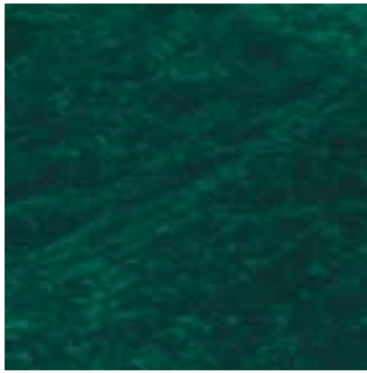
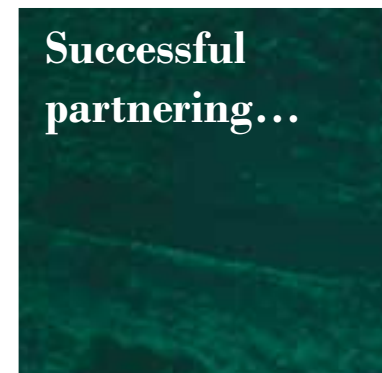


Affiliated Managers Group

**Successful
partnering...**



**Exceptional
financial
performance.**



1999 Annual Report

Affiliated Managers Group, Inc. (NYSE: AMG), an asset management holding company, acquires majority interests in growing, mid-sized asset management firms (its “Affiliates”). AMG’s unique approach preserves the entrepreneurial orientation that distinguishes the most successful investment management firms by:

- Maintaining and enhancing Affiliate managers’ equity incentives;
- Allowing Affiliate managers to retain operational autonomy, thereby preserving each Affiliate’s distinct culture; and
- Allowing mid-sized firms to realize the benefits of scale economies in administration, operations and technology.

AMG grows through the internal growth of its existing Affiliates and through investments in new Affiliates. Since its founding, the Company has successfully invested in 15 Affiliates which collectively manage over \$90 billion* in assets. AMG has consistently achieved substantial growth in earnings and cash flow, and in 1999, the Company’s EPS and Cash EPS increased 139% and 82%, respectively.

*As of March 31, 2000

Financial Highlights

(in millions, except as indicated and per share data)	For the Years Ended December 31,		
	1997	1998	1999
Operating Results			
Revenues	\$ 95.3	\$238.5	\$518.7
EBITDA ⁽¹⁾	20.0 ⁽²⁾	76.3	166.8
Net income	1.6 ⁽²⁾	25.6	72.2
Cash Net Income ⁽³⁾	10.2 ⁽²⁾	45.7	98.3
Earnings per share – diluted	\$ 0.20 ⁽²⁾	\$ 1.33	\$ 3.18
Cash earnings per share ⁽⁴⁾ – diluted	1.24 ⁽²⁾	2.38	4.33
Balance Sheet Data			
Total assets	\$457.0	\$605.3	\$909.1
Total debt	160.3	213.3	175.3
Stockholders' equity	259.7	313.7	478.0
Other Financial Data			
Assets under management			
(at period end, in billions)	\$ 45.7	\$ 57.7	\$ 82.0 ⁽⁵⁾
Average shares outstanding – diluted	8.2	19.2	22.7

(1) Earnings before interest expense, income taxes, depreciation and amortization, as defined by Note (2) in the Selected Historical Financial Data table on page 31.

(2) Before an extraordinary item related to the replacement of AMG's credit facilities following the Company's initial public offering in 1997.

(3) Net income plus depreciation and amortization, as defined by Note (3) in the Selected Historical Financial Data table on page 31.

(4) Cash Net Income on a per share basis.

(5) Excludes assets managed by Frontier Capital Management Company, LLC, in which AMG invested on January 18, 2000.

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Charting a Course For Rapid Growth



*First Quadrant, L.P.
Pasadena, CA and London*

The asset management business continues to be among the fastest growing sectors within the financial services industry. Within the asset management sector, focused and entrepreneurial mid-sized firms enjoy the potential for the most rapid growth. The demographics of many of the most promising of these mid-sized firms are such that the founders will seek financial diversification and succession planning in the coming years. AMG's unique approach provides the principals of such firms with an attractive solution to these inevitable succession planning needs. Rather than requiring them to sell 100 percent of their firm and relinquish operational control, AMG offers a partnership structure that achieves a smooth and successful ownership transition while preserving for the principals and, most importantly, the next generation of managers the motivation of ownership and the potential for ongoing equity appreciation.

Opportunities for AMG to establish equity partnerships with new Affiliates will continue to increase as smaller asset managers grow and asset management teams at larger financial institutions leave to form their own firms. AMG's target universe for potential investments currently consists of over 1,300 mid-sized firms – which the Company defines





as those having between \$500 million and \$15 billion in assets under management – in the United States, Canada and the United Kingdom. Of these firms, AMG has identified more than 750 attractive prospects and has personally met with over 475. These meetings and relationships are AMG’s most important sources of future new investments. In addition, references and referrals from existing Affiliates are significant advantages in AMG’s marketing effort, as is the outstanding performance of existing Affiliates following their affiliations with AMG.



A Winning Structure

The AMG investment structure is built on the premise that direct equity ownership by Affiliate management partners in their own firm inspires the best long-term performance. Continued focus on providing excellent client service, superior investment results, and business growth by Affiliates translates into strong returns for both Affiliate managers and AMG.

Each Affiliate investment is negotiated individually within a proven framework based on the specific characteristics of the firm and the goals of its principals. AMG generally purchases between 50 and 70 percent of an Affiliate, and Affiliate



*Tweedy, Browne Company LLC
New York and London*

managers as a group continue to hold the remaining interest. Typically, as a result of an investment by AMG, there are more Affiliate equity owners after the transaction than before, thereby giving both senior and junior managers the motivation to increase the value of their equity through ongoing superior investment performance and client service.



*Davis Hamilton Jackson
& Associates, L.P.
Houston*

In contrast to other entities which attempt outright acquisitions of investment firms, AMG – through its investment structure – aligns the interests of the Affiliate, its clients, and AMG. Affiliate managers retain control of the operational management and distinct culture that shaped their success through a customized revenue sharing agreement that leaves day-to-day autonomy (including compensation and budgeting decisions) to the management of the Affiliate. In addition, AMG’s approach provides a mechanism whereby Affiliate managers can individually realize the value of their retained equity and transfer their interests to the next generation within the firm. Clients of AMG’s Affiliates benefit from seamless management and ownership transition as well as an uninterrupted focus on service, performance and growth. And AMG benefits from the continued success of its Affiliates. Indeed, AMG believes that its structure not only incents





the growth of its Affiliates, but also is most attractive to mid-sized firms that anticipate future growth and want to retain equity upside and independence while implementing a succession plan.

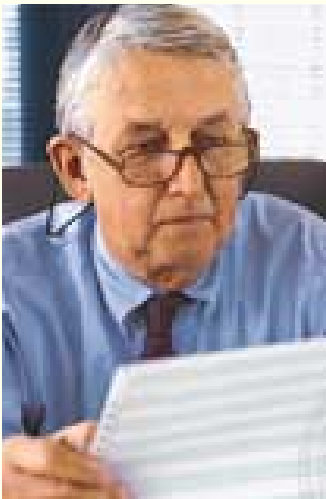


AMG's Approach to Partnering

Following an investment, Affiliates continue to pursue the strategies that made them attractive investment candidates in the first place, while gaining access to resources and economies of scale that are not available to mid-sized asset managers. AMG believes Affiliates are in the best position to determine their own business needs. Because the economic interests of AMG and its Affiliates are aligned, AMG's structure permits Affiliates to retain autonomy in managing their businesses.



*Essex Investment
Management Company, LLC
Boston*



*Frontier Capital
Management Company, LLC
Boston*

While AMG believes its Affiliates will continue to be successful without necessarily taking advantage of the strengths of the larger organization, the Company offers support in three broad categories that can enhance growth and business: marketing and distribution, strategic assistance, and operational and technological efficiency. Each initiative draws on AMG's industry knowledge and breadth of management skills and is tailored to the particular

Affiliate's objectives and circumstances. In recent years, Affiliates have benefited from AMG's assistance in developing new distribution channels, structuring acquisitions of smaller firms, hiring key people, launching technology initiatives, and taking advantage of new business opportunities. Examples of these initiatives can be found on pages 17-20.



Financial Strength

AMG's strong, recurring cash flow is an important source of the Company's rapid earnings growth. AMG's structure makes AMG's share of the cash generated by Affiliates available to finance new investments, repay debt or repurchase stock when appropriate. AMG seeks to invest in new Affiliates on terms that will be non-dilutive to EPS and accretive to Cash EPS (net income plus depreciation and amortization on a per share basis). And because the addition of new Affiliates has little impact on AMG's fixed expenses, most of the corresponding revenue increase adds immediately to AMG's cash flow.

Because AMG's Affiliates generate considerable cash flow and AMG requires minimal capital expenditures, AMG considers Cash EPS the most meaningful



*Rorer Asset Management, LLC
Philadelphia*





indicator of growth in shareholder value. Given that AMG's investments in its Affiliates are accounted for by the purchase method, there are substantial non-cash charges representing intangible amortization that are included in the Company's reported EPS figure. AMG's Cash EPS has grown at an impressive 87 percent compounded annual rate over the past three years.

AMG's efficient capital structure is another important element of its financial strength. The Company has substantial financial capacity to continue making accretive new investments, including a credit facility that can expand up to \$400 million. The diversity of cash flow from Affiliates helps to limit AMG's exposure to any single market sector or investment style and allows the Company to obtain financing at attractive rates. With growing Affiliates, new investment opportunities, moderate financial leverage, and substantial recurring cash flow, AMG is well-positioned to maintain its strong earnings momentum.



*Essex Investment
Management Company, LLC
Boston*



Letter to Shareholders

With record financial results, the addition of three outstanding Affiliates, and exceptionally strong performance by our existing Affiliates, 1999 was an excellent year for AMG. We believe these results demonstrate the success of our unique approach of making majority investments in fast-growing, mid-sized asset management firms.

Cash Net Income (net income plus depreciation and amortization) per share – the key measure of the Company’s financial performance – rose 82% in 1999 to \$4.33 from \$2.38 in 1998. Net income for the year was \$72 million, or \$3.18 per share on a diluted basis, a 139% increase over 1998. During this same period, revenues increased 117% to \$519 million and EBITDA (earnings before interest expense, income taxes, depreciation and amortization) increased 119% to \$167 million.

Both sources of our earnings growth – the internal growth of our existing Affiliates and the addition of new Affiliates – contributed to these excellent results. Assets under management

by our Affiliates grew by nearly \$25 billion during 1999. As a group, our Affiliates reported positive net client cash flow for directly managed assets for the year. While revenues from traditional fee products exhibited

or “performance” fee structures, by rewarding the investment management firm for superior investment results on an incremental basis, offer significant upside potential to our Affiliates and AMG with no corresponding capital risk.



Front, from left: Bill Nutt, Chairman and CEO; Sean Healey, President and COO. Back, from left: Seth Brennan, Vice President, New Investments; Nate Dalton, Senior Vice President, Affiliate Development; Darrell Crate, Senior Vice President and CFO.

We are extremely pleased with the addition of three new Affiliates over the course of the year. In January 1999, we completed our investment in Rorer Asset Management, LLC, a rapidly growing Philadelphia-based investment firm specializing in large- and mid-cap value equities and fixed income securities. Our acquisition in April of The Managers Funds LLC, a no-load mutual fund family based in Norwalk, Connecticut, has already created cost-effective product development opportunities for our other Affiliates. Assets under management by both Rorer and Managers’ original fund family,

through the first quarter of 2000, have each already almost doubled since our investments.

very strong growth over 1998, client accounts with alternative fee structures were an important contributor to our results in 1999 as well. These alternative

In October, we announced our investment in Frontier Capital Management Company, LLC, a Boston firm specializing in growth equity management for institutions and high net worth individuals. With this investment, which was completed on January 18, 2000, AMG now has 15 Affiliates which collectively managed over \$90 billion in assets as of March 31, 2000.

AMG continues to build upon its reputation as the leader in helping growing, mid-sized investment management firms meet the challenges of management continuity and succession, in a manner that best suits the clients, employees and partners of the firm. We have introduced our approach in person to a large number of firms in North America and in Europe, and we continue to build new relationships through an active calling program.

In addition to making new investments, AMG has worked with the management partners at our Affiliates at their request to accelerate their strategies for expansion. These initiatives have taken the form of developing vehicles to reach new distribution channels, identifying

strategic partners, filling management openings with qualified and well-suited candidates, and enhancing technology and operating efficiency.

AMG's strong, recurring cash flow and capital structure continue to promote earnings growth and create value for shareholders. Our financial flexibility enables us to use the growing cash flow generated by our existing Affiliates to make investments in additional leading mid-sized asset management firms, or to repay debt or repurchase stock as appropriate. More than \$100 million in net proceeds from our February 1999 equity offering was used to reduce the Company's indebtedness and demonstrates our ability to fund future growth in a cost-effective manner. Our balanced sources of earnings also allow us to borrow at attractive rates and, with our credit facility of up to \$400 million in capacity, in addition to our cash flow from operations, we believe we are well-prepared to continue making new investments that will keep AMG's earnings on their solidly upward trend.


I would like to take this opportunity to welcome Steve Lockwood, Harold Meyerman and Rita Rodriguez, three new independent Directors, to

our Board. With the richness and diversity of their experiences, they have already made meaningful contributions to AMG, and I look forward to continue working with them in the future. I would also like to thank Andy McLane and Chet Walker, who will be stepping down from their Board positions in May, for their efforts, enthusiasm and dedication to AMG over the last several years.

We are very pleased with our outstanding results in 1999. With the diversity and strong performance of existing Affiliates, our ability to attract and invest in quality firms, and our management team's expertise in executing our growth strategy, we are enthusiastic about AMG's prospects for 2000 and beyond.

In closing, I would like to express our gratitude to our shareholders for their support, and thank our Affiliates, employees and service providers for their contributions to a successful year.

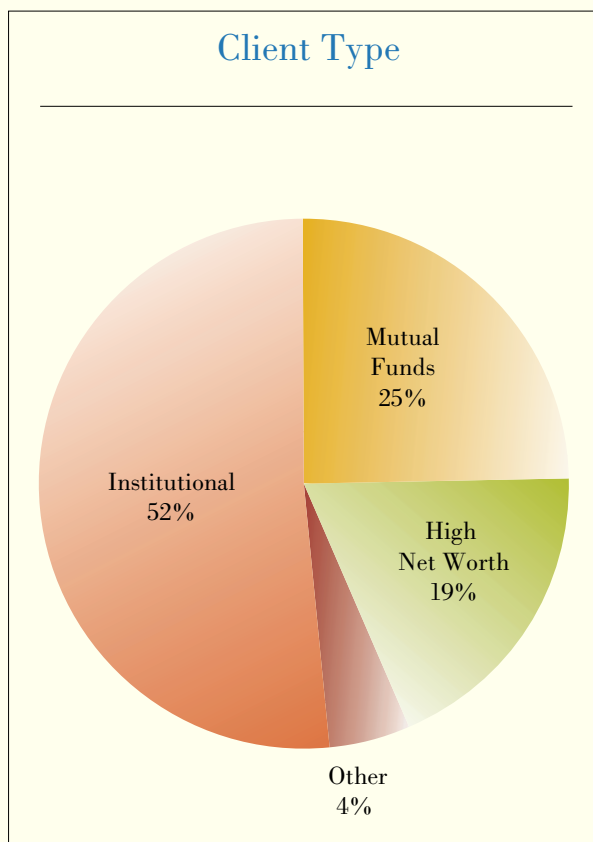
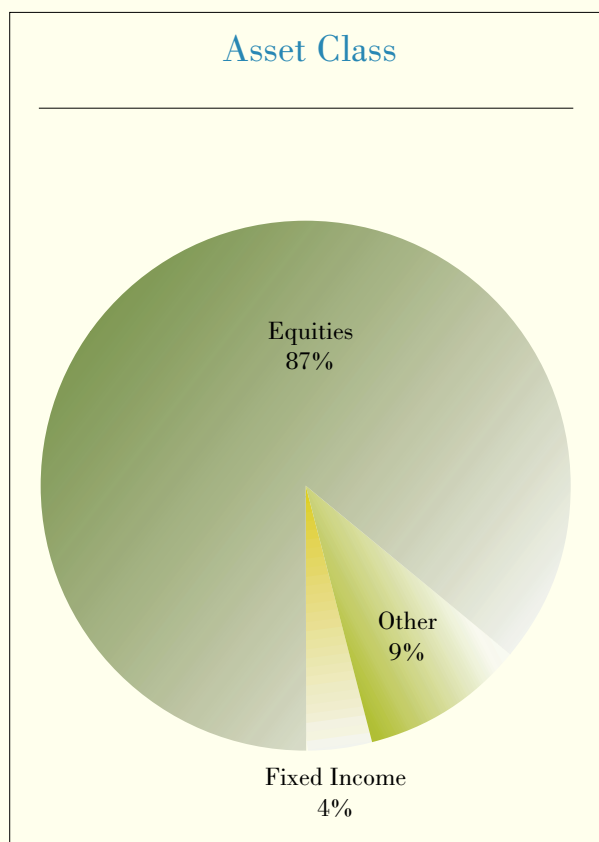
Sincerely,



William J. Nutt
Chairman and CEO

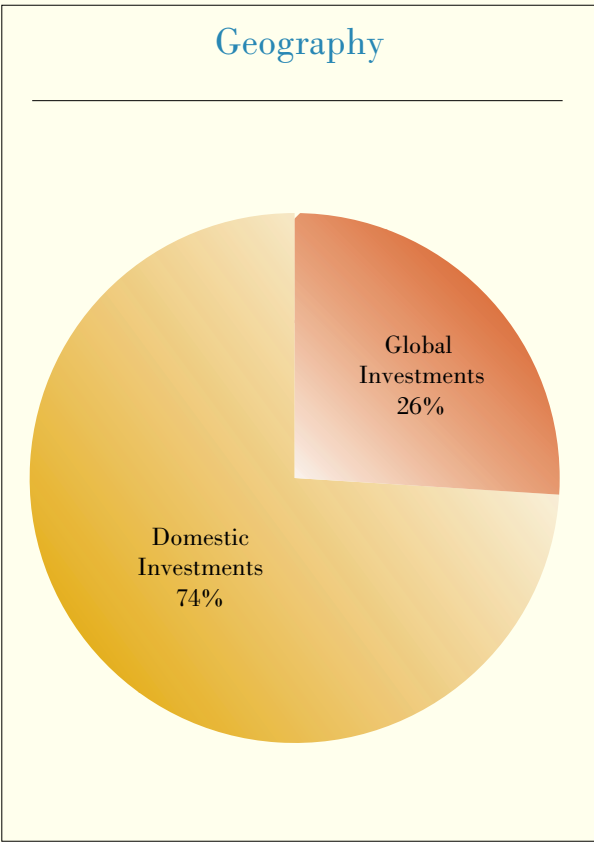
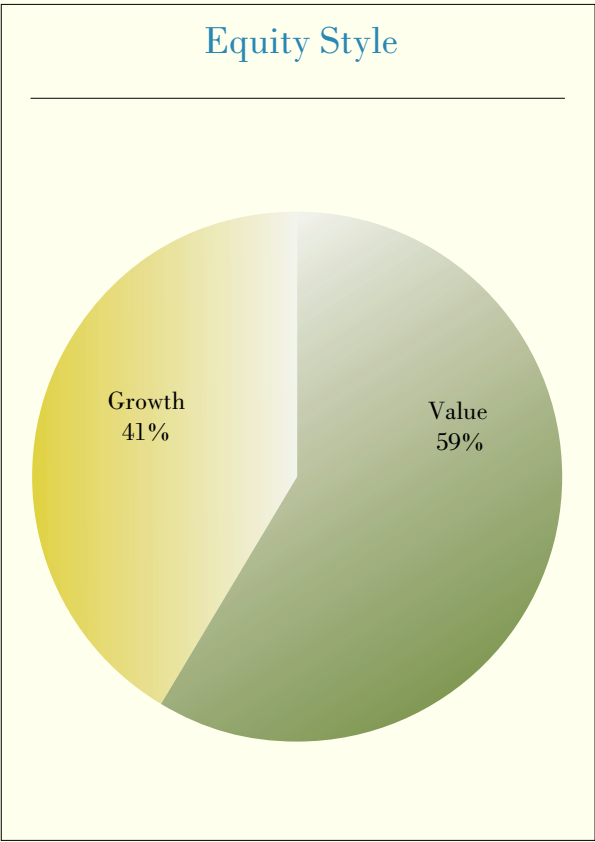
AMG at a Glance

AMG grows through the internal growth of existing Affiliates and through investments in new Affiliates. Affiliates grow through the addition and appreciation of their assets under management and through alternative fee structures, such as performance-based fees, that add incremental revenues without incurring any capital risk.



These are percentages of EBITDA Contribution, as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview." Data is presented for the year ended December 31, 1999, on a pro forma basis (i) for investments completed or announced during 1999 as if each had occurred on January 1, 1999, and (ii) excluding performance fees.

At the holding company level, the range of Affiliate investment styles, client types and distribution channels diversifies AMG’s sources of earnings in a balanced manner that reduces the risks created by changing market environments and allows participation in the fastest growing segments of the industry.



The Affiliates

	BurrIDGE	Davis Hamilton Jackson	Essex
Investment Style	<ul style="list-style-type: none"> • Growth Equity 	<ul style="list-style-type: none"> • Growth Equity • Fixed Income • Balanced 	<ul style="list-style-type: none"> • Growth Equity • Fixed Income • Balanced • U.S. Hedge
Overview	<p>The BurrIDGE Group LLC is comprised of two divisions: BurrIDGE Growth Partners, located in Chicago, and Sound Capital Partners, located in Seattle. BurrIDGE invests in companies with superior projected earnings growth and utilizes proven valuation disciplines. Investment decisions are based on disciplined, fundamental company analysis.</p>	<p>Founded in 1988 by Robert C. Davis and Jack R. Hamilton, Davis Hamilton Jackson & Associates, L.P. employs a research-driven, quantitative approach to its stock selection process and follows a well-defined sell discipline. In its fixed income investments, the firm seeks high current return and low overall volatility.</p>	<p>Founded in 1976 by Joseph C. McNay, Essex Investment Management Company, LLC employs fundamental research combined with active portfolio management. The Essex investment philosophy is based on the principle that a company's management team, business model, earnings growth, and profitability will drive its future price performance. Identifying "franchise opportunities," Essex believes, will enable superior investment returns.</p>
Client Type	<ul style="list-style-type: none"> • Corporate, Taft-Hartley and public pension plans • Foundations and endowments • Individuals • Wrap accounts 	<ul style="list-style-type: none"> • Corporate accounts and retirement plans • Public and Taft-Hartley funds • Foundations and endowments • Mutual fund sub-adviser 	<ul style="list-style-type: none"> • Corporate accounts • Public and Taft-Hartley funds • Foundations and endowments • Mutual fund sub-adviser • Domestic and offshore private funds
Location	Chicago, Illinois and Seattle, Washington	Houston, Texas	Boston, Massachusetts
Date of AMG's Investment	December 1996	December 1998	March 1998

First Quadrant	Frontier	GeoCapital	Gofen & Glossberg
<ul style="list-style-type: none"> • Tactical Asset Allocation • Equity • Quantitative • Currency and Options 	<ul style="list-style-type: none"> • Growth Equity • Balanced • Long/Short 	<ul style="list-style-type: none"> • Growth Equity • Special Situations 	<ul style="list-style-type: none"> • Customized portfolios • Equity • Fixed Income
<p>First Quadrant, L.P. and its London-based sister company, First Quadrant Limited, specialize in asset allocation, equity style management, and option overlays on a global basis. Employing a highly disciplined quantitative methodology to guide its investment strategy, First Quadrant seeks to add value by assessing relative valuations across major segments of the portfolio: among asset classes, across global markets, among equity styles and in currency allocation.</p>	<p>Founded in 1980, Frontier Capital Management Company, LLC's highly disciplined stock selection process is driven by intensive internal research which targets companies with prospects for above-average earnings growth over extended time periods. The basic premise of the Frontier investment philosophy is that growth must be purchased at a reasonable price.</p>	<p>Founded in 1979, GeoCapital, LLC manages portfolios in companies that create and market new technologies and services, and "special situation" companies with undervalued or unrecognized assets or earnings. The firm believes that the combination of these two types of investments in a single portfolio can lessen the market risks, while providing the superior returns of investing in small companies.</p>	<p>Founded in 1932, Gofen & Glossberg, L.L.C. provides highly customized investment advice. The firm emphasizes fundamental security analysis and seeks to generate superior returns over a multi-year period by owning high quality, growing companies with distinctive franchises.</p>
<ul style="list-style-type: none"> • Domestic and international corporate and public pension plans • Foundations and endowments • Offshore private fund • Japanese joint venture distribution arrangement 	<ul style="list-style-type: none"> • Public and private pension and profit sharing plans • Foundations and endowments • Taft-Hartley accounts • Domestic and offshore private funds • High net worth individuals 	<ul style="list-style-type: none"> • Corporations • Retirement programs • Foundations • High net worth individuals • Private partnerships 	<ul style="list-style-type: none"> • Individuals and trusts • Corporations • Employee benefit plans • Foundations and endowments • Banks and insurance companies
<p>Pasadena, California and London, England</p>	<p>Boston, Massachusetts</p>	<p>New York, New York</p>	<p>Chicago, Illinois</p>
<p>March 1996</p>	<p>January 2000</p>	<p>September 1997</p>	<p>May 1997</p>

Hartwell	Managers	Paradigm	Renaissance
<ul style="list-style-type: none"> • Growth Equity • Balanced 	<ul style="list-style-type: none"> • Equity • Fixed Income 	<ul style="list-style-type: none"> • Quantitative Equity 	<ul style="list-style-type: none"> • Growth Equity • Tactical Asset Allocation • Fixed Income • Balanced
<p>Founded in 1961, J.M. Hartwell Limited Partnership employs a fundamental, bottom-up approach to investing in large and small capitalization growth companies. The firm uses a rigorous and disciplined stock selection process to identify companies with strong business and financial characteristics. The portfolio style is one of long-term investing.</p>	<p>The Managers Funds LLC is the adviser to two families of no-load mutual funds, The Managers Funds and Managers AMG Funds. The firm selects sub-advisers for The Managers Funds from the universe of institutional investment managers. The Managers AMG Funds are sub-advised by AMG's Affiliates.</p>	<p>Paradigm Asset Management Company, L.L.C. combines active management insights with quantitative tools for risk control. It begins by identifying a set of superior active managers in each style. The process then takes the aggregate portfolios of these superior investors, and using a sophisticated optimizer, arrives at a smaller portfolio of stocks with identical risk and return characteristics.</p>	<p>A recognized leader in quantitatively based investment management strategies, Renaissance Investment Management utilizes disciplined quantitative techniques in conjunction with traditional, growth-biased fundamental analysis in identifying investment opportunities within and among asset classes.</p>
<ul style="list-style-type: none"> • Private foundations • High net worth individuals • Corporate accounts • Wrap accounts 	<ul style="list-style-type: none"> • Mutual funds 	<ul style="list-style-type: none"> • Institutions 	<ul style="list-style-type: none"> • Corporations • Foundations and endowments • Taft-Hartley funds • High net worth individuals • Wrap accounts
New York, New York	Norwalk, Connecticut	New York, New York	Cincinnati, Ohio
May 1994	April 1999	May 1995	November 1995

Rorer	Skyline	Systematic	Tweedy, Browne
<ul style="list-style-type: none"> • Value Equity • Fixed Income • Balanced 	<ul style="list-style-type: none"> • Value Equity 	<ul style="list-style-type: none"> • Value Equity 	<ul style="list-style-type: none"> • Value Equity
<p>Established in 1978, Rorer Asset Management, LLC employs a highly disciplined relative value investment process engineered by its founder, Edward C. Rorer, to reduce performance volatility while seeking excellent risk-adjusted returns across investment cycles.</p>	<p>Skyline Asset Management, L.P. uses a bottom-up investment philosophy which is supported by fundamental in-house research to provide clients with a distinct style of small cap value investment.</p>	<p>Systematic Financial Management, L.P. (SFM) employs a research-driven, team-based approach to portfolio management, utilizing extensive qualitative fundamental analysis and innovative quantitative techniques. SFM invests in undervalued companies with excellent valuations, strong cash flow and earnings characteristics, and specific catalysts in place that SFM believes will increase investors' value.</p>	<p>Founded in 1920, Tweedy, Browne Company LLC employs a value-oriented investment approach advocated by Benjamin Graham to global and domestic equities. The firm seeks to invest in companies trading at a substantial discount to their true business value while emphasizing a long-term, low-turnover strategy grounded in individual stock selection. Tweedy, Browne has a research office in London.</p>
<ul style="list-style-type: none"> • Individuals, estates and trusts • Corporations • Pension and profit sharing plans • Charitable institutions • Taft-Hartley funds • Wrap accounts 	<ul style="list-style-type: none"> • Mutual funds • Foundations and endowments • Corporate pension and profit sharing plans • Individuals, families and trusts 	<ul style="list-style-type: none"> • Corporate and public retirement plans • Foundations and endowments • Taft-Hartley retirement plans • Individuals, families and trusts • Wrap accounts 	<ul style="list-style-type: none"> • Institutions • Individuals • Partnerships • Offshore funds • Mutual funds
Philadelphia, Pennsylvania	Chicago, Illinois	Teaneck, New Jersey	New York, New York and London, England
January 1999	August 1995	May 1995	October 1997



AMG Affiliate Development

Each AMG Affiliate has demonstrated the ability to grow on its own, but a relationship with AMG presents additional opportunities to increase assets under management and improve operational efficiency in creative and cost-effective ways.

Broadening Distribution Channels

AMG's acquisition of The Managers Funds LLC in April 1999 not only added another top-quality Affiliate to the AMG family, but also permits AMG's Affiliates to take advantage of Managers' well-established mutual fund platform. Managers administers and distributes a family of nine equity and fixed income no-load mutual funds whose advisers are selected from the broad universe of institutional investment managers, so the firm is uniquely suited to provide services to other Affiliates.

The potential for Affiliate synergy from this transaction began to be realized in November 1999 with the launch of the Essex Aggressive Growth Fund* (MEAGX), the first series of the new Managers AMG Fund Family. Essex Investment Management Company, LLC, the AMG Affiliate that serves as sub-adviser to the Fund, is a growth equity manager, and the Fund focuses on specialty retail, technology, health services, financial services, energy services and basic industries sectors.

Adding Strategic Capabilities

AMG has helped other Affiliates grow through the acquisition of complementary capabilities and lines of business. AMG's research frequently uncovers an attractive firm – or team of managers – that may be too small for a direct AMG investment, but whose outstanding

*Essex Investment
Management Company, LLC
Boston, and
The Managers Funds LLC
Norwalk, CT*



*Middle: Frontier Capital
Management Company, LLC
Boston*

Bottom: AMG, Boston

*For more information concerning the Essex Aggressive Growth Fund, a series of Managers AMG Funds, including fees and expenses, please contact The Managers Funds LLC at (800) 835-3879 or visit the web site at www.managersamg.com for a Prospectus. Please read the Prospectus carefully before investing. The Prospectus is not an offer to sell shares of the Fund and is not soliciting an offer to buy these shares in any state where the offer or sale is not permitted. The principal value and return of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The Managers Funds LLC, a member of the NASD, is the distributor of Managers AMG Funds.



investment process, excellent track record and distinctive market presence make it a good complement to one of AMG's Affiliates. The resulting transaction may take the form of a lift-out or a direct acquisition by the Affiliate.

As an example, in 1998, The BurrIDGE Group LLC, a Chicago-based Affiliate which specializes in mid-cap growth equities, identified a need for a stronger product offering that would better serve its clients and utilize its marketing, client service and back-office capacities. AMG found an attractive candidate in Sound Capital Partners, LLC (an experienced large-cap growth team based in Seattle), brought the two teams together, and structured and financed the transaction. The partners of Sound Capital received direct equity in BurrIDGE related solely to the performance of their division, thereby creating incentives for a mutually productive relationship. A year later, the Sound Capital division has achieved asset growth of over 100 percent and has become an important contributor to BurrIDGE's success.

In November 1999, AMG assisted another Affiliate, First Quadrant, L.P., a quantitative asset manager with offices in Pasadena and London, in negotiating and structuring the acquisition of Objective Asset Management Ltd., a London-based specialist in enhanced index strategies. The transaction broadened First Quadrant's product line and strengthened its presence in certain segments of the U.K. pension market.

Succession Planning

Ongoing succession planning is a key component of AMG's value to Affiliates. AMG's goal is to help manage the seamless transition of equity to future generations.

AMG's work with BurrIDGE demonstrates the value added by the AMG relationship in this regard. BurrIDGE partners realized several years ago that they needed to establish a succession plan that would smoothly transfer equity in the firm to the next generation of management.



*Top: First Quadrant, L.P.
Pasadena, CA and
London*

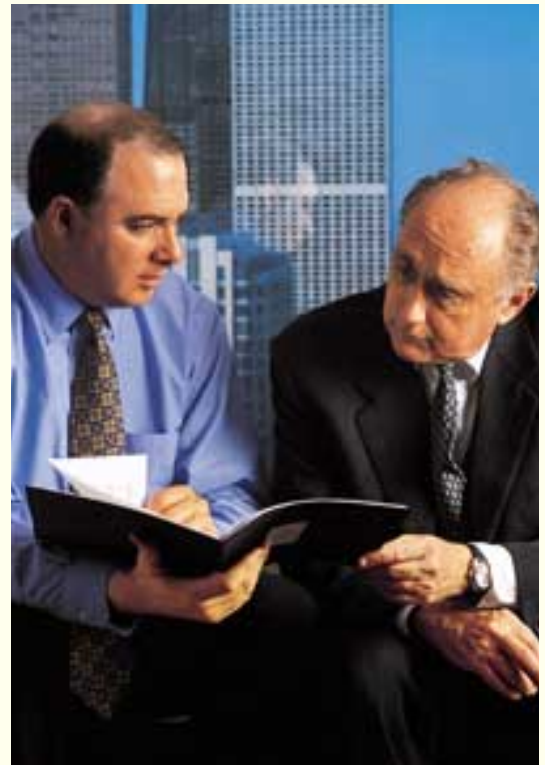
*Middle: The BurrIDGE
Group LLC
Chicago, and
AMG, Boston*



*Davis Hamilton Jackson
& Associates, L.P.
Houston*

◀ *Opposite: Rorer Asset
Management, LLC
Philadelphia*

The first step of that process was bringing in AMG as an institutional partner in 1996. Subsequently, the firm brought in and promoted a new Chief Investment Officer, which was made possible by the AMG structure and the ability to use both autonomy and equity as recruiting tools. In addition, the acquisition of Sound Capital in 1998, which AMG sourced, financed and structured, diversified Burrridge's revenue base and accelerated its growth. The founder was able to retire from full-time employment with the firm (although he remains in a consulting capacity) with confidence that Burrridge would continue to prosper with no disruption in service to its clients. And AMG and the other partners are also confident in the prosperity and growth of the firm.



*Gofen & Glossberg, L.L.C.
Chicago*

Enhancing Technology and Operations

Technology is another area where AMG can use its scale to deliver significant benefits to Affiliates. In the third quarter of 1999, AMG introduced the Affiliate Intranet to create a convenient channel of communication between the holding company and Affiliates, and to establish a forum for identifying and promoting best practices and partnering opportunities among Affiliates.

AMG has begun development of a web-based Affiliate Client Service Platform that will allow each Affiliate to customize its own client service web presence to its desired level. Options will include straightforward, brochure-type pages as well as secure, real-time access to account balances and transaction information. The cost to Affiliates will be much less than the cost of developing and supporting interactive client service web sites independently, and Affiliates will gain the benefits of new web technologies much faster than if they had to build them on their own.

AMG is in constant dialogue with Affiliates about ways to promote synergies and enhance profitable growth. The shared commitment to constructive partnership will inevitably yield additional creative new ideas in the years ahead.



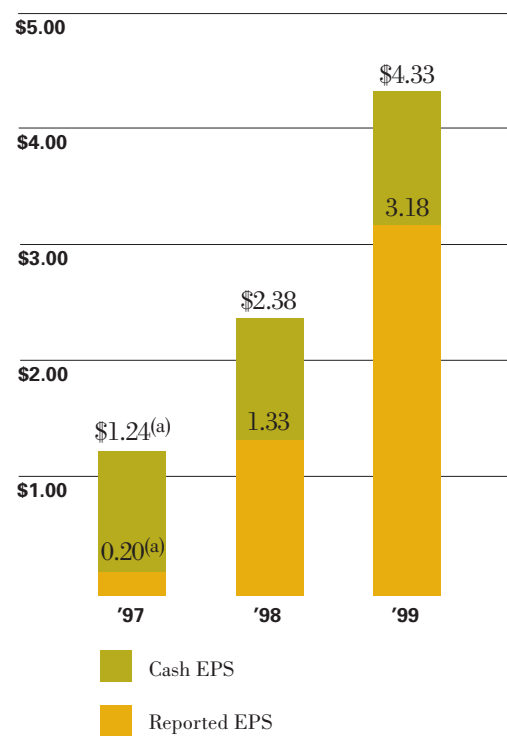
*Middle: Rorer Asset
Management, LLC
Philadelphia*

*Bottom: Tweedy, Browne
Company LLC
New York and London*

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EPS and Cash EPS



^(a) Before extraordinary item

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

When used in this Annual Report 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 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 those discussed under the caption “Business – Cautionary Statements,” which are set forth in our 1999 Form 10-K, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We wish to advise readers that the factors under the caption “Business – Cautionary Statements” in the 1999 Form 10-K could affect our financial performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

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.

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 \$87.0 billion in assets at December 31, 1999. Our most recent investments were 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 of revenues which we refer to as 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.

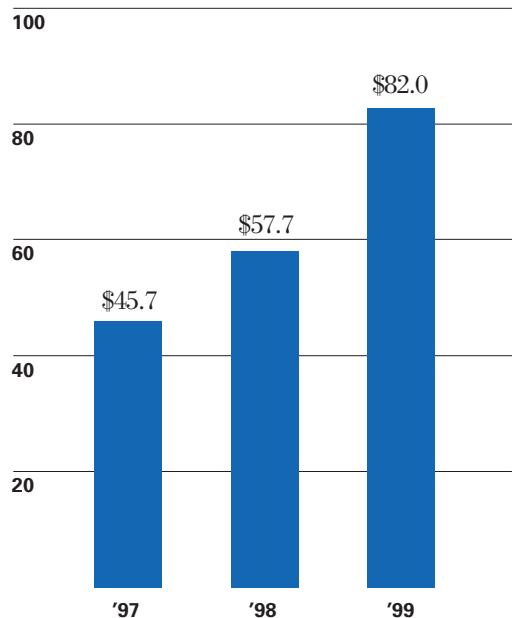
Under the revenue sharing arrangements, the managers of our Affiliates have an incentive to both increase revenues of the Affiliate (thereby increasing the Operating Allocation and their Owners’ Allocation) and to control expenses of the Affiliate (thereby increasing the excess Operating Allocation).

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

Year-End Assets Under Management (\$bn)



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 December 31, 1999, our total assets were approximately \$909.1 million, of which approximately \$186.5 million consisted of acquired client relationships and \$385.4 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. Such measures are (i) EBITDA (earnings before interest expense, income taxes, depreciation, amortization and extraordinary item), which we believe is useful to investors as an indicator of our ability to service debt, to make new investments and meet working capital requirements, and (ii) Cash Net Income (net income plus depreciation, amortization and extraordinary item), which we believe is useful to investors as another indicator of funds available which may be used to make new investments, to repay debt obligations, to repurchase shares of our Common Stock or pay dividends on our Common Stock (although the Company has no current plans to pay dividends). Cash Net Income has historically been referred to by us as "EBITDA as adjusted".

Results of Operations

Supplemental Pro Forma Information

Affiliate operations are included in our historical financial statements from their respective dates of investment. We consolidate Affiliates when we own a controlling interest and include in minority interest the portion of capital and Owners' Allocation owned by persons other than us.

Because we have made investments in each of the periods for which financial statements are presented, we believe that the operating results for these periods are not directly comparable. We have provided the following pro forma data, which should be read with our consolidated financial statements and the notes to such statements, which are included elsewhere in this report.

All amounts below are pro forma for the inclusion of all investments made as of December 31, 1999 and the Frontier investment completed on January 18, 2000 as if such investments occurred on January 1, 1998.

Unaudited Pro Forma Supplemental Information
(in thousands unless otherwise noted)

Pro Forma Assets Under Management Data

(in millions):	December 31,	
	1998	1999
Assets under management – beginning	\$60,524	\$68,877
Net client cash flows – directly managed assets	4,127	644
Net client cash flows – overlay assets ⁽¹⁾	(1,572)	(1,142)
Market appreciation	5,798	18,649
Assets under management – ending	\$68,877	\$87,028

Pro Forma Financial Data:

Revenues	\$321,488	\$550,139
Owners' Allocation ⁽²⁾	155,624	284,586
EBITDA Contribution ⁽²⁾	109,391	202,946
EBITDA ⁽²⁾	101,743	185,293
Cash Net Income ⁽²⁾	58,351	112,593

Reconciliation of EBITDA Contribution to EBITDA

Total EBITDA Contribution (as above)	\$109,391	\$202,946
Less holding company expenses	(7,648)	(17,653)
EBITDA ⁽²⁾	\$101,743	\$185,293

Historical Financial Data:

Cash flow from operating activities	\$ 45,424	\$ 89,119
Cash flow used in investing activities	(72,665)	(112,939)
Cash flow from financing activities	28,163	54,035
EBITDA ⁽²⁾	76,312	166,801
Cash Net Income ⁽²⁾	45,674	98,318

(1) Overlay assets are assets managed subject to strategies which employ futures, options or other derivative securities to add incremental value to directly managed portfolios. These strategies generate fees which are generally at the low end of the range of fees generated in other investment management strategies.

(2) As defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview."

Historical

Year Ended December 31, 1999 as Compared to Year Ended December 31, 1998

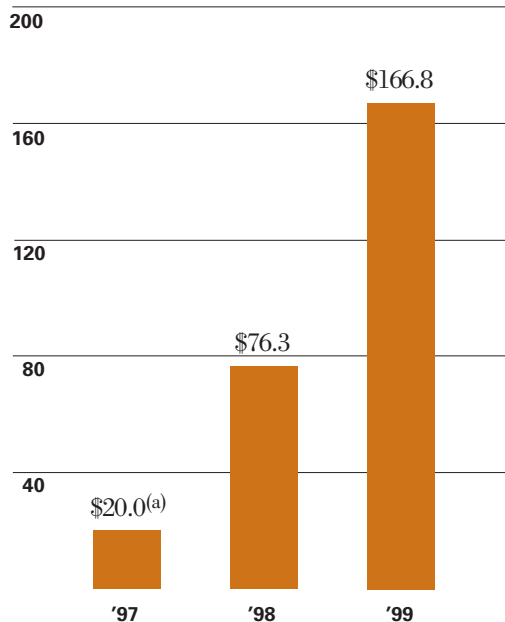
We had net income of \$72.2 million for the year ended December 31, 1999 compared to net income of \$25.6 million for the year ended December 31, 1998. The increase in net income resulted primarily from a growth in the EBITDA Contribution of our Affiliates. This growth resulted from a substantial increase in performance-based fees earned by several Affiliates, principally Essex Investment Management Company, LLC ("Essex"), as well as growth in asset-based fees resulting from positive investment performance. In addition, the new investments we made in 1998 and 1999 significantly contributed to the growth in EBITDA Contribution. We invested in Essex in March 1998, Davis Hamilton Jackson & Associates, L.P. ("DHJA") in December 1998, Rorer in January 1999 and Managers in April 1999 and have included their results from the respective dates of investment.

Revenues for the year ended December 31, 1999 were \$518.7 million, an increase of \$280.2 million over the year ended December 31, 1998. The increase in revenues resulted from a substantial increase in performance-based fees earned by several Affiliates, as well as growth in asset-based fees resulting from positive investment performance and investments in new Affiliates. Revenues from performance-based fees increased from approximately 18% of total revenues for the year ended December 31, 1998 to approximately 39% of total revenues for the year ended December 31, 1999. The increase in performance-based fees is primarily the result of performance-based fee contracts in place at Essex. Performance-based fees realized during the year were of an unusual magnitude, and, as they are inherently dependent on investment results, they may not recur to the same magnitude in future years.

Operating expenses increased by \$160.4 million to \$306.1 million for the year ended December 31, 1999 over the year ended December 31, 1998. Compensation and related expenses increased by \$130.1 million to \$217.8 million, amortization of intangible assets increased by \$4.8 million to \$22.2 million, selling, general and administrative expenses increased by \$21.6 million to \$53.3 million, and other operating expenses increased by \$2.6 million to \$8.9 million. The growth in operating expenses was principally a result of an increase in Affiliates' Operating Allocation due to a substantial increase in performance-based fees earned by several Affiliates, growth in asset-based fees resulting from positive investment performance and investments in new Affiliates.

EBITDA

(\$mm)



(a) Before extraordinary item

Investment and other income increased by \$12.0 million to \$14.2 million for the year ended December 31, 1999 over the year ended December 31, 1998, substantially from our allocation of income from capital maintained in Affiliate private partnerships.

Minority interest increased by \$47.4 million to \$86.2 million for the year ended December 31, 1999 over the year ended December 31, 1998, primarily as a result of the increase in Affiliates' Owners' Allocation due to a substantial increase in performance-based fees earned by several Affiliates, growth in asset-based fees resulting from positive investment performance and investments in new Affiliates.

Interest expense decreased by \$1.8 million to \$11.8 million for the year ended December 31, 1999 over the year ended December 31, 1998. The reduction in interest expense resulted from repayments of senior bank debt with the net proceeds from our public offering of Common Stock in March 1999 and cash flow from ongoing operations, and was partially offset by borrowings related to new investments. In addition, interest expense decreased due to the favorable impact of the public offering on our LIBOR margin as well as a favorable interest rate environment.

Income tax expense was \$56.7 million for the year ended December 31, 1999 compared to \$17.0 million for the year ended December 31, 1998. The change in income tax expense is related principally to the increase in income before taxes in the year ended December 31, 1999.

EBITDA increased by \$90.5 million to \$166.8 million for the year ended December 31, 1999 over the year ended December 31, 1998, resulting from a substantial increase in performance-based fees earned by several Affiliates, growth in asset-based fees resulting from positive investment performance and investments in new Affiliates.

Cash Net Income increased by \$52.6 million to \$98.3 million for the year ended December 31, 1999 over the year ended December 31, 1998 as a result of the factors affecting net income as described above, with the exception of the amortization of intangible assets.

Year Ended December 31, 1998 as Compared to Year Ended December 31, 1997

We had net income of \$25.6 million for the year ended December 31, 1998 compared to net income before extraordinary item of \$1.6 million for the year ended December 31, 1997. The increase in net income resulted substantially from net income from new investments. We invested in Gofen and Glossberg, L.L.C. ("Gofen and Glossberg") in May 1997, GeoCapital, LLC ("GeoCapital") in September 1997, Tweedy, Browne Company LLC ("Tweedy, Browne") in October 1997 and Essex in March 1998 (collectively, the "New Affiliates"), and included their results from the respective dates of investment. Our net loss after extraordinary item of \$8.4 million for the year ended December 31, 1997 resulted from a \$10.0 million extraordinary item, net of related tax benefit, from the write-off of debt issuance costs related to the early extinguishment of debt.

Revenues for the year ended December 31, 1998 were \$238.5 million, an increase of \$143.2 million over the year ended December 31, 1997. Such increase was primarily a result of the addition of the New Affiliates. Performance-based fees earned by our Affiliates were approximately 18% of revenues, increasing \$26.8 million to \$44.0 million for the year ended December 31, 1998 compared to \$17.2 million for the year ended December 31, 1997, primarily as a result of the addition of the New Affiliates.

Operating expenses increased by \$73.0 million to \$145.7 million for the year ended December 31, 1998 over the year ended December 31, 1997. Compensation and related expenses increased by \$46.1 million to \$87.7 million, amortization of intangible assets increased by \$10.8 million to \$17.4 million, selling, general and administrative expenses increased by \$12.7 million to \$31.6 million, and other operat-

ing expenses increased by \$2.6 million to \$6.3 million. The growth in operating expenses was primarily a result of the addition of the New Affiliates.

Minority interest increased by \$26.6 million to \$38.8 million for the year ended December 31, 1998 over the year ended December 31, 1997, primarily as a result of the addition of the New Affiliates.

Interest expense increased by \$5.1 million to \$13.6 million for the year ended December 31, 1998 over the year ended December 31, 1997, as a result of the increased indebtedness incurred in connection with the investments in the New Affiliates.

Income tax expense was \$17.0 million for the year ended December 31, 1998 compared to \$1.4 million for the year ended December 31, 1997. The change in income tax expense is principally related to the increase in income before taxes in the year ended December 31, 1998.

EBITDA increased by \$56.3 million to \$76.3 million for the year ended December 31, 1998 over the year ended December 31, 1997, primarily as a result of the inclusion of the New Affiliates.

Cash Net Income increased by \$35.5 million to \$45.7 million for the year ended December 31, 1998 over the year ended December 31, 1997 as a result of the factors affecting net income as described above, before non-cash expenses such as amortization of intangible assets and depreciation of \$20.1 million for the year ended December 31, 1998.

Liquidity and Capital Resources

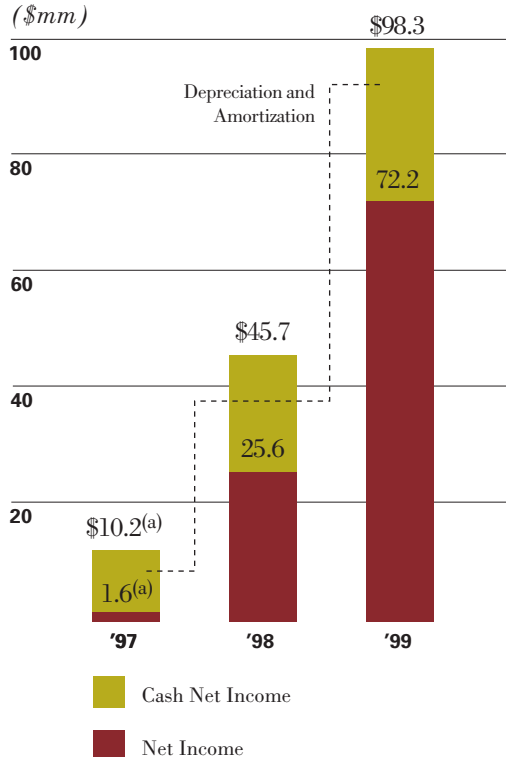
We have met our cash requirements primarily through cash generated by operating activities, bank borrowings, and the issuance of equity securities in public transactions. We anticipate that we will use cash flow from our operating activities to repay debt, pay interest and income taxes and to finance our working capital needs, and we will use bank borrowings and issue equity and debt securities to finance future investments. Our principal uses of cash have been to make investments, retire indebtedness, pay income taxes, repurchase shares and support our and our Affiliates' operating activities. We expect that our principal use of funds 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, our purchase of management owners' retained equity, and for working capital purposes.

At December 31, 1999, we had outstanding borrowings of senior debt under our credit facility of \$174.5 million. In January 2000, we financed our investment in Frontier with a borrowing under the credit facility. Giving effect to the Frontier transaction and other borrowing and repayment activity, at March 23, 2000, we had outstanding borrowings under our credit facility of \$240.5 million, and the ability to borrow an additional \$89.5 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

Cash Net Income

(\$mm)



(a) Before extraordinary item

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. See “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.

Net cash flow from operating activities was \$89.1 million, \$45.4 million and \$16.2 million for the years ended December 31, 1999, 1998 and 1997, respectively. The increase in net cash flow from operating activities from 1998 to 1999 resulted from a substantial increase in performance-based fees earned by several Affiliates, as well as growth in asset-based fees resulting from positive investment performance. In addition, the new investments made in 1999 contributed to the increase in these cash flows.

Net cash flow used in investing activities was \$112.9 million, \$72.7 million and \$327.3 million for the years ended December 31, 1999, 1998 and 1997, respectively. Of these amounts, \$103.5 million, \$66.6 million, and \$325.9 million, respectively, were used to make investments in Affiliates.

In January 1999, we acquired an approximately 65% interest in Rorer, a Philadelphia based investment adviser. We paid \$65 million in cash for our investment in Rorer. In April 1999, we acquired substantially all of the interests in Managers. We financed these two investments with borrowings under our credit facility. In addition, in January 2000, we acquired an approximately 70% interest in Frontier. The investment in Frontier was also financed with a borrowing under our credit facility.

Net cash flow from financing activities was \$54.0 million, \$28.2 million and \$327.1 million for the years ended December 31, 1999, 1998 and 1997, respectively. The principal sources of cash from financing activities have been borrowings under senior credit facilities and subordinated debt, and our public offerings. The uses of cash from financing activities

during these periods were for the repayment of debt and notes issued as purchase price consideration and for the repurchase of Common Stock and payment of debt issuance costs.

In March 1999, we completed a public offering of Common Stock. In the offering, 5,529,954 shares of Common Stock were sold, of which 4,000,000 shares were sold by the Company and 1,529,954 shares were sold by selling stockholders. We used the net proceeds from the offering to reduce indebtedness under our credit facility and did not receive any proceeds from the sale of Common Stock by the selling stockholders.

In October 1999, our Board of Directors authorized a share repurchase program (the “Share Repurchase Program”) pursuant to which we can repurchase up to five percent of our issued and outstanding shares of Common Stock in open market transactions, with the timing of purchases and the amount of stock purchased determined at our discretion. As of December 31, 1999, we had repurchased 346,900 shares of Common Stock at an average price per share of \$26.83.

In December 1999, we signed a purchase and sale agreement to acquire property in Prides Crossing, Massachusetts in anticipation of the development of our future corporate headquarters. We intend to close our acquisition of the property in the second quarter of the year 2000 and to develop the site within twenty-four months after closing.

Year 2000

We and our Affiliates transitioned into the Year 2000 without material disruption to or adverse effect on our businesses. Our Year 2000 related remediation efforts are complete, although we cannot guarantee that additional Year 2000 issues will not arise (either within our operations or associated with third party service providers).

AMG’s Holding Company and Affiliates’ Remediation Efforts

In anticipation of the Year 2000 problem, we modified, upgraded or replaced computers, software applications and related equipment to the extent required to minimize the probability of a material disruption to our business. We incurred \$500,000 of costs in remediating the Year 2000 problem in the last four years. Each of our Affiliates completed its assessment and renovation or replacement of all non-compatible systems and the subsequent testing of such systems.

Outside Service Providers

In preparing for the Year 2000, we closely monitored the progress of all outsider service providers, and we believe our third party service providers have resolved all of their Year 2000 related issues. We have to date experienced no material disruptions in service provider operations as a result of the onset of the Year 2000 and we have no reason to believe that we will experience any disruptions as a result of Year 2000 issues in the future. However, as described above, we cannot guarantee that additional Year 2000 issues will not arise as associated with third party service providers.

Interest Rate Sensitivity

Our revenues are derived primarily from fees which are based on the values of assets managed. Such values are affected by changes in the broader financial markets which are, in part, affected by changing interest rates. We cannot predict the effects that interest rates or changes in interest rates may have on either the broader financial markets or our Affiliates' assets under management and associated fees.

With respect to our debt financing, we are exposed to potential fluctuations in the amount of interest expense resulting from changing interest rates. We seek to offset such exposure in part by entering into interest rate hedging contracts. See "Interest Rate Hedging Contracts".

Our annual interest expense increases or decreases by \$221,155 for each 1/8 of 1% change in interest rates assuming LIBOR is between 5% and 6.78% and assuming current interest rate margins on current bank debt.

Interest Rate Hedging Contracts

We seek to offset our exposure under our debt financing arrangements to changing interest rates by entering into interest rate hedging contracts. As of December 31, 1999, we were a party, with two major commercial banks as counterparties, to \$185 million notional amount of swap contracts which are designed to limit interest rate increases on our borrowings and are linked to the three-month LIBOR. These swap contracts, upon quarterly reset dates, cap interest rates on the notional amounts at rates ranging between 6.67% and 6.78%. When LIBOR is below 5%, our floating interest rate debt is swapped for fixed rate debt at rates ranging between 6.67% and 6.78%. We generally borrow at LIBOR and pay an additional interest margin as described above. The hedging contracts limit the effects of our payment of interest at equivalent LIBOR rates of 6.78% or less on up to \$185 million of indebtedness.

As of December 31, 1999, we were also a party to a \$75 million notional swap contract that limited interest rates on \$75 million of the \$185 million of swap contracts identified above at 5.99%. This contract was designed to limit interest rate increases if floating rate debt was swapped for higher fixed rate debt under the terms of the original swap contracts. On January 15, 2000, this interest rate swap contract expired.

There can be no assurance that we will continue to maintain such hedging contracts at their existing levels of coverage or that the amount of coverage maintained will cover all of our indebtedness outstanding at any such time. In addition, as noted above, our existing hedging contracts subject us to the risk of payments of higher interest rates when prevailing LIBOR rates are less than 5%. Therefore, there can be no assurance that the hedging contracts will meet their overall objective of reducing our interest expense. In addition, there can be no assurance that we will be successful in obtaining hedging contracts in the future on our existing or any new indebtedness.

Recent Accounting Developments

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 standardizes the accounting for derivative instruments by requiring that all derivatives be recognized as assets and liabilities and measured at fair value. In June 1999, Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of Effective Date of FASB Statement No. 133 – an amendment to FASB Statement 133" deferred the effective date of FAS 133 to financial statements for fiscal years beginning after June 15, 2000.

We do not believe that the implementation of FAS 133 will have a material impact on our financial statements.

Economic and Market Conditions

The financial markets and the investment management industry in general have experienced both record performance and record growth in recent years. As one example of investment management industry growth, the assets under management of mutual funds increased 24% to \$6.8 trillion in 1999, the fifth consecutive year of more than 20% growth, according to the Investment Company Institute. Domestic and foreign economic conditions and general trends in business and finance, among other factors, affect

the financial markets and businesses operating in the securities industry. We cannot guarantee that broader market performance will be favorable in the future. Any decline in the financial markets or a lack of sustained growth may result in a corresponding decline in our Affiliates' performance and may cause our Affiliates to experience declining assets under management and/or fees, which would reduce cash flow distributable to us.

International Operations

First Quadrant Limited, a sister company to First Quadrant, L.P., is organized and headquartered in London, England. During 1999, First Quadrant, L.P. acquired Objective Asset Management Ltd., a London-based money manager, and merged it into the operations of First Quadrant Limited. Tweedy, Browne, based in New York, also maintains a research office in London. In the future, we may seek to invest in other investment management firms which are located and/or conduct a significant part of their operations outside of the United States. There are certain risks inherent in doing business internationally, such as changes in applicable laws and regulatory requirements, difficulties in staffing and managing foreign operations, longer payment cycles, difficulties in collecting investment advisory fees receivable, political instability, fluctuations in currency exchange rates, expatriation controls and potential adverse tax consequences. There can be no assurance that one or more of such factors will not have a material adverse effect on First Quadrant Limited or other non-U.S. investment management firms in which we may invest in the future and, consequently, on our business, financial condition and results of operations.

Inflation

We do not believe that inflation or changing prices have had a material impact on our results of operations.

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 December 31, 1999, \$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.

This analysis presents the hypothetical loss in earnings of the derivative instruments we held at December 31, 1999 that are sensitive to changes in interest rates. 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%.

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.

Selected Historical Financial Data

Set forth below are 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 financial statements and accompanying notes included elsewhere in this Annual Report.

(in thousands, except as indicated and per share data)	For the Years Ended December 31,				
	1995	1996	1997	1998	1999
Statement of Operations Data					
Revenues	\$ 14,182	\$ 50,384	\$ 95,287	\$238,494	\$518,726
Net income (loss)	(2,936)	(2,372)	(8,368)	25,551	72,188
Earnings per share – diluted	(2.95)	(5.49)	(1.02)	1.33	3.18
Average shares outstanding – diluted ⁽¹⁾	996	432	8,236	19,223	22,693
Other Financial Data					
Assets under management					
(at period end, in millions)	\$ 4,615	\$ 19,051	\$ 45,673	\$ 57,731	\$ 82,041
EBITDA ⁽²⁾	3,321	10,524	20,044	76,312	166,801
Cash Net Income ⁽³⁾	1,371	7,596	10,201	45,675	98,318
Balance Sheet Data					
Intangible assets ⁽⁴⁾	\$ 44,485	\$ 71,472	\$392,573	\$490,949	\$571,881
Total assets	64,699	101,335	456,990	605,334	909,073
Senior debt	18,400	33,400	159,500	212,500	174,500
Stockholders' equity ⁽¹⁾	36,867	36,989	259,740	313,655	477,986

(1) In connection with our initial public offering in November 1997, we raised \$189 million from our sale of 8.7 million shares of Common Stock and 8.0 million shares of Preferred Stock converted to shares of Common Stock. In March 1999, we raised \$102.3 million from our sale of an additional 4.0 million shares of Common Stock.

(2) EBITDA represents earnings before interest expense, income taxes, depreciation, amortization and extraordinary items. We believe EBITDA may be useful to investors as an indicator of our ability to service debt, to make new investments and to meet working capital requirements. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. EBITDA, as calculated by us, may not be consistent with computations of EBITDA by other companies.

(3) Cash Net Income represents net income plus depreciation and amortization and extraordinary items. We believe that this measure may be useful to investors as another indicator of funds available to the Company, which may be used to make new investments, repay debt obligations, repurchase shares of Common Stock or pay dividends on Common Stock. Cash Net Income is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Cash Net Income, as calculated by us, may not be consistent with computations of Cash Net Income by other companies. Cash Net Income as defined herein has historically been referred to by us as "EBITDA as adjusted".

(4) Intangible assets have increased with each new investment in an Affiliate. From our inception through December 31, 1999, we made investments in fourteen Affiliates.

Report of Independent Accountants

Board of Directors and Stockholders of
Affiliated Managers Group, Inc.

In our opinion, the accompanying consolidated balance sheets and the related statements of operations, comprehensive income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Affiliated Managers Group, Inc. at December 31, 1998 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance

about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

A stylized, handwritten signature of "PricewaterhouseCoopers, LLP" in black ink.

Boston, Massachusetts
January 25, 2000

Consolidated Balance Sheets

(in thousands)	December 31,	
	1998	1999
Assets		
Current Assets:		
Cash and cash equivalents	\$ 23,735	\$ 53,879
Investment advisory fees receivable	66,939	239,383
Other current assets	5,137	6,705
Total current assets	95,811	299,967
Fixed assets, net	8,001	12,321
Equity investment in Affiliate	1,340	1,563
Acquired client relationships, net of accumulated amortization of \$13,870 in 1998 and \$23,202 in 1999	169,065	186,499
Goodwill, net of accumulated amortization of \$23,206 in 1998 and \$36,103 in 1999	321,884	385,382
Notes receivable from related parties	1,700	5,411
Other assets	7,533	17,930
Total assets	\$605,334	\$909,073
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,617	\$170,299
Notes payable to related parties	22,000	—
Total current liabilities	64,617	170,299
Senior bank debt	190,500	174,500
Deferred taxes	10,410	25,346
Other long-term liabilities	1,204	1,346
Subordinated debt	800	800
Total liabilities	267,531	372,291
Minority interest	24,148	58,796
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock	—	—
Convertible stock	30,992	—
Common stock	177	235
Additional paid-in capital	273,413	405,883
Accumulated other comprehensive income	16	(55)
Retained earnings	11,669	83,857
	316,267	489,920
Less treasury shares	(2,612)	(11,934)
Total stockholders' equity	313,655	477,986
Total liabilities and stockholders' equity	\$605,334	\$909,073

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

Consolidated Statements of Operations

(dollars in thousands, except per share data)	For the Years Ended December 31,		
	1997	1998	1999
Revenues	\$ 95,287	\$238,494	\$518,726
Operating expenses:			
Compensation and related expenses	41,619	87,669	217,780
Amortization of intangible assets	6,643	17,417	22,229
Depreciation and other amortization	1,915	2,707	3,901
Selling, general and administrative	18,912	31,643	53,251
Other operating expenses	3,637	6,278	8,906
	72,726	145,714	306,067
Operating income	22,561	92,780	212,659
Non-operating (income) and expenses:			
Investment and other income	(1,174)	(2,251)	(14,237)
Interest expense	8,479	13,603	11,764
	7,305	11,352	(2,473)
Income before minority interest, income taxes and extraordinary item	15,256	81,428	215,132
Minority interest	(12,249)	(38,843)	(86,225)
Income before income taxes and extraordinary item	3,007	42,585	128,907
Income taxes	1,364	17,034	56,719
Income before extraordinary item	1,643	25,551	72,188
Extraordinary item, net	(10,011)	—	—
Net income (loss)	\$ (8,368)	\$ 25,551	\$ 72,188
Earnings (loss) per share – basic:			
Income before extraordinary item	\$ 0.72	\$1.45	\$3.25
Extraordinary item, net	(4.41)	—	—
Earnings (loss)	\$(3.69)	\$1.45	\$3.25
Earnings (loss) per share – diluted:			
Income before extraordinary item	\$ 0.20	\$1.33	\$3.18
Extraordinary item, net	(1.22)	—	—
Earnings (loss)	\$(1.02)	\$1.33	\$3.18
Average shares outstanding – basic	2,270,684	17,582,900	22,180,112
Average shares outstanding – diluted	8,235,529	19,222,831	22,693,016

Consolidated Statements of Comprehensive Income

(in thousands)	For the Years Ended December 31,		
	1997	1998	1999
Net income (loss)	\$(8,368)	\$25,551	\$72,188
Foreign currency translation adjustment, net of taxes	(52)	46	(71)
Comprehensive income (loss)	\$(8,420)	\$ 25,597	\$72,117

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

Consolidated Statements of Cash Flows

(in thousands)	For the Years Ended December 31,		
	1997	1998	1999
Cash flow from operating activities:			
Net income (loss)	\$ (8,368)	\$ 25,551	\$ 72,188
Adjustments to reconcile net income (loss) to net cash flow from operating activities:			
Amortization of intangible assets	6,643	17,417	22,229
Extraordinary item	10,011	—	—
Depreciation and other amortization	1,915	2,707	3,901
Deferred income tax provision	1,012	10,410	14,936
Changes in assets and liabilities:			
Increase in investment advisory fees receivable	(3,980)	(38,053)	(163,262)
Increase in other current assets	(977)	(2,766)	(1,260)
Increase in non-current other receivables	—	—	(10,779)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(3,159)	22,489	116,518
Minority interest	13,108	7,669	34,648
Cash flow from operating activities	16,205	45,424	89,119
Cash flow used in investing activities:			
Purchase of fixed assets	(1,648)	(4,313)	(6,050)
Costs of investments, net of cash acquired	(325,896)	(66,577)	(103,500)
Distributions received from Affiliate equity investment	229	675	550
Decrease (increase) in other assets	40	(750)	(486)
Loans to employees	—	(1,700)	(3,453)
Cash flow used in investing activities	(327,275)	(72,665)	(112,939)
Cash flow from financing activities:			
Borrowings of senior bank debt	303,900	78,800	155,800
Repayments of senior bank debt	(177,800)	(47,800)	(171,800)
Repayments of notes payable to related parties	(5,878)	—	(22,000)
Borrowings of subordinated bank debt	58,800	—	—
Repayments of subordinated bank debt	(60,000)	—	—
Issuances of equity securities	217,021	(62)	101,536
Issuance of warrants	1,200	—	—
Repurchase of stock	—	(2,612)	(9,322)
Debt issuance costs	(10,131)	(163)	(179)
Cash flow from financing activities	327,112	28,163	54,035
Effect of foreign exchange rate changes on cash flow	(43)	47	(71)
Net increase in cash and cash equivalents	15,999	969	30,144
Cash and cash equivalents at beginning of year	6,767	22,766	23,735
Cash and cash equivalents at end of year	\$ 22,766	\$ 23,735	\$ 53,879
Supplemental disclosure of cash flow information:			
Interest paid	\$ 8,559	\$ 11,780	\$ 11,654
Income taxes paid	256	3,358	20,576
Supplemental disclosure of non-cash investing activities:			
Decrease in liabilities related to acquisitions	(3,200)	—	—
Supplemental disclosure of non-cash financing activities:			
Stock issued in acquisitions	11,101	30,992	—
Common stock issued in exchange for Affiliate equity interests	1,849	—	—
Notes issued in acquisitions	—	22,000	—
Conversion of preferred stock to common stock	83,576	—	—
Conversion of convertible stock to common stock	—	—	30,992

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

Consolidated Statements of Changes in Stockholders' Equity

(dollars in thousands)	Preferred Shares	Common Shares	Convertible Shares	Preferred Stock	Common Stock	Convertible Stock	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Treasury Shares at Cost
December 31, 1996	113,534	987,500	—	\$ 42,476	\$ —	\$ —	\$ 5	\$ (5,492)	—	\$ —
Issuance of common stock	—	8,753,667	—	—	98	—	188,773	—	—	—
Issuance of preferred stock and warrants	45,715	—	—	41,100	—	—	1,200	—	—	—
Conversion of preferred stock	(159,249)	7,962,450	—	(83,576)	79	—	83,497	—	—	—
Net loss	—	—	—	—	—	—	—	(8,368)	—	—
Other comprehensive income	—	—	—	—	—	—	—	(52)	—	—
December 31, 1997	—	17,703,617	—	—	177	—	273,475	(13,912)	—	—
Issuance of common stock	—	—	—	—	—	—	(62)	—	—	—
Issuance of convertible stock	—	—	1,750,942	—	—	30,992	—	—	—	—
Purchase of common stock	—	—	—	—	—	—	—	—	(172,000)	(2,612)
Net income	—	—	—	—	—	—	—	25,551	—	—
Other comprehensive income	—	—	—	—	—	—	—	46	—	—
December 31, 1998	—	17,703,617	1,750,942	—	177	30,992	273,413	11,685	(172,000)	(2,612)
Issuance of common stock	—	4,000,938	—	—	40	—	101,496	—	—	—
Conversion of convertible stock	—	1,750,942	(1,750,942)	—	18	(30,992)	30,974	—	—	—
Purchase of common stock	—	—	—	—	—	—	—	—	(346,900)	(9,322)
Net income	—	—	—	—	—	—	—	72,188	—	—
Other comprehensive income	—	—	—	—	—	—	—	(71)	—	—
December 31, 1999	—	23,455,497	—	\$ —	\$235	\$ —	\$405,883	\$ 83,802	(518,900)	\$(11,934)

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

Notes to Consolidated Financial Statements

1. Business and Summary of Significant Accounting Policies

Organization and Nature of Operations

The principal business activity of Affiliated Managers Group, Inc. (“AMG” or the “Company”) is the acquisition of equity interests in investment management firms (“Affiliates”). AMG’s Affiliates operate in one industry segment, that of providing investment management services, primarily in the United States and Europe, to mutual funds, partnerships and institutional and individual clients.

Affiliates are either organized as limited partnerships, general partnerships or limited liability companies. AMG has contractual arrangements with each Affiliate (other than Managers) whereby a percentage of revenues is allocable to fund Affiliate operating expenses, including compensation (the Operating Allocation), while the remaining portion of revenues (the Owners’ Allocation) is allocable to AMG and the other partners or members, generally with a priority to AMG. Unlike all other Affiliates, Managers is not subject to a revenue sharing arrangement since AMG owns substantially all of the firm. As a result, the Company participates fully in any increase or decrease in the revenues or expenses of Managers.

Consolidation

These consolidated financial statements include the accounts of AMG and each Affiliate in which AMG has a controlling interest. In each such instance, AMG is, directly or indirectly, the sole general partner (in the case of Affiliates which are limited partnerships), sole managing general partner (in the case of the Affiliate which is a general partnership) or sole manager member (in the case of Affiliates which are limited liability companies). For Affiliate operations consolidated into these financial statements, the portion of the Owners’ Allocation allocated to owners other than AMG is included in minority interest in the statement of operations. Minority interest on the consolidated balance sheet includes capital and undistributed Owners’ Allocation owned by the owners of consolidated Affiliates.

Investments where AMG does not hold a controlling interest are accounted for under the equity method of accounting and AMG’s portion of net income is included in investment and other income. All intercompany balances and transactions have been eliminated. All dollar amounts in the text and tables herein are stated in thousands unless otherwise indicated. Certain reclassifications have been made to prior years’ financial statements to conform with the current year’s presentation.

Segment Reporting

The Company has adopted Statement of Financial Accounting Standards (FAS) 131, “Disclosures about Segments of an Enterprise and Related Information”. FAS 131 superseded FAS 14, “Financial Reporting for Segments of a Business Enterprise”, replacing the “industry segment” approach with the “management” approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company’s reportable segments. FAS 131 also requires disclosures about products and services, geographic areas, and major customers. The adoption of FAS 131 did not affect results of operations or financial position (see Note 16).

Revenue Recognition

The Company’s consolidated revenues represent advisory fees billed quarterly and annually by Affiliates for managing the assets of clients. Asset-based advisory fees are recognized monthly as services are rendered and are based upon a percentage of the market value of client assets managed. Any fees collected in advance are deferred and recognized as income over the period earned. Performance-based advisory fees are recognized when earned based upon either the positive difference between the investment returns on a client’s portfolio compared to a benchmark index or indices, or an absolute percentage of gain in the client’s account.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value due to the short-term maturity of these investments.

Fixed Assets

Equipment and other fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease.

Acquired Client Relationships and Goodwill

The purchase price for the acquisition of interests in Affiliates is allocated based on the fair value of assets acquired, primarily acquired client relationships. In determining the allocation of purchase price to acquired client relationships, the Company analyzes the net present value of each acquired Affiliate’s existing client relationships

based on a number of factors including: the Affiliate's historical and potential future operating performance; the Affiliate's historical and potential future rates of attrition among existing clients; the stability and longevity of existing client relationships; the Affiliate'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 Affiliate's management team and the Affiliate's history and perceived franchise or brand value. The cost assigned to acquired client relationships is amortized using the straight-line method over periods ranging from eight to 28 years. The expected useful lives of acquired client relationships are analyzed separately for each acquired Affiliate and determined based on an analysis of the historical and potential future attrition rates of each Affiliate's existing clients, as well as a consideration of the specific attributes of the business of each Affiliate.

The excess of purchase price for the acquisition of interests in Affiliates over the fair value of net assets acquired, including acquired client relationships, is classified as goodwill. Goodwill is amortized using the straight-line method over periods ranging from 15 to 35 years. In determining the amortization period for goodwill, the Company considers a number of factors including: the firm's historical and potential future operating performance; the characteristics of the firm's clients, products and investment styles; as well as the firm's history and perceived franchise or brand value. Unamortized intangible assets, including acquired client relationships and goodwill, are periodically re-evaluated and if experience subsequent to the acquisition indicates that there has been an impairment in value, other than temporary fluctuations, an impairment loss is recognized. Management evaluates the recoverability of unamortized intangible assets quarterly for each acquisition using estimates of undiscounted cash flows factoring in known or expected trends, future prospects and other relevant information. If impairment is indicated, the Company measures its loss as the excess of the carrying value of the intangible assets for each Affiliate over its fair value determined using valuation models such as discounted cash flows and market comparables. Fair value in such cases was determined using market comparables based on revenues, cash flow and assets under management. No impairment loss was recorded for the three years ended December 31, 1999.

Debt Issuance Costs

Debt issuance costs incurred in securing credit facility financing are capitalized and subsequently amortized over the term of the credit facility using the effective interest method. Unamortized debt issuance costs of \$10,011, net of tax were written off as an extraordinary item in 1997 as part of the Company's replacement of its previous credit facilities with new facilities.

Interest Rate Hedging Agreements

The Company periodically enters into interest rate hedging agreements to hedge against potential increases in interest rates on the Company's outstanding borrowings. The Company's policy is to accrue amounts receivable or payable under such agreements as reductions or increases in interest expense, respectively.

Income Taxes

In accordance with FAS 109, the Company recognizes deferred tax assets and liabilities for the expected consequences of temporary differences between the financial statement basis and tax basis of the Company's assets and liabilities. A deferred tax valuation allowance is established if, in management's opinion, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized.

Foreign Currency Translation

The assets and liabilities of non-U.S. based Affiliates are translated into U.S. dollars at the exchange rates in effect as of the balance sheet date. Revenues and expenses are translated at the average monthly exchange rates then in effect.

Puts and Calls

As further described in Note 10, the Company periodically purchases additional equity interests in Affiliates from minority interest owners. Resulting payments made to such owners are generally considered purchase price for such acquired interests. The estimated cost of purchases from equity holders who have been awarded equity interests in connection with their employment is accrued, net of estimated forfeitures, over the service period as equity-based compensation.

Equity-Based Compensation Plans

FAS 123, "Accounting for Stock-Based Compensation", encourages but does not require adoption of a fair value-based accounting method for stock-based compensation arrangements which include stock option grants and grants

of equity based interests in Affiliates to certain limited partners or members. An entity may continue to apply Accounting Principles Board Opinion No. 25 (“APB 25”) and related interpretations, provided the entity discloses its pro forma net income and earnings per share as if the fair value based method had been applied in measuring compensation cost. The Company continues to apply APB 25 and related interpretations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts included in the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Recent Accounting Developments

In June 1998, the FASB issued FAS 133, “Accounting for Derivative Instruments and Hedging Activities”. FAS 133 standardizes the accounting for derivative instruments by requiring that all derivatives be recognized as assets and liabilities and measured at fair value. In June 1999, FAS 137, “Accounting for Derivative Instruments and Hedging Activities – Deferral of Effective Date of FASB Statement No 133 – an amendment to FASB Statement 133” deferred the effective date of FAS 133 to financial statements for fiscal years beginning after June 15, 2000.

The Company does not believe that the implementation of FAS 133 will have a material impact on the Company’s financial statements.

2. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and investment advisory fees receivable. The Company maintains cash and cash equivalents, short-term investments and certain off-balance-sheet financial instruments with various financial institutions. These financial institutions are located in cities in which AMG and its Affiliates operate. For AMG and certain Affiliates, cash deposits at a financial institution may exceed FDIC insurance limits.

3. Fixed Assets and Lease Commitments

Fixed assets consist of the following:

	At December 31,	
	1998	1999
Office equipment	\$ 8,282	\$ 10,735
Furniture and fixtures	4,534	7,804
Leasehold improvements	3,473	3,872
Computer software	1,742	2,169
Total fixed assets	18,031	24,580
Accumulated depreciation	(10,030)	(12,259)
Fixed assets, net	\$ 8,001	\$ 12,321

The Company and its Affiliates lease computer equipment and office space for their operations. At December 31, 1999, the Company’s aggregate future minimum payments for operating leases having initial or noncancelable lease terms greater than one year are payable as follows:

Year Ending December 31,	Required Minimum Payments
2000	\$ 7,213
2001	6,270
2002	5,752
2003	4,225
2004	3,507
Thereafter	7,658

Consolidated rent expense for 1997, 1998 and 1999 was \$3,637, \$6,278 and \$8,906, respectively.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	At December 31,	
	1998	1999
Accounts payable	\$ 928	\$ 2,538
Accrued compensation	25,201	126,461
Accrued income taxes	6,297	24,964
Accrued rent	2,413	2,196
Accrued interest	1,858	1,731
Deferred revenue	1,602	1,774
Accrued professional services	524	1,291
Other	3,794	9,344
	\$42,617	\$170,299

5. Benefit Plans

AMG has a defined contribution retirement plan covering substantially all of its full-time employees and four of its Affiliates. Eight of AMG's other Affiliates have separate defined contribution retirement plans. Under each of the plans, AMG and each Affiliate are able to make discretionary contributions to qualified plan participants up to IRS limits. Consolidated expenses related to these plans in 1997, 1998 and 1999 were \$1,020, \$2,589 and \$3,728, respectively.

In addition to the defined contribution retirement plan, in December 1999 the Company established a non-qualified defined contribution plan (the "Plan") for certain senior employees. The initial irrevocable contribution to the Plan will vest and be distributable to each participant in 12.5% installments on the second and third anniversary of the contribution and 37.5% installments on the fourth and fifth anniversary of the contribution. Such vesting and distribution is subject to the participant satisfying certain conditions, among them that the participant has not terminated his employment or been terminated for cause. Forfeited contributions remain in the Plan and will be reallocated to the remaining participants. The Company's contribution and expense related to the Plan was \$5,000 for the year ended at December 31, 1999.

6. Senior Bank Debt and Subordinated Debt

The Company has a \$330 million revolving Credit Facility ("Credit Facility"), which matures in December 2002. The Company has the option, with the consent of its lenders, to increase the facility by another \$70 million to a total of \$400 million. Interest is payable at rates up to 1.25% over the Prime Rate or up to 2.25% over LIBOR on amounts borrowed. The Company pays a commitment fee of up to 1/2 of 1% on the daily unused portion of the facility, which amounted to \$347, \$341 and \$297 for the years ended December 31, 1997, 1998 and 1999, respectively. The Company had \$174.5 million outstanding on the Credit Facility at December 31, 1999.

The effective interest rates on the outstanding borrowings were 5.7% and 6.7% at December 31, 1998 and 1999, respectively. All borrowings under the Credit Facility are collateralized by pledges of all capital stock or other equity interests in each AMG Affiliate owned and to be acquired. The credit agreement contains certain financial covenants which require the Company to maintain specified minimum levels of net worth and interest coverage ratios and maximum levels of indebtedness, all as defined in the credit

agreement. The credit agreement also limits the Company's ability to pay dividends and incur additional indebtedness.

As of December 31, 1999, the Company was a party, with two major commercial banks as counterparties, to \$185 million notional amount of swap contracts which are designed to limit interest rate increases on the Company's borrowings and are linked to the three-month LIBOR. The swap contracts, upon quarterly reset dates, cap interest rates on the notional amounts at rates ranging between 6.67% and 6.78%. When LIBOR is below 5%, the Company's floating interest rate debt is swapped for fixed rate debt at rates ranging between 6.67% and 6.78%. The Company generally borrows at LIBOR and pays an additional interest margin as described above. The hedging contracts limit the effects of the Company's payments of interest at equivalent LIBOR rates of 6.78% or less on up to \$185 million of indebtedness. The contracts mature between March 2001 and October 2002.

As of December 31, 1999, the Company was also a party to a one-year interest swap contract that limited interest rates on \$75 million of the \$185 million of swap contracts identified above at 5.99%. This contract was designed to limit interest rate increases if floating rate debt was swapped for higher fixed rate debt under the terms of the original swap contracts. On January 15, 2000, this interest rate swap contract expired.

Two of the Company's Affiliates also operate as broker-dealers and must maintain specified minimum amounts of "net capital" as defined in SEC Rule 15c3-1. In connection with this requirement, one Affiliate has \$800 of subordinated indebtedness which qualifies as net capital under the net capital rule, while the second Affiliate maintains no such indebtedness. The subordinated indebtedness is subordinated to claims of general creditors and is secured by notes and marketable securities of certain of this Affiliate's members other than AMG.

7. Income Taxes

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

		Year Ended December 31,		
		1997	1998	1999
Federal:	Current	\$ —	\$ —	\$35,658
	Deferred	776	10,238	12,762
State:	Current	352	6,624	6,125
	Deferred	236	172	2,174
Provision for income taxes		\$1,346	\$17,034	\$56,719

The effective income tax rate differs from the amount computed on income before income taxes and extraordinary item by applying the U.S. federal income tax rate because of the effect of the following items:

	Year Ended December 31,		
	1997	1998	1999
Tax at U.S. federal income tax rate	35%	35%	35%
Nondeductible expenses	15	2	3
State income taxes, net of federal benefit	13	5	7
Valuation allowance	(17)	(2)	(1)
	46%	40%	44%

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

	December 31,	
	1998	1999
Deferred assets (liabilities):		
Net operating loss carryforwards	\$ 6,086	\$ 1,326
Intangible amortization	(17,455)	(26,770)
Accruals	2,363	1,271
	(9,006)	(24,173)
Valuation allowance	(1,404)	(1,173)
Net deferred income taxes	\$(10,410)	\$(25,346)

At December 31, 1999, the Company had state net operating loss carryforwards which begin to expire in the year 2000. The realization of these carryforwards is dependent on generating sufficient taxable income prior to their expiration. The valuation allowance at December 31, 1999 is related to the uncertainty of the realization of these loss carryforwards.

8. Commitments and Contingencies

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

In December 1999, AMG signed a purchase and sale agreement to acquire property in Prides Crossing,

Massachusetts for the future site of its headquarters. The Company intends to close on the property in the second quarter of the year 2000.

9. Acquisitions

1999

On January 6, 1999, the Company acquired an approximately 65% interest in Rorer, a Philadelphia based investment advisor. On April 1, 1999, the Company acquired substantially all of the interests in Managers, which serves as the adviser to a family of nine equity and fixed income no-load mutual funds. AMG financed these two investments with borrowings under its credit facility.

The results of operations of Rorer and Managers are included in the consolidated results of operations of the Company from their respective dates of acquisition, January 6, 1999 and April 1, 1999.

1998

On March 20, 1998, the Company completed its investment in Essex. Essex is a Boston-based manager which specializes in investing in growth equities, using a fundamental research driven approach. AMG paid \$69.6 million in cash and 1,750,942 shares of its Series C Convertible Non-Voting Stock, for an indirect 68.0% interest in the Owner's Allocation (as defined in Note 1 above) of Essex. The Series C Stock is non-voting stock and carries no preferences with respect to dividends or liquidation. Each share of Series C Stock converted into one share of Common Stock on March 20, 1999.

On December 31, 1998, AMG acquired a 65% interest in DHJA. DHJA is a Houston based asset management firm with approximately \$3.5 billion of assets under management at December 31, 1998. The Company issued notes to close the transaction which were settled on January 4, 1999. AMG financed these two investments with borrowings under its Credit Facility.

The results of operations of Essex and DHJA are included in the consolidated results of operations of the Company from their respective dates of acquisition, March 20, 1998 and December 31, 1998.

1997

During 1997, the Company acquired in purchase transactions majority interests in Gofen and Glossberg, GeoCapital and Tweedy, Browne. The Company also acquired additional interests in two of its existing Affiliates.

The Company issued 10,667 shares of Class D Convertible Preferred Stock as partial consideration in the GeoCapital

transaction. The preferred stock was exchanged for 533,350 shares of the Company's Common Stock in connection with the Company's initial public offering.

The results of operations of Gofen and Glossberg, GeoCapital and Tweedy, Browne are included in the consolidated results of operations of the Company from their respective dates of acquisition, May 7, 1997, September 30, 1997 and October 9, 1997.

Purchase Price of Investments

The total purchase price, including cash, notes, common and preferred stock and capitalized transaction costs, associated with these investments is allocated as follows:

	December 31,		
	1997	1998	1999
Allocation of Purchase Price:			
Tangible equity, net of			
cash acquired	\$ 5,924	\$ 3,776	\$ 340
Intangible assets	331,421	115,793	103,160
Total purchase price	\$337,345	\$119,569	\$103,500

Unaudited pro forma data for the years ended December 31, 1998 and 1999 are set forth below, giving consideration to the acquisitions occurring in the respective two-year period as if such transactions occurred as of the beginning of 1998, assuming revenue sharing arrangements had been in effect for the entire period and after making certain other pro forma adjustments.

	Year Ended December 31,	
	1998	1999
Revenues	\$296,027	\$523,894
Net income	\$ 32,817	\$ 72,375
Earnings per share – basic	1.87	3.26
Earnings per share – diluted	1.67	3.19

In conjunction with certain acquisitions, the Company has entered into agreements and is contingently liable, upon achievement of specified revenue targets over a five-year period, to make additional purchase payments of up to \$26 million plus interest as applicable. These contingent payments, if achieved, will be settled for cash with most coming due beginning January 1, 2001 and January 1, 2002 and will be accounted for as an adjustment to the purchase price of the Affiliate. In addition, subject to achievement of performance goals, certain key Affiliate employees have options to receive additional equity interests in their Affiliates.

10. Puts and Calls

Affiliate management owners have options ("Puts"), which require the Company to purchase certain portions of their equity interests at staged intervals. The Company is also obligated to purchase all remaining management owners' interests (each, a "Purchase," and collectively, the "Purchases") in Affiliates upon death, disability or termination of employment. All of the Puts and Purchases would take place based on a multiple of the respective Affiliate's Owners' Allocation but using reduced multiples for terminations for cause or for voluntary terminations occurring prior to agreed upon dates, all as defined in the general partnership, limited partnership or limited liability company agreements of the Affiliates. In addition, to ensure the availability of continued ownership participation to future key employees, the Company has options to repurchase ("Calls") certain equity interests in Affiliates owned by partners or members.

The Company's contingent obligations under the Put and Purchase arrangements at December 31, 1999 ranged from \$83.6 million on the one hand, assuming all such obligations occur due to early resignations or terminations for cause, and \$386.9 million on the other hand, assuming all such obligations occur due to death, disability or terminations without cause. Assuming the closing of all such Put and Purchase transactions, AMG would own the prospective Owners' Allocations of all interests owned by Affiliate management described above, an amount which totaled approximately \$86.3 million in the year ended December 31, 1999.

11. Stockholders' Equity

Preferred Stock

The Company is authorized to issue up to 5,000,000 shares of Preferred Stock in classes or series and to fix the designations, powers, preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereon as set forth in the Certificate. Any such Preferred Stock issued by the Company may rank prior to the Common Stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of Common Stock.

Convertible Stock

In March 1998, the Company issued 1,750,942 shares of Series C Convertible Stock in completing its investment in Essex Investment Management Company, LLC. This stock is a series of the Preferred Stock described above. Each share of Series C Stock converted into one share of Common Stock on March 20, 1999.

Common Stock

The Company has 43,000,000 authorized shares of Common Stock (including Class B Non-Voting Common Stock) with a par value of \$0.01 per share. Shares issued and outstanding at December 31, 1998 and 1999, were 17,531,617 and 22,936,597, respectively, of which 1,886,800 and 1,492,079, respectively, are Class B Non-Voting Common Stock shares.

On March 3, 1999, the Company completed a public offering of 5,529,954 shares of Common Stock, of which 4,000,000 shares were sold by the Company and 1,529,954 shares were sold by selling stockholders. AMG used the net proceeds from the offering to reduce indebtedness and did not receive any proceeds from the sale of Common Stock by the selling stockholders.

On October 21, 1999, the Company announced that its Board of Directors had authorized a share repurchase program pursuant to which AMG can repurchase up to five percent of its issued and outstanding shares of Common Stock in open market transactions, with the timing of purchases and the amount of stock purchased determined at the discretion of AMG's management. As of December 31, 1999, AMG had repurchased 346,900 shares of Common Stock at an average price per share of \$26.83. On September 11, 1998, the Company's Board of Directors authorized a share repurchase program pursuant to which the Company could repurchase up to five percent of its outstanding shares of Common Stock. As of December 31, 1998, the Company repurchased 147,000 shares at an average price per share of \$17.69.

Stock Incentive Plans

The Company has established the 1997 Stock Option and Incentive Plan, under which it is authorized to grant stock options and to grant or sell shares of restricted stock to employees and directors. In 1999, shareholders approved an amendment to increase to 3,250,000 the shares available to be issued under this plan. The Company has two other incentive stock plans which provide for the issuance of 550,000 shares of Common Stock. The Company has issued 312,500 shares of restricted stock under these two plans.

The plans are administered by a committee of the Board of Directors. The exercise price of stock options is the fair market value of the Common Stock on the date of grant.

The stock options generally vest over periods ranging up to four years and expire ten years after the grant date. In connection with the Company's initial public offering in 1997, the Company granted stock options which were exercisable over seven years, subject to acceleration if the Company achieved certain financial goals. These options became fully vested on December 31, 1999 when the Company achieved these goals.

The following table summarizes the transactions of the Company's stock option plans for the two year period ended December 31, 1999.

	Number of Shares	Weighted Average Exercise Price
Unexercised options outstanding –		
December 31, 1997	692,500	\$21.60
Options granted	536,750	32.16
Options exercised	–	–
Options forfeited	(57,500)	23.50
Unexercised options outstanding –		
December 31, 1998	1,171,750	\$26.34
Options granted	845,000	28.86
Options exercised	(938)	21.65
Options forfeited	(562)	14.25
Unexercised options outstanding –		
December 31, 1999	2,015,250	\$27.40
Exercisable options		
December 31, 1998	233,730	\$23.90
December 31, 1999	887,750	\$24.62

The following table summarizes information about the Company's stock options at December 31, 1999:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding as of 12/31/99	Weighted Avg. Remaining Contractual Life (years)	Weighted Avg. Exercise Price	Number Exercisable as of 12/31/99	Weighted Avg. Exercise Price	
\$0-10	92,500	7.4	\$ 9.10	92,500	\$ 9.10	
10-20	4,500	8.8	14.25	2,250	14.25	
20-30	1,562,250	9.0	26.88	615,000	24.10	
30-40	356,000	8.3	34.63	178,000	34.63	
	2,015,250	8.8	\$27.40	887,750	\$24.62	

Supplemental Disclosure for Equity-Based Compensation

The Company continues to apply APB 25 and related interpretations in accounting for its sales of Restricted Stock, grants of stock options and equity based interests in Affiliates. FAS 123 defines a fair value method of accounting for the above arrangements whose impact requires disclosure. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the expected service period. The required disclosures under FAS 123 as if the Company had applied the new method of accounting are made below.

Had compensation costs for the Company's equity-based compensation arrangements been determined based on the fair value at grant date for awards consistent with the requirements of FAS 123, the Company's net income (loss) and net income (loss) per share would have been as follows:

	Year Ended December 31,		
	1997	1998	1999
Net income (loss) – as reported	\$(8,368)	\$25,551	\$72,188
Net income (loss) – FAS 123 pro forma	(8,837)	24,408	68,463
Net income (loss) per share – basic – as reported	(3.69)	1.45	3.25
Net income (loss) per share – basic – FAS 123 pro forma	(3.89)	1.39	3.09
Net income (loss) per share – diluted – as reported	(1.02)	1.33	3.18
Net income (loss) per share – diluted – FAS 123 pro forma	(1.07)	1.27	3.02

The fair value of options granted in the year ended December 31, 1997 was estimated using the minimum value method prior to the initial public offering in November 1997 and the Black-Scholes option pricing model after the offering. The weighted average fair value of options granted in the years ended December 31, 1998 and 1999 were estimated at \$14.24 and \$15.62 per option, respectively, using the Black-Scholes option pricing model. The following weighted average assumptions were used for the option valuations.

	Year Ended December 31,		
	1997	1998	1999
Dividend yield	0%	0%	0%
Stock price volatility	26.0%	60.0%	50.8%
Risk-free interest rates	5.96%	5.38%	5.49%
Expected option lives in years	6.7	7.0	8.4

12. Earnings Per Share

The calculation for the basic earnings per share is based on the weighted average of common shares outstanding during the period. The calculation for the diluted earnings per share is based on the weighted average of common and common equivalent shares outstanding during the period. All calculations are of earnings before extraordinary item, if any. The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

	1997	1998	1999
Numerator:			
Income before extraordinary item	\$1,643,000	\$25,551,000	\$72,188,000
Denominator:			
Average shares outstanding – basic	2,270,684	17,582,900	22,180,112
Convertible preferred stock	5,496,330	1,376,768	374,174
Stock options and unvested restricted stock	468,515	263,163	138,730
Average shares outstanding – diluted	8,235,529	19,222,831	22,693,016
Earnings per share:			
Basic	\$ 0.72	\$ 1.45	\$ 3.25
Diluted	\$ 0.20	\$ 1.33	\$ 3.18

In March 1998, the Company issued 1,750,942 shares of Series C Convertible Stock in completing its investment in Essex. Each share converted into one share of Common Stock in March 1999. In March 1999, the Company sold 4,000,000 shares in a public offering.

13. Financial Instruments and Risk Management

The Company is exposed to market risks brought on by changes in interest rates. Derivative financial instruments

are used by the Company to reduce those risks, as explained in this note.

(a) Notional amounts and credit exposures of derivatives

The notional amount of derivatives do not represent amounts that are exchanged by the parties, and thus are not a measure of the Company's exposure. The amounts exchanged are calculated on the basis of the notional or contract amounts, as well as on other terms of the interest rate swap derivatives, and the volatility of these rates and prices.

The Company would be exposed to credit-related losses in the event of nonperformance by the counter-parties that issued the financial instruments. The Company does not expect that the counter-parties to interest rate swaps will fail to meet their obligations, given their high credit ratings. The credit exposure of derivative contracts is represented by the positive fair value of contracts at the reporting date, reduced by the effects of master netting agreements. The Company generally does not give or receive collateral on interest rate swaps due to its own credit rating and that of its counter-parties.

(b) Interest Rate Risk Management

The Company enters into interest rate swaps to reduce exposure to interest-rate risk connected to existing liabilities. The Company does not hold or issue derivative financial instruments for trading purposes. Interest rate swaps allow the Company to achieve a level of variable-rate and fixed-rate debt that is acceptable to management, and to cap interest rate exposure. The Company agrees with another party to exchange the difference between fixed-rate and floating rate interest amounts calculated by reference to an agreed notional principal amount.

(c) Fair Value

FAS 107, "Disclosures about Fair Value of Financial Instruments", requires the Company to disclose the estimated fair values for certain of its financial instruments. Financial instruments include items such as loans, interest rate contracts, notes payable, and other items as defined in FAS 107.

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Quoted market prices are used when available, otherwise, management estimates fair value based on prices of financial instruments with similar characteristics or using valuation techniques such as discounted cash flow models. Valuation techniques involve uncertainties and require assumptions and judgments regarding prepayments, credit

risk and discount rates. Changes in these assumptions will result in different valuation estimates. The fair value presented would not necessarily be realized in an immediate sale; nor are there plans to settle liabilities prior to contractual maturity. Additionally, FAS 107 allows companies to use a wide range of valuation techniques, therefore, it may be difficult to compare the Company's fair value information to other companies' fair value information.

The carrying amount of cash and cash equivalents approximates fair value because of the short-term nature of these instruments. The carrying value of notes receivable approximate fair value because interest rates and other terms are at market rates. The carrying value of notes payable approximates fair value principally because of the short-term nature of the note. The carrying value of senior bank debt approximates fair value because the debt is a revolving credit facility with variable interest based on three-month LIBOR rates. The fair values of interest rate hedging agreements are quoted market prices based on the estimated amount necessary to terminate the agreements. The fair market values of interest rate hedging agreements were \$(7,446) and \$1,218 at December 31, 1998 and 1999.

14. Selected Quarterly Financial Data (Unaudited)

The following is a summary of the unaudited quarterly results of operations of the Company for 1998 and 1999.

1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$45,723	\$56,586	\$55,892	\$80,293
Operating income	16,693	22,233	21,349	32,505
Income before income taxes	7,437	9,858	9,773	15,517
Net income	4,462	5,915	5,864	9,310
Earnings per share – diluted	\$ 0.25	\$ 0.30	\$ 0.30	\$ 0.48
1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$68,127	\$78,577	\$85,395	\$286,627
Operating income	25,847	30,238	32,254	124,320
Income before income taxes	12,786	16,127	17,722	82,272
Net income	7,544	9,515	10,456	44,673
Earnings per share – diluted	\$ 0.36	\$ 0.41	\$ 0.45	\$ 1.92

During the fourth quarter of 1999, the Company experienced increases in revenues, operating income and income before income taxes from the same period in 1998 due to a substantial increase in performance-based fees earned by several Affiliates, as well as growth in asset-based fees resulting from positive investment performance. In 1999, revenues from performance-based fees increased from approximately 18% for the year ended December 31, 1998 to approximately 39% for the year ended December 31, 1999.

15. Related Party Transactions

During 1998, the Company initiated an employee loan program. Loans to employees accrue interest at the lower of 6.25% or the Applicable Federal Rate, have a stated 30-year maturity date and are collateralized by real property. Outstanding balances are payable in full generally one year after termination of employment with the Company. At December 31, 1998 and 1999, loans outstanding, including accrued interest, totaled \$1.7 million and \$5.4 million, respectively.

16. Segment Information

The Company and its Affiliates provide investment advisory services to mutual funds and individual and institutional accounts. The Company's revenues are generated substan-

tially from providing these investment advisory services to domestic customers.

The Affiliates are all managed by separate Affiliate management teams in accordance with the respective agreements between the Company and each Affiliate. While the Company has determined that each of its Affiliates represents a separate reportable operating segment, because the Affiliates offer comparable investment products and services, have similar customers and distribution channels, and operate in a similar regulatory environment, the Affiliates have been aggregated into one reportable segment for financial statement disclosure purposes.

17. Events Subsequent to December 31, 1999 (Unaudited)

On January 18, 2000, the Company completed its investment in Frontier. The investment in Frontier was financed with a borrowing under our credit facility.

As of March 23, 2000, AMG had repurchased 681,600 shares of Common Stock since December 31, 1999 at an average price per share of \$37.44 under the share repurchase program.

Giving effect to the purchase of Frontier and repurchase of shares of Common Stock, the Company had \$240.5 million outstanding on the Credit Facility at March 23, 2000.

Common Stock Information

Market for Registrant's Common Equity and Related Stockholder Matters

Our Common Stock is traded on the New York Stock Exchange (symbol: AMG). The following table sets forth the high and low closing prices as reported on the New York Stock Exchange composite tape during the last two years.

	High	Low
1999		
First Quarter	\$33 ³ / ₁₆	\$24
Second Quarter	32 ¹ / ₄	25
Third Quarter	31 ³ / ₁₆	24 ³ / ₁₆
Fourth Quarter	40 ¹ / ₁₆	23
1998		
First Quarter	\$37 ³ / ₁₆	\$27 ¹ / ₄
Second Quarter	39 ³ / ₁₆	34 ¹ / ₁₆
Third Quarter	37 ³ / ₁₆	13 ¹¹ / ₁₆
Fourth Quarter	30 ³ / ₄	13 ¹¹ / ₁₆

The closing price for the shares on the New York Stock Exchange on March 23, 2000 was \$50.00.

As of March 23, 2000, we had repurchased 681,600 shares of Common Stock since December 31, 1999 at an average price per share of \$37.44 under the share repurchase program.

As of December 31, 1999 there were 101 stockholders of record. As of March 23, 2000 there were 85 stockholders of record.

We have not declared a dividend with respect to the periods presented. We intend to retain earnings to finance investments in new Affiliates, repay indebtedness, pay interest and income taxes, repurchase our Common Stock when appropriate, and develop our existing business and do not anticipate paying cash dividends on our Common Stock in the foreseeable future. Our credit facility also prohibits us from making dividend payments to our stockholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources".

Shareholder Information

Corporate Offices

Affiliated Managers Group, Inc.
Two International Place
Boston, Massachusetts 02110
(617) 747-3300
www.amg.com

Independent Accountants

PricewaterhouseCoopers LLP
Boston, Massachusetts

Transfer Agent and Registrar

ChaseMellon Shareholder Services L.L.C.
New York, New York

Stock Exchange Listing

New York Stock Exchange
Ticker Symbol: AMG

Annual Meeting

The Annual Meeting of Stockholders will be held at the offices of Goodwin, Procter & Hoar LLP, Exchange Place, Boston, Massachusetts, on May 25, 2000

Form 10-K

Copies of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission may be obtained without charge by writing to the Company at: Investor Relations
Affiliated Managers Group, Inc.
Two International Place
Boston, Massachusetts 02110

This Annual Report to Stockholders contains forward-looking statements. There are a number of important factors that could cause AMG's actual results to differ materially from those indicated by such forward-looking statements including, but not limited to, those listed elsewhere in this Annual Report and in the Section titled "Business – Cautionary Statements" in the Company's Annual Report on Form 10-K for the year ended December 31, 1999, as filed with the Securities and Exchange Commission.

Board of Directors

William J. Nutt
Chairman and Chief Executive Officer

Richard E. Floor
Partner, Goodwin, Procter & Hoar LLP

Stephen J. Lockwood
Managing Partner, Stephen J. Lockwood & Company, LLC
Vice-Chairman, HCC Insurance Holdings, Inc.

P. Andrews McLane
Senior Managing Director, TA Associates, Inc.

Harold J. Meyerman
Private Investor

John M.B. O'Connor
General Partner, Chase Capital Partners

Rita M. Rodriguez
Former Director, Export-Import Bank of the United States

W.W. Walker, Jr.
Managing Director, Bank of America Capital Investors

William F. Weld, Esq.
Partner, McDermott, Will & Emery

Officers

William J. Nutt
Chairman and Chief Executive Officer

Sean M. Healey
President and Chief Operating Officer

Darrell W. Crate
Senior Vice President and Chief Financial Officer

Nathaniel Dalton
Senior Vice President, General Counsel and Secretary

Seth W. Brennan
Vice President

John Kingston, III
Vice President and Associate General Counsel

Jeffrey S. Murphy
Vice President

Daniel J. Shea
Vice President



Affiliated MANAGERS GROUP, INC.

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