securities	(1.6 )	(2.0 )	(11.1 )	(4.6 )
Sale of investment securities	14.6	3.5	27.5	3.7
Cash flow used in investing activities	(396.0 )	(2.8 )	(393.9 )	(9.8 )
Cash flow from (used in) financing activities:				
Borrowings of senior bank debt	195.0	100.0	195.0	120.0
Repayments of senior bank debt	—	(150.0 )	—	(345.0 )
Repurchase of senior convertible securities	—	(69.0 )	—	(69.0 )
Issuance of common stock	7.3	6.8	22.4	36.0
Repurchase of common stock	(28.2 )	—	(60.9 )	—
Issuance costs	—	(7.2 )	—	(7.2 )
Excess tax benefit from exercise of stock options	1.3	2.7	4.8	10.2
Note and contingent payments	(0.2 )	1.3	(0.5 )	(36.6 )
Distributions to non-controlling interests	(37.6 )	(54.0 )	(119.6 )	(179.3 )
Affiliate equity issuances and repurchases	(6.1 )	(11.0 )	(23.0 )	4.9
Cash flow from (used in) financing activities	131.5	(180.4 )	18.2	(466.0 )

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Effect of foreign exchange rate changes on cash and cash equivalents	(1.6 )	(0.7 )	1.2	(5.6 )
Net increase (decrease) in cash and cash equivalents	(82.7 )	78.8	(138.5 )	(16.6 )
Cash and cash equivalents at beginning of period	393.7	335.0	449.5	430.4
Cash and cash equivalents at end of period	\$311.0	\$413.8	\$311.0	\$413.8
Supplemental disclosure of non-cash financing activities:				
Notes received for Affiliate equity sales	\$2.0	\$—	\$3.0	\$—
Payables recorded for Affiliate equity purchases	2.4	12.2	13.6	21.2
Payables recorded under contingent payment arrangements	24.8	—	24.8	—
The accompanying notes are an integral part of the Consolidated Financial Statements.				

AFFILIATED MANAGERS GROUP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Presentation

The consolidated financial statements of Affiliated Managers Group, Inc. ("AMG" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 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 GAAP 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 GAAP. In the opinion of management, all adjustments considered necessary for a fair statement of the results have been included. All intercompany balances and transactions have been eliminated. Operating results for interim periods are not necessarily indicative of the results that may be expected for any other period or for the full year. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 includes additional information about AMG, its operations, financial position and accounting policies, and should be read in conjunction with this Quarterly Report on Form 10-Q.

All amounts in these notes, except per share data in the text and tables herein, are stated in millions unless otherwise indicated.

### 2. Recent Accounting Developments

In February 2013, the Financial Accounting Standards Board issued an update to the guidance for reporting reclassifications out of accumulated other comprehensive income. The new guidance requires companies to present the impact of significant amounts reclassified from accumulated other comprehensive income and the income statement line items affected by the reclassification. The new guidance is effective for interim and fiscal periods beginning after December 15, 2012. The Company adopted this guidance in the first quarter of 2013. Adoption of this new guidance did not have a significant impact on the Company's Consolidated Financial Statements.

In June 2013, the Financial Accounting Standards Board issued an update to the guidance for determining whether a public or private company is an investment company. The new guidance clarifies the characteristics of an investment company and amends certain disclosure and measurement requirements. The new guidance is effective for interim and fiscal periods beginning after December 15, 2013 (early application is prohibited). The Company is evaluating the impact of this guidance and does not expect it to have a significant impact on the Company's Consolidated Financial Statements.

### 3. Investments in Marketable Securities

Investments in marketable securities at December 31, 2012 and June 30, 2013 were \$128.9 million and \$120.1 million, respectively. These investments are comprised of the Company's investments in Value Partners Group Limited ("Value Partners"), a publicly-traded asset management firm based in Hong Kong, and investments held by Affiliates.

The following is a summary of the cost, gross unrealized gains and losses and fair value of investments classified as available-for-sale and trading at December 31, 2012 and June 30, 2013:

	Available-for-Sale		Trading	
	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013
Cost	\$103.2	\$102.8	\$10.3	\$18.1
Unrealized Gains	15.3	4.1	6.5	2.4
Unrealized Losses	(3.2)	(7.3)	(3.2)	—
Fair Value	\$115.3	\$99.6	\$13.6	\$20.5

During the second quarter of 2013, the Company's investment in Value Partners declined, resulting in an unrealized loss at June 30, 2013. The Company intends to hold this investment for a reasonable period of time sufficient for a forecasted recovery.

The following is a summary of the Company's realized gains and losses on investments classified as available-for-sale and trading:





	Available-for-Sale				Trading			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2013	2012	2013	2012	2013	2012	2013
Gains	\$—	\$1.9	\$—	\$2.1	\$0.1	\$0.3	\$0.6	\$0.4
Losses	—	—	—	—	—	—	(0.3	) —
Net realized gains	\$—	\$1.9	\$—	\$2.1	\$0.1	\$0.3	\$0.3	\$0.4

#### 4. Variable Interest Entities

##### Sponsored Investment Funds

The Company's Affiliates act as the investment manager for certain investment funds that are considered variable interest entities ("VIEs"). In addition to an Affiliate's involvement as the investment manager, Affiliates may also hold investments in these products. Affiliates are not the primary beneficiary of these VIEs as their involvement is limited to that of a service provider and their investment, if any, represents an insignificant interest in the fund's assets under management. As a result, the Company's variable interests will not absorb the majority of the variability of the entity's net assets and therefore the Company has not consolidated these entities.

##### Trust Preferred Vehicles

The Company established wholly-owned trusts in connection with the 2006 and 2007 issuances of junior convertible trust preferred securities. These entities are considered VIEs and the Company is not the primary beneficiary, therefore these entities are not consolidated in the Company's financial statements.

The net assets and liabilities of these unconsolidated VIEs and the Company's maximum risk of loss related thereto are as follows:

Category of Investment	December 31, 2012		June 30, 2013	
	Unconsolidated VIE Net Assets	Carrying Value and Maximum Exposure to Loss	Unconsolidated VIE Net Assets	Carrying Value and Maximum Exposure to Loss
Sponsored investment funds	\$7,186.9	\$0.8	\$7,511.8	\$1.6
Trust preferred vehicles	9.0	9.0	9.0	9.0

#### 5. Long-Term Debt

##### Senior Bank Debt

The Company entered into a \$1.25 billion senior unsecured revolving credit facility in April 2013 (the "credit facility") which matures in April 2018. As of June 30, 2013, the current outstanding balance under the credit facility is \$100.0 million.

The credit facility is unsecured and contains financial covenants with respect to leverage and interest coverage, as well as customary affirmative and negative covenants, including limitations on indebtedness, liens, cash dividends, asset dispositions and fundamental corporate changes.

##### Convertible Securities

In the second quarter of 2013, the Company repurchased an aggregate of \$53.4 million principal amount outstanding of its 3.95% senior convertible notes due 2038 ("2008 senior convertible notes").

In July 2013, the Company repurchased an additional \$26.1 million principal amount outstanding and subsequently called the outstanding 2008 senior convertible notes for redemption on August 15, 2013. In lieu of redemption, holders of the 2008 senior convertible notes may convert their securities at any time before the close of business on August 14, 2013. The conversion rate is 7.9586 shares of Company common stock per \$1,000 principal amount of 2008 senior convertible notes. The Company may elect to settle such conversions in cash or common stock (or a combination thereof). Pursuant to its call and prior repurchases, all of the Company's 2008 senior convertible notes will be canceled and retired.

## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 6. Derivative Financial Instruments

From time to time, the Company seeks to offset its exposure to changing interest rates under its debt financing arrangements by entering into interest rate hedging contracts.

The following summarizes the amount of derivative instrument gains and losses reported in the Consolidated Statements of Comprehensive Income:

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2012	2013	2012	2013
Cash Flow Hedges				
Interest rate swaps	\$ (0.8 )	\$ 1.0	\$ (0.9 )	\$ 1.3

The following summarizes the location and fair values of derivative instruments on the Consolidated Balance Sheets:

	December 31,		June 30,	
	2012		2013	
Cash Flow Hedges				
Interest rate swaps <sup>(1)</sup>	\$ (4.0 )	\$ (2.7 )		

(1) Presented within Other long-term liabilities.

The Company's derivative contracts contain provisions that may require the Company or the counterparties to post collateral based upon the current fair value of the derivative contracts. As of June 30, 2013, the Company had posted collateral of \$4.0 million related to its interest rate swap contracts.

The Company does not generally hold or issue derivative financial instruments for trading purposes. Interest rate swaps are intended to enable the Company to achieve a level of variable-rate and fixed-rate debt that limits interest rate exposure.

## 7. Commitments and Contingencies

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 the amount of the liability 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 Company.

Certain Affiliates operate under regulatory authorities which require that they maintain minimum financial or capital requirements. Management is not aware of any significant violations of such financial requirements occurring during the period.

In connection with a past acquisition agreement, the Company has committed to co-invest in certain investment partnerships where it serves as the general partner. As of June 30, 2013, these commitments totaled approximately \$71.3 million and may be called in future periods. The Company is contractually entitled to reimbursement from the prior owner for \$32.7 million of these commitments if they are called.

Under past acquisition agreements, the Company is contingently liable, upon achievement of specified financial targets, to make payments of up to \$465.0 million through 2017. As of June 30, 2013, the Company expects to make payments of \$217.0 million (none in 2013) to settle these contingent obligations, including \$142.0 million related to the Company's equity method investments. The net present value of the expected payments for consolidated Affiliates totals \$44.3 million as of June 30, 2013.

## 8. Fair Value Measurements

The Company determines the fair value of certain investment securities and other financial and nonfinancial assets and liabilities. Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, utilizing a hierarchy of three different valuation techniques:



## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Level 1—Unadjusted quoted market prices for identical instruments in active markets;

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs, or significant value drivers, are observable; and

Level 3—Prices reflect the Company's own assumptions concerning unobservable inputs to the valuation model. These inputs require significant management judgment and reflect the Company's assumptions that market participants would use in pricing the asset or liability.

The following table summarizes the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis:

	December 31, 2012	Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash equivalents	\$ 13.5	\$ 13.5	\$—	\$—
Investments in marketable securities <sup>(1)</sup>				
Trading securities	13.6	13.6	—	—
Available-for-sale securities	115.3	115.3	—	—
Other investments <sup>(2)</sup>	155.4	15.7	20.8	118.9
<b>Financial Liabilities</b>				
Contingent payment arrangements <sup>(3)</sup>	\$ 31.0	\$—	\$—	\$31.0
Obligations to related parties <sup>(4)</sup>	77.8	—	—	77.8
Interest rate derivatives <sup>(5)</sup>	4.0	—	4.0	—
	June 30, 2013	Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Financial Assets</b>				
Cash equivalents	\$ 20.4	\$ 20.4	\$—	\$—
Investments in marketable securities <sup>(1)</sup>				
Trading securities	20.5	20.5	—	—
Available-for-sale securities	99.6	99.6	—	—
Other investments <sup>(2)</sup>	152.8	11.7	16.7	124.4
<b>Financial Liabilities</b>				
Contingent payment arrangements <sup>(3)</sup>	\$ 44.3	\$—	\$—	\$ 44.3
Obligations to related parties <sup>(4)</sup>	96.6	—	—	96.6
Interest rate derivatives <sup>(5)</sup>	2.7	—	2.7	—

(1) Principally investments in equity securities.

(2) Other investments are reported within Prepaid expenses and other current assets and Other assets.

(3) Net present value of expected payments under contingent payment arrangements are reported in Accounts payable and accrued liabilities and Other long-term liabilities.

(4) Obligations to related parties are presented within Payables to related party and Other long-term liabilities.

(5) Interest rate derivatives are presented within Other long-term liabilities.

The following is a description of the significant assets and liabilities measured at fair value and the fair value methodologies used.



## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash equivalents consist primarily of highly liquid investments in money market funds. Cash investments in daily redeeming money market funds are classified as Level 1.

Investments in marketable securities consist primarily of investments in publicly traded securities and in funds advised by Affiliates which are valued using net asset value ("NAV"). Publicly traded securities and investments in daily redeeming funds that calculate NAVs are classified as Level 1.

Other investments consist primarily of funds advised by Affiliates and are valued using NAV. Investments in daily redeeming funds that calculate NAVs are classified as Level 1. Investments in funds that permit redemptions monthly or quarterly are classified as Level 2. Investments in funds that are subject to longer redemption restrictions are classified as Level 3. The fair value of Level 3 assets is determined using NAV one quarter in arrears (adjusted for current period calls and distributions).

Contingent payment arrangements represent the present value of the expected future settlement of contingent payment arrangements related to the Company's investments in Affiliates. The significant unobservable inputs that are used in the fair value measurement of these obligations are growth and discount rates. Increases in the growth rate result in a higher obligation while an increase in the discount rate results in a lower obligation.

Obligations to related parties include agreements to repurchase Affiliate equity and liabilities offsetting certain investments which are held by the Company but economically attributable to a related party. The significant unobservable inputs that are used in the fair value measurement of the agreements to repurchase Affiliate equity are growth and discount rates. Increases in the growth rate result in a higher obligation while an increase in the discount rate results in a lower obligation. The liability to a related party is measured based upon certain investments held by the Company, the fair value of which is determined using NAV one quarter in arrears.

Interest rate derivatives include interest rate swaps. The fair value of these assets is determined by model-derived valuations in which all significant inputs are observable in active markets.

The following table presents certain quantitative information about the significant unobservable inputs used in valuing our Level 3 financial liabilities:

## Quantitative Information about Level 3 Fair Value Measurements

	Valuation Techniques	Unobservable Input	Fair Value at December 31, 2012	Range at December 31, 2012	Fair Value at June 30, 2013	Range at June 30, 2013
Contingent payment arrangements	Discounted cash flow	Growth rates	\$31.0	6.0% – 12.0%	\$44.3	2.4% – 11.0%
		Discount rates		14.0% – 18.0%		14.0% – 18.0%
Affiliate equity repurchase obligations	Discounted cash flow	Growth rates	9.4	(10.0)% – 17.0%	27.4	4.7% – 9.0%
		Discount rates		15.0% – 24.0%		15.0% – 17.0%

The following table presents the changes in Level 3 financial assets and financial liabilities for the three and six months ended June 30, 2012 and 2013:

## Level 3 Financial Assets and Financial Liabilities at Fair Value

Three Months Ended June 30, 2012	Balance, beginning of period	Net realized gains/losses	Net unrealized gains/losses relating to instruments still held at the reporting date	Purchases and issuances	Settlements and reductions	Net transfers in and/or out of Level 3	Balance, end of period

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Other investments	\$107.5	\$ (0.9 )	(1) \$3.6	(1) \$5.2	\$(2.4 )	\$—	\$113.0
Contingent payment arrangements	83.1	—	(45.4 )	(2) 24.8	—	—	62.5
Obligations to related parties	77.6	0.7	(3) (0.2 )	(3) 6.0	(4.6 )	—	79.5

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## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended June 30, 2013	Level 3 Financial Assets and Financial Liabilities at Fair Value							Balance, end of period
	Balance, beginning of period	Net realized gains/losses	Net unrealized gains/losses relating to instruments still held at the reporting date	Purchases and issuances	Settlements and reductions	Net transfers in and/or out of Level 3		
Other investments	\$121.9	\$ (0.9 )	(1) \$ 3.9	(1) \$2.8	\$ (3.3 )	\$—	\$124.4	
Contingent payment arrangements	40.5	—	3.8	(2) —	—	—	44.3	
Obligations to related parties	90.7	0.6	(3) 0.6	(3) 16.9	(12.2 )	—	96.6	

Six Months Ended June 30, 2012	Level 3 Financial Assets and Financial Liabilities at Fair Value							Balance, end of period
	Balance, beginning of period	Net realized gains/losses	Net unrealized gains/losses relating to instruments still held at the reporting date	Purchases and issuances	Settlements and reductions	Net transfers in and/or out of Level 3		
Other investments	\$103.4	\$ (1.7 )	(1) \$6.1	(1) \$10.0	\$ (4.8 )	\$—	\$113.0	
Contingent payment arrangements	87.1	—	(49.4 )	(2) 24.8	—	—	62.5	
Obligations to related parties	92.0	0.5	(3) 0.8	(3) 20.3	(34.1 )	—	79.5	

Six Months Ended June 30, 2013	Level 3 Financial Assets and Financial Liabilities at Fair Value							Balance, end of period
	Balance, beginning of period	Net realized gains/losses	Net unrealized gains/losses relating to instruments still held at the reporting date	Purchases and issuances	Settlements and reductions	Net transfers in and/or out of Level 3		
Other investments	\$118.9	\$ (1.4 )	(1) \$6.4	(1) \$7.7	\$ (7.2 )	\$—	\$124.4	
Contingent payment arrangements	31.0	—	13.3	(2) —	—	—	44.3	
Obligations to related parties	77.8	2.0	(3) 0.2	(3) 32.0	(15.4 )	—	96.6	

(1) Gains and losses on Other investments are recorded in Investment and other income.

Accretion and changes to payment estimates under the Company's contingent payment arrangements are recorded (2) in Imputed interest and contingent payment arrangements and foreign currency translation adjustments related to such arrangements are recorded as Other comprehensive income.

Gains and losses associated with agreements to repurchase Affiliate equity are recorded in Imputed interest and (3) contingent payment arrangements. Gains and losses related to liabilities offsetting certain investments are recorded in Investment and other income.

It is the Company's policy to value financial assets or liabilities transferred as of the beginning of the period in which the transfer occurs. There were no significant transfers of financial assets or liabilities in the three and six months ended June 30, 2013. During the three months ended June 30, 2012, no financial assets were transferred from Level 1 to Level 2. During the six months ended June 30, 2012, financial assets valued at \$2.0 million were transferred from Level 1 to Level 2.

The Company relies on the NAV of certain investments as their fair value. The NAVs that have been provided by the investees have been derived from the fair values of the underlying investments as of the measurement dates. The following table summarizes, as of December 31, 2012 and June 30, 2013, the nature of these investments and any related liquidation restrictions or other factors which may impact the ultimate value realized:

## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Category of Investment	December 31, 2012		June 30, 2013	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private equity fund-of-funds <sup>(1)</sup>	\$ 118.9	\$ 75.4	\$ 124.4	\$ 71.3
Other funds <sup>(2)</sup>	68.9	—	73.1	—
	\$ 187.8	\$ 75.4	\$ 197.5	\$ 71.3

(1) These funds primarily invest in a broad range of private equity funds, as well as making direct investments. Distributions will be received as the underlying assets are liquidated over the life of the funds.

(2) These are multi-disciplinary funds that invest across various asset classes and strategies including long/short equity, credit and real estate. Investments are generally redeemable on a daily or quarterly basis.

There are no current plans to sell any of these investments.

The carrying amount of cash, cash equivalents, advisory fees receivable, short-term investments and accounts payable and accrued liabilities approximates fair value because of the short-term nature of these instruments. The carrying value of notes receivable approximates fair value because interest rates and other terms are at market rates. The carrying value of senior bank debt approximates fair value because the debt is a credit facility with variable interest based on selected short-term rates. The fair market value of the senior notes at December 31, 2012 and June 30, 2013 were \$351.8 million and \$343.1 million, respectively. The fair market value of the 2008 senior convertible notes and the junior convertible trust preferred securities at December 31, 2012 were \$510.6 million and \$719.9 million, respectively. The fair market value of the 2008 senior convertible notes and the junior convertible trust preferred securities at June 30, 2013 were \$531.4 million and \$852.3 million, respectively. The senior bank debt, senior notes, 2008 senior convertible notes and junior convertible trust preferred securities are classified as Level 2 because the fair value was determined utilizing market quotes in non-active markets.

## 9. Intangible Assets

### Consolidated Affiliates

The intangible assets of our consolidated Affiliates consist of definite and indefinite-lived acquired client relationships and goodwill. Definite-lived acquired client relationships are amortized over their expected useful lives. As of June 30, 2013, these relationships were being amortized over a weighted average life of approximately eleven years. The Company recognized amortization expense and a reduction in the carrying value of an indefinite-lived asset at one of its Affiliates of \$114.7 million and \$145.1 million, respectively for the three and six months ended June 30, 2012 as compared to \$32.6 million and \$65.5 million, respectively for the three and six months ended June 30, 2013. The Company estimates that its consolidated annual amortization expense will be approximately \$100.0 million for each of the next five years, assuming no additional investments in new or existing Affiliates. Other than changes related to foreign currency translation, there were no significant changes to goodwill or indefinite-lived acquired client relationships during the three and six months ended June 30, 2013.

### Equity Method Investments in Affiliates

The intangible assets at our equity method Affiliates consist of definite-lived acquired client relationships and goodwill. Definite-lived acquired client relationships are amortized over their expected useful lives. As of June 30, 2013, these relationships were being amortized over a weighted average life of approximately nine years. The Company recognized amortization expense for these relationships of \$8.2 million and \$16.3 million, respectively for three and six months ended June 30, 2012 as compared to \$10.3 million and \$20.7 million, respectively for the three and six months ended June 30, 2013. Assuming no additional investments in new or existing Affiliates, the Company estimates the annual amortization expense for the next five years will be \$41.5 million in 2013, \$20.0 million in 2014 and approximately \$10.0 million in each of 2015, 2016 and 2017. Other than changes related to foreign currency translation, there were no significant changes to goodwill during the three and six months ended June 30, 2013.

## 10. Share-Based Compensation

The Company's Net income (controlling interest) for the three and six months ended June 30, 2012 includes compensation expense of \$4.9 million and \$9.9 million, respectively (net of income tax benefits of \$3.0 million and \$6.1 million, respectively) related to the Company's Stock Option and Incentive, Executive Incentive, Long-Term Equity Interests and Deferred Compensation Plans as compared to compensation expense of \$5.4 million and \$10.9 million, respectively (net of

## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

income tax benefits of \$3.4 million and \$6.8 million, respectively) for the three and six months ended June 30, 2013. As of June 30, 2013, the Company expects to recognize compensation expense related to these share-based compensation arrangements of \$60.6 million over a weighted average period of approximately three years (assuming no forfeitures).

## Stock Options

The following table summarizes the transactions of the Company's stock options:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Unexercised options outstanding—December 31, 2012	3.8	\$74.04	
Options exercised	(0.6 )	64.13	
Unexercised options outstanding—June 30, 2013	3.2	75.81	3.8
Exercisable at June 30, 2013	2.0	70.21	3.4

## Restricted Stock

The following table summarizes the transactions of the Company's restricted stock:

	Restricted Stock	Weighted Average Grant Date Value
Unvested units—December 31, 2012	0.4	\$84.53
Units issued	(0.1 )	85.63
Unvested units—June 30, 2013	0.3	84.49

## Long-Term Equity Interests Plan

During the three and six months ended June 30, 2013, the Company repurchased \$3.2 million of these awards, and no awards were granted or forfeited.

## 11. Affiliate Equity

The Company recognized compensation expense related to Affiliate equity of \$8.8 million and \$15.1 million, respectively (\$4.8 million and \$7.0 million attributable to the controlling interest) for the three and six months ended June 30, 2012 as compared to \$9.1 million and \$17.5 million, respectively (\$3.2 million and \$8.4 million attributable to the controlling interest) for the three and six months ended June 30, 2013.

The Company has a conditional right to call and holders of non-controlling interests have a conditional right to put their equity interests at certain intervals. The current redemption value of these interests has been presented as Redeemable non-controlling interests on the Company's Consolidated Balance Sheets. Changes in the current redemption value are recorded to Additional paid-in capital. The following table presents the changes in Redeemable non-controlling interests during the period:

Balance, as of December 31, 2012	\$477.5
Issuance of Redeemable non-controlling interests	3.4
Repurchase of Redeemable non-controlling interests	(28.7 )
Changes in redemption value	67.6
Balance, as of June 30, 2013	\$519.8

During the three and six months ended June 30, 2012 and 2013, the Company acquired interests from and transferred interests to Affiliate management partners. The following schedule discloses the effect of changes in the Company's ownership interest in its Affiliates on the controlling interest's equity:



## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2013	2012	2013
Net income (controlling interest)	\$6.6	\$64.7	\$44.0	\$127.1
Decrease in controlling interest paid-in capital from purchases and sales of Affiliate equity	(2.6 )	(19.3 )	(8.6 )	(24.1 )
Change from Net income (controlling interest) and net transfers with non-controlling interests	\$4.0	\$45.4	\$35.4	\$103.0

## 12. Income Taxes

The consolidated income tax provision includes taxes attributable to the controlling interest and, to a lesser extent, taxes attributable to non-controlling interests as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2013	2012	2013
<b>Controlling Interests:</b>				
Current tax	\$14.3	\$19.8	\$22.3	\$41.0
Intangible-related deferred taxes	(21.5 )	12.3	(11.6 )	24.3
Other deferred taxes	3.3	4.0	6.2	4.8
Total controlling interests	(3.9 )	36.1	16.9	70.1
<b>Non-controlling Interests:</b>				
Current tax	\$3.2	\$2.3	\$6.3	\$5.9
Deferred taxes	2.7	(0.2 )	3.4	(0.3 )
Total non-controlling interests	5.9	2.1	9.7	5.6
Provision for income taxes	\$2.0	\$38.2	\$26.6	\$75.7
Income before income taxes (controlling interest)	\$2.7	\$100.8	\$60.9	\$197.2
Effective tax rate attributable to controlling interests <sup>(1)</sup>	(144.4 )%	35.8 %	27.8 %	35.5 %

(1) Taxes attributable to the controlling interest divided by Income before income taxes (controlling interest).

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

	December 31, 2012	June 30, 2013
Deferred Tax Assets		
State net operating loss carryforwards	\$23.9	\$26.5
Deferred compensation	23.9	25.6
Foreign tax credit carryforwards	20.1	8.9
Tax benefit of uncertain tax positions	17.6	16.6
Accrued expenses	6.0	10.5
Capital loss carryforwards	1.5	1.5
Total deferred tax assets	93.0	89.6
Valuation allowance	(21.3	) (23.2
Deferred tax assets, net of valuation allowance	71.7	66.4
Deferred Tax Liabilities		
Intangible asset amortization	\$(238.2	) \$(254.9
Convertible securities interest	(189.2	) (191.8
Non-deductible intangible amortization	(120.1	) (111.7
Deferred revenue	(18.5	) (11.0
Other	(2.8	) (2.8
Total deferred tax liabilities	(568.8	) (572.2
Net deferred tax liability	\$(497.1	) \$(505.8

Deferred tax liabilities are primarily the result of tax deductions for the Company's intangible assets and convertible securities. The Company amortizes most of its intangible assets for tax purposes only, reducing its tax basis below its carrying value for financial statement purposes and generating deferred taxes each reporting period. The Company's 2008 senior convertible notes and junior convertible trust preferred securities also generate deferred taxes because the Company's tax deductions are higher than the interest expense recorded for financial statement purposes. In the three months ended June 30, 2013, \$5.7 million of deferred tax liabilities were reclassified to stockholders' equity related to the repurchase of the 2008 senior convertible notes.

At June 30, 2013, the Company has state net operating loss carryforwards that expire over a 15-year period beginning in 2013. The Company also has foreign tax credit carryforwards that expire over a 10-year period beginning in 2013. The valuation allowances at December 31, 2012 and June 30, 2013 were principally related to the Company's projections of taxable income prior to the expiration of these state and federal carryforwards.

As of June 30, 2013, the Company carried a liability for uncertain tax positions of \$21.1 million, including \$2.1 million for interest and related charges. At June 30, 2013 this liability also included \$17.8 million for tax positions that, if recognized, would affect the Company's effective tax rate.

The Company periodically has tax examinations in the United States and foreign jurisdictions. Examination outcomes, and any related settlements, are subject to significant uncertainty. The completion of examinations may result in the payment of additional taxes and/or the recognition of tax benefits.

### 13. Earnings Per Share

The calculation of basic earnings per share is based on the weighted average number of shares of the Company's common stock outstanding during the period. Diluted earnings per share is similar to basic earnings per share, but adjusts for the dilutive effect of the potential issuance of incremental shares of the Company's common stock. The following is a reconciliation of the numerator and denominator used in the calculation of basic and diluted earnings per share available to common stockholders.



## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2013	2012	2013
Numerator				
Net income (controlling interest)	\$6.6	\$64.7	\$44.0	\$127.1
Denominator				
Average shares outstanding—basic	51.4	53.1	51.5	52.9
Effect of dilutive instruments:				
Stock options and restricted stock	1.3	1.2	1.3	1.2
Forward equity sales	—	0.3	—	0.3
Average shares outstanding—diluted	52.7	54.6	52.8	54.4

The diluted earnings per share calculations in the table above exclude the anti-dilutive effect of the following shares:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2013	2012	2013
Stock options and restricted stock	1.2	—	1.2	—
Senior convertible securities	3.7	3.6	3.7	3.6
Junior convertible trust preferred securities	4.1	4.1	4.1	4.1

The Company had convertible securities outstanding during the periods presented and is required to apply the if-converted method to these securities in its calculation of diluted earnings per share. Under the if-converted method, shares that are issuable upon conversion are deemed outstanding, regardless of whether the securities are contractually convertible into the Company's common stock at that time. For this calculation, the interest expense (net of tax) attributable to these dilutive securities is added back to Net income (controlling interest), reflecting the assumption that the securities have been converted. Issuable shares for these securities and related interest expense are excluded from the calculation if an assumed conversion would be anti-dilutive to diluted earnings per share.

The Company may settle portions of its Affiliate equity and Long-Term Equity Interests Plan awards in shares of its common stock. Because it is the Company's intent to settle these potential repurchases in cash, the calculation of diluted earnings per share excludes any potential dilutive effect from possible share settlements.

## 14. Comprehensive Income

The following table shows the tax effects allocated to each component of Other comprehensive income:

	For the Three Months Ended June 30, 2012			June 30, 2013		
	Pre-Tax	Tax Benefit (Expense)	Net of Tax	Pre-Tax	Tax Benefit (Expense)	Net of Tax
Foreign currency translation adjustment	\$(9.9 )	\$—	\$(9.9 )	\$(9.7 )	\$—	\$(9.7 )
Change in net realized and unrealized gain (loss) on derivative securities	(0.8 )	0.3	(0.5 )	1.0	(0.4 )	0.6
Change in net unrealized loss on investment securities	(18.0 )	6.6	(11.4 )	(16.8 )	5.5	(11.3 )
Other comprehensive income (loss)	\$(28.7 )	\$6.9	\$(21.8 )	\$(25.5 )	\$5.1	\$(20.4 )

## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Six Months Ended			June 30, 2013		
	June 30, 2012			June 30, 2013		
	Pre-Tax	Tax Benefit (Expense)	Net of Tax	Pre-Tax	Tax Benefit (Expense)	Net of Tax
Foreign currency translation adjustment	\$4.5	\$—	\$4.5	\$(32.5 )	\$—	\$(32.5 )
Change in net realized and unrealized loss on derivative securities	(0.9 )	0.3	(0.6 )	1.3	(0.5 )	0.8
Change in net unrealized loss on investment securities	(3.7 )	1.4	(2.3 )	(15.7 )	5.5	(10.2 )
Other comprehensive income (loss)	\$(0.1 )	\$1.7	\$1.6	\$(46.9 )	\$5.0	\$(41.9 )

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

	Foreign Currency Translation Adjustment	Realized and Unrealized Losses on Derivative Securities	Unrealized Gain (Loss) on Investment Securities	Total
Balance, as of December 31, 2012	\$76.2	\$(2.9 )	\$8.0	\$81.3
Other comprehensive income before reclassifications	(32.5 )	0.8	(8.7 )	(40.4 )
Amounts reclassified from other comprehensive income	—	—	(1.5 )	(1.5 )
Net other comprehensive income	(32.5 )	0.8	(10.2 )	(41.9 )
Balance, as of June 30, 2013	\$43.7	\$(2.1 )	\$(2.2 )	\$39.4

## 15. Segment Information

Management has assessed and determined that the Company operates in three business segments representing the Company's three principal distribution channels: Institutional, Mutual Fund and High Net Worth, each of which has different client relationships.

Revenue in the Institutional distribution channel is earned from relationships with public and private client entities, including pension plans, foundations, endowments and sovereign wealth funds. Revenue in the Mutual Fund distribution channel is earned from advisory and sub-advisory relationships with all domestically-registered investment products as well as non-institutional investment products that are registered abroad. Revenue in the High Net Worth distribution channel is earned from relationships with ultra-high net worth individuals, families and charitable foundations.

Revenue earned from client relationships managed by Affiliates accounted for under the equity method is not consolidated with the Company's reported Revenue but instead is included (net of operating expenses, including amortization) in Income from equity method investments, and reported in the distribution channel in which the Affiliate operates. Income tax attributable to the profits of the Company's equity method Affiliates is reported within the Company's consolidated income tax provision.

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." 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. Generally, as revenue increases, additional compensation is typically 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. All other operating expenses (excluding intangible amortization) and interest expense have been allocated to segments based on the proportion of cash flow distributions reported by Affiliates in each segment.



## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Statements of Income

	Three Months Ended June 30, 2012			Total
	Institutional	Mutual Fund	High Net Worth	
Revenue	\$219.5	\$173.3	\$36.8	\$429.6
Operating expenses:				
Depreciation, intangible amortization and impairments	18.8	97.7	1.8	118.3
Other operating expenses	139.8	123.3	23.2	286.3
	158.6	221.0	25.0	404.6
Operating income	60.9	(47.7)	11.8	25.0
Income from equity method investments	9.3	2.8	1.3	13.4
Other non-operating (income) and expenses:				
Investment and other income	(3.0)	(0.3)	0.3	(3.0)
Interest expense	10.9	5.9	1.7	18.5
Imputed interest and contingent payment arrangements	(17.5)	(22.7)	0.2	(40.0)
	(9.6)	(17.1)	2.2	(24.5)
Income before income taxes	79.8	(27.8)	10.9	62.9
Income taxes	18.0	(18.1)	2.1	2.0
Net income	61.8	(9.7)	8.8	60.9
Net income (non-controlling interests)	(28.4)	(21.6)	(4.3)	(54.3)
Net income (loss) (controlling interest)	\$33.4	\$(31.3)	\$4.5	\$6.6
	Three Months Ended June 30, 2013			
	Institutional	Mutual Fund	High Net Worth	Total
Revenue	\$241.7	\$245.8	\$53.5	\$541.0
Operating expenses:				
Depreciation, intangible amortization and impairments	19.9	12.8	3.2	35.9
Other operating expenses	148.8	163.3	31.6	343.7
	168.7	176.1	34.8	379.6
Operating income	73.0	69.7	18.7	161.4
Income from equity method investments	30.0	3.9	2.3	36.2
Other non-operating (income) and expenses:				
Investment and other income	(3.4)	(3.6)	(0.5)	(7.5)
Interest expense	13.4	8.5	2.4	24.3
Imputed interest and contingent payment arrangements	2.6	5.0	0.8	8.4
	12.6	9.9	2.7	25.2
Income before income taxes	90.4	63.7	18.3	172.4
Income taxes	20.7	14.0	3.5	38.2
Net income	69.7	49.7	14.8	134.2
Net income (non-controlling interests)	(33.6)	(27.5)	(8.4)	(69.5)
Net income (controlling interest)	\$36.1	\$22.2	\$6.4	\$64.7

## AFFILIATED MANAGERS GROUP, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30, 2012			Total
	Institutional	Mutual Fund	High Net Worth	
Revenue	\$426.2	\$349.0	\$72.0	\$847.2
Operating expenses:				
Depreciation, intangible amortization and impairments	38.8	109.7	3.7	152.2
Other operating expenses	269.3	246.2	45.7	561.2
	308.1	355.9	49.4	713.4
Operating income	118.1	(6.9 )	22.6	133.8
Income from equity method investments	19.8	5.4	2.7	27.9
Other non-operating (income) and expenses:				
Investment and other income	(8.1 )	(4.3 )	(1.0 )	(13.4 )
Interest expense	21.8	12.0	3.3	37.1
Imputed interest and contingent payment arrangements	(15.2 )	(27.9 )	0.6	(42.5 )
	(1.5 )	(20.2 )	2.9	(18.8 )
Income before income taxes	139.4	18.7	22.4	180.5
Income taxes	29.8	(7.5 )	4.3	26.6
Net income	109.6	26.2	18.1	153.9
Net income (non-controlling interests)	(57.3 )	(42.7 )	(9.9 )	(109.9 )
Net income (loss) (controlling interest)	\$52.3	\$(16.5 )	\$8.2	\$44.0
	Six Months Ended June 30, 2013			
	Institutional	Mutual Fund	High Net Worth	Total
Revenue	\$465.4	\$473.7	\$104.2	\$1,043.3
Operating expenses:				
Depreciation, intangible amortization and impairments	39.6	26.4	6.4	72.4
Other operating expenses	289.4	308.6	61.0	659.0
	329.0	335.0	67.4	731.4
Operating income	136.4	138.7	36.8	311.9
Income from equity method investments	74.5	7.7	4.7	86.9
Other non-operating (income) and expenses:				
Investment and other income	(5.9 )	(5.4 )	(0.7 )	(12.0 )
Interest expense	27.8	16.1	4.6	48.5
Imputed interest and contingent payment arrangements	6.9	14.3	1.4	22.6
	28.8	25.0	5.3	59.1
Income before income taxes	182.1	121.4	36.2	339.7
Income taxes	42.8	25.8	7.1	75.7
Net income	139.3	95.6	29.1	264.0
Net income (non-controlling interests)	(64.5 )	(56.2 )	(16.2 )	(136.9 )
Net income (controlling interest)	\$74.8	\$39.4	\$12.9	\$127.1
Total assets as of December 31, 2012	3,176.5	2,354.8	655.8	6,187.1
Total assets as of June 30, 2013	2,919.2	2,509.4	644.1	6,072.7

## 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, in our other filings with the United States 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," "may," "intends," "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 global 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 our operating results and in the cash flow distributable to us from our Affiliates;

we cannot be certain that we will be successful in finding or investing in additional investment management firms on favorable terms, that we will be able to consummate announced investments in new investment management firms, 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 common stock or other securities in order to finance investments in additional investment management firms or additional investments in our existing Affiliates, 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 "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012, and in any other filings we make with the Securities and Exchange Commission from time to time.

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.

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements of AMG and its subsidiaries (collectively, the "Company" or "AMG") and the notes thereto contained elsewhere in this Quarterly Report on Form 10-Q.

### Executive Overview

We are a global asset management company with equity investments in a diverse group of boutique investment management firms (our "Affiliates"). Our innovative partnership approach allows each Affiliate's management team to own significant equity in their firm while maintaining operational autonomy. Our strategy is to generate growth through the internal growth of existing Affiliates, as well as through investments in new Affiliates. In addition, we provide assistance to our Affiliates in distribution, marketing, product development, operations and strategic matters. As of June 30, 2013, we manage \$469.5 billion in assets through our Affiliates across a broad range of asset classes and investment styles in three principal distribution channels: Institutional, Mutual Fund and High Net Worth. The following summarizes our operations in our three principal distribution channels.

In the Institutional distribution channel, we manage assets for large institutional investors world-wide including sovereign wealth funds, foundations, endowments, and retirement plans for corporations and municipalities.

In the Mutual Fund distribution channel, we provide advisory or sub-advisory services to mutual funds or other retail-oriented products. These funds are distributed to retail and institutional clients directly and through intermediaries, including independent investment advisors, retirement plan sponsors, broker-dealers, major fund

marketplaces and bank trust departments.

Through the High Net Worth distribution channel, we provide advisory services to ultra-high net worth individuals, families and charitable foundations. Direct services to these clients include customized investment counseling, investment management and fiduciary services.

#### Our Structure and Relationship with Affiliates

We establish and maintain long-term partnerships with our Affiliates, believing that Affiliate management equity ownership (along with AMG's ownership) aligns our interests and provides Affiliates with a powerful incentive to continue to grow their business. We partner with the highest quality firms in the industry, with outstanding management teams, strong long-term performance records and a demonstrated commitment to continued growth and success. Our partnership approach ensures that Affiliates maintain operational autonomy in managing their business, thereby preserving their entrepreneurial culture and independence.

Although the specific structure of each investment is highly tailored to meet the needs of a particular Affiliate, in all cases, we establish a meaningful equity interest in the firm, with the remaining equity interests retained by Affiliate management. Each Affiliate is organized as a separate firm, and its operating or shareholder agreement is structured to provide appropriate incentives for management owners and to address their particular characteristics while also enabling us to protect our interests, including through arrangements such as long-term employment agreements with key members of the firm.

We generally have contractual arrangements ("revenue sharing arrangements") with our Affiliates. In many cases, a percentage of revenue is allocable to fund operating expenses, including compensation (the "Operating Allocation"), while the remaining revenue (the "Owners' Allocation") is allocable to us and Affiliate management, generally with a priority to us. In other revenue sharing arrangements, we own a minority interest that allocates to us a percentage of the Affiliate's revenue, with the remaining revenue available to the Affiliate to pay operating expenses and profit distributions to the other owners. Certain of our Affiliates operate under profit-based arrangements through which we receive a share of profits as cash flow, rather than a percentage of revenue. As a result, we participate fully in any increase or decrease in the revenue or expenses of such firms. From time to time, we may consider changes to the structure of our relationship with an Affiliate in order to better support the firm's growth strategy.

#### Financial Results

For the three and six months ended June 30, 2013, Net income (controlling interest) was \$64.7 million and \$127.1 million, respectively, while Earnings per share—diluted was \$1.18 and \$2.33, respectively and Cash flow from operations was \$262.7 million and \$464.8 million, respectively. For the three and six months ended June 30, 2012, Net income (controlling interest) was \$6.6 million and \$44.0 million, respectively, Earnings per share—diluted was \$0.12 and \$0.83, respectively and Cash flow from operations was \$183.4 million and \$236.0 million, respectively. For the three and six months ended June 30, 2013, Economic net income was \$121.1 million and \$245.4 million, respectively, while Economic earnings per share was \$2.18 and \$4.45, respectively, representing a 31% and 37% increase over the prior year, and EBITDA was \$173.0 million and \$348.0 million, respectively. For the three and six months ended June 30, 2012, Economic net income was \$87.6 million and \$171.1 million, respectively, Economic earnings per share was \$1.66 and \$3.24, respectively, and EBITDA was \$113.7 million and \$227.8 million, respectively. Reconciliations of Net income to Economic net income and Cash flow from operations to EBITDA are included on pages 30 and 31, respectively.

For the twelve months ended June 30, 2013, our assets under management increased 22% to \$469.5 billion. The increase was the result of \$46.0 billion from investment performance and \$41.0 billion from organic growth from net client cash flows.

The table below summarizes our financial highlights:



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(in millions, except as noted and per share data)	As of and for the Three Months Ended June 30,			As of and for the Six Months Ended June 30,		
	2012	2013	% Change	2012	2013	% Change
Assets under Management (in billions)	\$384.6	\$469.5	22 %	\$384.6	\$469.5	22 %
Average assets under Management (in billions)	353.5	468.0	32 %	352.0	458.6	30 %
Revenue	429.6	541.0	26 %	847.2	1,043.3	23 %
EBITDA <sup>(1)</sup>	113.7	173.0	52 %	227.8	348.0	53 %
Net income (controlling interest) <sup>(2)</sup>	6.6	64.7	n.m. <sup>(3)</sup>	44.0	127.1	189 %
Earnings per share—diluted	0.12	1.18	n.m. <sup>(3)</sup>	0.83	2.33	181 %
Economic net income <sup>(4)</sup>	87.6	121.1	38 %	171.1	245.4	43 %
Economic earnings per share <sup>(4)</sup>	1.66	2.18	31 %	3.24	4.45	37 %

(1) EBITDA, including a reconciliation to Cash flow from operations, is discussed in greater detail in "Supplemental Liquidity Measure" on page 31.

(2) During the three and six months ended June 30, 2012, we recognized gains related to certain of our contingent payment arrangements and reduced the carrying value of an indefinite-lived intangible asset at one of our Affiliates as described in footnotes 1 and 2 on page 25.

(3) Percentage change is not meaningful.

(4) Economic net income and Economic earnings per share, including a reconciliation of Economic net income to Net income, are discussed in "Supplemental Performance Measures" on page 29.

Diversification of Assets under Management

The following table provides information regarding the composition of our assets under management:

(in billions)	December 31, 2012		June 30, 2013	
	Assets under Management	Percentage of Total	Assets under Management	Percentage of Total
Asset Class				
Equity <sup>(1)</sup>	\$279.5	65 %	\$304.7	65 %
Alternative <sup>(2)</sup>	105.1	24 %	114.0	24 %
Fixed Income <sup>(3)(4)</sup>	47.2	11 %	50.8	11 %
Total	\$431.8	100 %	\$469.5	100 %
Geography <sup>(5)</sup>				
Global	\$228.0	53 %	\$244.2	52 %
Domestic	152.5	35 %	174.5	37 %
Emerging Markets	51.3	12 %	50.8	11 %
Total	\$431.8	100 %	\$469.5	100 %

(1) The Equity asset class includes equity, balanced and asset allocation products.

(2) The Alternative asset class includes private equity, multi-strategy, market neutral equity and hedge products.

(3) Our Affiliates sponsor money market funds with fund assets representing less than 1% of our assets under management.

(4) Investments in sovereign and non-sovereign debt of European countries represent less than 1% of our assets under management.

(5) The Geography of a particular investment product describes the general location of its investment holdings.

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During the six months ended June 30, 2013, on an asset class basis, we experienced organic growth from net client cash flows which totaled \$25.1 billion and positive investment performance across all asset classes, with no change in asset composition. On a geographic basis, strong investment performance in the Domestic region, relative to International and Emerging Markets, resulted in a relative increase in assets under management in that region in 2013.

#### Assets under Management by Operating Segment

The following table presents changes in our Affiliates' reported assets under management by operating segment (which are also referred to as distribution channels).

#### Statement of Changes-Quarter to Date

(in billions)	Institutional	Mutual Fund	High Net Worth	Total
March 31, 2013	\$268.5	\$134.7	\$59.3	\$462.5
Client cash inflows	11.4	16.6	2.6	30.6
Client cash outflows	(6.8 )	(8.3 )	(2.3 )	(17.4 )
Net client cash flows	4.6	8.3	0.3	13.2
Investment performance	(5.0 )	(0.2 )	(0.4 )	(5.6 )
Other <sup>(1)</sup>	(0.6 )	—	—	(0.6 )
June 30, 2013	\$267.5	\$142.8	\$59.2	\$469.5

#### Statement of Changes-Year to Date

(in billions)	Institutional	Mutual Fund	High Net Worth	Total
December 31, 2012	\$254.3	\$121.9	\$55.6	\$431.8
Client cash inflows	22.3	28.6	5.8	56.7
Client cash outflows	(11.8 )	(15.6 )	(4.2 )	(31.6 )
Net client cash flows	10.5	13.0	1.6	25.1
Investment performance	3.9	7.9	2.0	13.8
Other <sup>(1)</sup>	(1.2 )	—	—	(1.2 )
June 30, 2013	\$267.5	\$142.8	\$59.2	\$469.5

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Includes assets under management attributable to Affiliate product transitions, new investment client transitions (1) and transfers of our interest in certain Affiliated investment management firms, the financial effects of which are not material to our ongoing results.

The net flows for the six months ended June 30, 2013 occurred across a broad range of product offerings in each of our distribution channels, with no individual cash inflow or outflow having a significant impact on our revenue or expenses.

The operating segment analysis presented in the following table is based on average assets under management. For the Mutual Fund distribution channel, average assets under management represent an average of the daily net assets under management. For the Institutional and High Net Worth distribution channels, average assets under management reflect the billing patterns of particular client accounts. For example, assets under management for an account that bills in advance is presented in the table on the basis of beginning of period assets under management while an account that bills in arrears is reflected on the basis of end of period assets under management. Assets under management attributable to any investment in new Affiliates are included on a weighted average basis for the period from the closing date of the respective investment. 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.



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(in millions, except as noted)	For the Three Months			For the Six Months				
	Ended June 30, 2012	2013	% Change	Ended June 30, 2012	2013	% Change		
Average Assets under Management (in billions)								
Including equity method Affiliates								
Institutional	\$221.8	\$268.9	21	% \$220.9	\$265.7	20	%	
Mutual Fund	92.0	139.6	52	% 91.5	134.4	47	%	
High Net Worth	39.7	59.5	50	% 39.6	58.5	48	%	
Total	\$353.5	\$468.0	32	% \$352.0	\$458.6	30	%	
Consolidated Affiliates								
Institutional	\$149.7	\$165.8	11	% \$151.2	\$165.5	9	%	
Mutual Fund	75.4	111.2	47	% 75.7	107.8	42	%	
High Net Worth	30.5	48.8	60	% 29.7	47.8	61	%	
Total	\$255.6	\$325.8	27	% \$256.6	\$321.1	25	%	
Revenue								
Institutional	\$219.5	\$241.7	10	% \$426.2	\$465.4	9	%	
Mutual Fund	173.3	245.8	42	% 349.0	473.7	36	%	
High Net Worth	36.8	53.5	45	% 72.0	104.2	45	%	
Total	\$429.6	\$541.0	26	% \$847.2	\$1,043.3	23	%	
Net income (loss) (controlling interest) <sup>(1)</sup>								
Institutional	\$33.4	\$36.1	8	% \$52.3	\$74.8	43	%	
Mutual Fund <sup>(2)</sup>	(31.3	) 22.2	n.m. <sup>(3)</sup>	(16.5	) 39.4	n.m. <sup>(3)</sup>		
High Net Worth	4.5	6.4	42	% 8.2	12.9	57	%	
Total	\$6.6	\$64.7	n.m. <sup>(3)</sup>	\$44.0	\$127.1	189	%	
EBITDA <sup>(4)</sup>								
Institutional	\$66.9	\$96.3	44	% \$133.8	\$200.4	50	%	
Mutual Fund	36.4	60.4	66	% 73.5	115.4	57	%	
High Net Worth	10.4	16.3	57	% 20.5	32.2	57	%	
Total	\$113.7	\$173.0	52	% \$227.8	\$348.0	53	%	

During the three months ended June 30, 2012, we recognized a gain totaling \$47.4 million (\$34.6 million attributable to the controlling interest) related to certain of our contingent payment arrangements. The controlling interest portion of the gain was allocated \$20.0 million, \$14.4 million and \$0.2 million to our Institutional, Mutual Fund and High Net Worth channels, respectively. During the six months ended June 30, 2012, we recognized a gain totaling \$57.3 million (\$39.6 million attributable to the controlling interest) related to certain of our contingent payment arrangements. The controlling interest portion of the gain was allocated \$20.2 million, \$19.1 million and (1) \$0.3 million to our Institutional, Mutual Fund and High Net Worth channels, respectively. During the three months ended June 30, 2013, we recognized a loss totaling \$2.1 million (all of which was attributable to the controlling interest) related to certain of our contingent payment arrangements. The loss was allocated \$2.0 million and \$0.1 million to our Mutual Fund and High Net Worth channels, respectively. During the six months ended June 30, 2013, we recognized a loss totaling \$10.3 million (all of which was attributable to the controlling interest) related to certain of our contingent payment arrangements. The loss was allocated \$9.6 million and \$0.7 million to our Mutual Fund and High Net Worth channels, respectively.

During the three and six months ended June 30, 2012, we reduced the carrying value of an indefinite lived (2) intangible asset at one of our Affiliates and, accordingly, recorded pre tax expenses of \$93.5 million and \$102.2 million, respectively.

(3) Percentage change is not meaningful.

(4) EBITDA, including a reconciliation to cash flow from operations, is discussed in "Supplemental Liquidity Measure" on page 31.

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## Results of Operations

Our Affiliate investments are generally structured as revenue sharing arrangements. When we own a controlling interest, we consolidate the Affiliates' results. Our discussion of revenue and operating expenses relates to our consolidated Affiliates.

When we hold a minority investment and are required to use the equity method of accounting, we do not consolidate the operating results of these firms (including their revenue). Our share of these firms' earnings (net of intangible amortization) is reported in Income from equity method investments and is discussed on page 27.

### Revenue

Our revenue is generally determined by the level of our average assets under management and the composition of our assets across our operating segments and products within our operating segments, which realize different fee rates. Our ratio of revenue to average assets under management (in total and by channel) is calculated as revenue divided by average assets under management and may change as a result of new investments, net client cash flows, performance and, to a lesser extent, changes in contractual fees. Therefore, changes in this ratio should not necessarily be viewed as an indicator of changes in contractual fee rates billed to our Affiliates' clients.

Our revenue is also determined by the level of performance fees recognized. Performance fees are generally measured on absolute or relative investment performance against a benchmark. As a result, the level of performance fees earned can vary significantly from period to period and these fees may not necessarily be correlated to changes in assets under management.

Our revenue increased \$111.4 million (or 26%) in the three months ended June 30, 2013 as compared to the three months ended June 30, 2012, primarily from an increase in average assets under management from our consolidated Affiliates. The increase in average assets under management resulted principally from net client cash flows, investment performance and our new Affiliate investments in 2012.

Our revenue increased \$196.1 million (or 23%) in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012, primarily from an increase in average assets under management from our consolidated Affiliates. The increase in average assets under management resulted principally from investment performance, net client cash flows and our new Affiliate investments in 2012.

Neither changes in the composition of our assets under management between operating segments nor changes to our contractual fee rates had a significant impact on our results.

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

### Institutional Distribution Channel

Our revenue in the Institutional distribution channel increased \$22.2 million (or 10%) in the three months ended June 30, 2013 as compared to the three months ended June 30, 2012, primarily from an increase in average assets under management from our consolidated Affiliates and higher performance fees. The increase in average assets under management resulted principally from investment performance and net client cash flows.

Our revenue in the Institutional distribution channel increased \$39.2 million (or 9%) in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012, primarily from an increase in average assets under management from our consolidated Affiliates and higher performance fees. The increase in average assets under management resulted principally from investment performance and net client cash flows.

### Mutual Fund Distribution Channel

Our revenue in the Mutual Fund distribution channel increased \$72.5 million (or 42%) in the three months ended June 30, 2013 as compared to the three months ended June 30, 2012, primarily from an increase in average assets under management from our consolidated Affiliates. The increase in average assets under management resulted principally from net client cash flows, investment performance and our new Affiliate investments in 2012.

Our revenue in the Mutual Fund distribution channel increased \$124.7 million (or 36%) in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012, primarily from an increase in average assets under management from our consolidated Affiliates. The increase in average assets under management resulted principally from net client cash flows, investment performance and our new Affiliate investments in 2012.

### High Net Worth Distribution Channel





Our revenue in the High Net Worth distribution channel increased \$16.7 million (or 45%) in the three months ended June 30, 2013 as compared to the three months ended June 30, 2012, primarily from an increase in average assets under management from our consolidated Affiliates, partially offset by a decline in our ratio of revenue to average assets under management. The increase in average assets under management resulted principally from our new Affiliate investments in 2012, investment performance and net client cash flows. The decline in our ratio of revenue to average assets under management was primarily the result of our new Affiliate investments in 2012 that have comparatively lower fee rates.

Our revenue in the High Net Worth distribution channel increased \$32.2 million (or 45%) in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012, primarily from an increase in average assets under management from our consolidated Affiliates, partially offset by a decline in our ratio of revenue to average assets under management. The increase in average assets under management resulted principally from our new Affiliate investments in 2012, investment performance and net client cash flows. The decline in our ratio of revenue to average assets under management was primarily the result of our new Affiliate investments in 2012 that have comparatively lower fee rates.

#### Operating Expenses

The following table summarizes our consolidated operating expenses:

(in millions)	For the Three Months			For the Six Months		
	Ended June 30, 2012	2013	% Change	Ended June 30, 2012	2013	% Change
Compensation and related expenses	\$188.1	\$235.4	25 %	\$369.2	\$450.0	22 %
Selling, general and administrative	88.8	99.5	12 %	173.8	191.8	10 %
Intangible amortization and impairments	114.7	32.6	(72) %	145.1	65.5	(55) %
Depreciation and other amortization	3.6	3.3	(8) %	7.1	6.9	(3) %
Other operating expenses	9.4	8.8	(6) %	18.2	17.2	(5) %
Total operating expenses	\$404.6	\$379.6	(6) %	\$713.4	\$731.4	3 %

A substantial portion of our operating expenses was incurred by our Affiliates, the majority of which was incurred by Affiliates with revenue sharing arrangements. For Affiliates with revenue sharing arrangements, an Affiliate's Operating Allocation percentage generally determined its operating expenses. Accordingly, our compensation expense was generally impacted by increases or decreases in each Affiliate's revenue and the corresponding increases or decreases in their respective Operating Allocation.

Compensation and related expenses increased \$47.3 million (or 25%) and \$80.8 million (or 22%) in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively. These increases were primarily a result of increases in Affiliate expenses from new Affiliate investments in 2012 of \$17.3 million and \$32.2 million in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively, and the relationship between revenue and operating expenses at extant Affiliates, which experienced increases in revenue, and accordingly, reported higher compensation expenses.

Selling, general and administrative expenses increased \$10.7 million (or 12%) and \$18.0 million (or 10%) in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively.

These increases were primarily a result of increases in Affiliate expenses from new Affiliate investments in 2012.

Intangible amortization and impairments decreased \$82.1 million (or 72%) and \$79.6 million (or 55%) in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively.

These decreases were primarily the result of a reduction in the carrying value of an indefinite-lived asset at one of our Affiliates in 2012 which did not reoccur in 2013.

#### Income from Equity Method Investments

When we own a minority investment and are required to use the equity method of accounting, we only recognize our share of these Affiliates' earnings (generally calculated as a fixed percentage of revenue) net of intangible amortization. Accordingly, we have not consolidated these Affiliates' operating results (including their revenue). The following table summarizes our share of the profits from our equity method investments:



(in millions)	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2012	2013	% Change	2012	2013	% Change
Income from equity method investments	\$13.4	\$36.2	170 %	\$27.9	\$86.9	211 %

Income from equity method Affiliates increased \$22.8 million (or 170%) and \$59.0 million (or 211%) in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively. These increases were the result of increases in revenue, including higher performance fees, as well as our additional investment in an existing Affiliate during 2012.

#### Other Income Statement Data

The following table summarizes other income statement data:

(in millions)	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2012	2013	% Change	2012	2013	% Change
Investment and other income	\$3.0	\$7.5	150 %	\$13.4	\$12.0	(10) %
Interest expense	18.5	24.3	31 %	37.1	48.5	31 %
Imputed interest and contingent payment arrangements	(40.0)	8.4	n.m. <sup>(1)</sup>	(42.5)	22.6	n.m. <sup>(1)</sup>
Income tax expense	2.0	38.2	n.m. <sup>(1)</sup>	26.6	75.7	185 %

(1) Percentage change is not meaningful.

Investment and other income increased \$4.5 million (or 150%) in the three months ended June 30, 2013, as compared to the three months ended June 30, 2012, principally as a result of an increase in Affiliate investment earnings.

Investment and other income decreased \$1.4 million (or 10%) in the six months ended June 30, 2013, as compared to the six months ended June 30, 2012, principally as a result of a decrease in Affiliate investment earnings.

Interest expense increased \$5.8 million (or 31%) and \$11.4 million (or 31%) in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively. These increases were primarily as a result of the issuance of the 6.375% Senior Notes due in 2042 (the "2042 senior notes") and the 5.25% Senior Notes due in 2022 (the "2022 senior notes") in the second half of 2012.

Imputed interest and contingent payment arrangements consists of interest accretion on our senior convertible securities and our junior convertible trust preferred securities, as well as the accretion and revaluation of our contingent payment arrangements. Imputed interest and contingent payment arrangements increased \$48.4 million and \$65.1 million in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively. These increases were primarily a result of a \$2.1 million and \$10.3 million loss on the revaluation of our contingent payment arrangements in the three and six months ended June 30, 2013, respectively, as compared to a \$47.4 million and \$57.3 million gain on the revaluation of our contingent payment arrangements in the three and six months ended June 30, 2012, respectively.

Income taxes increased \$36.2 million and \$49.1 million in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, principally from an increase to pre-tax earnings.

#### Net Income

The following table summarizes Net income:

(in millions)	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2012	2013	% Change	2012	2013	% Change
Net income	\$60.9	\$134.2	120 %	\$153.9	\$264.0	72 %
Net income (non-controlling interests)	54.3	69.5	28 %	109.9	136.9	25 %
Net income (controlling interest)	6.6	64.7	n.m. <sup>(1)</sup>	44.0	127.1	189 %

(1) Percentage change is not meaningful.

Net income (non-controlling interests) increased \$15.2 million (or 28%) and \$27.0 million (or 25%) in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively, primarily as a result of the previously discussed changes in revenue.

Net income (controlling interest) increased \$58.1 million and \$83.1 million in the three and six months ended June 30, 2013, as compared to the three and six months ended June 30, 2012, respectively, primarily as a result of the previously discussed changes in revenue and expenses.

#### Supplemental Performance Measures

As supplemental information, we provide non-GAAP performance measures that we refer to as Economic net income and Economic earnings per share. We consider Economic net income an important measure of our financial performance, as we believe it best represents our operating performance before non-cash expenses relating to our acquisition of interests in our Affiliates. Economic net income and Economic earnings per share are used by our management and Board of Directors as our principal performance benchmarks, including as measures for aligning executive compensation with stockholder value. These measures are provided in addition to, but not as a substitute for, Net income (controlling interest) and Earnings per share. Economic net income and Economic earnings per share are not liquidity measures and should not be used in place of any liquidity measure calculated under accounting principles generally accepted in the U.S. ("GAAP").

Under our Economic net income definition, we add to Net income (controlling interest) amortization (including equity method amortization) and impairments, deferred taxes related to intangible assets, non-cash imputed interest expense (principally related to the accounting for convertible securities and contingent payment arrangements) and certain Affiliate equity expense. We add back amortization and impairments attributable to acquired client relationships because these expenses do 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) is added back because we believe it is unlikely these accruals will be used to settle material tax obligations. We add back non-cash imputed interest expense and contingent payment arrangements because it better reflects our contractual interest obligations. We add back non-cash expenses relating to certain transfers of equity between Affiliate partners when these transfers have no dilutive effect to shareholders.

Economic earnings per share represents Economic net income divided by the adjusted diluted average shares outstanding, which measures the potential share issuance from our senior convertible securities and junior convertible securities (each further described in Liquidity and Capital Resources) using a "treasury stock" method. Under this method, only the net number of shares of common stock equal to the value of these securities in excess of par, if any, are deemed to be outstanding. We believe the inclusion of net shares under a treasury stock method best reflects the benefit of the increase in available capital resources (which could be used to repurchase shares of common stock) that occurs when these securities are converted and we are relieved of our debt obligation. This method does not take into account any increase or decrease in our cost of capital in an assumed conversion.

The following table provides a reconciliation of Net income (controlling interest) to Economic net income:

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(in millions, except per share data)	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2012	2013	2012	2013
Net income (controlling interest)	\$6.6	\$64.7	\$44.0	\$127.1
Intangible amortization and impairments <sup>(1)</sup>	119.3	38.1	154.2	76.5
Intangible-related deferred taxes	(21.5 )	12.3	(11.6 )	24.2
Imputed interest and contingent payment arrangements <sup>(2)</sup>	(17.4 )	5.4	(16.7 )	14.4
Affiliate equity expense	0.6	0.6	1.2	3.2
Economic net income	\$87.6	\$121.1	\$171.1	\$245.4
Average shares outstanding—diluted	52.7	54.6	52.8	54.4
Dilutive impact of senior convertible securities shares	—	0.8	—	0.7
Dilutive impact of trust preferred shares	—	0.1	—	—
Average shares outstanding—adjusted diluted	52.7	55.5	52.8	55.1
Economic earnings per share	\$1.66	\$2.18	\$3.24	\$4.45

Our reported intangible amortization includes amortization attributable to our non-controlling interests, amounts not added back to Net income (controlling interest) to measure our Economic net income. Further, for our equity (1)method Affiliates, we do not separately report revenue or expenses (including intangible amortization) in our income statement. Our share of these Affiliates' amortization is reported in Income from equity method investments.

The following table summarizes the Intangible amortization and impairments shown above:

(in millions)	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2012	2013	2012	2013
Reported Intangible amortization and impairments	\$114.7	\$32.6	\$145.1	\$65.5
Equity method amortization	8.2	10.3	16.3	20.7
Intangible amortization—non-controlling interests	(3.6 )	(4.8 )	(7.2 )	(9.7 )
	\$119.3	\$38.1	\$154.2	\$76.5

Our reported Imputed interest and contingent payment arrangements, \$(40.0) million and \$8.4 million for the three months ended June 30, 2012 and 2013, respectively, includes \$(11.7) million and \$0.0 million, respectively, of imputed interest attributable to the non-controlling interests, an amount not added back to Net income (controlling (2)interest) to measure our Economic net income. Our reported Imputed interest and contingent payment arrangements, \$(42.5) million and \$22.6 million for the six months ended June 30, 2012 and 2013, respectively, includes \$(15.2) million and \$0.0 million, respectively, of imputed interest attributable to our non-controlling interests.

#### Liquidity and Capital Resources

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

(in millions)	December	June 30,
	31, 2012	2013
<b>Balance Sheet Data</b>		
Cash and cash equivalents	\$430.4	\$413.8
Senior bank debt	325.0	100.0
Senior notes	340.0	340.0
Senior convertible securities	450.1	404.8
Junior convertible trust preferred securities	515.5	517.1



(in millions)	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2012	2013	2012	2013
<b>Cash Flow Data</b>				
Operating cash flow	\$183.4	\$262.7	\$236.0	\$464.8
Investing cash flow	(396.0 )	(2.8 )	(393.9 )	(9.8 )
Financing cash flow	131.5	(180.4 )	18.2	(466.0 )
EBITDA <sup>(1)</sup>	113.7	173.0	227.8	348.0

(1) The definition of EBITDA is presented under "Supplemental Liquidity Measure."

Under the terms of our credit facility we are required to meet two financial ratio covenants. The first of these covenants is a maximum ratio of debt to EBITDA (the "bank leverage ratio") of 3.0. The second covenant is a minimum EBITDA to cash interest expense ratio of 3.0 (our "bank interest coverage ratio"). For purposes of calculating these ratios, share-based compensation expense is added back to EBITDA. As of June 30, 2013, our bank leverage and bank interest coverage ratios were 1.3 and 8.7, respectively, and we were in compliance with all terms of our credit facility. We have \$1.2 billion of remaining capacity under our credit facility, and could borrow all such capacity and remain in compliance with our credit facility.

During the quarter, we were upgraded to BBB by both Standard & Poor's and Fitch rating agencies. With the exception of a modest increase in the borrowing rate under our credit facility (0.25%), a downgrade of our credit rating would have no direct financial effect on any of our agreements or securities (or otherwise trigger a default).

#### Supplemental Liquidity Measure

As supplemental information, we have provided information regarding EBITDA, a non-GAAP liquidity measure. This measure is provided in addition to, but not as a substitute for, cash flow from operating activities. 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 that EBITDA is useful as an indicator of our ability to service debt, make new investments and meet working capital requirements. We further believe that many investors use this information when analyzing the financial position of companies in the investment management industry.

The following table provides a reconciliation of cash flow from operations to EBITDA:

(in millions)	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2012	2013	2012	2013
Cash flow from operating activities	\$183.4	\$262.7	\$236.0	\$464.8
Interest expense, net of non-cash items <sup>(1)</sup>	16.7	21.1	33.4	42.8
Current tax provision	14.3	19.8	22.3	41.0
Income from equity method investments, net of distributions <sup>(2)</sup>	(0.3 )	(6.0 )	(14.4 )	(38.8 )
Net income (non-controlling interests)	(54.3 )	(69.5 )	(109.9 )	(136.9 )
Changes in assets and liabilities	(31.0 )	(28.8 )	83.3	23.6
Other non-cash adjustments <sup>(3)</sup>	(15.1 )	(26.3 )	(22.9 )	(48.5 )
EBITDA	\$113.7	\$173.0	\$227.8	\$348.0

Non-cash items include Amortization of issuance costs and Imputed interest and contingent payment arrangements (1) of \$(38.2) million and \$11.6 million for the three months ended June 30, 2012 and 2013, respectively and \$(38.8) million and \$28.3 million for the six months ended June 30, 2012 and 2013, respectively.





Distributions from equity method investments were \$21.9 million and \$52.5 million for the three months ended (2) June 30, 2012 and 2013, respectively and \$58.6 million and \$146.4 million for the six months ended June 30, 2012 and 2013, respectively.

(3) Other non-cash adjustments include share-based compensation expense and other adjustments to reconcile Net income (controlling interest) to net cash flow from operating activities.

In the six months ended June 30, 2013, we met our cash requirements primarily through cash generated by operating activities. Our principal uses of cash were to repay senior bank debt, make distributions to Affiliate partners, repurchase our 2008 senior convertible notes, settle contingent payment obligations and repay our other liabilities. We expect that our principal uses of cash for the foreseeable future will be for investments in new and existing Affiliates, distributions to Affiliate partners, payment of principal and interest on outstanding debt, and for working capital purposes.

The following table summarizes the principal amount due at maturity of our debt obligations and convertible securities as of June 30, 2013:

(in millions)	Amount	Maturity Date	Form of Repayment
Senior bank debt	\$ 100.0	2018	(1)
Senior notes	340.0	2022/2042	(2)
2008 senior convertibles notes	406.6	2038	(3)
Junior convertible trust preferred securities	730.8	2036/2037	(4)

(1) Settled in cash.

(2) Settled in cash on or after October 15, 2015 for the 2022 senior notes and August 15, 2017 for the 2042 senior notes.

(3) In July, we called all of our outstanding 2008 senior convertible notes as described on page 33.

(4) Settled in cash or common stock (or a combination thereof) at our election if the holders exercise their conversion rights.

#### Senior Bank Debt

We entered into a \$1.25 billion senior unsecured revolving credit facility in April 2013 (the "credit facility"). The credit facility matures in April 2018. As of June 30, 2013, the current outstanding balance under the credit facility is \$100.0 million.

The credit facility is unsecured and contains financial covenants with respect to leverage and interest coverage, as well as customary affirmative and negative covenants, including limitations on indebtedness, liens, cash dividends, asset dispositions and fundamental corporate changes.

#### Senior Notes

At June 30, 2013, we have two senior notes outstanding. The principal terms of these notes are summarized below.

	2022 Senior Notes	2042 Senior Notes	
Issue date	October 2012	August 2012	
Maturity date	October 2022	August 2042	
Potential Call Date	October 2015	August 2017	
Par value (in millions)	\$ 140.0	\$ 200.0	
Call Price	At Par	At Par	
Stated coupon	5.25	% 6.375	%
Coupon frequency	Quarterly	Quarterly	



### Convertible Securities

In the second quarter of 2013, we repurchased an aggregate of \$53.4 million principal amount outstanding of our 3.95% senior convertible notes due 2038 ("2008 senior convertible notes").

In July 2013, we repurchased an additional \$26.1 million principal amount outstanding and subsequently called the outstanding 2008 senior convertible notes for redemption on August 15, 2013. In lieu of redemption, holders of the 2008 senior convertible notes may convert their securities at any time before the close of business on August 14, 2013. The conversion rate is 7.9586 shares of our common stock per \$1,000 principal amount of 2008 senior convertible notes. We may elect to settle such conversions in cash or common stock (or a combination thereof). Pursuant to our call and prior repurchases, all of our 2008 senior convertible notes will be canceled and retired.

At June 30, 2013, we have the 2008 senior convertible notes outstanding and two junior convertible trust preferred securities outstanding, one issued in 2006 (the "2006 junior convertible trust preferred securities") and a second issued in 2007 (the "2007 junior convertible trust preferred securities"). The principal terms of these securities are summarized below.

	2008 Senior Convertible Notes <sup>(1)</sup>	2007 Junior Convertible Trust Preferred Securities <sup>(2)</sup>	2006 Junior Convertible Trust Preferred Securities <sup>(3)</sup>		
Issue date	August 2008	October 2007	April 2006		
Maturity date	August 2038	October 2037	April 2036		
Next potential put date	N/A	N/A	N/A		
Par value (in millions)	\$406.6	\$430.8	\$300.0		
Carrying value (in millions) <sup>(4)</sup>	404.8	300.3	216.8		
Denomination	1,000	50	50		
Current conversion rate	7.959	0.250	0.333		
Current conversion price	\$125.65	\$200.00	\$150.00		
Stated coupon	3.95	% 5.15	% 5.10		%
Coupon frequency	Semi-annually	Quarterly	Quarterly		
Tax deduction rate <sup>(5)</sup>	9.38	% 8.00	% 7.50		%

(1) In July 2013, we called all of our outstanding 2008 senior convertible notes.

(2) We may redeem the 2007 junior convertible trust preferred securities if the closing price of the our common stock exceeds \$260 per share for a specified period of time.

(3) We may redeem the 2006 junior convertible trust preferred securities if the closing price of our common stock exceeds \$195 per share for a specified period of time.

(4) The carrying value is accreted to the principal amount at maturity over an expected life of five years for the 2008 senior convertible notes and 30 years for each of the junior convertible trust preferred securities.

These convertible securities are considered contingent payment debt instruments under federal income tax regulations, which require us to deduct interest in an amount greater than our reported Interest expense. These deductions result in annual deferred tax liabilities of approximately \$12.0 million. These deferred tax liabilities will be reclassified directly to stockholders' equity if our common stock is trading above certain thresholds at the time of the conversion of the securities. In the three months ended June 30, 2013, \$5.7 million was reclassified to stockholders' equity related to the repurchase of the 2008 senior convertible notes.

Both the 2006 and 2007 junior convertible trust preferred securities are convertible, at any time, into a defined number of shares. Upon conversion, holders will receive cash or shares of our common stock, or a combination thereof. We can call the 2006 junior convertible trust preferred securities if the closing price of our common stock exceeds \$195 per share for a specified period of time. We can call the 2007 junior convertible trust preferred securities if the closing price of our common stock exceeds \$260 per share for a specified period of time. Holders of the 2006 and 2007 junior

convertible trust preferred securities have no rights to put these securities to us.

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#### Derivative Instruments

From time to time, we seek to offset our exposure to changing interest rates under our debt financing arrangements by entering into interest rate hedging contracts. We have entered into interest rate swap contracts to exchange a fixed rate for the variable rate on a portion of our credit facility. These contracts expire between 2015 and 2017. Under these contracts, we will pay a weighted average fixed rate of 1.76% on a notional amount of \$100.0 million through October 2015. Thereafter, through October 2017, we will pay a weighted average fixed rate of 2.14% on a remaining notional amount of \$25.0 million. As of June 30, 2013, the unrealized loss on these contracts was \$2.7 million.

#### Forward Equity Sale Agreement

In 2012, we amended our forward equity agreement to increase the amount of shares of common stock we may sell to an aggregate of \$400.0 million. During 2012, we entered into contracts to sell a notional amount of \$147.2 million at an average share price of \$121.37. All contracts remain outstanding. We have the ability to settle the contracts either by delivering shares of common stock and receiving cash or net settling for cash or shares of common stock. There was no forward equity sale activity during the six months ended June 30, 2013.

#### Affiliate Equity

Many of our operating agreements provide us a conditional right to call and Affiliate partners the conditional right to put their retained equity interests at certain intervals. The purchase price of these conditional purchases are generally calculated based upon a multiple of the Affiliate's cash flow distributions, which is intended to represent fair value. Affiliate management partners are also permitted to sell their equity interests to other individuals or entities in certain cases, subject to our approval or other restrictions.

Our current redemption value for these interests has been presented as Redeemable non-controlling interests on our Consolidated Balance Sheets. Although the timing and amounts of these purchases are difficult to predict, we expect to repurchase approximately \$50.0 million of Affiliate equity during 2013, and, in such event, will own the cash flow associated with any equity repurchased.

#### Operating Cash Flow

Cash flow from operations generally represents Net income adjusted for cash distributions from equity method investments, non-cash charges for intangible amortization and impairments, deferred taxes, imputed interest and contingent payment arrangements, share-based compensation, as well as increases and decreases in our consolidated working capital.

The increase in cash flows from operations in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 resulted principally from an increase in net income as adjusted for distributions from equity method investments and non-cash charges (\$169.2 million), as well as decreases in the settlements of accounts payable and accrued liabilities (\$40.4 million) and increases in the collections of investment advisory fees receivable (\$9.5 million).

#### Investing Cash Flow

Net cash flow used in investing activities decreased \$384.1 million in the six months ended June 30, 2013, as compared to the six months ended June 30, 2012. During the six months ended June 30, 2012 we used \$405.3 million for new Affiliate investments. This change was partially offset by lower sales of investment securities in the six months ended June 30, 2012 (\$23.8 million).

#### Financing Cash Flow

Net cash flow used in financing activities increased \$484.3 million in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. This was primarily a result of the net repayment of senior bank debt (\$420.0 million) and repurchase of 2008 senior convertible notes (\$69.0 million), an increase in distributions to non-controlling interests (\$59.7 million) and an increase in note and contingent payments (\$36.1 million). These increases in cash outflows were partially offset by a decrease in repurchases of common stock (\$60.9 million) and an increase in inflows related to Affiliate equity issuances and repurchases (\$27.8 million).

Excess tax benefits associated with stock options have been reported as financing cash flows in the amount of \$10.2 million and \$4.8 million as of June 30, 2013 and 2012, respectively.



Under past acquisition agreements, we are contingently liable, upon achievement of specified financial targets, to make payments of up to \$465.0 million through 2017. In 2013, we do not expect to make any payments to settle portions of these contingent arrangements. In addition, we expect to repurchase approximately \$50.0 million of Affiliate equity during 2013.

Our Board of Directors has periodically authorized share repurchase programs (most recently October 2011). The maximum number of shares that may be repurchased under outstanding programs is approximately 2.3 million. The timing and amount of repurchases are determined at the discretion of management. There was no share purchase activity during the six months ended June 30, 2013.

We anticipate that borrowings under the credit facility and proceeds from the settlement of any forward equity sales, together with cash flows from operations will be sufficient to support our cash flow needs for the foreseeable future.

#### Contractual Obligations

The following table summarizes our contractual obligations as of June 30, 2013. Contractual debt obligations include the cash payment of fixed interest.

(in millions)	Total	Payments Due			
		Remainder of 2013	2014-2015	2016-2017	Thereafter
<b>Contractual Obligations</b>					
Senior bank debt	\$ 100.0	\$—	\$—	\$—	\$ 100.0
2008 senior convertible notes <sup>(1)</sup>	816.1	8.0	32.1	32.1	743.9
Junior convertible trust preferred securities	1,615.8	18.5	74.1	74.1	1,449.1
Senior notes	786.0	10.1	40.2	40.2	695.5
Leases	167.7	13.9	51.3	35.8	66.7
Other liabilities <sup>(2)</sup>	39.9	29.7	—	—	10.2
Derivative instruments	5.0	0.9	3.2	0.9	—
<b>Total contractual obligations</b>	<b>\$3,530.5</b>	<b>\$81.1</b>	<b>\$200.9</b>	<b>\$183.1</b>	<b>\$3,065.4</b>
<b>Contingent Obligations</b>					
Contingent payment obligations <sup>(3)</sup>	\$217.0	\$—	\$64.8	\$152.2	\$—

(1) In July 2013, we called all of our outstanding 2008 senior convertible notes, which are expected to be canceled and retired during the third quarter of 2013.

Other liabilities reflect amounts payable to Affiliate managers related to our purchase of Affiliate equity interests.

(2) This table does not include liabilities for uncertain tax positions or commitments to co-invest in certain investment partnerships (of \$21.1 million and \$71.3 million as of June 30, 2013, respectively) as we cannot predict when such obligations will be paid.

The contingent payment obligations disclosed in the table represent our expected settlement amounts. The (3) maximum settlement amount through 2013 is approximately \$161.5 million and \$303.5 million in periods thereafter.

#### Recent Accounting Developments

In February 2013, the Financial Accounting Standards Board issued an update to the guidance for reporting reclassifications out of accumulated other comprehensive income. The new guidance requires companies to present the impact of significant amounts reclassified from accumulated other comprehensive income and the income statement line items affected by the reclassification. The new guidance is effective for interim and fiscal periods beginning after December 15, 2012. We adopted this guidance in the first quarter of 2013. Adoption of this new guidance did not have a significant impact on our Consolidated Financial Statements.

In June 2013, the Financial Accounting Standards Board issued an update to the guidance for determining whether a public or private company is an investment company. The new guidance clarifies the characteristics of an investment

company and amends certain disclosure and measurement requirements. The new guidance is effective for interim and fiscal periods

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beginning after December 15, 2013 (early application is prohibited). We are evaluating the impact of this guidance, however we do not expect it to have a significant impact on our Consolidated Financial Statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no significant changes to our Quantitative and Qualitative Disclosures About Market Risk in the three months ended June 30, 2013. Please refer to Item 7A in our 2012 Annual Report on Form 10-K.

**Item 4. 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 during the quarter covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the quarter covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective in ensuring that (i) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Our disclosure controls and procedures were designed to provide reasonable assurance of achieving their stated objectives and our principal executive officer and principal financial officers concluded that our disclosure controls and procedures are effective at the reasonable assurance level. We review on an ongoing basis and document our disclosure controls and procedures, and our internal control over financial reporting, and we may from time to time make changes in an effort to enhance their effectiveness and ensure that our systems evolve with our business. No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) None.

(c) Purchases of Equity Securities by the Issuer.

In July 2010 and October 2011, the Board of Directors approved share repurchase programs authorizing us to repurchase up to 0.5 million and 2.0 million shares, respectively, of our common stock. There was no share repurchase activity during the three months ended June 30, 2013. As of June 30, 2013, approximately 2.3 million shares remain available for repurchase under these programs, which do not expire. Purchases may be made from time to time, at management's discretion.

Item 6. Exhibits

The exhibits are listed on the Exhibit Index and are included elsewhere in this Quarterly Report on Form 10-Q.

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.

August 6, 2013

AFFILIATED MANAGERS GROUP, INC.

(Registrant)

/s/ JAY C. HORGEN

Jay C. Horgen

on behalf of the Registrant as Chief Financial Officer and  
Treasurer (and also as Principal Financial and Principal  
Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification of Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Registrant's Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Registrant's Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 are furnished herewith, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Income for the three and six month periods ended June 30, 2013 and 2012, (ii) the Consolidated Balance Sheets at June 30, 2013 and December 31, 2012, (iii) the Consolidated Statement of Equity for the six month period ended June 30, 2013, (iv) the Consolidated Statements of Cash Flows for the three and six month periods ended June 30, 2013 and 2012, and (v) the Notes to the Consolidated Financial Statements.

[QuickLinks](#)

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED STATEMENTS OF INCOME (in millions, except per share data) (unaudited)

AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (in millions) (unaudited)

AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED BALANCE SHEETS (in millions) (unaudited)

AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in millions) (unaudited)

AFFILIATED MANAGERS GROUP, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (in millions) (unaudited)

AFFILIATED MANAGERS GROUP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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