SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

# FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission File Number 001-13459

AFFILIATED MANAGERS GROUP, INC.
(Exact name of registrant as specified in its charter)

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

TWO INTERNATIONAL PLACE, BOSTON, MASSACHUSETTS 02110
(Address of principal executive offices)

(617) 747-3300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Number of shares of the Registrant's Common Stock outstanding at May 12, 2000: 22,185,889 including 1,192,079 shares of Class B Non-Voting Common Stock. Unless otherwise specified, the term Common Stock includes both Common Stock and Class B Non-Voting Common Stock.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AFFILIATED MANAGERS GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

| | December 31,1999 | March 31, 2000 |
|---|---|---|
| | | (unaudited) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 53,879 | $ 35,880 |
| Investment advisory fees receivable | 239,383 | 73,284 |
| Other current assets | 6,705 | 14,445 |
| Total current assets | 299,967 | 123,609 |
| Fixed assets, net | 12,321 | 13,624 |
| Equity investment in Affiliate | 1,563 | 1,778 |
| Acquired client relationships, net of accumulated amortization of $23,202 in 1999 and $25,871 in 2000 | 186,499 | 206,795 |
| Goodwill, net of accumulated amortization of $36,103 in 1999 and $39,878 in 2000 | 385,382 | 451,304 |
| Notes receivable from related parties | 5,411 | 5,461 |
| Other assets | 17,930 | 19,766 |
| Total assets | $ 909,073 | $ 822,337 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 170,299 | $ 68,895 |
| Total current liabilities | 170,299 | 68,895 |
| Senior bank debt | 174,500 | 227,500 |
| Deferred taxes | 25,346 | 27,944 |
| Other long-term liabilities | 1,346 | 1,413 |
| Subordinated debt | 800 | 800 |
| Total liabilities | 372,291 | 326,552 |
| Minority interest | 58,796 | 25,384 |
| Commitments and contingencies | -- | -- |
| Stockholders' equity: | | |
| Preferred stock | -- | -- |
| Convertible stock | -- | -- |
| Common stock | 235 | 235 |
| Additional paid-in capital | 405,883 | 407,390 |
| Accumulated other comprehensive income | (55) | (79) |
| Accumulated earnings | 83,857 | 97,672 |
| | 489,920 | 505,218 |
| Less treasury shares | (11,934) | (34,817) |
| Total stockholders' equity | 477,986 | 470,401 |
| Total liabilities and stockholders' equity | $ 909,073 | $ 822,337 |

The accompanying notes are an integral part of the consolidated financial statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 1999 | 2000 |
| Revenues | $ 68,127 | $ 114,798 |
| Operating expenses: | | |
| Compensation and related expenses | 24,422 | 44,415 |
| Amortization of intangible assets | 5,255 | 6,444 |
| Depreciation and other amortization | 747 | 953 |
| Selling, general and administrative | 9,857 | 16,628 |
| Other operating expenses | 1,999 | 2,423 |
| | 42,280 | 70,863 |
| Operating income | 25,847 | 43,935 |
| Non-operating (income) and expenses: | | |
| Investment and other income | (912) | (1,638) |
| Interest expense | 3,445 | 3,847 |
| | 2,533 | 2,209 |
| Income before minority interest and income taxes | 23,314 | 41,726 |
| Minority interest | (10,528) | (18,311) |
| Income before income taxes | 12,786 | 23,415 |
| Income taxes | 5,242 | 9,600 |
| Net income | $ 7,544 | $ 13,815 |
| Earnings per share - basic | $ 0.40 | $ 0.61 |
| Earnings per share - diluted | $ 0.36 | $ 0.60 |
| Average shares outstanding - basic | 19,023,027 | 22,722,493 |
| Average shares outstanding - diluted | 20,726,355 | 23,099,721 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)
(UNAUDITED)

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 1999 | 2000 |
| Net income | $ 7,544 | $ 13,815 |
| Foreign currency translation adjustment, net of taxes | (65) | (24) |
| Comprehensive income | $ 7,479 | $ 13,791 |

The accompanying notes are an integral part of the consolidated financial statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 1999 | 2000 |
| Cash flow from operating activities: | | |
| Net income | $ 7,544 | $ 13,815 |
| Adjustments to reconcile net income to net cash flow from operating activities: | | |
| Amortization of intangible assets | 5,255 | 6,444 |
| Depreciation and other amortization | 747 | 953 |
| Deferred income tax provision | 2,287 | 2,598 |
| Changes in assets and liabilities: | | |
| Decrease in investment advisory fees receivable | 35,628 | 175,082 |
| (Increase) decrease in other current assets | 450 | (7,635) |
| Increase in non-current other receivables | -- | (822) |
| Decrease in accounts payable, accrued expenses and other liabilities | (13,276) | (105,388) |
| Minority interest | (1,700) | (33,411) |
| Cash flow from operating activities | 36,935 | 51,636 |
| Cash flow used in investing activities: | | |
| Purchase of fixed assets | (1,045) | (1,842) |
| Costs of investments, net of cash acquired | (63,769) | (99,101) |
| Increase in other assets | (723) | (212) |
| Loans to employees | (1,198) | (65) |
| Cash flow used in investing activities | (66,735) | (101,220) |
| Cash flow from financing activities: | | |
| Borrowings of senior bank debt | 91,300 | 146,000 |
| Repayments of senior bank debt | (123,800) | (93,000) |
| Repayments of notes payable | (22,000) | -- |
| Issuances of equity securities | 101,643 | 4,173 |
| Repurchase of stock | -- | (25,549) |
| Debt issuance costs | (175) | (15) |
| Cash flow from financing activities | 46,968 | 31,609 |
| Effect of foreign exchange rate changes on cash flow | (65) | (24) |
| Net increase (decrease) in cash and cash equivalents | 17,103 | (17,999) |
| Cash and cash equivalents at beginning of period | 23,735 | 53,879 |
| Cash and cash equivalents at end of period | $ 40,838 | $ 35,880 |
| Supplemental disclosure of non-cash financing activities: | | |
| Conversion of convertible stock to common stock | $ 30,992 | $ -- |

The accompanying notes are an integral part of the consolidated financial statements.

1. BASIS OF PRESENTATION

The consolidated financial statements of Affiliated Managers Group, Inc. (the "Company" or "AMG") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The year end condensed balance sheet data was derived from audited financial statements, but does not include all of the disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to the current year presentation. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 includes additional information about AMG, its operations, and its financial position, and should be read in conjunction with this quarterly report on Form 10-Q.

2. ACQUISITIONS

On January 18, 2000, the Company completed its investment in Frontier Capital Management, LLC. This transaction was accounted for under the purchase method of accounting.

3. SUBSEQUENT EVENTS

On April 20, 2000, the Company announced that its Board of Directors had authorized a share repurchase program (the "2000 Share Repurchase Program") pursuant to which AMG can repurchase up to five percent of its issued and outstanding shares of Common Stock, with the timing of purchases and the amount of stock purchased determined at the discretion of AMG's management. The Board of Directors authorized a similar repurchase program in 1999 (the "1999 Share Repurchase Program"). As of May 12, 2000, the Company has repurchased 232,000 shares of Common Stock since March 31, 2000 under the 1999 Share Repurchase Program.

On May 8, 2000, the Company acquired property in Prides Crossing, Massachusetts and intends to develop this site as its future corporate headquarters over the next twenty-four months.

4. INCOME TAXES

A summary of the provision for income taxes is as follows (in thousands):

| | | Three Months Ended March 31, | |
|---|---|---|---|
| | | 1999 | 2000 |
| Federal: | Current | $ 2,535 | $ 5,969 |
| | Deferred | 2,002 | 2,218 |
| State: | Current | 420 | 1,033 |
| | Deferred | 285 | 380 |
| Provision for income taxes | | $ 5,242 | $ 9,600 |

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the weighted average of common shares outstanding during the period. The calculation of diluted earnings per share is based on the weighted average of common and common equivalent shares outstanding during the period. The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

| | Three Months Ended March 31, | |
|---|---|---|
| | 1999 | 2000 |
| Numerator: | | |
| Net income | $ 7,544,000 | $ 13,815,000 |
| Denominator: | | |
| Average shares outstanding - basic | 19,023,027 | 22,722,493 |
| Convertible stock | 1,517,483 | -- |
| Stock options and unvested restricted stock | 185,845 | 377,228 |
| Average shares outstanding - diluted | 20,726,355 | 23,099,721 |
| Earnings per share: | | |
| Basic | $ 0.40 | $ 0.61 |
| Diluted | $ 0.36 | $ 0.60 |

In March 1998, the Company issued 1,750,942 shares of Series C Convertible Stock in completing its investment in Essex. Each of these shares converted into one share of Common Stock in March 1999. In March 1999, the Company sold 4,000,000 shares of Common Stock in a public offering. All of the Common Stock issued in the March 1999 public offering and in the above described conversion is included in the basic and diluted average shares outstanding for the three month period ended March 31, 2000, while for the three month period ended March 31, 1999 such shares were included in the calculations on a weighted basis for the portion of the period for which they were outstanding. In the twelve month period ending March 31, 2000, the Company repurchased 1,028,500 shares of Common Stock under the 1999 Share Repurchase Program. Shares of Common Stock purchased by AMG after March 31, 2000 are not reflected in the calculation above.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD-LOOKING STATEMENTS

WHEN USED IN THIS FORM 10-Q AND IN OUR FUTURE FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, IN OUR PRESS RELEASES AND IN ORAL STATEMENTS MADE WITH THE APPROVAL OF AN AUTHORIZED EXECUTIVE OFFICER, THE WORDS OR PHRASES "WILL LIKELY RESULT," "ARE EXPECTED TO," "WILL CONTINUE," "IS ANTICIPATED," "BELIEVES," "ESTIMATE," "PROJECT," OR SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES, INCLUDING, AMONG OTHERS, THE FOLLOWING:

- OUR PERFORMANCE IS DIRECTLY AFFECTED BY CHANGING CONDITIONS IN THE FINANCIAL AND SECURITIES MARKETS, AND A DECLINE OR A LACK OF SUSTAINED GROWTH IN THE FINANCIAL MARKETS MAY RESULT IN DECREASED ADVISORY FEES OR PERFORMANCE FEES AND A CORRESPONDING DECLINE (OR LACK OF GROWTH) IN THE CASH FLOW DISTRIBUTABLE TO US FROM OUR AFFILIATES;

- WE CANNOT BE CERTAIN THAT WE WILL BE SUCCESSFUL IN FINDING OR INVESTING IN ADDITIONAL INVESTMENT MANAGEMENT FIRMS ON FAVORABLE TERMS, OR THAT EXISTING AND NEW AFFILIATES WILL HAVE FAVORABLE OPERATING RESULTS;

- WE WILL NEED TO RAISE CAPITAL BY MAKING LONG-TERM OR SHORT-TERM BORROWINGS OR BY SELLING SHARES OF OUR STOCK IN ORDER TO FINANCE INVESTMENTS IN ADDITIONAL INVESTMENT MANAGEMENT FIRMS, AND WE CANNOT BE SURE THAT SUCH CAPITAL WILL BE AVAILABLE TO US ON ACCEPTABLE TERMS; AND

- THOSE CERTAIN OTHER FACTORS DISCUSSED UNDER THE CAPTION "BUSINESS-CAUTIONARY STATEMENTS" IN OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1999.

THESE FACTORS (AMONG OTHERS) COULD AFFECT OUR FINANCIAL PERFORMANCE AND CAUSE OUR ACTUAL RESULTS TO DIFFER MATERIALLY FROM HISTORICAL EARNINGS AND THOSE PRESENTLY ANTICIPATED AND PROJECTED. WE WILL NOT UNDERTAKE AND WE SPECIFICALLY DISCLAIM ANY OBLIGATION TO RELEASE PUBLICLY THE RESULT OF ANY REVISIONS WHICH MAY BE MADE TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF SUCH STATEMENTS OR TO REFLECT THE OCCURRENCE OF EVENTS, WHETHER OR NOT ANTICIPATED. IN THAT RESPECT, WE WISH TO CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE MADE.

OVERVIEW

We buy and hold equity interests in mid-sized investment management firms (our "Affiliates") and currently derive all of our revenues from those firms. We hold investments in 15 Affiliates that in aggregate managed $91.6 billion in assets at March 31, 2000. Our most recent investments were in Rorer Asset Management, LLC ("Rorer") in January 1999, The Managers Funds LLC ("Managers") in April 1999 and Frontier Capital Management Company, LLC ("Frontier") in January 2000.

We have a revenue sharing arrangement with each of our Affiliates (other than Managers) which allocates a specified percentage of revenues (typically 50-70%) for use by management of that Affiliate in paying operating expenses, including salaries and bonuses (the "Operating Allocation"). The remaining portion of revenues of each such Affiliate, typically 30-50% (the "Owners' Allocation"), is allocated to the owners of that Affiliate (including AMG), generally in proportion to their ownership of the Affiliate. At some Affiliates, we receive a guaranteed payment for the use of our capital or a license fee which in each case is paid from that portion which is deemed to be our Owners' Allocation. One of the purposes of our revenue sharing arrangements is to provide ongoing incentives for the managers of these Affiliates by allowing them:

- to participate in their firm's growth through their compensation from the Operating Allocation,

- to receive a portion of the Owners' Allocation based on their ownership interest in the Affiliate, and

- to control operating expenses, thereby increasing the portion of the Operating Allocation which is available for growth initiatives and bonuses for management of such Affiliate.

Under the revenue sharing arrangements, the managers of our Affiliates have an incentive both to increase revenues of the Affiliate (thereby increasing the Operating Allocation and their share of the Owners' Allocation) and to control expenses of the Affiliate (thereby increasing the excess Operating Allocation).

The revenue sharing arrangements allow us to participate in the revenue growth of our Affiliates because we receive a portion of the additional revenue as our share of the Owners' Allocation. However, we participate in that growth to a lesser extent than the managers of our Affiliates, because we do not share in the growth of the Operating Allocation.

Under the organizational documents of the Affiliates (other than Managers), the allocations and distributions of cash to us generally take priority over the allocations and distributions to the other owners of the Affiliates. This further protects us if there are any expenses in excess of the Operating Allocation of an Affiliate. Thus, if an Affiliate's expenses exceed its Operating Allocation, the excess expenses first reduce the portion of the Owners' Allocation allocated to the Affiliate's management owners, until that portion is eliminated, and then reduce the portion allocated to us. Any such reduction in our portion of the Owners' Allocation is required to be paid back to us out of future Affiliate management Owners' Allocation. Unlike all other Affiliates, Managers is not subject to a revenue sharing arrangement since we own substantially all of the firm. As a result, we participate fully in any increase or decrease in the revenues or expenses of Managers.

The portion of our Affiliates' revenues which is included in their Operating Allocation and retained by them to pay salaries, bonuses and other operating expenses, as well as the portion of our Affiliates' revenues which is included in their Owners' Allocation and distributed to us and the other owners of the Affiliates, are included as "revenues" in our Consolidated Statements of Operations. The expenses of our Affiliates which are paid out of the Operating Allocation, as well as our holding company expenses which we pay out of the amounts of the Owners' Allocation which we receive from the Affiliates, are both included in "operating expenses" on our Consolidated Statements of Operations. Since Managers is not subject to a revenue sharing arrangement, all revenues and expenses of Managers are consolidated into the revenues and operating expenses in our Consolidated Statements of Operations. The portion of our Affiliates' revenues which is allocated to owners of the Affiliates other than us is included in "minority interest" on our Consolidated Statements of Operations.

Our revenues are generally derived from the provision of investment management services for fees by our Affiliates. Investment management fees are usually determined as a percentage fee charged on periodic values of a client's assets under management. Certain of the Affiliates bill advisory fees for all or a portion of their clients based upon assets under management valued at the beginning of a billing period ("in advance"). Other Affiliates bill advisory fees for all or a portion of their clients based upon assets under management valued at the end of the billing period ("in arrears"), while mutual fund clients are billed based upon daily assets. Advisory fees billed in advance will not reflect subsequent changes in the market value of assets under management for that period. Conversely, advisory fees billed in arrears will reflect changes in the market value of assets under management for that period. In addition, several of the Affiliates charge performance-based fees to certain of their clients; these performance-based fees result in payments to the applicable Affiliate based on levels of investment performance achieved. While the Affiliates bill performance-based fees at various times throughout the year, the greatest portion of these fees have historically been billed in the fourth quarter in any given year. All references to "assets under management" include assets directly managed as well as assets underlying overlay strategies, which employ futures, options or other derivative securities to achieve a particular investment objective.

Our level of profitability will depend on a variety of factors including principally: (i) the level of Affiliate revenues, which is dependent on the ability of our existing and future Affiliates to maintain or increase assets under management by maintaining their existing investment advisory relationships and fee structures, marketing their services successfully to new clients, and obtaining favorable investment results; (ii) a variety of factors affecting the securities markets generally, which could potentially result in considerable increases or decreases in the assets under management at our Affiliates; (iii) the receipt of Owners' Allocation, which is dependent on the ability of our existing and future Affiliates to maintain certain levels of operating profit margins; (iv) the availability and cost of the capital with which we finance our existing and new investments; (v) our success in attracting new investments and the terms upon which such transactions are completed; (vi) the level of intangible assets and the associated amortization expense resulting from our investments; (vii) the level of expenses incurred for holding company operations, including compensation for its employees; and (viii) the level of taxation to which we are subject.

In addition, our profitability will depend upon fees paid on the basis of investment performance at certain of our Affiliates. Fees based on investment performance are inherently dependent on investment results, and therefore may vary substantially from year to year. In particular, performance-based fees have been of an unusual magnitude in recent years, and may not recur to the same magnitude in future years, if at all. In addition, while the performance-based fee contracts of our Affiliates apply to investment management services in a range of investment management styles and securities market sectors, such contracts may be concentrated in certain styles and sectors. For example, in 1999 we benefited from a concentration of such products in technology sectors which performed well in that year. To the extent such contracts are concentrated within styles or sectors, they are subject to the continuing impact of fluctuating securities prices in such styles and sectors as well as the performance of the relevant Affiliates.

Assets under management on a historical basis increased by $9.6 billion to $91.6 billion at March 31, 2000 from $82.0 billion at December 31, 1999. Assets under management during the quarter increased due to investment performance of $6.5 billion and the closing of our investment in Frontier ($5.0 billion of assets at the time of investment). This increase was partially offset by negative net client cash flows from directly managed assets of $1.0 billion and from overlay assets (which generally carry lower fees than directly managed assets) of $0.9 billion.

Our investments have been accounted for using the purchase method of accounting under which goodwill is recorded for the excess of the purchase price for the acquisition of interests in Affiliates over the fair value of the net assets acquired, including acquired client relationships. As a result of our investments, intangible assets, consisting of acquired client relationships and goodwill, constitute a substantial percentage of our consolidated assets. As of March 31, 2000, our total assets were approximately $822.3 million, of which approximately $206.8 million consisted of acquired client relationships and $451.3 million consisted of goodwill.

The amortization period for intangible assets for each investment is assessed individually, with amortization periods for our investments to date ranging from eight to 28 years in the case of acquired client relationships and 15 to 35 years in the case of goodwill. In determining the amortization period for intangible assets acquired, we consider a number of factors including: the firm's historical and potential future operating performance and rate of attrition among clients; the stability and longevity of existing client relationships; the firm's recent, as well as long-term, investment performance; the characteristics of the firm's products and investment styles; the stability and depth of the firm's management team and the firm's history and perceived franchise or brand value. We perform a quarterly

evaluation of intangible assets on an investment-by-investment basis to determine whether there

has been any impairment in their carrying value or their useful lives. If impairment is indicated, then the carrying amount of intangible assets, including goodwill, will be reduced to their fair values.

While amortization of intangible assets has been charged to the results of operations and is expected to be a continuing material component of our operating expenses, management believes it is important to distinguish this expense from other operating expenses since such amortization does not require the use of cash. Because of this, and because our distributions from our Affiliates are based on their Owners' Allocation, we have provided additional supplemental information in this report for "cash" related earnings, as an addition to, but not as a substitute for, measures related to net income. Our additional measures of "cash" related earnings are:

- EBITDA (earnings before interest expense, income taxes, depreciation and amortization), which we believe is useful to investors as an indicator of our ability to service debt, to make new investments and to meet working capital requirements;

- EBITDA Contribution (EBITDA plus our holding company operating expenses), which we believe is useful to investors as an indicator of funds available from our Affiliates' operations (before giving effect to holding company expenses) to service debt, to make new investments and to meet working capital requirements; and

- Cash Net Income (earnings plus depreciation and amortization), which we believe is useful to investors as another indicator of funds available to make new investments, to repay debt obligations, to repurchase shares of our Common Stock or to pay dividends on our Common Stock (although the Company has no current plans to pay dividends). We have in the past referred to Cash Net Income as "EBITDA as adjusted."

THE THREE MONTHS ENDED MARCH 31, 2000 AS COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1999

We had net income of $13.8 million for the quarter ended March 31, 2000 compared to net income of $7.5 million for the quarter ended March 31, 1999. The increase in net income resulted primarily from the growth in EBITDA Contribution from $24.7 million for the quarter ended March 31, 1999 to $38.9 million for the quarter ended March 31, 2000. This growth resulted principally from an increase in investment management fees resulting from positive investment performance. In addition, the new investments we made subsequent to the first quarter of 1999 contributed to the growth in EBITDA Contribution. We invested in Managers and Frontier in April 1999 and January 2000, respectively, and have included their results from their respective dates of investment.

Total revenues for the quarter ended March 31, 2000 were $114.8 million, an increase of $46.7 million over the quarter ended March 31, 1999, primarily as a result of the growth in investment management fees resulting from positive investment performance and investments made in new Affiliates.

Total operating expenses increased by $28.6 million to $70.9 million for the quarter ended March 31, 2000 from $42.3 million for the quarter ended March 31, 1999. Compensation and related expenses increased by $20.0 million, amortization of intangible assets increased by $1.2 million, selling, general and administrative expenses increased by $6.8 million, and other operating expenses increased by $0.4 million. The increase in operating expenses was due to an increase in Affiliates' Operating Allocation, which was a result of growth in investment management fees resulting from positive investment performance and investments in new Affiliates.

Minority interest increased by $7.8 million to $18.3 million for the quarter ended March 31, 2000 from $10.5 million for the quarter ended March 31, 1999, primarily as a result of the increase in Affiliates' Owners' Allocation due to growth in investment management fees resulting from positive investment performance and investments in new Affiliates. Minority interest represents profit distributions to Affiliate management which generally increase or decrease in a direct relationship to the change in the specific Affiliate's revenues.

Interest expense increased by $0.4 million to $3.8 million for the quarter ended March 31, 2000 from $3.4 million for the quarter ended March 31, 1999. The increase in interest expense resulted from an increase in LIBOR rates, partially offset by a decrease in the weighted average debt outstanding under our credit facility. The decrease in the weighted average debt outstanding under our credit facility is attributable to repayments of our senior bank debt from the proceeds of a public offering of our Common Stock in March 1999 and cash flows from ongoing operations, partially offset by borrowings related to new investments during the twelve month period ended March 31, 2000.

Income tax expense was $9.6 million for the quarter ended March 31, 2000 compared to $5.2 million for the quarter ended March 31, 1999. The change in tax

expense was principally related to an increase in income before taxes.

EBITDA increased by $12.5 million to $34.7 million for the quarter ended March 31, 2000 from $22.2 million for the quarter ended March 31, 1999, primarily as a result of the growth in investment management fees resulting from positive investment performance and investment in new Affiliates.

Cash Net Income increased by $7.7 million to $21.2 million for the quarter ended March 31, 2000 from $13.5 million for the quarter ended March 31, 1999 as a result of the factors affecting net income as described above, with the exception of amortization of intangible assets.

## LIQUIDITY AND CAPITAL RESOURCES

We have met our cash requirements primarily through cash generated by operating activities, bank borrowings, and the issuance of equity securities in public transactions. Our principal uses of cash have been to make investments, retire indebtedness, pay income taxes, repurchase shares, support our Affiliates' operating activities and for working capital purposes. We expect that our principal use of funds (cash generated from operating activities, bank borrowings and issuance of equity securities in public transactions) for the foreseeable future will be for additional investments, repayments of debt, including interest payments on outstanding debt, payment of income taxes, repurchase of shares, capital expenditures, distributions to management owners of Affiliates, additional investments in existing Affiliates, including our purchase of management owners' retained equity, and for working capital purposes.

During the period ended March 31, 2000, we acquired an approximately 70% interest in Frontier and repurchased 681,600 shares of Common Stock with borrowings of senior debt under our credit facility. At March 31, 2000, we had outstanding borrowings of senior debt under our credit facility of $227.5 million and the ability to borrow an additional $102.5 million. We have the option, with the consent of our lenders, to increase the facility by another $70 million to a total of $400 million.

Our borrowings under the credit facility are collateralized by pledges of all of our interests in Affiliates (including all interests which are directly held by us, as well as all interests which are indirectly held by us through wholly-owned subsidiaries), which interests represent substantially all of our assets. Our credit facility contains a number of negative covenants, including those which generally prevent us and our Affiliates from: (i) incurring additional indebtedness (other than subordinated indebtedness), (ii) creating any liens or encumbrances on material assets (with certain enumerated exceptions), (iii) selling assets outside the ordinary course of business or making certain fundamental changes with respect to our businesses, including a restriction on our ability to transfer interests in any majority owned Affiliate if, as a result of such transfer, we would own less than 51% of such firm, and (iv) declaring or paying dividends on our Common Stock. Our credit facility bears interest at either LIBOR plus a margin or the Prime Rate plus a margin. We pay a commitment fee on the daily unused portion of the facility. In order to partially offset our exposure to changing interest rates we have entered into interest rate hedging contracts. The credit facility matures during December 2002.

In order to provide the funds necessary for us to continue to acquire interests in investment management firms, including our existing Affiliates upon the management owners' sales of their retained equity to us, it will be necessary for us to incur, from time to time, additional long-term bank debt and/or issue equity or debt securities, depending on market and other conditions. There can be no assurance that such additional financing will be available or become available on terms acceptable to us.

In May 2000, we acquired property in Prides Crossing, Massachusetts and intend to develop this site as our future corporate headquarters over the next twenty-four months.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We use interest rate swaps to manage market exposures associated with our variable rate debt by creating offsetting market exposures. These instruments are not held for trading purposes. In the normal course of operations, we also face risks that are either nonfinancial or nonquantifiable. Such risks principally include country risk, credit risk, and legal risk, and are not represented in the analysis that follows.

At March 31, 2000, $185 million was subject to interest rate swaps (the "Original Swaps"), and our exposure was to changes in three-month LIBOR rates. In January 1999, we became a party to additional contracts with a $75 million notional amount (the "Subsequent Swaps"). The Subsequent Swaps expired on January 15, 2000.

Interest rate swaps allow us to achieve a level of variable-rate and fixed-rate debt that is acceptable to us, and to reduce interest rate exposure. In each of our interest rate swaps, we have agreed with another party to exchange the difference between fixed-rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Under the Original Swaps, our interest rates on the notional amounts are capped at rates ranging between 6.67% and 6.78% upon quarterly reset dates. In addition, if LIBOR falls below 5% at a quarterly reset date, we are required to make a payment to our counterparty equal to the difference between the interest rate on our floating rate LIBOR debt on an annualized rate of between 6.67% and 6.78%, multiplied by the notional principal amount. The Subsequent Swaps were designed to limit interest rate increases to 5.99% on $75 million of the original $185 million notional amount if three-month LIBOR rates fell below 5%.

The following analysis presents the hypothetical loss in earnings of the derivative instruments we held at March 31, 2000 that are sensitive to changes in interest rates. Under these derivative instruments, a hypothetical change of 10 percent in three-month LIBOR rates, sustained for three months, would have resulted in no loss in earnings. Because our net-earnings exposure under the combined debt and interest rate swap was to three-month LIBOR rates, any hypothetical loss would be calculated as follows: multiplying the notional amount of the swap by the effect of a 10% reduction in LIBOR under the Original Swaps and interest savings on the underlying debt.

# PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company and its Affiliates may be parties to various claims, suits and complaints. Currently, there are no such claims, suits or complaints that, in the opinion of management, would have a material adverse effect on the Company's financial position, liquidity or results of operations.

## ITEM 2. CHANGES IN SECURITIES

During the three months ended March 31, 2000, we repurchased 681,600 shares of Common Stock under the 1999 Share Repurchase Program.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

## ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27.1 Financial Data Schedule

(b) Reports on Form 8-K:

The following Current Reports on Form 8-K were filed by AMG during the quarter ended March 31, 2000:

1. Current Report on Form 8-K dated February 2, 2000 (filed February 2, 2000), containing the press release disclosing the Company's operating results for the year ended December 31, 1999.

2. Current Report on Form 8-K dated January 18, 2000 (filed February 2, 2000), reporting the consummation of the investment in Frontier.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AFFILIATED MANAGERS GROUP, INC.
(Registrant)

| | | |
|---|---|---|
| /s/ Darrell W. Crate<br>- --------------------<br>(Darrell W. Crate) | on behalf of the Registrant as Senior Vice President, Chief Financial Officer and Treasurer (and also as Principal Financial and Principal Accounting Officer) | May 15, 2000 |

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED INCOME STATEMENTS AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS
DEC-31-2000
JAN-01-2000
MAR-31-2000
35,880
0
73,284
0
0
123,609
13,624
0
822,337
68,895
227,500
0
0
407,625
62,776
822,337
0
114,798
0
70,863
18,311
0
3,847
23,415
9,600
13,815
0
0
0
13,815
0.61
0.60

Minority Interest