AFFILIATED MANAGERS GROUP, INC.
Form 10-K
February 22, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

ý	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018
OR

o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 001-13459

Affiliated Managers Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	04-3218510
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

777 South Flagler Drive, West Palm Beach, Florida, 33401
(Address of principal executive offices)
(800) 345-1100
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.01 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý
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 ý No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

At June 30, 2018, the aggregate market value of the common stock held by non-affiliates of the registrant, based upon the closing price of $148.67 on June 29, 2018 on the New York Stock Exchange, was $7,886,822,780. There were 52,048,705 shares of the registrant’s common stock outstanding on February 19, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 2018, and delivered to stockholders in connection with the registrant’s annual meeting of stockholders, are incorporated by reference into Part III.

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PART I

Forward-Looking Statements

Certain matters discussed in this Annual Report on Form 10-K, in our other filings with the U.S. Securities and Exchange Commission (the “SEC”), in our press releases and in oral statements made with the approval of an executive officer may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources and other non-historical statements, and may be prefaced with words such as “outlook,” “guidance,” “believes,” “expects,” “potential,” “preliminary,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “projects,” “positioned,” “prospects,” “intends,” “p “pending investments,” “anticipates” or the negative version of these words or other comparable words. Such statements are subject to certain risks and uncertainties, including, among others, the factors discussed under the caption “Item 1A. Risk Factors.”

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. Forward-looking statements speak only as of the date they are made, and we will not undertake and we specifically disclaim any obligation to release publicly the result of any revisions that 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 caution readers not to place undue reliance on any such forward-looking statements.

Item 1. Business

We are a global asset management company with equity investments in leading boutique investment management firms, which we refer to as our “Affiliates.” Our innovative partnership approach allows each Affiliate’s management team to own significant equity in their firm and maintain operational autonomy. Our strategy is to generate shareholder value through the growth of existing Affiliates, as well as through investments in new Affiliates and additional investments in existing Affiliates. In addition, we provide centralized assistance to our Affiliates in strategic matters, marketing, distribution, product development and operations. As of December 31, 2018, our aggregate assets under management were $736.0 billion in more than 500 investment products across a broad range of active, return-oriented strategies.

We hold meaningful equity interests in each of our Affiliates and typically each Affiliate’s management team retains a significant equity interest in their own firm. Affiliate management equity ownership (along with our long-term ownership) aligns our interests, enhances Affiliate management equity incentives, and preserves the opportunity for Affiliate management to participate directly in the long-term future growth and profitability of their firms. Our innovative partnership approach also provides Affiliate management with a degree of liquidity and financial diversification and ensures that they maintain their unique entrepreneurial culture and independence by preserving their operational autonomy in managing their business.

Given our long-term partnership approach, we address the ongoing succession planning issues facing the Affiliate’s principal owners by facilitating the transfer of equity over time to the next generation of Affiliate management. At certain Affiliates, we do not have an obligation to repurchase equity interests, but we may make additional investments to further facilitate Affiliate ownership transition.

Although we invest in boutique investment management firms that we anticipate will grow independently, given our long-term partnership approach, we enhance our Affiliates’ growth prospects by providing access to the resources and scale of a global asset management company.

We provide succession planning solutions to boutique investment management firms and we are focused on investing in firms around the world managing active, return-oriented strategies, including traditional and alternative firms, as well as wealth management firms. We identify high-quality boutique firms based on our thorough understanding of the investment management industry, and we have developed long-term relationships with a significant number of these firms. Within our target universe, we seek strong and stable boutiques that offer active, return-oriented strategies, such as alternative strategies and global equities strategies. These boutiques are typically characterized by a strong multi-generational management team, entrepreneurial culture and commitment to building long-term success.

We anticipate that the principal owners of boutique investment management firms will continue to need a succession planning partner and we will, therefore, continue to have significant investment opportunities across the global asset management industry, including investment opportunities resulting from subsidiary divestitures, secondary sales and other

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special situations. In addition, we also have the opportunity to make additional investments in our existing Affiliates. We are well-positioned to execute upon these investment opportunities through our established process of identifying and cultivating investment prospects, our broad industry relationships, and our substantial experience and expertise in structuring and negotiating transactions. We have a strong global reputation as an outstanding partner to our Affiliates, and we are widely recognized in the marketplace as providing innovative solutions for the succession planning and strategic needs of boutique investment management firms.

Investment Management Operations

Through our Affiliates, we provide a comprehensive and diverse range of active, return-oriented strategies designed to assist institutional, retail and high net worth clients worldwide in achieving their investment objectives. We manage disciplined and focused investment strategies that address the specialized needs of institutional clients, including foundations and endowments, defined benefit and defined contribution plans for corporations and municipalities, and multi-employer plans. We provide boutique investment management expertise to retail investors through advisory and sub-advisory services to active, return-oriented mutual funds, Undertakings for the Collective Investment of Transferable Securities (“UCITS”), Collective Investment Trusts and other retail products. We also provide investment management and customized investment counseling and fiduciary services to high net worth individuals, families and charitable foundations, and to individually managed accounts via intermediaries, including brokerage firms or other sponsors.

As of December 31, 2018, we managed $736.0 billion in equities, alternative and multi-asset strategies in more than 500 investment products across investment styles, asset classes and geographies. The following chart provides information regarding our equities, alternative, and multi-asset strategies as of December 31, 2018.

Global Distribution

Through our Affiliates, we offer investors access to a broad and diverse array of independent boutique managers with distinct brands and specialized investment processes. Our Affiliates distribute their investment services and products to institutional investors through direct sales efforts and established relationships with consultants and intermediaries around the world through their own business development resources. In addition, our global distribution platform operates in major markets to extend the reach of our Affiliates’ own business development efforts. Our Affiliates benefit from the expertise of our senior sales and marketing professionals located in Asia, Australia, Europe, the Middle East, and the UK.

Our Affiliates’ investment management services are also distributed globally to retail investors through our Affiliates’ own efforts and through our retail distribution platforms in the form of advisory and sub-advisory services to mutual funds and other retail oriented products. Our Affiliates’ investment management services are delivered to retail investors through various intermediaries, including independent investment advisers, retirement plan sponsors, broker-dealers, major fund marketplaces, sponsors of separately managed accounts (including unified managed accounts), and bank trust departments.

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Our Affiliates currently manage assets for investors in more than 50 countries, including all major developed markets.

Our Structure and Relationship with Affiliates

We maintain long-term partnerships with the management equity owners of our Affiliates, and believe that Affiliate management equity ownership (along with our long-term ownership) aligns our and our Affiliates' interests, enhances Affiliate management equity incentives and preserves the opportunity for Affiliate management to participate directly in the long-term future growth and profitability of their firms. Our innovative partnership approach allows each Affiliate's management team to retain sufficient equity in their firm to address their particular needs. Equity ownership also provides Affiliate management with a degree of liquidity and financial diversification and ensures that they maintain their unique entrepreneurial culture and independence by preserving their operational autonomy in managing their business. Although the equity structure of each Affiliate investment is tailored to meet the needs of the management equity owners of the particular Affiliate, we typically maintain a meaningful equity interest in the Affiliate, with a significant equity interest retained by Affiliate management.

Each of our Affiliates operates through distinct legal entities, which affords us the flexibility to design a separate operating agreement for each Affiliate that reflects our customized arrangements with respect to governance, economic participation, equity incentives and the other terms of our relationship. In each case, the operating agreement provides for a governance structure that gives Affiliate management the authority to manage and operate the business on a day-to-day basis. The operating agreement also reflects the specific terms of our economic participation in the Affiliate, which, in each case, uses a "structured partnership interest" to ensure alignment of our economic interests with those of Affiliate management.

For a majority of our Affiliates, we use structured partnership interests in which we contractually share in the Affiliate's revenue without regard to expenses. In this type of structured partnership interest, the Affiliate allocates a specified percentage of its revenue to us, while using the remainder of its revenue for operating expenses and for distributions to Affiliate management. We and Affiliate management, therefore, participate in any increase or decrease in revenue, and only Affiliate management participates in any increase or decrease in expenses. Our contractual share of revenue generally has priority over the distributions to Affiliate management.

For other Affiliates, we use structured partnership interests in which we contractually share in the Affiliate's revenue less agreed-upon expenses. This type of partnership interest allows us to benefit from any increase in revenue or any decrease in the agreed-upon expenses, but also exposes us to any decrease in revenue or any increase in such expenses. The degree of our exposure to expenses from these structured partnership interests varies by Affiliate and includes Affiliates in which we fully share in the expenses of the business.

When we own a controlling interest in an Affiliate, we consolidate the Affiliate's financial results into our Consolidated Financial Statements. When we do not own a controlling interest in an Affiliate, but have significant influence, we account for our interest in the Affiliate under the equity method. Under the equity method of accounting, we do not consolidate the Affiliate's results into our Consolidated Financial Statements. Instead, our share of earnings or losses, net of amortization and impairments, is included in Equity method income (loss) (net) in our Consolidated Statements of Income, and our interest in these Affiliates is reported in Equity method investments in Affiliates (net) in our Consolidated Balance Sheets.

Whether we consolidate an Affiliate's financial results or use the equity method of accounting, we maintain the same partnership approach and provide support and assistance in substantially the same manner for all of our Affiliates. From time to time, we may restructure our interest in an Affiliate to better support the Affiliate's growth strategy.

Competition

Our Affiliates compete with a large number of domestic and foreign investment management firms, as well as with subsidiaries of larger financial organizations. These firms may have significantly greater financial, technological and marketing resources, captive distribution and assets under management, and many of these firms offer an even broader array of products and services in particular investment strategies. Certain of our Affiliates offer their investment management services to the same client types and, from time to time, may compete with each other for clients. In addition, there are relatively few barriers to entry for new investment management firms, especially for those looking to provide investment management services to institutional and high net worth investors. We believe that the most important factors affecting our Affiliates' ability to compete for clients are the:

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- investment performance track records, investment styles, discipline, and reputations of our Affiliates and their management teams;
- depth and continuity of our and our Affiliates' client relationships;
- diversity of our Affiliates' products and level of client service offered by us and our Affiliates;
- maintenance of strong business relationships by us and our Affiliates with major intermediaries;
- continued development, either organically or through new investments, of investment strategies to meet the changing needs and risk tolerances of investors;
- continued success of our Affiliates' distribution efforts; and
- changes in investor preferences, such as the continued growth in passively-managed products.

The relative importance of each of these factors can vary depending on client type and the investment management service involved, as well as general market conditions. The ability to compete with other investment management firms also depends, in part, on the relative attractiveness of our Affiliates' active, return-oriented strategies, market trends, fees or a combination of these factors.

We compete with a number of acquirers of and investors in boutique investment management firms, including other investment management companies, private equity firms, sovereign wealth funds and larger financial organizations. We believe that the most important factors affecting our ability to compete for future investments are the:

- breadth and depth of our relationships with boutique investment management firms;
- degree to which target firms view our investment model as more stable because of our succession planning capabilities;
- purchase price, equity incentive structures, and access to economies of scale that we offer (financially, operationally or otherwise) as compared to acquisition or investment arrangements offered by others; and
- reputation and performance of our Affiliates, by which target firms may judge us and our future prospects.

Government Regulation

Our Affiliates offer their investment management services and products around the world, and are subject to complex and extensive regulation by regulatory and self-regulatory authorities and exchanges in various jurisdictions. Virtually all aspects of the asset management business, including the provision of advice, investment strategies and trading, fund sponsorship, and product-related sales and distribution activities, are subject to regulation. These regulations are primarily intended to protect the clients of investment advisers and generally grant regulatory authorities broad administrative powers.

The majority of our Affiliates are registered with the SEC as investment advisers under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary duties, compliance and disclosure obligations, and operational and recordkeeping requirements. Our Affiliates operating outside of the U.S. are subject to regulation by various regulatory and self-regulatory authorities and exchanges in the relevant jurisdictions, including, for those Affiliates active in the UK, the Financial Conduct Authority (the "FCA"). Many of our Affiliates also sponsor or advise registered and unregistered funds in the U.S. and in other jurisdictions, and are subject to regulatory requirements in the jurisdictions where those funds are sponsored or offered, including, with respect to mutual funds, the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Investment Company Act governs the operations of mutual funds and imposes obligations on their advisers, including investment restrictions and other governance, compliance, reporting and fiduciary obligations relating to the management of mutual funds.

Our Affiliates' sales and marketing activities are subject to regulation by authorities in the jurisdictions in which they offer investment management products and services. Our Affiliates' ability to transact business in these jurisdictions, and to conduct related cross-border activities, is subject to the continuing availability of regulatory authorization. Through our global distribution platform, we also engage in sales and marketing activities that extend the reach of our Affiliates' own business development efforts, and which are subject to regulation in numerous jurisdictions. Our U.S. retail distribution subsidiary is registered with the SEC under the Advisers Act. This subsidiary sponsors mutual funds registered under the Investment Company Act, and serves as an investment adviser and/or administrator for the AMG Funds complex. In the UK, our global distribution subsidiary is regulated by the FCA and serves as the promoter for our Irish UCITS platform, which sponsors UCITS funds managed by Affiliates and marketed in Europe. We also have global distribution subsidiaries or branches of subsidiaries regulated by the Swiss Financial Market Supervisory Authority, the Dubai Financial Services Authority, the Securities and Futures Commission in Hong Kong, and the Australian Securities and Investments Commission.

Certain of our Affiliates and our U.S. retail distribution subsidiary are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and related regulations, with respect to retirement plan clients. ERISA imposes duties on persons who are fiduciaries under ERISA, and prohibits certain transactions involving related parties to a retirement plan. The U.S. Department of Labor ("DOL") administers ERISA and regulates investment advisers who service retirement plan clients, and has been increasingly active in proposing and adopting additional regulations applicable to the asset management industry. Certain of our Affiliates and our U.S. retail distribution subsidiary are also members of the National Futures Association and are regulated by the U.S. Commodity Futures Trading Commission ("CFTC") with respect to the management of funds and other products that utilize futures, swaps or other CFTC-regulated instruments.

In addition, certain of our Affiliates and our U.S. retail broker-dealer subsidiary are registered broker-dealers and members of the Financial Industry Regulatory Authority ("FINRA"), for the purpose of distributing funds or other products. FINRA has adopted extensive regulatory requirements relating to sales practices, registration of personnel, compliance and supervision, and compensation and disclosure. FINRA and the SEC have the authority to conduct periodic examinations of member broker-dealers, and may also conduct administrative proceedings. These broker-dealers are also subject to net capital rules in the U.S. that mandate the maintenance of certain levels of capital, and our Affiliates and global distribution subsidiaries may also be subject to other regulatory capital requirements imposed by non-U.S. regulatory authorities.

Due to the extensive laws and regulations to which we and our Affiliates are subject, we and our Affiliates must devote substantial time, expense and effort to remain current on, and to address, legal and regulatory compliance matters. We have established compliance programs for each of our operating subsidiaries, and each of our Affiliates has established compliance programs to address regulatory compliance requirements for its operations. We and our Affiliates have experienced legal and compliance professionals in place to address these requirements, and have relationships with various legal and regulatory advisers in each of the countries where we and our Affiliates conduct business. See "Item 1A. Risk Factors."

Employees and Corporate Organization

As of December 31, 2018, we had approximately 4,450 employees, the substantial majority of which were employed full-time by our Affiliates. Neither we nor our Affiliates are subject to any collective bargaining agreements, and we believe that our and our Affiliates' labor relations are good. We were formed in 1993 as a corporation under the laws of the State of Delaware.

Our Website

Our website is www.amg.com. Our website provides information about us, and, from time to time, we may use it to distribute material company information. We routinely post financial, investment performance and other important information regarding the Company in the Investor Relations section of our website and we encourage investors to consult that section regularly. The Investor Relations section of our website also includes copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including exhibits, and any amendments to those reports filed or furnished with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. We make these reports available through our website as soon as reasonably practicable after our electronic filing of such materials with, or the furnishing of them to, the SEC. The information contained or incorporated on our website is not a part of this Annual Report on Form 10-K.

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Item 1A. Risk Factors

We and our Affiliates face a variety of risks that are substantial and inherent in our businesses, including those related to markets, liquidity, credit, operational, legal and regulatory risks. The following are some of the more important factors that could affect our and our Affiliates' businesses. Certain statements in "Risk Factors" are forward-looking statements. See "Forward-Looking Statements."

Our financial results depend on our Affiliates' receipt of asset and performance based fees, and are impacted by investment performance, as well as changes in fee levels, product mix and the relative levels of assets under management among our Affiliates.

Our financial results depend on our Affiliates' receipt of asset and performance based fees. Asset based fees are primarily based on a percentage of the value of assets under management, and vary with the nature of the account or product managed. In certain instances, our Affiliates are paid fees based on investment performance on an absolute basis or relative to a benchmark and, as such, are dependent upon investment results that may vary substantially from year to year.

Our Affiliates' ability to maintain current fee levels depends on a number of factors, including our Affiliates' investment performance, as well as competition and trends in the asset management industry, including recent fee pressure, driven in part by investor demand for passively-managed products that typically carry lower fee rates. In addition, in the ordinary course of business, our Affiliates may reduce or waive fees on certain products for particular time periods, to attract or retain managed assets or for other reasons. Further, different types of assets under management can generate different ratios of asset based fees to assets under management ("asset based fee ratio"), based on factors such as the investment strategy and the type of client. Thus, a change in the composition of our assets under management, either within an Affiliate or among our Affiliates, could result in a decrease in our aggregate fees even if our aggregate assets under management remains unchanged or increases. Products that use fee structures based on investment performance may also vary significantly from period to period, depending on the investment performance of the particular product. For some of our Affiliates, performance based fees include a high-watermark provision, which generally provides that if a product underperforms on an absolute basis or relative to its benchmark, it must regain such underperformance before the Affiliate will earn any performance based fees. No assurances can be given that our Affiliates will be able to maintain current fee structures or levels. A reduction in the asset or performance based fees that our Affiliates receive could have an adverse impact on our financial condition and results of operations.

Additionally, our structured partnership interests are tailored to meet the needs of each Affiliate and are therefore varied, and our earnings may be adversely affected by changes in the relative performance or in the relative levels and mix of assets under management among our Affiliates, independent of our aggregate operating performance measures. Further, certain Affiliates contribute significantly to our results and, therefore, changes in fee levels, product mix, assets under management or investment performance of such Affiliates could have a disproportionate adverse impact on our financial condition and results of operations.

Our financial results could be adversely affected by any reduction in our assets under management, which could reduce the asset and performance based fees earned by our Affiliates.

Our earnings depend on our Affiliates' receipt of asset and performance based fees and may be impacted by changes in the total level of our assets under management. The total level of our assets under management generally or with particular products or Affiliates could be adversely affected by conditions outside of our control, including:

- a decline in market value of our assets under management, including due to declines in the capital markets, fluctuations in exchange and interest rates, inflation rates or the yield curve, and other market factors;
- changes in investor risk tolerance or investment preferences, such as the continued growth in passively-managed products, which could result in investor allocations away from active, return-oriented strategies offered by us or our Affiliates;
- our Affiliates' ability to attract and retain client assets and market products and services, which may be impacted by the investment performance of our Affiliates' products, our Affiliates' ability to maintain and develop client relationships and to adapt to trends in product and service offerings, and volatility in the capital markets or in the prices of securities generally;

- global economic conditions, which may be exacerbated by changes in the equity or debt markets;
- financial crises, political or diplomatic developments, war, terrorism or natural disasters; and

• other factors that are difficult to predict.

A reduction in our assets under management could adversely affect the asset and performance based fees payable to our Affiliates and, ultimately, our financial condition and results of operations.

Our industry is highly competitive.

Our Affiliates compete with a broad range of domestic and foreign investment management firms, including public, private and client-owned investment advisers, firms managing passively-managed products, as well as other firms managing active, return-oriented strategies, firms associated with securities broker-dealers, financial institutions, insurance companies, private equity firms, sovereign wealth funds and other entities. These firms may have significantly greater financial, technological and marketing resources, captive distribution and assets under management, and many of these firms offer an even broader array of products and services in particular investment strategies. Competition from these firms may reduce the fees that our Affiliates can obtain for investment management services, or could impair our Affiliates' ability to attract and retain client assets. We believe that our Affiliates' ability to compete effectively with other firms depends upon our Affiliates' strategies, investment performance, reputations, client relationships, fee structures, client-servicing capabilities, and the marketing and distribution of their investment strategies, among other factors. See "Competition" in Item 1. Our Affiliates may not compare favorably with their competitors in any or all of these categories. From time to time, our Affiliates may also compete with each other for clients. Our Affiliates represent a diverse group of boutique investment management firms with predominantly active, return-oriented strategies, rather than passively-managed products, which typically carry lower fee rates. Changes in investor risk tolerance or investment preferences, such as the continued growth in passively-managed products, could result in investor allocation away from active, return-oriented strategies.

The market for acquisitions of interests in boutique investment management firms is highly competitive. Many other public and private financial services companies, including commercial and investment banks, private equity firms, sovereign wealth funds, insurance companies and investment management firms, also invest in or buy boutique investment management firms and may have significantly greater resources than we do. Further, our innovative partnership approach with our Affiliates is designed to provide succession planning and enhanced incentives for management owners, while enabling us to protect our interests, including through structured partnership interests and long-term employment agreements with key members of the firm. Target investment management firms may prefer investments in their firms under terms and structures offered by our competitors. We cannot guarantee that we will be able to compete effectively with such companies, that new competitors will not enter the market, or that such competitors will not make it more difficult or not feasible for us to maintain existing investments or to make new investments in boutique investment management firms.

Our growth strategy depends in part upon our ability to make investments in new boutique investment management firms or additional investments in our existing Affiliates.

Our continued success in investing in boutique investment management firms will depend upon our ability to find suitable firms in which to invest or make additional investments in our existing Affiliates, our ability to negotiate agreements with such firms on acceptable terms, and our ability to raise the capital necessary to finance such transactions. Further, the success of these investments depends on our and our Affiliates' ability to grow their businesses and carry out their management succession plans. In addition, our investments involve a number of risks, including the existence of unknown liabilities that may arise after making an investment. We may not be successful in making investments in such firms, and any firms we do invest in may not have favorable operating results following our investment, which could have an adverse effect on our financial condition and results of operations.

Equity markets and our common stock have been volatile.

The market price of our common stock has experienced and may continue to experience volatility, and the broader equity markets have experienced and may continue to experience significant price and volume fluctuations. In addition, announcements of our financial and operating results or other material information, including changes in net client cash flows and assets under management, changes in our financial guidance or our failure to meet such guidance, changes in general conditions in the economy or the financial markets, and other developments affecting us, our Affiliates or our competitors, as well as geopolitical, regulatory, economic, and business factors unrelated to us, could cause the market price of our common stock to fluctuate substantially.

If our or our Affiliates' reputations are harmed, we could suffer losses in our business and financial results.

Our business depends on earning and maintaining the trust and confidence of our Affiliates and our stockholders, our ability to compete for future investment opportunities, and our and our Affiliates' reputations among existing and potential clients. Our and our Affiliates' reputations are critical to our business and could be impacted by events that may be difficult or impossible to control, and costly or impossible to remediate. For example, alleged or actual failures by us, our Affiliates or our respective employees to comply with applicable laws, rules or regulations, errors in our public reports, perceptions of our or our Affiliates' environmental, social and governance practices, threatened or actual litigation against us, any of our Affiliates or our respective employees, cyber-attack or data breach incidents, or the public announcement and potential publicity surrounding any of these events, even if inaccurate, satisfactorily addressed, or if no violation or wrongdoing actually occurred, could adversely impact our or our Affiliates' reputations and their relationships with clients, our relationships with our Affiliates, and our ability to negotiate agreements with new boutique investment management firms, any of which could have an adverse effect on our financial condition and results of operations.

Our and our Affiliates' businesses are highly regulated.

Our and our Affiliates' businesses are subject to complex and extensive regulation by regulatory and self-regulatory authorities and exchanges in various jurisdictions around the world, which, for our Affiliates and our U.S. retail distribution subsidiary, include those applicable to investment advisers, as detailed in "Government Regulation" in Item 1. Applicable laws, rules and regulations impose requirements, restrictions and limitations on our and our Affiliates' businesses, and compliance with these laws, rules and regulations can result in significant expense. Further, this regulatory environment may be altered without notice by new laws or regulations, revisions to existing laws or regulations or new or revised interpretations, guidance or enforcement priorities. Any determination of a failure to comply with applicable laws, rules or regulations could expose us, our Affiliates or our respective employees to civil liability, criminal liability, or disciplinary or enforcement action, with penalties that could include the disgorgement of fees, fines, sanctions, suspensions, termination of adviser status, or censure of individual employees or revocation or limitation of business activities or registration, any of which could have an adverse impact on our stock price, financial condition and results of operations. Further, if we, any of our Affiliates or our respective employees were to fail to comply with applicable laws, rules or regulations or be named as a subject of an investigation or other regulatory action, the public announcement and potential publicity surrounding any such investigation or action could have an adverse effect on our stock price and result in increased costs, even if we, our Affiliates or our respective employees were found not to have violated such laws, rules or regulations.

Recently implemented and proposed regulations globally have called for more stringent oversight of the financial services industry in which we and our Affiliates operate, which could adversely affect our and our Affiliates' businesses, increase compliance costs, require that we or our Affiliates curtail operations or investment offerings, or impact our and our Affiliates' access to capital and the market for our common stock. In the U.S., the SEC recently adopted regulations that created additional reporting requirements for advisers and mutual funds, and adopted Rule 22e-4 under the Investment Company Act that added compliance obligations for mutual funds in the area of liquidity management. Further, in 2018, the SEC proposed Regulation Best Interest, which would enhance the conduct standards applicable to broker-dealers when making investment recommendations and could impact the ability of broker-dealers and other intermediaries to distribute our and our Affiliates' products. In addition, the SEC released proposed guidance on the fiduciary standard for advisers that could alter the requirements for advisers. In the European Union, regulators continue to consider whether asset managers or funds, or certain asset management products or activities, should be designated as "systemically important" and, therefore, subject to additional regulation. The European Union has also instituted the revised Markets in Financial Instruments Directive ("MiFID II"), effective beginning in January 2018, which requires the unbundling of research and execution charges for trading and which may result in increased costs for us and our Affiliates. We and certain of our Affiliates are also subject to the European Union's new General Data Protection Regulation, which expanded data protection rules for individuals within the European Union and for personal data exported outside the European Union. Our and our Affiliates' businesses may also be impacted by regulatory and other developments relating to the UK's planned exit from the European Union, which could impact our or our Affiliates' ability to conduct operations pursuant to a European passport and could require us or certain of our Affiliates to apply for regulatory authorization and permission in a separate European Union member state. The process and terms of the UK's exit from the European Union could also lead to legal uncertainty and potentially divergent national laws and regulations in the UK that could introduce additional complexities to our and our Affiliates' global operations, any of which could limit our and our Affiliates' businesses, result in increased compliance costs and expenses, and expose us and our Affiliates to potential fines and penalties. Further, in recent years, regulators in the U.S., the UK and other jurisdictions have expanded rules and devoted greater resources and attention to the enforcement of anti-bribery and anti-money laundering laws, and while we and our

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Affiliates have developed and implemented policies and procedures designed to ensure compliance with these rules, such policies and procedures may not be effective in all instances to prevent violations.

Our and our Affiliates' international operations are subject to foreign risks, including political, regulatory, economic and currency risks.

We and certain of our Affiliates conduct business outside the U.S., and a number of our Affiliates are based outside the U.S. Accordingly, we and certain of our Affiliates are subject to risks inherent in doing business internationally, in addition to the risks that our businesses face more generally. These risks may include difficulties in staffing and managing foreign operations, longer payment cycles, difficulties in collecting investment advisory fees receivable, different (and in some cases less stringent) legal, regulatory and accounting regimes, political instability, exposure to fluctuations in currency exchange rates, expatriation controls, expropriation risks and potential adverse tax consequences. For example, our and our Affiliates' businesses may be impacted by the terms of the UK's exit from the European Union, which could result in fluctuations in exchange rates, disruptions in the capital markets, changes in investor risk tolerance or investment preferences, increased compliance and administrative costs, or other impacts. As part of our and certain of our Affiliates' planning for the UK's exit from the European Union, we and such Affiliates have implemented a number of steps to prepare for the various potential outcomes, including plans to establish distribution offices in separate European Union member states and applying for additional licenses and permissions. While we do not expect the UK's exit from the European Union to have a significant impact on the way we or our Affiliates operate, these plans and developments could result in increases to our and such Affiliates' compliance and administrative costs. In addition, as a result of operating internationally, certain of our Affiliates and our global distribution subsidiaries are subject to requirements under foreign regulations to maintain minimum levels of capital, and such capital requirements may be increased from time to time, which may have the effect of limiting withdrawals of capital, repayment of intercompany loans and payment of distributions to us. These or other risks related to our and our Affiliates' international operations may have an adverse effect on our business, financial condition and results of operations.

Changes in tax laws or exposure to additional tax liabilities could have an adverse impact on our business, financial condition and results of operations.

We are subject to income taxes as well as non-income-based taxes in the U.S. and certain foreign jurisdictions, and our Affiliates are generally subject to taxes in the jurisdictions in which they operate. Tax laws, regulations and administrative practices in these jurisdictions may be subject to significant change, with or without notice, and significant judgment is required in estimating and evaluating tax provisions and accruals. Our and our Affiliates' effective tax rates could be affected by a change in the mix of earnings in countries with differing statutory tax rates, changes to our or their existing businesses, and changes in relevant tax, accounting or other laws, regulations, administrative practices and interpretations. For example, in December 2017, changes in U.S. tax laws were enacted, which significantly revised the U.S. corporate income tax laws. Although the impact of these changes was beneficial to our results of operations, primarily due to lower U.S. tax rates, portions of the regulations have not yet been finalized, and the U.S. Treasury, as well as federal and state tax authorities, could issue further rules, interpretations and guidance, the timing and substance of which are uncertain. This legislation could also be subject to potential amendments and technical corrections, which could have retroactive effect. Further, a portion of our earnings are from outside of the U.S., and the foreign government agencies in jurisdictions in which we do business continue to focus on the taxation of multinational companies, and could implement changes to their tax laws. For example, changes in the tax laws of foreign jurisdictions could arise as a result of the base erosion and profit shifting ("BEPS") project undertaken by the Organization for Economic Co-operation and Development (OECD), which includes recommendations that may be adopted in various jurisdictions in which we and our Affiliates do business. Any changes to federal, state or foreign tax laws, regulations, accounting standards or administrative practices, or the release of additional guidance, interpretations or other information relating to the recent U.S. tax legislation or otherwise, could impact our estimated effective tax rate and overall tax expense, as well as our earnings estimates, and could result in adjustments to our treatment of deferred taxes, including the realization or value thereof, or in unanticipated additional tax liabilities, any of which could have an adverse effect on our business, financial condition and results of operations.

In addition, we and our Affiliates may be subject to tax examinations by certain federal, state and foreign tax authorities. We regularly assess the likely outcomes of examinations that we are subject to, in order to determine the appropriateness of our tax provision; however, tax authorities may disagree with certain positions we have taken or may take, and may assess additional taxes and/or penalties and interest. There can be no assurance that we will accurately predict the outcomes of any examinations and the actual outcomes could have an adverse impact on our financial condition and results of operations.

Our Affiliates' autonomy limits our ability to alter their management practices and policies, and we may be held responsible for liabilities incurred by certain of our Affiliates.

Our operating agreements with our Affiliates provide for governance structures that give Affiliate management the authority to manage and operate their businesses on a day-to-day basis, and we generally are not directly involved in managing those activities, including investment management operations, fee levels, marketing, product development, client relationships, employee matters, compensation programs and compliance activities. As a consequence, our financial condition and results of operations may be adversely affected by problems stemming from the day-to-day operations of our Affiliates, where weaknesses or failures in internal processes or systems, legal or regulatory matters, or other operational challenges could lead to a disruption or cessation of our Affiliates' operations, liability to their clients, exposure to claims or disciplinary action or reputational harm.

Certain of our Affiliates are limited liability companies or limited partnerships (or equivalent non-U.S. forms) of which we, or entities controlled by us, are the managing member or general partner (or equivalent). Consequently, to the extent that any of these Affiliates incur liabilities or expenses that exceed their ability to pay for them, we may be directly or indirectly liable for their payment. Similarly, an Affiliate's payment of distributions to us may be subject to claims by potential creditors, and an Affiliate may default on distributions that are payable to us. In addition, with respect to each of these Affiliates, we may be held liable in some circumstances as a control person for the acts of the Affiliate or its employees. Further, we also conduct distribution, sales and marketing activities through our U.S. retail distribution subsidiary and our global distribution subsidiaries, to extend the reach of our Affiliates' own business development efforts, and any liability arising in connection with these activities, whether as a result of our own actions or the actions of our participating Affiliates, could result in direct liability to us. Accordingly, we and our Affiliates may face various claims, litigation or complaints from time to time and we cannot predict the eventual outcome of such matters, some of which may be resolved in a manner unfavorable to us or our Affiliates, or whether any such matters could become material to a particular Affiliate or us in any reporting period. While we and our Affiliates maintain errors and omissions and general liability insurance in amounts believed to be adequate to cover potential liabilities, we cannot be certain that we or our Affiliates will not have claims or related expenses that exceed the limits of available insurance coverage, that the insurers will remain solvent and will meet their obligations to provide coverage, or that insurance coverage will continue to be available to us and our Affiliates with sufficient limits and at a reasonable cost. A judgment in excess of available insurance coverage could have an adverse effect on our financial condition and results of operations.

We and our Affiliates may be involved in legal proceedings and regulatory matters from time to time, any one or combination of which could have an adverse effect on our reputation, financial condition and results of operations.

From time to time in the ordinary course of business, we and our Affiliates may be subject to various legal matters, including litigation, regulatory inquiries and administrative proceedings, which could, whether with or without merit, be time consuming and expensive to defend and could divert management attention and resources. While we and our Affiliates maintain insurance in amounts believed to be adequate to cover potential liabilities, we cannot be certain that we or our Affiliates will not have claims or related expenses that exceed the limits of available insurance coverage or that such coverage will continue to be available with sufficient limits and at a reasonable cost. The public announcement and potential publicity surrounding any legal proceedings or regulatory matters, as well as any judgments, findings, settlements or allegations of wrongdoing, could adversely affect our or their reputation, current and future business relationships, financial condition and results of operations.

The structure of our partnership interests in our Affiliates may expose us to unanticipated changes in Affiliate revenue, operating expenses and other commitments, which we may not anticipate and may have limited ability to control.

For a majority of our Affiliates, we use structured partnership interests in which we contractually share in the Affiliate's revenue without regard to expenses. In this type of structured partnership interest, the Affiliate allocates a specified percentage of its revenue to us, while using the remainder of its revenue for operating expenses and for distributions to Affiliate management. In these types of structures, while our distributions generally have priority, our agreed allocations may not anticipate changes in the revenue and operating expense base of the Affiliate, and the revenue remaining after our specified share is allocated to us may not be large enough to cover all of the Affiliate's operating expenses, which could result in a reduction of the amount allocated to us or could negatively impact the Affiliate’s operations and prospects.

For other Affiliates, we use structured partnership interests in which we contractually share in the Affiliate’s revenue less agreed-upon expenses. This type of partnership interest allows us to benefit from any increase in revenue or any decrease in the agreed-upon expenses, but also exposes us to any decrease in revenue or any increase in such expenses. The degree of our exposure to expenses from these structured partnership interests varies by Affiliate and includes Affiliates in which we fully share in the expenses of the business. In these types of structures, we may have limited or no ability to control the level of expenses at the Affiliate, and our distributions generally do not have priority. Further, the impact of Affiliate expenses on our earnings and our stock price could increase if the portion of our earnings derived from such Affiliates increases.

As a result of these factors, unanticipated changes in revenue, operating expenses or other commitments at any of our Affiliates could leave the Affiliate with a shortfall in remaining funds for distribution to us or Affiliate management, or for funding their operations. Changes in the global marketplace in particular could result in rapid changes to our Affiliates' earnings or expenses, and our Affiliates may be unable to make appropriate expense reductions in a timely manner to respond to such changes. Any of these developments could have an adverse effect on our financial condition generally and on our results of operations for the applicable reporting period.

Additionally, regardless of the particular structure, we may elect to defer or forgo the receipt of our share of an Affiliate's revenue or earnings, or to adjust any agreed-upon expenses allocated to us, to permit the Affiliate to fund expenses in light of unanticipated changes in revenue or operating expenses, with the aim of maximizing the long-term benefits. We cannot be certain that any such deferral or forbearance would be of any greater long-term benefit to us, and such a deferral or forbearance may have an adverse effect on our near- or long-term financial condition and results of operations.

We may restructure our relationships with our Affiliates, and cannot be certain that any such restructurings will benefit us in the near- or long-term.

From time to time, we may restructure our relationships with our Affiliates, which could, among other things, include changes to our structured partnership interests, including changes in our ownership level and in the calculation of our share of revenue and/or operating expenses. Such restructurings may be done in order to address an Affiliate's succession planning, changes in its revenue or operating expense base, strategic planning or other developments. Any restructuring of our interest in an Affiliate may result in increased exposure to changes in the Affiliate's revenue and/or operating expenses, or in additional investments or commitments from us, or could increase or reduce our interest in the Affiliate, which in some cases could result in the full divestment of our interest or in our acquisition of all of the equity interests of the Affiliate. In addition, certain of our equity method Affiliates have customary rights in certain circumstances to sell a majority interest in their firm to a third-party and to cause us to participate in such sale. Any such changes could have an adverse impact on our financial condition and results of operations.

We have substantial intangibles on our balance sheet, and any impairment of our intangibles could adversely affect our financial condition and results of operations.

As of December 31, 2018, our total assets were $8.2 billion, of which $3.9 billion were intangibles, and $2.8 billion were equity method investments in Affiliates, an amount primarily composed of intangible assets. We cannot be certain that we will realize the value of such intangible assets. Our intangible assets may become impaired as a result of any number of factors, including changes in market conditions, losses of investment management contracts or declines in the value of managed assets. An impairment of our intangible assets or an other-than-temporary decline in the value of our equity method investments could adversely affect our financial condition and results of operations. Determining the value of intangible assets, and evaluating them for impairment, requires management to exercise judgment. For additional information, see Notes 12 and 13 of the Consolidated Financial Statements, as well as the related discussions in the Critical Accounting Estimates and Judgments section contained elsewhere in this Annual Report on Form 10-K.

The failure to consummate announced investments in new boutique investment management firms could have an adverse effect on our financial condition and results of operations.

The consummation of our announced investments is generally subject to a number of closing conditions, contingencies and approvals, including, but not limited to, obtaining certain consents of the boutique investment management firm's clients and applicable regulatory approvals. In the event that an announced transaction is not consummated, we may experience a decline in the price of our common stock to the extent that the then-current market price reflects a market assumption that we will complete the announced transaction. In addition, the fact that a transaction did not close after we announced it publicly may negatively affect our prospects and our ability to consummate transactions in the future. Finally, we must pay costs related to these investments, including transaction fees, even if the investments are not completed, which may have an adverse effect on our financial condition and results of operations.

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We expect that we will need to raise additional capital in the future, and existing or future resources may not be available to us in sufficient amounts or on acceptable terms.

While we believe that our existing cash resources and cash flow from operations will be sufficient to meet our working capital needs for normal operations for the foreseeable future, our continuing acquisitions of interests in new boutique investment management firms and additional investments in our existing Affiliates may require additional capital. Further, we have significant repurchase obligations relating to Affiliate equity interests, and because these obligations are conditional and dependent upon the individual equity holder's decision to sell his or her equity, it is difficult to predict the frequency and magnitude of these repurchases (our Redeemable non-controlling interests on our Consolidated Balance Sheets as of December 31, 2018 was $833.7 million, which includes $91.0 million of Affiliate sponsored consolidated products primarily attributable to third-party investors). We may also call all or a portion of these equity interests upon, among other events, the termination of an equity holder's employment, although these rights may be limited or suspended in certain circumstances. We also have committed to co-invest in certain investment partnerships, which may be called in future periods. See Notes 10, 19 and 20 of the Consolidated Financial Statements for additional information.

These obligations may require more cash than is then available from our existing cash resources and cash flow from operations. Thus, we may need to raise capital through additional borrowings or by selling shares of our common stock or other equity or debt securities, or otherwise refinance a portion of these obligations.

As of December 31, 2018, we had outstanding senior debt and convertible securities of $2.0 billion. Our level of indebtedness may increase if we fund future investments or other expenses through borrowings. Any additional indebtedness could increase our vulnerability to general adverse economic and industry conditions and may require us to dedicate a greater portion of our cash flow from operations to payments on our indebtedness.

The financing activities described above could increase our Interest expense, decrease our Net income (controlling interest) or dilute the interests of our existing stockholders. In addition, our access to additional capital, and the cost of capital we are able to access, is influenced by a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. We are rated A3 by Moody's Investors Service and A- by S&P Global Ratings. The rating agencies could decide to modify their outlook or downgrade our ratings or the ratings of the entire investment management industry, thereby making it difficult for us to access the capital markets. A reduction in our credit ratings could increase our borrowing costs under our credit facilities. Such a reduction could also require us to post additional collateral or, in certain cases, give rise to a termination right by the counterparty under our derivative financial instruments. Further, our variable rate indebtedness may use the London Interbank Offered Rate ("LIBOR") as a benchmark for establishing the applicable interest rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past, and although we have included contractual provisions in our credit facilities that anticipate these potential changes, the consequences cannot be entirely predicted and could result in an increase in the cost of our variable rate indebtedness.

Our debt agreements impose certain covenants relating to the conduct of our business, including financial covenants under our credit facilities, any breach of which could result in the acceleration of the repayment of any amounts borrowed or outstanding thereunder.

Our credit facilities require us to maintain specified financial ratios, including a maximum leverage ratio and a minimum interest coverage ratio, and also contain customary affirmative operating covenants and negative covenants that, among other things, place certain limitations on our and our subsidiaries' ability to incur debt, merge or transfer assets and on our ability to create liens. The indentures governing our senior notes also contain restrictions on our ability to merge or transfer assets and on our ability to create liens. The breach of any covenant (either due to our actions or omissions or, in the case of financial covenants, due to a significant and prolonged market driven decline in our operating results) could result in a default under the applicable debt agreement. In the event of any such default, lenders that are party to our credit facilities could refuse to make further extensions of credit to us. Further, in the event of certain defaults, amounts borrowed under our credit facilities and/or outstanding under our senior notes, together with accrued interest and other fees, could become immediately due and payable. If any indebtedness under our credit facilities or the indentures governing our senior notes were to become subject to accelerated repayment, we may not have sufficient liquid assets to repay such indebtedness in full.

Market risk management activities may adversely affect our liquidity and results of operations.

From time to time, we and our Affiliates seek to offset exposure to changes in interest rates, foreign currency exchange rates and markets by entering into derivative financial instruments. For example, during 2018, we entered into two separate pound sterling-denominated forward foreign currency contracts, as well as two separate collar contracts with the same counterparty for the same notional amounts and expiration dates as each of the forward contracts, which were designated as net investment hedges against fluctuations in exchange rates on certain of our investments in Affiliates with the pound sterling as their functional currency. See Note 9 of the Consolidated Financial Statements for additional information. The scope of these risk management activities is selective and varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates and other changing market conditions. We and our Affiliates do not seek to hedge exposure in all currencies or all investments, which means that exposure to certain market risks is not limited. Further, the use of derivative financial instruments does not entirely eliminate the possibility of fluctuations in the value of the underlying position or prevent losses if the value of the position declines, and also can limit the opportunity for gain if the value of the position increases. There can be no assurance that our or our Affiliates' derivative financial instruments will meet their overall objective or that we or our Affiliates will be successful in entering into such instruments in the future. Further, while hedging arrangements may reduce certain risks, such arrangements themselves may entail other risks, may generate significant transaction costs, and may require the posting of cash collateral. For example, if our or our Affiliates' counterparties fail to honor their obligations in a timely manner, including any obligations to return posted collateral, our liquidity and results of operations could be adversely impacted.

We and our Affiliates rely on certain key personnel and cannot guarantee their continued service.

We depend on the efforts of our executive officers and our other officers and employees. Our executive officers, in particular, play an important role in the stability and growth of our existing Affiliates and in identifying potential investment opportunities. We generally do not have employment agreements with our executive officers, although each has a significant deferred equity interest in the Company and is subject to non-solicitation and non-competition restrictions that may be triggered upon their departure. While we have succession plans in place for members of our executive and senior management team, there is no guarantee that these officers will remain with the Company. Changes in our management team may be disruptive to our business, and failure to attract and retain members of our executive or senior management team, or to effectively implement and manage appropriate succession plans, could adversely affect our business, financial condition and results of operations.

In addition, our Affiliates depend heavily on the services of key principals who, in many cases, have managed their firms for many years. These principals often are primarily responsible for their firm's investment decisions. Although we use a combination of economic incentives, transfer restrictions and, in some instances, non-solicitation, non-competition and employment agreements in an effort to retain key personnel, there is no guarantee that these principals will remain with their firms. Since certain of our Affiliates contribute significantly to our revenue, the loss of key personnel at these Affiliates could have a disproportionately adverse impact on our business, financial condition and results of operations.

Investment management contracts are subject to termination on short notice.

Through our Affiliates, we derive almost all of our asset and performance based fees from clients pursuant to investment management contracts. While certain of our Affiliates' private equity and alternative products have long-term commitment periods, many of our Affiliates' investment management contracts are terminable by the client without penalty upon relatively short notice (typically not longer than 60 days). We cannot be certain that our Affiliates will be able to retain their existing clients or attract new clients. If clients terminate their investment management contracts or withdraw a substantial amount of managed assets, it is likely to harm our results of operations. In addition, investment management contracts with mutual funds or other retail products are subject to annual approval by the fund's board of directors.

Our or our Affiliates' controls and procedures and risk management policies may be inadequate, fail or be circumvented, and operational risk could adversely affect our or our Affiliates' reputation and financial position.

We and our Affiliates have adopted various controls, procedures, policies and systems to monitor and manage risk in our and their businesses. While we currently believe that our and our Affiliates' operational controls are effective, we cannot provide assurance that those controls, procedures, policies and systems will always be adequate to identify and manage the internal and external risks in our and our Affiliates' various businesses. Furthermore, we or our Affiliates may have errors in business processes or fail to implement proper procedures in operating our respective businesses, which may expose us or our Affiliates to risk of financial loss or failure to comply with regulatory requirements. Additionally, although we and our Affiliates have systems and practices in place to monitor third-party service providers, such third parties are subject to similar risks. We and our Affiliates, as well as our respective service providers, are also subject to the risk that employees or contractors, or other third parties, may deliberately seek to circumvent established controls to commit fraud or act in ways that are inconsistent with our or their controls, policies and procedures. The financial and reputational impact of control failures can be significant.

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In addition, our and our Affiliates' businesses and the markets in which we and our Affiliates operate are continuously evolving. If our or our Affiliates' risk frameworks are ineffective, either because of a failure to keep pace with changes in the financial markets, regulatory requirements, our or our Affiliates' businesses, counterparties, clients or service providers or for other reasons, we or our Affiliates could incur losses, suffer reputational damage or be out of compliance with applicable regulatory or contractual mandates or expectations.

Failure to maintain and properly safeguard an adequate technology infrastructure may limit our or our Affiliates' growth, result in losses or disrupt our or our Affiliates' businesses.

Our and our Affiliates' businesses are reliant upon financial, accounting and technology systems and networks to process, transmit and store information, including sensitive client and proprietary information, and to conduct many business activities and transactions with clients, advisers, regulators, vendors and other third parties. The failure to implement, maintain and safeguard an infrastructure commensurate with the size and scope of our and our Affiliates' businesses could impede productivity and growth, which could adversely impact our financial condition and results of operations. Further, we and our Affiliates rely on third parties for certain aspects of our respective businesses, including financial intermediaries, providers of technology infrastructure, and other service providers such as broker-dealers, custodians, administrators and other agents, and these parties are susceptible to similar risks.

Although we and our Affiliates take protective measures and endeavor to modify them as circumstances warrant, computer systems, software, networks and mobile devices may be vulnerable to cyber-attacks, data privacy or security breaches, ransomware, unauthorized access, theft, misuse, computer viruses or other malicious code and other events that could have a security impact. Further, although we and our Affiliates have systems and practices in place to monitor the third parties on whom we and our Affiliates rely, such third parties may have similar vulnerabilities and may lack the necessary infrastructure or resources, or may otherwise fail, to adequately protect against or respond to any cyber-attacks, data breaches or other incidents. If any such events occur, it could jeopardize confidential, proprietary or other sensitive information of ours, our Affiliates and our respective clients, employees or counterparties that may be stored in, or transmitted through, internal or third-party computer systems, networks and mobile devices, or could otherwise cause interruptions or malfunctions in our and our Affiliates' operations or those of our respective clients or counterparties, or in the operations of third parties on whom we and our Affiliates rely. The occurrence of any such events could also result in litigation or regulatory action. Despite efforts to ensure the integrity of systems and networks, it is possible that we, our Affiliates or our respective third-party service providers may not be able to anticipate or to implement effective preventive measures against all threats, especially because the techniques used change frequently and can originate from a wide variety of sources. As a result, we or our Affiliates could experience disruption, significant losses, increased costs, reputational harm, regulatory actions or legal liability, any of which could have an adverse effect on our financial condition and results of operations. We or our Affiliates may be required to spend significant additional resources to modify protective measures or to investigate and remediate vulnerabilities or other exposures, and we or our Affiliates may be subject to litigation, regulatory investigations and potential fines, and financial losses that are either not insured against fully or not fully covered through any insurance that we or our Affiliates maintain. Further, recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber-attacks and data privacy breaches, and have resulted in heightened security requirements, including additional regulatory expectations for oversight of vendors and service providers. For example, the European Union's new General Data Protection Regulation became effective in May 2018, and similar regulations are being considered in other jurisdictions.

Provisions in our organizational documents, Delaware law and other factors could delay or prevent a change in control of the Company.

Provisions in our charter and by-laws and anti-takeover provisions under Delaware law could discourage, delay or prevent an unsolicited change in control of the Company. These provisions may also have the effect of making it more difficult for third parties to replace our executive officers without the consent of our Board of Directors. Provisions in our charter and by-laws that could delay or prevent an unsolicited change in control include:

- the ability of our Board of Directors to issue preferred stock and to determine the terms, rights and preferences of the preferred stock without stockholder approval; and

- the prohibition on the right of stockholders to call meetings or act by written consent and limitations on the right of stockholders to present proposals or make nominations at stockholder meetings.

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Delaware law also imposes restrictions on mergers and other business combinations between us and any holder of 15 percent or more of our outstanding common stock. Further, given our long-term partnership approach with our Affiliates, which is designed to preserve their investment and operational autonomy and independence, a change in control may also be viewed negatively by our Affiliates, impacting their relationships with us. Additionally, the disposition of certain of our Affiliates following a change in control could result in the immediate realization of taxes owed on any excess proceeds above our tax basis in the relevant Affiliate, which could impact the valuation a third-party may apply to us in a change in control.

In addition, a change in control of the Company may constitute a change in control for certain of our Affiliates for purposes of the Advisers Act and the Investment Company Act. In that case, absent client consents, the Affiliate's management agreements may be deemed to be "assigned" in violation of the agreement and, for mutual fund clients, will terminate. We cannot be certain that a particular change in control transaction would not result in a termination or deemed assignment of our Affiliates' management agreements or that any required consents (which the impacted Affiliates would need to be involved in requesting) would be obtained if such a change of control occurs.

These anti-takeover provisions and other factors may inhibit a change in control in circumstances that could give our stockholders the opportunity to realize a premium over the market price of our common stock, and may result in negative impacts on our financial results in periods following a change in control.

The sale or issuance of substantial amounts of our common stock, or the expectation that such sales or issuances will occur, could adversely impact the price of our common stock.

The sale or issuance of substantial amounts of our common stock in the public market could adversely impact its price. In connection with our financing activities, we have issued securities and entered into contracts, including our junior convertible trust preferred securities and equity distribution program, that may result in the issuance of our common stock upon the occurrence of certain events. We also have exercisable options outstanding and unvested restricted stock that have been awarded under our share-based incentive plans. Additionally, we have the right to settle certain Affiliate equity repurchase obligations with shares of our common stock. Moreover, in connection with future financing activities, we may issue additional convertible securities or shares of our common stock, including through forward equity transactions. Any such issuance of shares of our common stock could have the effect of substantially diluting the interests of our current equity holders. In the event that a large number of shares of our common stock are sold or issued in the public market, or the expectation that such sales or issuances will occur, the price of our common stock may decline as a result.

Our financial results could be adversely affected by the financial stability of other financial institutions.

We and our Affiliates routinely execute transactions with various counterparties in the financial services industry. Historical and recent market volatility highlights the interconnection of the global markets and demonstrates how the deteriorating financial condition of one or more institutions may materially and adversely impact the performance of other institutions. We and our Affiliates may be exposed to credit, operational or other risk in the event that a counterparty with whom we or our Affiliates transact defaults on its obligations, or if there are other unrelated systemic failures in the markets.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We conduct our operations around the world using a combination of leased and owned facilities. While we believe we have suitable property resources currently, we will continue to evaluate our property needs and will adjust these resources as necessary.

Our principal offices are located at 777 South Flagler Drive, West Palm Beach, Florida; 600 Hale Street, Prides Crossing, Massachusetts; 35 Park Lane, London, England; and 600 Steamboat Road, Greenwich, Connecticut. We and our Affiliates also each lease office space in the city or cities in which we conduct business, as appropriate for our respective business needs.

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Item 3. Legal Proceedings

Governmental and regulatory authorities in the U.S. and other jurisdictions in which we and our Affiliates operate regularly make inquiries and administer examinations with respect to our and our Affiliates' compliance with applicable laws and regulations, and from time to time, we and our Affiliates may be parties to various claims, lawsuits, complaints, regulatory investigations and other proceedings in the ordinary course of business.

Currently, there are no such claims, lawsuits, complaints, regulatory investigations or other proceedings against us or our Affiliates that, in our opinion, would have a material adverse effect on our financial position, liquidity or results of operations. However, there is no assurance as to whether or not any such matters could arise or have a material effect on our or our Affiliates' financial position, liquidity or results of operations in any future reporting period.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange (symbol: AMG). As of February 19, 2019, there were 14 stockholders of record, including banks, brokers and other financial institutions holding shares in omnibus accounts for their customers (in total representing substantially all of the beneficial holders of our common stock).

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid Per Share	Maximum Number of Shares that May Yet Be Purchased Under Outstanding Plans or Programs[2]
October 1-31, 2018	—	$ —	—	$ —	2,509,344
November 1-30, 2018	—	—	—	—	2,509,344
December 1-31, 2018	766,016	98.61	766,016	98.61	1,743,328
Total	766,016	98.61	766,016	98.61	

(1) Includes shares surrendered, if any, to the Company to satisfy tax withholding and/or option exercise price obligations in connection with stock swap option exercise transactions.

(2) Our Board of Directors authorized share repurchase programs in January 2019, January 2018 and January 2017, authorizing us to repurchase up to 3.3 million, 3.4 million and 1.9 million shares of our common stock, respectively, and these authorizations have no expiry. Purchases may be made from time to time, at management’s discretion, in the open market or in privately negotiated transactions, including through the use of derivative financial instruments and accelerated share repurchase programs. As of December 31, 2018, we had repurchased all of the shares of the January 2017 authorized amount. As of the January 2019 authorization, there were a total of 5.0 million shares remaining available for repurchase under the January 2019 and January 2018 programs.

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Performance Graph

The following graph compares the cumulative stockholder return on our common stock from December 31, 2013 through December 31, 2018, with the cumulative total return, during the same period, on the Standard & Poor’s 500 Index and a peer group comprising AllianceBernstein Holding L.P., Ameriprise Financial, Inc., BlackRock, Inc., Eaton Vance Corp., Franklin Resources, Inc., Invesco Ltd., Lazard Ltd., Legg Mason, Inc. and T. Rowe Price Group, Inc. (collectively, the “Peer Group”). The comparison below assumes the investment of $100 on December 31, 2013 in our common stock and each of the comparison indices and, in each case, assumes reinvestment of all dividends.

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Item 6. Selected Financial Data

The following table presents selected financial data for the last five years. This data should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements and accompanying notes included elsewhere in this Annual Report on Form 10-K.

	For the Years Ended December 31,				
(in millions, except as noted and per share data)	2014	2015	2016	2017	2018
Operating Performance Measures					
Assets under management (in billions)	$620.2	$611.3	$688.7	$836.3	$736.0
Average assets under management (in billions)	585.9	623.9	655.6	779.2	819.9
Aggregate fees	4,203.1	4,140.1	4,296.3	5,545.8	5,442.4
Financial Performance Measures					
Consolidated revenue	$2,510.9	$2,484.5	$2,194.6	$2,305.0	$2,378.4
Net income (controlling interest)	433.9	509.5	472.8	689.5	243.6
Earnings per share (diluted)	$7.70	$9.17	$8.57	$12.03	$4.52
Dividends per share	$—	$—	$—	$0.80	$1.20
Supplemental Financial Performance Measures[1]					
Adjusted EBITDA (controlling interest)	$900.8	$942.2	$945.5	$1,116.2	$961.8
Economic net income (controlling interest)	629.2	687.2	703.6	824.4	780.7
Economic earnings per share	$11.18	$12.47	$12.84	$14.60	$14.50
Balance Sheet Data					
Total assets	$7,683.5	$7,769.4	$8,749.1	$8,702.1	$8,219.1
Long-term debt	1,880.3	1,879.4	2,109.6	1,854.7	1,829.6
Redeemable non-controlling interests	645.5	612.5	673.5	811.9	833.7
Total equity	3,643.2	3,769.1	4,426.5	4,578.5	4,134.9

(1) Adjusted EBITDA (controlling interest), Economic net income (controlling interest) and Economic earnings per share are non-GAAP performance measures and are discussed in “Supplemental Financial Performance Measures” in Item 7.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations of Affiliated Managers Group, Inc. and its subsidiaries (collectively, the “Company”) should be read in conjunction with the “Forward-Looking Statements” section set forth in Part I and the “Risk Factors” section set forth in Item 1A of Part I of this Annual Report on Form 10-K and in any more recent filings with the SEC, each of which describes these risks, uncertainties and other important factors in more detail.

Executive Overview

The following executive overview summarizes the significant trends affecting our results of operations and financial condition. This overview and the remainder of this Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Consolidated Financial Statements and the notes thereto contained elsewhere in this Annual Report on Form 10-K.

We are a global asset management company with equity investments in leading boutique investment management firms, which we refer to as our “Affiliates.” Our innovative partnership approach allows each Affiliate’s management team to own significant equity in their firm and maintain operational autonomy. Our strategy is to generate shareholder value through the growth of our existing Affiliates, as well as through investments in new Affiliates and additional investments in our existing Affiliates. In addition, we provide centralized assistance to our Affiliates in strategic matters, marketing, distribution, product development and operations. As of December 31, 2018, our aggregate assets under management were $736.0 billion in more than 500 investment products across a broad range of active, return-oriented strategies.

Under accounting principles generally accepted in the U.S. (“GAAP”), we are required to consolidate certain of our Affiliates and use the equity method of accounting for others. Whether we consolidate an Affiliate or use the equity method of accounting, we maintain the same partnership approach and provide support and assistance in substantially the same manner for all of our Affiliates. Furthermore, all of our Affiliates are boutique investment managers and are impacted by similar marketplace factors and industry trends. Therefore, our key aggregate operating performance measures, which include the assets under management and fees of all of our Affiliates whether consolidated or accounted for under the equity method, are important in providing management with a more comprehensive view of the operating performance and material trends across our entire business.

The following table presents our key operating performance measures:

(in billions, except as noted)	For the Years Ended December 31, 2017	2018	% Change
Assets under management	$836.3	$736.0	(12)%
Average assets under management	779.2	819.9	5 %
Aggregate fees (in millions)[1]	5,545.8	5,442.4	(2)%

(1) Aggregate fees is provided in addition to, but not as a substitute for, our financial performance measures.

Assets under management is presented on a current basis without regard to the timing of the inclusion of an Affiliate’s results in our operating performance measures and Consolidated Financial Statements. Average assets under management provides a more meaningful relationship to our operating performance measures and financial results, as it reflects both the particular billing patterns of Affiliate sponsored products and client accounts and corresponds with the timing of the inclusion of an Affiliate's results in our operating performance measures and Consolidated Financial Statements. For certain of our equity method Affiliates, we report aggregate fees and the Affiliate’s financial results in our Consolidated Financial Statements one quarter in arrears.

Assets under Management

Through our Affiliates, we manage active, return-oriented strategies, rather than passively-managed products, which typically carry lower fee rates. We continue to see client demand for active, return-oriented strategies, particularly in alternative

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strategies and multi-asset strategies, reflecting continued investor demand for returns that are less correlated to traditional equity and fixed income markets. However, broad declines in equity markets in the three months ended December 31, 2018 resulted in significant declines in the value of our assets under management and an increase in net client cash outflows, particularly from liquid alternative strategies and global equity strategies by retail clients. In addition, investor demand for passively-managed products has continued, particularly for the large cap U.S. equity portions of client portfolios, and we experienced outflows in U.S. equity strategies during the year consistent with this industry-wide trend.

We expect client demand for illiquid alternative strategies and multi-asset strategies to continue and demand for global equity strategies and liquid alternative strategies to improve from the three months ended December 31, 2018. We believe the best-performing active equity managers (whether global-, regional-, or country-specific) will continue to have significant opportunities to grow from net client cash flows. We believe we are well positioned to benefit from these trends.

The following charts present information regarding the composition of our assets under management by active, return-oriented strategy as of December 31, 2017 and 2018:

Assets under Management by Strategy
(in billions)

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(1) Alternatives primarily include assets under management in liquid and illiquid alternative strategies. Alternative strategies generate earnings from (i) asset based fees from products subject to lock-ups or similar restrictions, (ii) asset based fees from products not subject to such restrictions and/or (iii) performance based fees and carried interest.

(2) Global equities include emerging markets strategies, which accounted for 9% and 8% of our aggregate assets under management as of December 31, 2017 and 2018, respectively.

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The following table presents changes in our assets under management by active, return-oriented strategy:

(in billions)	Alternatives	Global Equities	U.S. Equities	Multi-Asset & Other	Total
December 31, 2017	$ 324.0	$ 293.4	$ 116.1	$ 102.8	$ 836.3
Client cash inflows and commitments	55.1	44.1	18.8	18.1	136.1
Client cash outflows	(51.9)	(52.0)	(27.8)	(16.9)	(148.6)
Net client cash flows	3.2	(7.9)	(9.0)	1.2	(12.5)
Market changes	(18.1)	(34.0)	(7.5)	(1.2)	(60.8)
Foreign exchange[1]	(2.9)	(5.8)	(0.4)	(1.5)	(10.6)
Realizations and distributions (net)	(8.1)	(0.5)	(0.5)	(0.1)	(9.2)
Other[2]	(4.6)	(1.4)	(1.1)	(0.1)	(7.2)
December 31, 2018	$ 293.5	$ 243.8	$ 97.6	$ 101.1	$ 736.0

(1) Foreign exchange reflects the impact of translating into U.S. dollars the assets under management of our Affiliates whose functional currency is not the U.S. dollar.

(2) Other primarily includes the assets under management attributable to Affiliate product transitions and transfers of our interests in our Affiliates.

The following charts present information regarding the composition of our assets under management by client type as of December 31, 2017 and 2018:

Assets under Management by Client Type
(in billions)

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The following table presents changes in our assets under management by client type:

(in billions)	Institutional	Retail	High Net Worth	Total
December 31, 2017	$ 488.6	$232.7	$115.0	$836.3
Client cash inflows and commitments	63.4	56.2	16.5	136.1
Client cash outflows	(64.1)	(66.9)	(17.6)	(148.6)
Net client cash flows	(0.7)	(10.7)	(1.1)	(12.5)
Market changes	(34.1)	(22.0)	(4.7)	(60.8)
Foreign exchange[1]	(5.8)	(4.0)	(0.8)	(10.6)
Realizations and distributions (net)	(7.9)	(0.9)	(0.4)	(9.2)
Other[2]	(7.2)	0.3	(0.3)	(7.2)
December 31, 2018	$ 432.9	$195.4	$107.7	$736.0

(1) Foreign exchange reflects the impact of translating into U.S. dollars the assets under management of our Affiliates whose functional currency is not the U.S. dollar.

(2) Other primarily includes the assets under management attributable to Affiliate product transitions and transfers of our interests in our Affiliates.

In addition to assets under management, we also report average assets under management. This measure provides a more meaningful relationship to aggregate fees as it reflects both the particular billing patterns of Affiliate sponsored products and client accounts and corresponds with the timing of the inclusion of an Affiliate's results in our operating performance measures and Consolidated Financial Statements. Average assets under management was $819.9 billion in 2018, an increase of $40.7 billion or 5% compared to 2017.

Aggregate Fees

Aggregate fees consists of the total asset and performance based fees earned by all of our Affiliates. Asset based fees include advisory and other fees earned by our Affiliates for services provided to their clients and are typically determined as a percentage of the value of a client's assets under management. Performance based fees are based on investment performance, typically on an absolute basis or relative to a benchmark, and are recognized when they are earned (i.e., when they become billable to customers and are not subject to claw-back). Performance based fees are generally billed less frequently than asset based fees, and although performance based fees inherently depend on investment performance and will vary from period to period, we anticipate performance based fees will be a recurring component of our aggregate fees.

Aggregate fees are generally determined by the level of our average assets under management, the composition of these assets across our active, return-oriented strategies that realize different asset based fee ratios, and performance based fees. Our asset based fee ratio is calculated as asset based fees divided by average assets under management.

Aggregate fees were $5,442.4 million in 2018, a decrease of $103.4 million or 2% as compared to 2017. The decrease in our aggregate fees was primarily due to a decrease in performance based fees of $213.5 million or 4% as a result of a broad decline in equity markets in the three months ended December 31, 2018, which resulted in negative performance for most asset classes. The decrease from performance based fees was partially offset by an increase in asset based fees of $90.5 million or 2%. The increase in asset based fees was primarily due to a 5% increase in our average assets under management (primarily alternative strategies and global equities strategies), partially offset by a 3% decline in our asset based fee ratio due to a change in the composition of our average assets under management and fee rate reductions at certain Affiliate products. The decrease in aggregate fees was also partially offset by a $19.6

million or less than 1% increase from our adoption of Accounting Standard Update (“ASU”) 2014-09, Revenue from Contracts with Customers.

Financial and Supplemental Financial Performance Measures

The following table presents our key financial and supplemental financial performance measures:

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(in millions)	For the Years Ended December 31, 2017	2018	% Change
Net income (controlling interest)	$689.5	$243.6	(65)%
Adjusted EBITDA (controlling interest)(1)	1,116.2	961.8	(14)%
Economic net income (controlling interest)(1)	824.4	780.7	(5)%

(1) Adjusted EBITDA (controlling interest) and Economic net income (controlling interest) are non-GAAP performance measures and are discussed in "Supplemental Financial Performance Measures."

Adjusted EBITDA (controlling interest) is an important supplemental financial performance measure for management as it provides a comprehensive view of our share of the financial performance of our business before interest, taxes, depreciation, amortization, impairments, and adjustments to our contingent payment arrangements. While our aggregate fees decreased $103.4 million or 2% in 2018, our Adjusted EBITDA (controlling interest) decreased $154.4 million or 14%. This decrease was primarily due to decreases in performance based fees, which were predominantly at our equity method Affiliates in which we share in the Affiliate's revenue less agreed-upon expenses. The expense bases of these Affiliates are generally less variable and, therefore, when performance based fees decline the percentage impact is greater on the Affiliate's earnings relative to the impact on the Affiliate's revenue. The decrease in our Adjusted EBITDA (controlling interest) was also due to a decrease of $22.5 million in Investment and other income attributable to the controlling interest and a $20.0 million charitable contribution.

While Adjusted EBITDA (controlling interest) decreased $154.4 million or 14% in 2018, our Net income (controlling interest) decreased $445.9 million or 65%. This decrease was primarily due to a $207.6 million (net of tax) increase in expenses to reduce the carrying value to fair value of one of our non-U.S. alternative Affiliates and to reduce the carrying value to zero of one of our U.S. alternative Affiliates, both accounted for under the equity method. This decrease was also due to a $194.1 million one-time tax benefit recognized in 2017 as a result of changes in U.S. tax laws, primarily due to the re-measurement of our deferred tax assets and liabilities, which did not recur in 2018. These decreases were partially offset by a lower U.S. corporate income tax rate from the changes in U.S. tax laws and a $7.2 million or 8% reduction in Interest expense.

We consider Economic net income (controlling interest) to be an important measure of our financial performance, as we believe it best represents our performance after tax and before our share of non-cash expenses relating to our acquisition of interests in our Affiliates. While Adjusted EBITDA (controlling interest) decreased $154.4 million or 14% in 2018, our Economic net income (controlling interest) decreased $43.7 million or 5%, primarily due to a reduction in our effective tax rate from changes in U.S. tax laws and a $28.2 million tax benefit recognized on the liquidation of the U.S. alternative Affiliate accounted for under the equity method.

Results of Operations

The following discussion includes the financial results of our consolidated and equity method Affiliates. Our consolidated Affiliates' financial results are included in our Consolidated revenue, Consolidated expenses, and Investment and other income, and our share of our equity method Affiliates' financial results is reported (net of intangible amortization and impairments) in Equity method income (loss) (net).

Consolidated Revenue

Our Consolidated revenue is derived from our consolidated Affiliates, primarily from asset and performance based fees from investment management services. For these Affiliates, we typically use structured partnership interests in which we contractually share in the Affiliate's revenue without regard to expenses. Consolidated revenue is generally determined by the level of our consolidated Affiliate average assets under management, the composition of these assets across our Affiliate sponsored products and client accounts that realize different asset based fee ratios, and performance based fees.

The following table presents our consolidated Affiliate average assets under management and Consolidated revenue:

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(in millions, except as noted)	For the Years Ended December 31, 2016	2017	% Change	2018	% Change
Consolidated Affiliate average assets under management (in billions)	$373.4	$406.5	9 %	$419.6	3 %
Consolidated revenue	$2,194.6	$2,305.0	5 %	$2,378.4	3 %

Our Consolidated revenue increased $73.4 million or 3% in 2018, due to a $52.6 million or 2% increase from asset based fees, a $19.6 million or less than 1% increase from our adoption of ASU 2014-09, Revenue from Contracts with Customers and a $1.2 million increase from performance based fees. The increase in asset based fees was due to a 3% increase in consolidated Affiliate average assets under management, primarily in our alternative strategies and multi-asset and other strategies. The increase in asset based fees was partially offset by a 1% decline in our asset based fee ratio due to a change in the composition of our average assets under management.

Our Consolidated revenue increased $110.4 million or 5% in 2017, due to a $129.1 million or 6% increase from asset based fees, partially offset by a $18.7 million or 1% decrease from performance based fees. The increase in asset based fees was due to a 9% increase in consolidated Affiliate average assets under management, primarily in our global equity strategies and multi-asset and other strategies. The increase in asset based fees was partially offset by a 3% decline in our consolidated Affiliate asset based fee ratio due to a change in the composition of our average assets under management.

Consolidated Expenses

The following table presents our Consolidated expenses:

(in millions)	For the Years Ended December 31, 2016	2017	% Change	2018	% Change
Compensation and related expenses	$932.4	$979.0	5 %	$987.2	1 %
Selling, general and administrative	398.1	373.1	(6)%	417.7	12 %
Intangible amortization and impairments	110.2	86.4	(22)%	114.8	33 %
Interest expense	91.7	87.8	(4)%	80.6	(8)%
Depreciation and other amortization	19.5	20.3	4 %	22.0	8 %
Other expenses (net)	43.3	58.0	34 %	69.7	20 %
Total consolidated expenses	$1,595.2	$1,604.6	1 %	$1,692.0	5 %

Our Consolidated expenses are primarily attributable to the non-controlling interests of our consolidated Affiliates in which we share in revenue without regard to expenses. For these Affiliates, the amount of expenses attributable to the non-controlling interests, including compensation, is generally determined by the percentage of revenue allocated to expenses as part of the structured partnership interests in place at the respective Affiliate. Accordingly, increases in revenue generally will increase a consolidated Affiliate's expenses attributable to the non-controlling interest and decreases in revenue will generally decrease a consolidated Affiliate's expenses attributable to the non-controlling interest.

Compensation and related expenses increased $8.2 million or 1% in 2018, primarily due to a $4.3 million or less than 1% increase in share-based compensation expense and a $3.0 million or less than 1% increase in compensation expenses associated with Affiliate equity transactions. These changes were primarily attributable to the controlling interest.

Compensation and related expenses increased $46.6 million or 5% in 2017, primarily due to a $35.0 million or 4% increase in compensation expenses at Affiliates and a $8.5 million or 1% increase in compensation expenses associated with Affiliate equity transactions. These changes were primarily attributable to the non-controlling interests.

Selling, general and administrative expenses increased $44.6 million or 12% in 2018, due to a $25.1 million or 7% increase in expenses related to the non-controlling interests, primarily due to an increase in investment research and other costs. This increase was also due to a $19.6 million or 5% increase in distribution-related expenses from our adoption of ASU 2014-09, Revenue from Contracts with Customers, also primarily attributable to the non-controlling interests.

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Selling, general and administrative expenses decreased $25.0 million or 6% in 2017, primarily due to a $15.0 million or 4% decrease in expenses associated with legal claims and a $5.7 million or 1% reduction in distribution expenses related to commissions at certain of our UK Affiliates, both attributable to the non-controlling interests. The decrease was also due to a $5.8 million or 1% reduction in expenses related to wealth management initiatives attributable to the controlling interest.

Intangible amortization and impairments increased $28.4 million or 33% in 2018, due to a $30.1 million or 35% increase from a change in the pattern of economic benefit for certain assets, partially offset by a $1.7 million or 2% decrease from certain assets being fully amortized. These changes were primarily attributable to the controlling interest.

Intangible amortization and impairments decreased $23.8 million or 22% in 2017, due to a $16.0 million or 15% decrease from a change in the pattern of economic benefit for certain assets and a $7.8 million or 7% decrease from certain assets being fully amortized. These changes were primarily attributable to the controlling interest.

Interest expense decreased $7.2 million or 8% in 2018, primarily due to an $8.6 million or 10% decrease from the redemption of our 6.375% senior unsecured notes due 2042 in August 2017 and a $3.8 million or 4% decrease due to our pound sterling-denominated forward foreign currency contracts. These decreases were partially offset by a $4.0 million or 5% increase in interest expense on our credit facilities due to an increase in the applicable borrowing rates. These changes were attributable to the controlling interest.

Interest expense decreased $3.9 million or 4% in 2017, primarily due to a $5.3 million or 6% decrease from the redemption of our 6.375% senior unsecured notes due 2042 in August 2017. This change was attributable to the controlling interest.

There were no significant changes in Depreciation and other amortization in 2018 or 2017.

Other expenses (net) increased $11.7 million or 20% in 2018, primarily due to a $20.0 million or 34% increase in charitable contributions and a $3.0 million or 5% increase in rent expense. These increases were partially offset by a $6.3 million or 11% decrease in losses resulting from changes in the value of contingent payment arrangements and a $6.2 million or 11% decrease in expenses from changes in the value of Affiliate equity repurchase obligations. These changes were primarily attributable to the controlling interest.

Other expenses (net) increased $14.7 million or 34% in 2017, primarily due to a $9.3 million or 21% increase in losses resulting from the changes in the value of contingent payment arrangements, a $2.1 million or 5% increase in expenses from changes in the value of Affiliate equity repurchase obligations and a $2.0 or 5% increase in rent expense. These changes were primarily attributable to the controlling interest.

Equity Method Income (Loss) (Net)

When we do not own a controlling interest in an Affiliate, but have significant influence, we account for our interest in the Affiliate under the equity method. Our share of earnings or losses from these Affiliates, net of amortization and impairments, is included in Equity method income (loss) (net) in our Consolidated Statements of Income.

For a majority of these Affiliates, we use structured partnership interests in which we contractually share in the Affiliate’s revenue less agreed-upon expenses. This type of partnership interest allows us to benefit from any increase in revenue or any decrease in the agreed-upon expenses, but also exposes us to any decrease in revenue or any increase in such expenses. The degree of our exposure to expenses from these structured partnership interests varies by Affiliate and includes Affiliates in which we fully share in the expenses of the business. We also use structured partnership interests in which we contractually share in the Affiliate’s revenue without regard to expenses, and in this type of partnership interest, our contractual share of revenue generally has priority over distributions to Affiliate management.

Our equity method revenue is derived primarily from asset and performance based fees from investment management services. Equity method revenue incorporates the total asset and performance based fees earned by all of our equity method Affiliates and is generally determined by the level of our equity method Affiliate average assets under management, the composition of these assets across our Affiliate sponsored products and client accounts that realize different asset based fee ratios and performance based fees. Our equity method Affiliates manage a greater proportion of assets subject to performance based fees than our consolidated Affiliates and, as a result, our equity method revenue

will generally have more performance based fees than Consolidated revenue.
The following table presents equity method Affiliate average assets under management and equity method revenue, as well as equity method earnings and equity method intangible amortization and impairments, which in aggregate form Equity method income (loss) (net):

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(in millions, except as noted)	2016	2017	% Change	2018	% Change
	For the Years Ended December 31,				
Operating Performance Measures					
Equity method Affiliate average assets under management (in billions)	$282.2	$372.7	32 %	$400.3	7 %
Equity method revenue[(1)]	$2,101.7	$3,240.8	54 %	$3,064.0	(5)%
Financial Performance Measures					
Equity method earnings	$388.0	$501.4	29 %	$370.6	(26)%
Equity method intangible amortization and impairments	(59.2)	(199.2)	236 %	(370.8)	86 %
Equity method income (loss) (net)	$328.8	$302.2	(8)%	$(0.2)	(100)%

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(1) Equity method revenue is an operating measure and is provided in addition to, but not as a substitute for, Equity method income (loss) (net) or other financial performance measures. Equity method revenue differs from the revenue of our equity method Affiliates reported in Note 13 to our Consolidated Financial Statements, as it does not include the financial impact of any consolidated sponsored investment products or other entities that may need to be consolidated by our equity method Affiliates under GAAP.

Our equity method revenue decreased $176.8 million or 5% in 2018, primarily due to a $214.7 million or 7% decrease from performance based fees due to a broad decline in equity markets in the three months ended December 31, 2018, which resulted in negative performance for most asset classes, partially offset by a $37.9 million or 1% increase from asset based fees. The increase in asset based fees was due to a 7% increase in equity method Affiliate average assets under management, partially offset by a 5% decline in our asset based fee ratio due to a change in the composition of our average assets under management and fee rate reductions at certain Affiliate products.

While equity method revenue decreased 5% in 2018, equity method earnings decreased $130.8 million or 26%, primarily due to the decline in performance based fees at our equity method Affiliates in which we share in the Affiliate's revenue less agreed-upon expenses. The expense bases of these Affiliates are generally less variable and, therefore, when performance based fees decline the percentage impact is greater on the Affiliate's earnings relative to the impact on the Affiliate's revenue. The decrease was also due to an increase in expenses at certain of our Affiliates as they continue to invest in new investment strategies and enhance their distribution capabilities.

Equity method intangible amortization and impairments increased $171.6 million or 86% in 2018. This increase was primarily due to a $180.2 million or 90% increase in expenses to reduce the carrying value of one of our U.S. alternative Affiliates to zero and reduce the carrying value to fair value of one of our non-U.S. alternative Affiliates. See Note 13 of our Consolidated Financial Statements for additional information. This increase was partially offset by an $8.6 million or 4% decrease in amortization from a change in the pattern of economic benefit for certain assets.

Our equity method revenue increased $1,139.1 million or 54% in 2017, due to a $649.1 million or 31% increase from asset based fees and a $490.0 million or 23% increase from performance based fees. The increase in asset based fees was due to a 32% increase in equity method Affiliate average assets under management, primarily due to an increase in assets under management from investments in new Affiliates and a 3% increase in our equity method Affiliate asset based fee ratio due to the change in the composition of our average assets under management. Performance based fees increased due to the full-year impact in 2017 of our 2016 investments in new Affiliates and due to increases in performance based fees at our existing Affiliates.

While equity method revenue increased $1,139.1 million or 54% in 2017, equity method earnings increased $113.4 million or 29% in 2017, primarily due to our 2016 investments in new Affiliates, in which we own less of the economic interests.

Equity method intangible amortization and impairments increased $140.0 million in 2017, primarily due to a $93.1 million expense to reduce the carrying value to fair value of the U.S. alternative Affiliate for which we recorded an expense in 2018 to reduce the carrying value to zero and a $41.0 million increase in amortization from the full-year impact in 2017 of our 2016 investments in new Affiliates.

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Investment and other income

The following table presents our Investment and other income:

(in millions)	For the Years Ended December 31, 2016	2017	% Change	2018	% Change
Investment and other income	$46.4	$64.5	39 %	$27.4	(58)%

Investment and other income decreased $37.1 million or 58% in 2018, primarily due to a $28.8 million or 45% decrease in realized gains on the sale of marketable securities, primarily attributable to the controlling interest, and a $4.3 million or 7% increase in foreign currency transaction losses, primarily attributable to the non-controlling interests.

Investment and other income increased $18.1 million or 39% in 2017, due to an $11.4 million or 25% increase in the fair value of investments and a $6.7 million or 14% increase in net realized gains, both primarily attributable to the controlling interest.

Income Tax Expense

The following table presents our Income tax expense:

(in millions)	For the Years Ended December 31, 2016	2017	% Change	2018	% Change
Income tax expense	$235.6	$58.4	(75)%	$181.3	N.M.[1]

(1) Percentage change is not meaningful.

Income tax expense increased $122.9 million in 2018, primarily due to a $194.1 million one-time net benefit recognized in 2017 as a result of changes in U.S. tax laws, principally from the re-measurement of our deferred tax liabilities associated with our intangible assets and convertible securities, which did not recur in 2018. Without the one-time impact of the changes in U.S. tax laws in 2017, Income tax expense would have decreased approximately $76 million or 31% in 2018, primarily due to lower Income before income taxes (controlling interest) and the lower U.S. corporate income tax rate.

Income tax expense decreased $177.2 million or 75% in 2017, primarily due to a $194.1 million one-time net benefit from the changes in U.S. tax laws, partially offset by an increase in income tax expense due to an increase in Income before income taxes (controlling interest). The net benefit from changes in U.S. tax laws was primarily due to the re-measurement of our deferred tax liabilities associated with our intangible assets and convertible securities.

Net Income

The previously discussed changes in revenue and expenses had the following effect on Net income:

(in millions)	For the Years Ended December 31, 2016	2017	% Change	2018	% Change
Net income	$739.0	$1,008.7	36 %	$532.3	(47)%
Net income (non-controlling interests)	266.2	319.2	20 %	288.7	(10)%
Net income (controlling interest)	472.8	689.5	46 %	243.6	(65)%

Supplemental Financial Performance Measures

Adjusted EBITDA (controlling interest)

As supplemental information, we provide a non-GAAP measure that we refer to as Adjusted EBITDA (controlling interest). Adjusted EBITDA (controlling interest) is an important supplemental financial performance measure for management as it provides a comprehensive view of our share of the financial performance of our business before interest, taxes, depreciation, amortization, impairments, and adjustments to our contingent payment arrangements. This non-GAAP

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performance measure is provided in addition to, but not as a substitute for, Net income (controlling interest) or other GAAP performance measures.

The following table presents a reconciliation of Net income (controlling interest) to Adjusted EBITDA (controlling interest):

	For the Years Ended December 31,		
(in millions)	2016	2017	2018
Net income (controlling interest)	$472.8	$689.5	$243.6
Interest expense	91.7	87.8	80.6
Income taxes[1]	229.2	50.4	169.4
Intangible amortization and impairments[2]	142.5	265.4	454.9
Other items[3]	9.3	23.1	13.3
Adjusted EBITDA (controlling interest)	$945.5	$1,116.2	$961.8

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(1) For the year end December 31, 2017, Income taxes include a one-time net benefit of $194.1 million from changes in U.S. tax laws.

(2) Our consolidated Intangible amortization and impairments includes amortization attributable to our non-controlling interests. For our equity method Affiliates, we do not separately report intangible amortization and impairments in our Consolidated Statements of Income. Our share of these Affiliates' amortization is reported in Equity method income (loss) (net).

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

	For the Years Ended December 31,		
(in millions)	2016	2017	2018
Consolidated intangible amortization and impairments	$110.2	$86.4	$114.8
Consolidated intangible amortization (non-controlling interests)	(26.9)	(20.2)	(30.7)
Equity method intangible amortization and impairments	59.2	199.2	370.8
Total	$142.5	$265.4	$454.9

For the year ended December 31, 2017, equity method intangible amortization and impairments includes a $93.1 million non-cash expense to reduce the carrying value to fair value of one of our U.S. alternative Affiliates accounted for under the equity method. For the year ended December 31, 2018, equity method intangible amortization and impairments includes a $240.0 million non-cash expense to reduce the carrying value to fair value of one of our non-U.S. alternative Affiliates accounted for under the equity method and a $33.3 million non-cash expense to reduce the carrying value to zero of the U.S. alternative Affiliate.

(3) Other items include depreciation and adjustments to contingent payment arrangements.

Economic Net Income (controlling interest) and Economic Earnings Per Share

As supplemental information, we also provide non-GAAP performance measures that we refer to as Economic net income (controlling interest) and Economic earnings per share. We consider Economic net income (controlling interest) and Economic earnings per share to be important measures of our financial performance, as we believe they best represent performance before our share of non-cash expenses relating to our acquisition of interests in our Affiliates, and they are, therefore, employed as our principal performance measures. Economic net income (controlling interest) and Economic earnings per share are used by our management and Board of Directors as our principal performance benchmarks, including as one of the measures for aligning executive compensation with stockholder value. These measures are provided in addition to, but not as substitutes for, Net income (controlling interest) and Earnings per share (diluted) or other GAAP performance measures.

Under our Economic net income (controlling interest) definition, we add to Net income (controlling interest) our share of pre-tax intangible amortization and impairments (including the portion attributable to equity method investments in Affiliates),

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deferred taxes related to intangible assets and other economic items, which include non-cash imputed interest (principally related to the accounting for convertible securities and contingent payment arrangements) and certain Affiliate equity expenses. For the year ended December 31, 2017, we excluded from Economic net income (controlling interest) a one-time net benefit from changes in U.S. tax laws. We add back intangible amortization and impairments 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 and reductions or increases in contingent payment arrangements to better reflect 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. We have excluded the one-time impact of the changes in U.S. tax laws to ensure comparability with prior and future periods.

Economic earnings per share represents Economic net income (controlling interest) divided by the Average shares outstanding (adjusted diluted). In this calculation, the potential share issuance in connection with our convertible securities is measured using a "treasury stock" method. Under this method, only the net number of shares of common stock equal to the value of these convertible securities in excess of par, if any, is 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 presents a reconciliation of Net income (controlling interest) to Economic net income (controlling interest):

	For the Years Ended December 31,		
(in millions, except per share data)	2016	2017	2018
Net income (controlling interest)	$472.8	$689.5	$243.6
Intangible amortization and impairments[1]	142.5	265.4	454.9
Intangible-related deferred taxes[2]	84.3	48.8	79.7
Other economic items[3]	4.0	14.8	2.5
Changes in U.S. tax laws[4]	—	(194.1)	—
Economic net income (controlling interest)	$703.6	$824.4	$780.7
Average shares outstanding (diluted)	57.0	58.6	53.8
Assumed issuance of junior convertible securities shares	(2.2)	(2.2)	—
Average shares outstanding (adjusted diluted)	54.8	56.4	53.8
Economic earnings per share	$12.84	$14.60	$14.50

(1) See note (2) to the table in "Adjusted EBITDA (controlling interest)."

(2) For the year ended December 31, 2017, we recorded a $93.1 million non-cash expense to reduce the carrying value to fair value of one of our U.S. alternative Affiliates accounted for under the equity method, which reduced intangible-related deferred taxes by $35.7 million. For the year ended December 31, 2018, we recognized a $33.3 million non-cash expense to reduce the carrying value of this equity method investment to zero and recognized a tax loss on its liquidation, which resulted in a $19.9 million net increase in intangible-related deferred taxes.

(3) During 2016, 2017 and 2018, Other economic items were net of income tax expense of $1.5 million, $5.8 million and $0.8 million, respectively.

(4) See note (1) to the table in "Adjusted EBITDA (controlling interest)."

Liquidity and Capital Resources

In 2018, we met our cash requirements through cash generated by operating activities. Our principal uses of cash during the year were, and for the foreseeable future are expected to be, for repurchases of common stock, distributions to Affiliate equity holders, repayments of senior debt, the payment of cash dividends on our common stock, repurchases of Affiliate equity

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interests and general working capital purposes. We also expect that principal uses of cash will be for investments in new and existing Affiliates. We anticipate that cash flows from operations, together with borrowings under our revolver, will be sufficient to support our cash flow needs for the foreseeable future. In addition, we may draw funding from the debt and equity capital markets, and our credit ratings, among other factors, allow us to access these sources of funding on favorable terms. We are currently rated A3 by Moody's Investors Service and A- by S&P Global Ratings.

Cash and cash equivalents were $565.5 million and $439.5 million at December 31, 2018 and 2017, respectively. The following table presents our operating, investing and financing cash flow activities:

	For the Years Ended December 31,		
(in millions)	2016	2017	2018
Operating cash flow	$1,050.3	$1,170.4	$1,140.6
Investing cash flow	(1,332.2)	13.8	(18.2)
Financing cash flow	200.9	(1,189.7)	(983.1)

Operating Cash Flow

Operating cash flows decreased $29.8 million in 2018, primarily due to a $137.0 million increase in net purchases of securities by Affiliate sponsored consolidated products. This decrease was partially offset by a $42.3 million increase in Net income as adjusted for non-cash items and a $36.5 million increase in distributions received from equity method investments. In 2018, approximately 70% of operating cash flows were attributable to the controlling interest.

Operating cash flows increased $120.1 million in 2017, primarily due to a $83.4 million increase in distributions received from equity method investments. In 2017, approximately 70% of operating cash flows were attributable to the controlling interest.

Investing Cash Flow

Investing cash flows decreased $32.0 million in 2018, primarily due to a $55.1 million decrease in net sales of investment securities, partially offset by a $23.3 million decrease in investments in Affiliates. These changes were primarily attributable to the controlling interest.

Investing cash flows increased $1.3 billion in 2017, primarily due to a $1.3 billion decrease in cash used to make investments in Affiliates attributable to the controlling interest.

Financing Cash Flow

Financing cash flows increased $206.6 million in 2018. This increase was primarily due to a $229.4 million decrease in net repayments of senior bank debt and senior notes, which was partially offset by a $112.6 million increase in repurchases of our common stock, all of which were attributable to the controlling interest. This increase was also due to a $130.1 million increase in subscriptions to Affiliate sponsored consolidated products, net of redemptions, which were primarily attributable to the non-controlling interests.

Financing cash flows decreased $1.4 billion in 2017. This decrease was primarily due to a $485.0 million change in senior debt activity (from $225.0 million of net borrowings in 2016 to $260.0 million of net repayments in 2017), a $423.9 million decrease in proceeds from the issuance of common stock and a $359.8 million increase in the repurchase of our common stock, all of which were attributable to the controlling interest.

Senior Debt and Convertible Securities

The following table presents the carrying value of our outstanding indebtedness:

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(in millions)	December 31, 2016	2017	2018
Senior bank debt	$870.0	$810.0	$780.0
Senior notes	945.1	745.7	746.2
Convertible securities	307.5	309.9	312.5

Senior Bank Debt

We have a senior unsecured multicurrency revolving credit facility (the "revolver"), which, as of December 31, 2018, had $1.45 billion in borrowing capacity and outstanding borrowings of $330.0 million. We also have a senior unsecured term loan facility (the "term loan" and, together with the revolver, the "credit facilities"), which, as of December 31, 2018, had outstanding borrowings of $450.0 million. As of December 31, 2018, we had approximately $1 billion of remaining capacity under our revolver, and could borrow all such capacity and remain in compliance with our credit facilities.

Under the terms of the credit facilities 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 3.25x. The second covenant is a minimum EBITDA to cash interest expense ratio of 3.00x (the "bank interest coverage ratio"). For purposes of calculating these ratios, share-based compensation and Affiliate equity expense are added back to EBITDA. As of December 31, 2018, our bank leverage and bank interest coverage ratios were 1.4x and 13.5x, respectively, and we were in compliance with all of the terms of our credit facilities.

On January 18, 2019, we amended and restated the credit facilities to provide for a $1.25 billion revolver and a $450.0 million term loan. The revolver matures on January 18, 2024 and the term loan matures on January 18, 2023. Subject to certain conditions, we may increase commitments under the revolver by up to an additional $500.0 million and may borrow up to an additional $75.0 million under the term loan. We pay interest on any outstanding obligations under the amended and restated credit facilities at specified rates, based either on the applicable LIBOR rate or the prime rate as in effect from time to time.

Senior Notes

In 2017, we redeemed, canceled and retired all $200.0 million principal amount outstanding of our 6.375% senior unsecured notes due 2042 at a redemption price equal to 100% of the principal amount. At December 31, 2018, we had two senior notes outstanding, the respective principal terms of which are presented below.

	2024 Senior Notes	2025 Senior Notes
Issue date	February 2014	February 2015
Maturity date	February 2024	August 2025
Potential call date[1]	Any Time	Any Time
Par value (in millions)	$ 400.0	$ 350.0
Call price[1]	As Defined	As Defined
Stated coupon	4.25 %	3.50 %
Coupon frequency	Semi-annually	Semi-annually

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(1) The senior notes may be redeemed at any time, in whole or in part, at a make-whole redemption price plus accrued and unpaid interest. The make-whole redemption price, in each case, is equal to the greater of 100% of the principal amount of the notes to be redeemed and the remaining principal and interest payments on the notes being

redeemed (excluding accrued but unpaid interest to, but not including, the redemption date) discounted to their present value as of the redemption date at the applicable treasury rate plus 0.25%.

Convertible Securities

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At December 31, 2018, we had junior convertible trust preferred securities outstanding (the “junior convertible securities”) with a carrying value of $312.5 million. The carrying value is accreted to the principal amount at maturity ($430.8 million) over a remaining life of approximately 19 years. The junior convertible securities bear interest at 5.15% per annum, payable quarterly in cash. Effective August 10, 2018 and in accordance with the convertible securities indenture, we adjusted the conversion rate of the junior convertible securities from 0.2500 shares of common stock to 0.2525 shares of common stock per $50.00 junior convertible security, equivalent to an adjusted conversion price of $198.02 per share of common stock. The adjustment was the result of our cumulative declared dividends on our common stock since the initiation of our dividend through August 2018. Holders of the junior convertible securities have no rights to put these securities to us. Upon conversion, holders will receive cash or shares of our common stock, or a combination thereof, at our election. We may redeem the junior convertible securities if the closing price of our common stock exceeds $257.43 per share for 20 trading days in a period of 30 consecutive trading days. The junior 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 $7.8 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.

Equity Distribution Program

We have equity distribution and forward equity agreements with several major securities firms under which we, from time to time, may issue and sell shares of our common stock (immediately or on a forward basis) having an aggregate sales price of up to $500.0 million (the “equity distribution program”). As of December 31, 2018, no sales had occurred under the equity distribution program.

Derivatives

In 2018, we entered into two separate pound sterling-denominated forward foreign currency contracts (the “forward contracts”) with a large financial institution (the “counterparty”) to access lower interest rates. In order to limit our exposure to both gains and losses on the forward contracts, we concurrently entered into two separate collar contracts (the “collar contracts”) with the same counterparty for the same notional amounts and expiration dates as the forward contracts. Under one of the forward contracts, we will deliver £285.8 million for $400.0 million in 2024, and under the other forward contract, we will deliver £325.3 million for $450.0 million in 2021. Under one of the collar contracts, we sold a put option with a lower strike price of 1.288 U.S. dollars per one pound sterling and purchased a call option with an upper strike price of 1.535 U.S. dollars per one pound sterling. Under the other collar contract, we sold a put option with a lower strike price of 1.318 U.S. dollars per one pound sterling and purchased a call option with an upper strike price of 1.448 U.S. dollars per one pound sterling. The forward contracts and the collar contracts provide net settlement rights and require the parties to post collateral throughout the term of the contracts.

The combination of the forward contracts and the collar contracts were designated as net investment hedges against fluctuations in foreign currency exchange rates on certain of our investments in Affiliates with the pound sterling as their functional currency. See Note 9 of our Consolidated Financial Statements for additional information.

Affiliate Equity

Many of our consolidated Affiliate agreements provide us with a conditional right to call and Affiliate equity holders with the conditional right to put their Affiliate equity interests to us at certain intervals. For equity method Affiliates, we do not typically have such put and call arrangements. The purchase price of these conditional purchases is generally calculated based upon a multiple of the Affiliate’s cash flow distributions, which is intended to represent fair value. Affiliate equity holders are also permitted to sell their equity interests to other individuals or entities in certain cases, subject to our approval or other restrictions.

As of December 31, 2018, the current redemption value of $833.7 million for these interests (including $91.0 million of Affiliate sponsored consolidated products primarily attributable to third-party investors) has been presented as Redeemable non-controlling interests. Although the timing and amounts of these purchases are difficult to predict, we paid $120.0 million for repurchases and received $6.3 million for sales of Affiliate equity during 2018, and expect to repurchase a net total of approximately $100 million in 2019. In the event of a repurchase, we become the owner of the cash flow associated with the repurchased equity.

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Commitments

See Note 10 of our Consolidated Financial Statements.

Share Repurchases

Our Board of Directors authorized share repurchase programs in January 2019, January 2018 and January 2017, authorizing us to repurchase up to 3.3 million, 3.4 million and 1.9 million shares of our common stock, respectively, and these authorizations have no expiry. Purchases may be made from time to time, at management's discretion, in the open market or in privately negotiated transactions, including through the use of derivative financial instruments and accelerated share repurchase programs. As of December 31, 2018, we had repurchased all of the shares of the January 2017 authorized amount. As of the January 2019 authorization, there were a total of 5.0 million shares remaining available for repurchase under the January 2019 and January 2018 programs.

Contractual Obligations

The following table presents our contractual obligations as of December 31, 2018. Contractual debt obligations include the cash payment of fixed interest.

		Payments Due			
(in millions)	Total	2019	2020-2021	2022-2023	Thereafter
Contractual Obligations[(1)]					
Senior bank debt	$780.0	$—	$ 780.0	$ —	$—
Senior notes	929.3	29.3	58.5	58.5	783.0
Convertible securities	852.4	22.2	44.4	44.4	741.4
Leases[(2)]	233.7	35.7	71.7	51.1	75.2
Affiliate equity repurchase obligations	36.2	36.2	—	—	—
Total contractual obligations	$2,831.6	$123.4	$ 954.6	$ 154.0	$ 1,599.6
Contingent Obligations					
Contingent payment arrangements[(3)]	$1.9	$1.9	$ —	$ —	$—

(1) This table does not include liabilities for commitments to co-invest in certain Affiliate sponsored investment products or uncertain tax positions of $131.0 million and $33.1 million, respectively. This table also does not include potential obligations relating to our derivative financial instruments or the potential obligation to purchase an additional interest in a non-U.S. alternative Affiliate accounted for under the equity method from a minority owner. See Notes 9 and 10 of our Consolidated Financial Statements for additional information. These items are excluded as we cannot predict the amount or timing of when such obligations will be paid.

(2) The controlling interest portion is $11.8 million through 2019, $20.8 million in 2020-2021, $16.9 million in 2022-2023 and $14.2 million thereafter.

(3) The contingent payment arrangements disclosed in the table represent the expected settlement amounts. The maximum settlement amount through 2020 is $152.5 million, and none thereafter.

Recent Accounting Developments

See Note 1 of our Consolidated Financial Statements.

Critical Accounting Estimates and Judgments

The preparation of financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions and estimates that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. See Note 1 of our Consolidated Financial Statements for a discussion of our significant accounting policies.

The following are our critical accounting estimates and judgments used in the preparation of our Consolidated Financial Statements, and due to their nature, actual results could differ materially from the amounts reported.

Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. These standards establish a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

We make judgments to determine the fair value of certain assets, liabilities and equity interests when allocating the purchase price of our new investments, when revaluing our contingent payment arrangements, when we issue or repurchase Affiliate equity interests and when we test our intangible assets or equity method investments for impairment.

In determining fair values for which market prices or quotations are not readily available, we typically use valuation techniques, including discounted cash flow analyses, where we make assumptions about growth rates of assets under management, profitability and useful lives of existing and prospective client accounts. In these analyses, we also consider historical and current market multiples, tax benefits, credit risk, interest rates, tax rates, discount rates and discounts for lack of marketability. We consider the reasonableness of our assumptions by comparing our valuation conclusions to observed market transactions and, in certain instances, by consulting with third-party valuation firms.

Goodwill

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not separately recognized. We perform a qualitative impairment test at least annually to determine if the carrying value of our single reporting unit is in excess of its fair value. If the carrying value of the reporting unit is in excess of the fair value under this test, then we must determine if a potential impairment is more-likely-than-not. To determine if a potential impairment is more-likely-than-not, we perform a single step quantitative test with any excess of carrying value over fair value recorded as an expense in Intangible amortization and impairments. We completed our annual goodwill impairment assessment as of September 30, 2018 and no impairment was identified. For purposes of our assessment, we considered various qualitative factors (including market multiples for asset management businesses) and determined that it was more-likely-than-not that the fair value of our reporting unit was greater than its respective carrying amount, including goodwill.

Indefinite-Lived Intangible Assets

Indefinite-lived intangible assets include investment advisory contracts between our Affiliates and their mutual funds and other retail-oriented investment products. Because these contracts are with the investment products themselves, and not with the underlying investors, and the contracts between our Affiliates and the investment products are typically renewed on an annual basis, industry practice under GAAP is to consider the contract life to be indefinite and, as a result, not amortizable.

We perform indefinite-lived intangible asset impairment tests annually, or more frequently should circumstances suggest fair value has declined below the related carrying value. If we determine that the fair value has declined below our related carrying value, an expense is recognized to reduce the carrying value to its fair value. We completed our annual impairment assessment as of December 31, 2018 and no impairments were identified. For purposes of our assessment, we considered various qualitative factors (including market multiples) and determined that it was more-likely-than-not that the fair value of each asset was greater than its carrying amount.

Definite-Lived Intangible Assets

Definite-lived intangible assets include investment advisory contracts between our Affiliates and their underlying investors, and are amortized over their expected period of economic benefit. We monitor the expected period of economic benefit of these assets and revise it, if necessary. We review historical and projected attrition rates and other events that may influence our projections of the future period of economic benefit that we will derive from these relationships. Significant judgment is required to estimate the period that these assets will contribute to our cash flows and the pattern over which these assets will provide an economic benefit.

We perform definite-lived intangible asset impairment tests annually, or more frequently should circumstances suggest fair value has declined below the related carrying value. If we determine that the fair value has declined below our related carrying value, an expense is recognized to reduce the carrying value to its fair value. We assess each of our definite-lived acquired client relationships for impairment by comparing their carrying value to the projected undiscounted cash flows of the acquired client relationships. We completed our annual assessment as of December 31, 2018 and noted that projected undiscounted cash flows over the remaining life of each of these assets exceed their carrying value and, accordingly, no impairments were identified.

Equity Method Investments in Affiliates

We perform equity method investment impairment tests annually, or more frequently should circumstances suggest fair value may have declined below the related carrying value. Impairments are recognized when the fair value of the Affiliate has declined below its carrying value for a period we consider other-than-temporary. If we determine that a decline in fair value below our carrying value is other-than-temporary, the expense recognized reduces the carrying value of the Affiliate to its fair value.

For the year ended December 31, 2018, we determined that the fair value of one of our U.S. alternative Affiliates and one of our non-U.S. alternative Affiliates had declined below their respective carrying values. The decline in the fair values of these Affiliates was caused by the decline in assets under management as a result of client redemptions, coupled with recent negative investment returns, which resulted in a decrease of forecasted performance based fees for these Affiliates. For the U.S. alternative Affiliate, we recorded a $33.3 million expense to reduce the carrying value of this Affiliate to zero as the business was liquidated. For the non-U.S. alternative Affiliate, we determined fair value using a discounted cash flow analysis. The significant assumptions used in the cash flow analysis included a projected growth rate of 2.5%, discount rates of 11.0% and 20.0% for asset and performance based fees, respectively, and a market participant tax rate of 25.0%. We considered the decline in fair value of the non-U.S. alternative Affiliate to be other-than-temporary and, accordingly, recognized a $240.0 million expense to reduce the asset to fair value. For our remaining equity method investments in Affiliates, we completed our annual evaluation as of December 31, 2018 and no other impairments were identified.

Income Taxes

Our income tax expense, deferred tax assets and liabilities and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid. We are subject to income taxes in the U.S. and certain foreign jurisdictions.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. We measure our deferred taxes based on enacted tax rates and projected state apportionment percentages for the years in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period in which the change in tax rates is enacted.

Our principal deferred tax assets relate to deferred compensation, state and foreign operating loss carryforwards and the indirect benefits of uncertain foreign tax positions. We regularly assess the recoverability of our deferred tax assets, considering all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and results of recent operations. A valuation allowance is utilized to adjust the carrying values of deferred tax assets to the amount that is more-likely-than-not to be realized.

We record unrecognized tax benefits based on whether it is more-likely-than-not that uncertain tax positions will be sustained on the basis of the technical merits of the position. If it is determined an uncertain tax position is more-likely-than-not to be sustained, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Share-Based Compensation and Affiliate Equity

We have share-based compensation arrangements covering directors, senior management and employees (including our Affiliates). We calculate share-based compensation using the fair value of the awards on the grant date. Our share-based compensation arrangements typically vest and become fully exercisable over three to five years of continued employment and, in some cases, are further subject to certain performance or market conditions. We recognize expense net of expected forfeitures on a straight-line basis over the requisite service period, including grants that are subject to graded vesting.

We estimate the fair value of stock option awards using the Black-Scholes option pricing model, which requires us to make assumptions about the volatility and dividend yield of our common stock and the expected life of our stock options. In measuring expected volatility, we consider both the historical volatility of our common stock, as well as the current implied volatility from traded options.

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For restricted stock awards with performance conditions, we determine the fair value of the awards using our share price on the date of grant and the number of awards that are expected to be delivered. For awards with market conditions, the fair value of the award is determined using a Monte Carlo simulation with inputs for expected volatility, a risk-free rate and expected dividends. Our estimate of expected volatility is developed in a manner consistent with that of our stock options.

From time to time, we grant equity interests in our Affiliates to Affiliate partners and our officers, with vesting, forfeiture and repurchase terms established at the date of grant. The fair value of the equity interests is determined as of the date of grant using a discounted cash flow analysis. Key valuation assumptions include projected assets under management, fee rates, tax rates, discount rates and discounts for lack of marketability.

Redeemable non-controlling interests represent the currently redeemable value of Affiliate equity interests. We may pay for these Affiliate equity purchases in cash, shares of our common stock or other forms of consideration, at our election. We generally value these interests upon their transfer or repurchase by applying market multiples to cash flows, which is intended to represent fair value. The use of different assumptions could change the value of these interests, including the amount of compensation expense, if any, that we may report upon their transfer or repurchase.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Assets Under Management Market Price Risk

Our Consolidated revenue and equity method revenue are derived primarily from asset based fees that are typically determined as a percentage of the value of a client’s assets under management. Such values are affected by changes in financial markets (including interest rates and foreign exchange rates) and, accordingly, declines in the financial markets may negatively impact our Consolidated revenue and equity method revenue.

As of December 31, 2018, we estimate a proportional 1% increase or decrease in the value of our assets under management would have resulted in an annualized increase or decrease in asset based fees in Consolidated revenue of $18.3 million for our consolidated Affiliates and in equity method revenue of $18.0 million for our equity method Affiliates. This proportional increase or decrease excludes assets under management on which asset based fees are charged on committed capital.

Interest Rate Risk

We have fixed rates of interest on our senior notes and on our junior convertible securities. While a change in market interest rates would not affect the interest expense incurred on our fixed rate securities, such a change may affect the fair value of these securities. We estimate that a 1% change in interest rates would have resulted in a net change in the fair value of our fixed rate securities of $78.4 million, as of December 31, 2018. We pay a variable rate of interest on our credit facilities. We estimate that a 1% increase in interest rates would have increased our annual interest expense on the outstanding balance under our credit facilities by $7.8 million, as of December 31, 2018.

Foreign Currency Exchange Risk

The functional currency of most of our Affiliates is U.S. dollars. Certain of our Affiliates have a foreign currency as their functional currency, primarily pound sterling or Canadian dollars, and are impacted by movements in foreign currency exchange rates. In addition, the valuations of our foreign Affiliates with a non-U.S. dollar functional currency are impacted by fluctuations in foreign currency exchange rates, which are recorded as a component of stockholders’ equity. To illustrate the effect of possible changes in foreign currency exchange rates, we estimate a 1% change in the pound sterling and Canadian dollar to U.S. dollar exchange rates would have resulted in changes to stockholders’ equity of $3.8 million and $2.0 million, respectively, based on the December 31, 2018 carrying value of these Affiliates and annual changes to Income before income taxes (controlling interest) of $1.1 million and $0.3 million, respectively.

Derivative Risk

From time to time, we and our Affiliates seek to offset exposure to changes in interest rates, foreign currency exchange rates and markets by entering into derivative financial instruments. There can be no assurance that our or our Affiliates’ derivative financial instruments will meet their overall objective or that we or our Affiliates will be successful in entering into such instruments in the future. Further, if our or our Affiliates’ derivative counterparties fail to honor their obligations in a timely manner, including any obligations to return posted collateral, our financial condition and results of operations could be adversely impacted.

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In 2018, we entered into derivative financial instruments to mitigate the potential risk of changes in foreign currency exchange rates. See Note 9 of our Consolidated Financial Statements for additional information.

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Item 8. Financial Statements and Supplementary Data

Management's Report on Internal Control Over Financial Reporting

Management of Affiliated Managers Group, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting processes are designed by, or under the supervision of, the Company's chief executive and chief financial officers and applied by the Company's Board of Directors, management and other senior employees to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the U.S.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the U.S., and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

As of December 31, 2018, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2018 was effective.

The Company's internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in "Report of Independent Registered Public Accounting Firm," which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2018.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Affiliated Managers Group, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Affiliated Managers Group, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

February 22, 2019

We have served as the Company’s auditor since 1993.

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

	For the Years Ended December 31,		
	2016	2017	2018
Consolidated revenue	$2,194.6	$2,305.0	$2,378.4
Consolidated expenses:			
Compensation and related expenses	932.4	979.0	987.2
Selling, general and administrative	398.1	373.1	417.7
Intangible amortization and impairments	110.2	86.4	114.8
Interest expense	91.7	87.8	80.6
Depreciation and other amortization	19.5	20.3	22.0
Other expenses (net)	43.3	58.0	69.7
Total consolidated expenses	1,595.2	1,604.6	1,692.0
Equity method income (loss) (net)	328.8	302.2	(0.2)
Investment and other income	46.4	64.5	27.4
Income before income taxes	974.6	1,067.1	713.6
Income tax expense	235.6	58.4	181.3
Net income	739.0	1,008.7	532.3
Net income (non-controlling interests)	(266.2)	(319.2)	(288.7)
Net income (controlling interest)	$472.8	$689.5	$243.6
Average shares outstanding (basic)	54.2	56.0	53.6
Average shares outstanding (diluted)	57.0	58.6	53.8
Earnings per share (basic)	$8.73	$12.30	$4.55
Earnings per share (diluted)	$8.57	$12.03	$4.52

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

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

	For the Years Ended December 31,		
	2016	2017	2018
Net income	$739.0	$1,008.7	$532.3
Other comprehensive income (loss), net of tax:			
Foreign currency translation gain (loss)	(115.3)	128.0	(102.1)
Change in net realized and unrealized gain (loss) on derivative financial instruments	0.1	(0.8)	(0.1)
Change in net unrealized gain (loss) on investment securities	(35.2)	(7.7)	—
Other comprehensive income (loss), net of tax	(150.4)	119.5	(102.2)
Comprehensive income	588.6	1,128.2	430.1
Comprehensive income (non-controlling interests)	(220.6)	(337.6)	(273.7)
Comprehensive income (controlling interest)	$368.0	$790.6	$156.4

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

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AFFILIATED MANAGERS GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	December 31, 2017	December 31, 2018
Assets		
Cash and cash equivalents	$439.5	$565.5
Receivables	433.8	400.6
Investments in marketable securities	77.8	119.3
Goodwill	2,662.5	2,633.4
Acquired client relationships (net)	1,449.7	1,309.9
Equity method investments in Affiliates (net)	3,304.7	2,791.0
Fixed assets (net)	111.0	104.3
Other investments	165.0	201.1
Other assets	58.1	94.0
Total assets	$8,702.1	$8,219.1
Liabilities and Equity		
Payable and accrued liabilities	$807.2	$746.6
Senior bank debt	809.0	779.7
Senior notes	741.3	742.5
Convertible securities	304.4	307.4
Deferred income tax liability (net)	467.4	511.6
Other liabilities	182.4	162.7
Total liabilities	3,311.7	3,250.5
Commitments and contingencies (Note 10)		
Redeemable non-controlling interests	811.9	833.7
Equity:		
Common stock ($0.01 par value, 153.0 shares authorized; 58.5 shares outstanding in 2017 and 2018)	0.6	0.6
Additional paid-in capital	808.6	835.6
Accumulated other comprehensive loss	(21.8)	(109.0)
Retained earnings	3,698.5	3,876.8
	4,485.9	4,604.0
Less: Treasury stock, at cost (3.4 shares in 2017 and 6.5 shares in 2018)	(663.7)	(1,146.6)
Total stockholders' equity	3,822.2	3,457.4
Non-controlling interests	756.3	677.5
Total equity	4,578.5	4,134.9
Total liabilities and equity	$8,702.1	$8,219.1

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

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

	Total Stockholders' Equity							
	Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock at Cost	Non-controlling Interests	Total Equity
December 31, 2015	55.8	$0.6	$694.9	$ (18.1)	$2,581.6	$(421.9)	$ 932.0	$3,769.1
Net income	—	—	—	—	472.8	—	266.2	739.0
Other comprehensive income (loss)	—	—	—	(104.8)	—	—	(45.6)	(150.4)
Share-based compensation	—	—	39.2	—	—	—	—	39.2
Common stock issued under share-based incentive plans	—	—	(53.8)	—	—	69.3	—	15.5
Shares repurchases	—	—	—	—	—	(33.4)	—	(33.4)
Forward equity	—	—	5.2	—	—	—	—	5.2
Common stock issued under forward equity agreement	2.7	0.0	440.3	—	—	—	—	440.3
Issuance costs and other	—	—	(3.0)	—	—	—	—	(3.0)
Affiliate equity activity:								
Affiliate equity compensation	—	—	10.0	—	—	—	31.2	41.2
Issuances	—	—	(2.8)	—	—	—	14.7	11.9
Repurchases	—	—	14.9	—	—	—	0.4	15.3
Changes in redemption value of Redeemable non-controlling interests	—	—	(71.4)	—	—	—	—	(71.4)
Transfers to Redeemable non-controlling interests	—	—	—	—	—	—	(42.6)	(42.6)
Capital contributions by Affiliate equity holders	—	—	—	—	—	—	4.7	4.7
Distributions to non-controlling interests	—	—	—	—	—	—	(354.1)	(354.1)
December 31, 2016	58.5	$0.6	$1,073.5	$ (122.9)	$3,054.4	$(386.0)	$ 806.9	$4,426.5
Net income	—	—	—	—	689.5	—	319.2	1,008.7
Other comprehensive income (loss)	—	—	—	101.1	—	—	18.4	119.5
Share-based compensation	—	—	40.4	—	—	—	—	40.4
Common stock issued under share-based incentive plans	—	—	(117.6)	—	—	138.6	—	21.0
Shares repurchases	—	—	—	—	—	(416.3)	—	(416.3)
Dividends ($0.80 per share)	—	—	—	—	(45.4)	—	—	(45.4)
Issuance costs and other	—	—	0.6	—	—	—	—	0.6
Affiliate equity activity:								
Affiliate equity compensation	—	—	13.2	—	—	—	36.8	50.0
Issuances	—	—	(0.6)	—	—	—	3.7	3.1
Repurchases	—	—	40.6	—	—	—	(6.0)	34.6
	—	—	(241.5)	—	—	—	—	(241.5)

Changes in redemption value of Redeemable non-controlling interests								
Transfers to Redeemable non-controlling interests	—	—	—	—	—	—	(76.8)	(76.8)
Capital contributions by Affiliate equity holders	—	—	—	—	—	—	6.3	6.3
Distributions to non-controlling interests	—	—	—	—	—	—	(352.2)	(352.2)
December 31, 2017	58.5	$0.6	$808.6	$ (21.8)	$3,698.5	$(663.7)	$ 756.3	$4,578.5
Net income	—	—	—	—	243.6	—	288.7	532.3
Other comprehensive income (loss)	—	—	—	(87.2)	—	—	(15.0)	(102.2)
Share-based compensation	—	—	44.7	—	—	—	—	44.7
Common stock issued under share-based incentive plans	—	—	(11.6)	—	—	6.6	—	(5.0)
Shares repurchases	—	—	—	—	—	(489.5)	—	(489.5)

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Dividends ($1.20 per share)	—	(65.3	—	(65.3
Issuance costs and other	(0.5	—	—	(0.5
Affiliate equity activity:				
Affiliate equity compensation	16.7	—	39.7	56.4
Issuances	(6.8	—	14.3	7.5
Repurchases	15.3	—	(9.0	6.3
Changes in redemption value of Redeemable non-controlling interests	(30.8	—	—	(30.8
Transfers to Redeemable non-controlling interests	—	—	(44.8	(44.8
Capital contributions by Affiliate equity holders				