

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from        to  
Commission File Number: 001-36683

---

**OM Asset Management plc**

(Exact name of registrant as specified in its charter)

**England and Wales**  
(State or other jurisdiction of  
incorporation or organization)

**98-1179929**  
(I.R.S. Employer  
Identification No.)

**Ground Floor, Millennium Bridge House  
2 Lambeth Hill  
London, United Kingdom**  
(Address of principal executive offices)

**EC4V 4GG**  
(Zip Code)

**+44-20-7002-7000**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

The number of shares of the registrant's ordinary stock, nominal value \$0.001 per share, outstanding as of November 6, 2017 was 109,720,358 .

---

---

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Part I</b>	<b><u>3</u></b>
<b><u>Financial Information</u></b>	
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2017 and 2016</u>	<u>5</u>
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2017 and 2016</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>67</u>
Item 4. <u>Controls and Procedures</u>	<u>69</u>
<b>Part II</b>	<b><u>70</u></b>
<b><u>Other Information</u></b>	
Item 1. <u>Legal Proceedings</u>	<u>70</u>
Item 1A. <u>Risk Factors</u>	<u>70</u>
Item 6. <u>Exhibits</u>	<u>70</u>

## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

**OM Asset Management plc**  
**Condensed Consolidated Balance Sheets**  
(in millions, unaudited)

	September 30, 2017	December 31, 2016
<b>Assets</b>		
Cash and cash equivalents	\$ 126.4	\$ 101.9
Investment advisory fees receivable	194.6	163.7
Fixed assets, net	41.3	39.8
Investments (includes balances reported at fair value of \$189.0 and \$126.1)	255.3	233.3
Acquired intangibles, net	79.9	84.9
Goodwill	274.6	272.7
Other assets	32.6	29.0
Deferred tax assets	367.4	332.7
<i>Assets of consolidated Funds:</i>		
Cash and cash equivalents, restricted	8.3	0.4
Investments, at fair value	56.8	35.5
Other assets	2.5	0.4
<b>Total assets</b>	<b>\$ 1,439.7</b>	<b>\$ 1,294.3</b>
<b>Liabilities and equity</b>		
Accounts payable and accrued expenses	\$ 42.8	\$ 45.8
Accrued incentive compensation	169.8	132.3
Other amounts due to related parties	111.9	156.3
Other compensation liabilities	429.2	291.0
Accrued income taxes	96.6	90.2
Non-recourse borrowings	33.5	—
Third party borrowings	392.6	392.3
Other liabilities	8.8	10.1
<i>Liabilities of consolidated Funds:</i>		
Total liabilities of consolidated Funds	8.1	5.8
<b>Total liabilities</b>	<b>1,293.3</b>	<b>1,123.8</b>
<b>Commitments and contingencies</b>		
Redeemable non-controlling interests in consolidated Funds	14.4	5.5
<b>Equity:</b>		
Ordinary shares (nominal value \$0.001; 109,720,358 and 114,157,765 shares, respectively, issued)	0.1	0.1
Shareholders' equity	153.1	190.2
Accumulated other comprehensive loss	(22.4)	(26.3)
Non-controlling interests	1.2	1.0
<b>Total equity and redeemable non-controlling interests in consolidated Funds</b>	<b>146.4</b>	<b>170.5</b>
<b>Total liabilities and equity</b>	<b>\$ 1,439.7</b>	<b>\$ 1,294.3</b>

See Notes to Condensed Consolidated Financial Statements

**OM Asset Management plc**  
**Condensed Consolidated Statements of Operations**  
(in millions except for per share data, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Revenue:</b>				
Management fees	\$ 221.7	\$ 171.8	\$ 624.1	\$ 478.5
Performance fees	0.7	(1.1)	12.1	(1.9)
Other revenue	0.1	0.1	0.6	0.3
Consolidated Funds' revenue	0.7	—	1.4	—
<b>Total revenue</b>	<b>223.2</b>	<b>170.8</b>	<b>638.2</b>	<b>476.9</b>
<b>Operating expenses:</b>				
Compensation and benefits	182.2	100.0	498.4	272.1
General and administrative expense	27.6	27.2	80.9	71.7
Amortization of acquired intangibles	1.6	0.9	4.9	1.0
Depreciation and amortization	3.2	2.5	8.5	6.9
Consolidated Funds' expense	0.3	—	0.8	—
<b>Total operating expenses</b>	<b>214.9</b>	<b>130.6</b>	<b>593.5</b>	<b>351.7</b>
<b>Operating income</b>	<b>8.3</b>	<b>40.2</b>	<b>44.7</b>	<b>125.2</b>
<b>Non-operating income and (expense):</b>				
Investment income	9.4	5.6	20.5	13.6
Interest income	0.1	0.3	0.5	0.3
Interest expense	(6.4)	(4.4)	(18.2)	(5.4)
Net consolidated Funds' investment gains	3.4	—	9.9	—
<b>Total non-operating income</b>	<b>6.5</b>	<b>1.5</b>	<b>12.7</b>	<b>8.5</b>
<b>Income from continuing operations before taxes</b>	<b>14.8</b>	<b>41.7</b>	<b>57.4</b>	<b>133.7</b>
Income tax expense (benefit)	(5.1)	7.3	1.5	33.8
<b>Income from continuing operations</b>	<b>19.9</b>	<b>34.4</b>	<b>55.9</b>	<b>99.9</b>
Gain (loss) on disposal of discontinued operations, net of tax	—	(0.4)	(0.1)	1.2
<b>Net income</b>	<b>19.9</b>	<b>34.0</b>	<b>55.8</b>	<b>101.1</b>
Net income attributable to non-controlling interests in consolidated Funds	1.2	—	2.8	—
<b>Net income attributable to controlling interests</b>	<b>\$ 18.7</b>	<b>\$ 34.0</b>	<b>\$ 53.0</b>	<b>\$ 101.1</b>
Earnings per share (basic) attributable to controlling interests	\$ 0.17	\$ 0.28	\$ 0.47	\$ 0.84
Earnings per share (diluted) attributable to controlling interests	0.17	0.28	0.47	0.84
Continuing operations earnings per share (basic) attributable to controlling interests	0.17	0.28	0.47	0.83
Continuing operations earnings per share (diluted) attributable to controlling interests	0.17	0.28	0.47	0.83
Weighted average ordinary shares outstanding	109.0	119.3	111.3	119.6
Weighted average diluted ordinary shares outstanding	109.7	119.7	111.9	119.8

See Notes to Condensed Consolidated Financial Statements

**OM Asset Management plc**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(in millions, unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 19.9	\$ 34.0	\$ 55.8	\$ 101.1
Other comprehensive income (loss):				
Valuation and amortization related to derivative securities, net of tax	0.6	(1.1)	1.3	(20.8)
Foreign currency translation adjustment	0.9	(0.3)	2.6	(1.4)
<b>Total other comprehensive income (loss)</b>	<b>1.5</b>	<b>(1.4)</b>	<b>3.9</b>	<b>(22.2)</b>
Comprehensive income attributable to non-controlling interests in consolidated Funds	1.2	—	2.8	—
<b>Total comprehensive income attributable to controlling interests</b>	<b>\$ 20.2</b>	<b>\$ 32.6</b>	<b>\$ 56.9</b>	<b>\$ 78.9</b>

See Notes to Condensed Consolidated Financial Statements

**OM Asset Management plc**  
**Condensed Consolidated Statements of Changes in Shareholders' Equity**  
**For the nine months ended September 30, 2017 and 2016**  
(\$ in millions except share data, unaudited)

	Ordinary shares (millions)	Ordinary shares, nominal value	Shareholders' equity (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity (deficit)	Non-controlling interests	Total equity	Redeemable non-controlling interests in consolidated Funds	Total equity and redeemable non-controlling interests in consolidated Funds
<b>December 31, 2015</b>	<b>120.5</b>	<b>\$ 0.1</b>	<b>\$ 168.6</b>	<b>\$ (2.8)</b>	<b>165.9</b>	<b>\$ —</b>	<b>\$ 165.9</b>	<b>\$ —</b>	<b>\$ 165.9</b>
Issuance of ordinary shares	0.5	—	—	—	—	—	—	—	—
Repurchase of ordinary shares	(0.9)	—	(12.2)	—	(12.2)	—	(12.2)	—	(12.2)
Equity-based compensation	—	—	9.7	—	9.7	—	9.7	—	9.7
Foreign currency translation adjustment	—	—	—	(1.4)	(1.4)	—	(1.4)	—	(1.4)
Valuation of derivative securities, net of tax	—	—	—	(20.8)	(20.8)	—	(20.8)	—	(20.8)
Business acquisition	—	—	—	—	—	0.9	0.9	—	0.9
Net consolidation of Funds	—	—	—	—	—	—	—	5.7	5.7
Dividends to shareholders	—	—	(10.1)	—	(10.1)	—	(10.1)	—	(10.1)
Dividends to related parties	—	—	(19.0)	—	(19.0)	—	(19.0)	—	(19.0)
Net income	—	—	101.1	—	101.1	—	101.1	—	101.1
<b>September 30, 2016</b>	<b>120.1</b>	<b>\$ 0.1</b>	<b>\$ 238.1</b>	<b>\$ (25.0)</b>	<b>\$ 213.2</b>	<b>\$ 0.9</b>	<b>\$ 214.1</b>	<b>\$ 5.7</b>	<b>\$ 219.8</b>
<b>December 31, 2016</b>	<b>114.1</b>	<b>\$ 0.1</b>	<b>\$ 190.2</b>	<b>\$ (26.3)</b>	<b>\$ 164.0</b>	<b>\$ 1.0</b>	<b>\$ 165.0</b>	<b>\$ 5.5</b>	<b>\$ 170.5</b>
Issuance of ordinary shares	0.6	—	—	—	—	—	—	—	—
Repurchase of ordinary shares	(5.0)	—	(73.1)	—	(73.1)	—	(73.1)	—	(73.1)
Capital contributions (redemptions)	—	—	(0.7)	—	(0.7)	—	(0.7)	4.8	4.1
Equity-based compensation	—	—	12.8	—	12.8	—	12.8	—	12.8
Foreign currency translation adjustment	—	—	—	2.6	2.6	—	2.6	—	2.6
Amortization related to derivative securities, net of tax	—	—	—	1.3	1.3	—	1.3	—	1.3
Business acquisition	—	—	—	—	—	0.2	0.2	—	0.2
Net consolidation of Funds	—	—	—	—	—	—	—	1.3	1.3
Dividends to shareholders	—	—	(20.2)	—	(20.2)	—	(20.2)	—	(20.2)
Dividends to related parties	—	—	(8.9)	—	(8.9)	—	(8.9)	—	(8.9)
Net income	—	—	53.0	—	53.0	—	53.0	2.8	55.8
<b>September 30, 2017</b>	<b>109.7</b>	<b>\$ 0.1</b>	<b>\$ 153.1</b>	<b>\$ (22.4)</b>	<b>\$ 130.8</b>	<b>\$ 1.2</b>	<b>\$ 132.0</b>	<b>\$ 14.4</b>	<b>\$ 146.4</b>

See Notes to Condensed Consolidated Financial Statements

**OM Asset Management plc**  
**Condensed Consolidated Statements of Cash Flows**  
(in millions, unaudited)

	Nine Months Ended September 30,	
	2017	2016
<b>Cash flows from operating activities:</b>		
Net income	\$ 55.8	\$ 101.1
Less: Net income attributable to non-controlling interests in consolidated Funds	(2.8)	—
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities from continuing operations:</i>		
(Gain) loss on disposal of discontinued operations, excluding consolidated Funds	0.1	(1.2)
Amortization of acquired intangibles	4.9	1.0
Depreciation and other amortization	8.5	7.3
Amortization of debt-related costs	2.3	—
Amortization and revaluation of non-cash compensation awards	144.7	19.7
Net earnings from Affiliates accounted for using the equity method	(11.2)	(11.8)
Distributions received from equity method Affiliates	15.0	2.3
Deferred income taxes	(35.7)	16.5
(Gains) losses on other investments	(28.4)	(4.3)
<i>Changes in operating assets and liabilities (excluding discontinued operations):</i>		
(Increase) decrease in investment advisory fees receivable and other amounts due from related parties	(31.0)	(0.3)
(Increase) decrease in other receivables, prepayments, deposits and other assets	(0.8)	(2.0)
Increase (decrease) in accrued incentive compensation, other amounts due to related parties and other liabilities	45.5	(36.0)
Increase (decrease) in accounts payable, accrued expenses and accrued income taxes	3.5	(34.0)
<b>Net cash flows from operating activities of continuing operations, excluding consolidated Funds</b>	<b>170.4</b>	<b>58.3</b>
Net income attributable to non-controlling interests in consolidated Funds	2.8	—
<i>Adjustments to reconcile net income (loss) attributable to non-controlling interests in consolidated Funds to net cash provided by (used in) operating activities from continuing operations of consolidated Funds:</i>		
(Gains) losses on other investments	(2.2)	—
(Increase) decrease in receivables other assets	0.1	—
Increase (decrease) in accounts payable and other liabilities	0.3	—
<b>Net cash flows from operating activities of continuing operations of consolidated Funds</b>	<b>1.0</b>	<b>—</b>
<b>Net cash flows from operating activities of continuing operations</b>	<b>171.4</b>	<b>58.3</b>
Net cash flows from operating activities of discontinued operations	—	0.3
<b>Total net cash flows from operating activities</b>	<b>171.4</b>	<b>58.6</b>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(10.0)	(9.5)
Business acquisitions, net of cash acquired	(1.9)	(219.0)
Purchase of investment securities	(80.9)	(58.6)
Sale of investment securities	66.1	10.5
<i>Cash flows from investing activities of consolidated Funds</i>		
Purchase of investments	(49.2)	—
Redemption of investments	44.0	—
Consolidation (de-consolidation) of Funds	7.3	0.5
<b>Net cash flows from investing activities of continuing operations</b>	<b>(24.6)</b>	<b>(276.1)</b>
Net cash flows from investing activities of discontinued operations	—	—
<b>Total net cash flows from investing activities</b>	<b>(24.6)</b>	<b>(276.1)</b>

See Notes to Condensed Consolidated Financial Statements

**OM Asset Management plc**  
**Condensed Consolidated Statements of Cash Flows**  
(in millions, unaudited)

	Nine Months Ended September 30,	
	2017	2016
<b>Cash flows from financing activities:</b>		
Proceeds from third party and non-recourse borrowings	68.5	450.1
Repayment of third party borrowings	(35.0)	(148.0)
Payment to OM plc for deferred tax arrangement	(45.5)	(22.7)
Payment to OM plc for co-investment redemptions	(4.4)	(5.4)
Dividends paid to shareholders	(20.1)	(9.9)
Dividends paid to related parties	(8.9)	(19.0)
Repurchases of ordinary shares	(73.8)	(12.2)
Cash flows from financing activities of consolidated Funds		
Redeemable non-controlling interest capital raised	4.8	—
<b>Net cash flows from financing activities of continuing operations</b>	<b>(114.4)</b>	<b>232.9</b>
Net cash flows from financing activities of discontinued operations	—	—
<b>Total net cash flows from financing activities</b>	<b>(114.4)</b>	<b>232.9</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>32.4</b>	<b>15.4</b>
Cash and cash equivalents at beginning of period	102.3	135.9
<b>Cash and cash equivalents at end of period (including cash at consolidated Funds classified as restricted)</b>	<b>\$ 134.7</b>	<b>\$ 151.3</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid (excluding consolidated Funds)	\$ 20.4	\$ 2.1
Income taxes paid	32.8	14.1
Consolidation (de-consolidation) of Funds	1.3	5.7

See Notes to Condensed Consolidated Financial Statements



**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**1) Organization and Description of the Business**

OM Asset Management plc (“OMAM” or the “Company”), through its subsidiaries, is a global asset management business with interests in a diverse group of boutique investment management firms (the “Affiliates”) individually headquartered in the United States. The Company provides investment management services globally to predominantly institutional investors, in asset classes that include U.S. and global equities, fixed income, alternative assets, real estate, timber and secondary Funds. Fees for services are largely asset-based and, as a result, the Company’s revenue fluctuates based on the performance of financial markets and investors’ asset flows in and out of the Company’s products.

The Company’s Affiliates are organized as limited liability companies. The Company generally utilizes a profit-sharing model in structuring its compensation and ownership arrangements with Affiliates. The Affiliates’ variable compensation is generally based on each firm’s profitability. OMAM and Affiliate key employees share in profits after variable compensation according to their respective ownership interests. The profit-sharing model results in alignment of OMAM and Affiliate key employee economic interests, which is critical to the Company’s talent management strategy and long-term growth of the business. The Company operates in one reportable segment.

Until May 19, 2017, the Company was a majority-owned subsidiary of Old Mutual plc (“OM plc”), an international long-term savings, protection and investment group, listed on the London Stock Exchange. On October 15, 2014, the Company completed the initial public offering (the “Offering”) by OM plc of 22,000,000 ordinary shares of the Company pursuant to the Securities Act of 1933, as amended (“the Securities Act”). Additionally, the underwriters in the Offering exercised a portion of their overallotment option and purchased an additional 2,231,375 shares of the Company from OM plc. On June 22, 2015, the Company completed a secondary public offering by OM plc of 13,300,000 ordinary shares of the Company pursuant to the Securities Act. Additionally, the underwriters in the secondary public offering exercised their full overallotment option and purchased an additional 1,995,000 shares of the Company from OM plc. On March 11, 2016, OM plc announced the results of a strategic review, which included a plan to separate its underlying businesses, including OMAM. OM plc further announced on December 12, 2016 its intention to continue the reduction of its holdings in OMAM in an orderly manner which balances value, cost, time and risk. On December 16, 2016, the Company completed a secondary public offering by OM plc of 13,000,000 ordinary shares of the Company pursuant to the Securities Act, along with 6,000,000 ordinary shares purchased and retired by the Company. Additionally, the underwriters in the secondary public offering exercised their full overallotment option and purchased an additional 1,950,000 shares of the Company from OM plc. On May 19, 2017, the Company completed a secondary public offering by OM plc of 17,300,000 ordinary shares of the Company pursuant to the Securities Act, along with 5,000,000 ordinary shares purchased and retired by the Company. Additionally, the underwriters in the secondary public offering exercised their full overallotment option and purchased an additional 2,595,000 shares of the Company from OM plc. At September 30, 2017, OM plc owned 20.1% of the Company’s outstanding ordinary shares.

On March 25, 2017, OM plc announced that it had agreed to sell a 24.95% shareholding in the Company to HNA Capital US (“HNA”) in a two-step transaction (the “HNA Minority Sale”) for gross cash consideration of approximately \$446 million, subject to certain closing conditions. The first tranche of the HNA Minority Sale for 11,414,676 ordinary shares closed on May 12, 2017. On May 24, 2017, OM plc appointed Dr. Guang Yang of HNA as an OM plc director. The Company has been informed by both OM plc and HNA that they are working toward completing the second tranche of the HNA Minority Sale during the fourth quarter of 2017, at which point OM plc’s shareholding will reduce to 5.5% and HNA will have the right to appoint two directors to the Company’s board, including Dr. Yang, and OM plc will have no rights to appoint directors.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**2) Basis of Presentation and Significant Accounting Policies**

The Company's significant accounting policies are as follows:

***Basis of presentation***

These unaudited Condensed Consolidated Financial Statements reflect the historical balance sheets, statements of operations and of comprehensive income, statements of changes in shareholders' equity and statements of cash flows of the Company. Within these Condensed Consolidated Financial Statements, entities that are part of OM plc's consolidated results, but are not part of OMAM, as defined above, are referred to as "related parties."

The Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All dollar amounts, except per-share data in the text and tables herein, are stated in millions unless otherwise indicated. Transactions between the Company and OM plc are included in the Condensed Consolidated Financial Statements, however material intercompany balances and transactions among the Company and its consolidated Affiliates are eliminated in consolidation.

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2016 included in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") on February 22, 2017. The Company's significant accounting policies, which have been consistently applied, are summarized in those Financial Statements.

***Consolidation***

***Affiliates***

The Company evaluates each of its Affiliates and other operating entities to determine the appropriate method of accounting. Generally, majority-owned entities or otherwise controlled investments in which the Company holds a controlling financial interest as the principal shareholder, managing member, or general partner are consolidated.

***Funds***

In evaluating whether or not a legal entity must be consolidated, the Company determines if such entity is a variable interest entity ("VIE") or a voting interest entity ("VOE"). A VOE is considered an entity in which (i) the total equity investment at risk is sufficient to enable the entity to finance its activities independently and (ii) the equity holders at risk have the obligation to absorb losses, the right to receive residual returns, and the right to direct the activities of the entity that most significantly impact the entity's economic performance. A VIE is an entity that lacks one or more of the characteristics of a VOE. Assessing whether an entity is a VIE or VOE involves judgment and analysis. Factors considered in this assessment include the entity's legal organization, the entity's capital structure and equity ownership and any related party or de facto agent implications of the Company's involvement with the entity. Investments that are determined to be VIEs are consolidated if the Company or a consolidated Affiliate is the primary beneficiary of the investment. VOEs are typically consolidated if the Company holds the majority voting interest or otherwise controls the entity.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**2) Basis of Presentation and Significant Accounting Policies (cont.)**

In the normal course of business, the Company's Affiliates sponsor and manage certain investment vehicles (the "Funds"). The Company assesses consolidation requirements with respect to its Funds pursuant to Accounting Standards Codification ("ASC") Topic 810, Consolidation, as amended by Accounting Standards Update 2015-02, *Consolidation: Amendments to the Consolidation Analysis* ("ASU 2015-02") relating to the consolidation of VIEs.

In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly by the Company or indirectly through related parties. For VIEs that are investment companies subject to ASU 2010-10, *Consolidation: Amendments for Certain Investment Funds*, the primary beneficiary of the VIE is generally the variable interest holder that absorbs a majority of the expected losses of the VIE, receives a majority of the expected residual returns of the VIE, or both. The Company generally is not the primary beneficiary of Fund VIEs created to manage assets for clients unless the Company's ownership interest, including interests of related parties, is substantial.

The primary beneficiary of a VIE is defined as the variable interest holder that has a controlling financial interest. A controlling financial interest is defined as (i) the power to direct the activities of the VIE that most significantly impacts its economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. If no single party satisfies both criteria, but the Company and its related parties satisfy the criteria on a combined basis, then the primary beneficiary is the entity out of the related party group that is most closely associated to the VIE. The consolidation analysis can generally be performed qualitatively, however, if it is not readily apparent that the Company is not the primary beneficiary, a quantitative analysis may also be performed.

The Company consolidates VOEs when it has control over significant operating, financial and investing decisions of the entity or holds the majority voting interest. For VOEs organized as limited partnerships or as an entity with governance structures similar to a limited partnership (e.g., limited liability company with a managing member), the Company consolidates an entity when it holds the controlling general partnership interest and the limited partners do not hold substantive participating rights or rights to remove and replace the general partner or rights that could provide the limited partners with the ability to impact the ongoing governance and operating activities of the entity.

Upon the occurrence of certain events (such as contributions and redemptions, either by the Company, its Affiliates, or third parties, or amendments to the governing documents of the Company's investees or sponsored Funds) management reviews and reconsiders its previous conclusion regarding the status of an entity as a VIE or a VOE. Additionally, management continually reconsiders whether the Company is deemed to be a VIE's primary beneficiary who consolidates such entity.

***Use of Estimates***

The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ significantly from those estimates.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**3) Acquisitions**

On August 18, 2016, the Company acquired a majority of the equity interests in Landmark Partners, LLC, (“Landmark”) a leading global secondary private equity, real estate and real asset investment firm. The Company acquired a 60% interest in Landmark in exchange for \$242.7 million. There is also the potential for an additional payment of up to \$225.0 million on or around December 31, 2018, subject to a service and other conditions. The equity interests of Landmark purchased by the Company entitle the Company to participate in the earnings of Landmark. Certain key members of the management team of Landmark retained the remaining 40% interest in Landmark, subject to certain vesting conditions. The Company financed the acquisition through proceeds from multiple note offerings, including \$275.0 million of 4.80% senior notes due July 27, 2026 and \$125.0 million of 5.125% senior notes due August 1, 2031.

The Company accounted for the acquisition of Landmark as a business combination which requires assets acquired and liabilities assumed to be recorded at fair value. The following table presents a summary of the acquisition-date fair values of the assets acquired and liabilities assumed for OMAM’s acquisition of Landmark (in millions):

	<b>Landmark</b>
<b>Purchase price</b>	
Cash	\$ 239.2
Seller's expenses	3.5
<b>Total consideration</b>	<b>242.7</b>
<b>Identifiable assets and liabilities</b>	
Cash	23.4
Receivables	8.5
Indefinite-life trade name	1.0
Amortizable intangible asset management contracts	85.0
Fixed assets	5.1
Other current assets (liabilities), net	(26.7)
Assets (liabilities), net	(1.7)
<b>Total identifiable assets and liabilities</b>	<b>94.6</b>
<b>Goodwill</b>	<b>\$ 148.1</b>

The primary aspects of the purchase price allocation relate to amortizable intangible asset management contracts, the indefinite-life trade name and goodwill, which is the amount by which the purchase price exceeds the fair value of the net assets acquired. Certain measurement period adjustments were recorded to the provisional values recorded as of December 31, 2016. These adjustments primarily related to updated estimates, which resulted in an increase to the total consideration paid of \$0.3 million, a decrease to the fair value of the identifiable net assets acquired of \$1.6 million and an increase to the amount recorded to goodwill of \$1.9 million.

The fair value of the amortizable intangible asset management contracts was determined using the excess earnings method, a form of the income approach. The principle behind the excess earnings method is that the value of the intangible asset is equal to the present value of the after-tax cash flows attributable to the intangible asset only. Excess earnings represent the earnings remaining after applying post-tax contributory asset charges to reflect the return required on other assets that contribute to the generation of the forecast cash flows of the intangible asset.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**3) Acquisitions (cont.)**

The fair value of the trade name intangible asset was determined utilizing a relief-from-royalty method. The principle behind this method is that the value of the intangible asset is equal to the present value of the after-tax royalty savings attributable to owning the intangible asset.

The fair value for all identifiable intangible assets was based on assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). This fair value estimate could include assets that are not intended to be used, may be sold or are intended to be used in a manner other than their best use.

The fair value of the acquired amortizable intangible asset management contracts had a useful life estimate of approximately 13.4 years at acquisition. Purchase price allocated to intangible assets and goodwill is expected to be deductible for U.S. tax purposes over a period of 15 years. Goodwill was calculated as the excess of the fair value of the consideration paid and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed.

During the nine months ended September 30, 2016, the Company incurred transaction costs of \$ 6.1 million related to the acquisition of Landmark. These costs are recorded within general and administrative expense in the Condensed Consolidated Statements of Operations. There were no transaction costs incurred during the nine months ended September 30, 2017 .

In conjunction with the acquisition, the Company entered into compensation arrangements with employees of Landmark where pre-acquisition equity units held by Landmark employees became subject to a service condition. These units are accounted for as stock-based compensation, were fair valued as of the closing date of the acquisition and vest over varying increments from December 31, 2018 through December 31, 2024. These units contain put rights that provide liquidity to the employees upon vesting. The aforementioned additional payment of up to \$225.0 million could be paid based on the growth of Landmark's business. This arrangement is also accounted for as stock-based compensation, fair valued as of the closing date of the acquisition, and vests on December 31, 2018. Both the pre-acquisition equity units and the potential future payment are remeasured at the end of each reporting period.

The financial results of Landmark included in the Company's consolidated financial results for the nine months ended September 30, 2017 , include revenues of \$88.1 million , with \$(45.3) million of net loss included in net income attributable to the Company, which includes amortization of intangible assets recorded in purchase accounting and compensation expense for the arrangements with the employees of Landmark noted above.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**3) Acquisitions (cont.)*****Unaudited Pro Forma Financial Information***

The following unaudited pro forma financial information presents the combined financial results of OMAM and Landmark, as though the acquisition had occurred as of January 1, 2015. The unaudited pro forma financial information reflects certain adjustments for amortization expense related to the fair value of acquired intangible assets, interest expense related to debt incurred to finance the acquisition, amortization related to stock-based compensation arrangements entered into in conjunction with the acquisition, and the income tax impact of the pro forma adjustments. The unaudited pro forma financial information is for informational purposes only and is not necessarily indicative of the financial results that would have been achieved had the acquisition actually occurred at the beginning of the first period presented (in millions, except per-share amounts):

	<u>Three Months Ended</u> <u>September 30, 2016*</u>	<u>Nine Months Ended</u> <u>September 30, 2016*</u>
Revenues	\$ 181.3	\$ 526.9
Net income attributable to OMAM	26.8	66.3
Net income per share attributable to OMAM shareholders:		
Basic	\$0.22	\$0.55
Diluted	\$0.22	\$0.55

---

\* The unaudited pro forma financial information originally provided with the Form 10-Q for the period ended September 30, 2016 has been revised to include additional expense estimates that more accurately reflect the combined financial results of OMAM and Landmark.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

#### 4) Investments

Investments are comprised of the following as of the dates indicated (in millions):

	September 30, 2017	December 31, 2016
Investments of consolidated Funds held at fair value	\$ 56.8	\$ 35.5
Other investments held at fair value	69.0	17.5
Investments related to long-term incentive compensation plans held at fair value	90.4	78.1
Equity-accounted investments in unconsolidated Funds	29.6	30.5
<b>Total investments held at fair value</b>	<b>245.8</b>	<b>161.6</b>
Equity-accounted investments in Affiliates	52.4	55.2
Other investments*	13.9	52.0
<b>Total investments per Condensed Consolidated Balance Sheets</b>	<b>\$ 312.1</b>	<b>\$ 268.8</b>

\* Other investments represent cost-basis investments made by one of our Affiliates, including investments in timber and timberlands. At December 31, 2016, \$50.1 million of these investments were recorded at the lower of cost or fair value less costs to sell and subsequently sold in January 2017 for a net gain of approximately \$1.7 million .

In September 2016, the Company purchased approximately \$39.6 million of seed investments from OM plc under the terms of the seed capital management agreement, as amended (the "Seed Capital Management Agreement"). In July 2017, the Company purchased all remaining seed capital investments covered by the Seed Capital Management Agreement from OM plc for \$63.4 million . OMAM financed this purchase in part through borrowings under a non-recourse seed capital facility collateralized entirely by its seed capital holdings. See Note 8 for a further discussion of borrowings and debt.

Following the closing of the first tranche of the HNA Minority Sale, OMAM provided an entity owned by senior professionals of Heitman LLC a right of first offer to buy OMAM's interest in Heitman LLC at a price the Company determined to be its "good faith estimate of the reasonable value" of such interest. In August 2017, the Company executed a non-binding term sheet to sell its stake in Heitman LLC for cash consideration totaling \$110 million . The transaction is expected to close around year-end. The carrying value of OMAM's interest in Heitman as of September 30, 2017 was \$51.0 million and is included in the "Equity-accounted investments in Affiliates" line in the table above. OMAM will retain its co-investment interests in Heitman-managed funds as well as any carried interest associated with these investments. Equity method after-tax income from Heitman represented approximately 11% of GAAP earnings for the first nine months of 2017 and approximately 6% of GAAP earnings of OMAM for the first nine months of 2016.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**4) Investments (cont.)**

Investment income is comprised of the following for the three and nine months ended September 30 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Investment return of equity-accounted investments in unconsolidated Funds	\$ 0.3	\$ 0.2	\$ 1.5	\$ 0.7
Realized and unrealized gains on other investments held at fair value	3.4	0.7	6.1	0.7
Investment return of held for sale investments	—	(0.2)	1.7	0.4
Total return on OMAM investments	3.7	0.7	9.3	1.8
Investment return of equity-accounted investments in Affiliates	5.7	4.9	11.2	11.8
<b>Total investment income per Condensed Consolidated Statement of Operations</b>	<b>\$ 9.4</b>	<b>\$ 5.6</b>	<b>\$ 20.5</b>	<b>\$ 13.6</b>

**5) Fair Value Measurements**

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2017 (in millions):

	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II)	Significant unobservable inputs (Level III)	Uncategorized	Total value, September 30, 2017
<b>Assets of OMAM and consolidated Funds <sup>(1)</sup></b>					
Common and preferred stock	\$ 56.0	\$ —	\$ —	\$ —	\$ 56.0
Short-term investment funds	0.3	—	—	—	0.3
Derivatives	0.3	0.2	—	—	0.5
<b>Consolidated Funds total</b>	<b>56.6</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>56.8</b>
Investments in separate accounts <sup>(2)</sup>	51.5	—	—	—	51.5
Investments related to long-term incentive compensation plans <sup>(3)</sup>	90.4	—	—	—	90.4
Investments in unconsolidated Funds <sup>(4)</sup>	—	—	—	47.1	47.1
<b>OMAM total</b>	<b>141.9</b>	<b>—</b>	<b>—</b>	<b>47.1</b>	<b>189.0</b>
<b>Total fair value assets</b>	<b>\$ 198.5</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 47.1</b>	<b>\$ 245.8</b>
<b>Liabilities of consolidated Funds <sup>(1)</sup></b>					
Common stock	\$ (6.5)	\$ —	\$ —	\$ —	\$ (6.5)
Derivatives	(0.3)	(0.2)	—	—	(0.5)
<b>Consolidated Funds total</b>	<b>(6.8)</b>	<b>(0.2)</b>	<b>—</b>	<b>—</b>	<b>(7.0)</b>
<b>Total fair value liabilities</b>	<b>\$ (6.8)</b>	<b>\$ (0.2)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (7.0)</b>



**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**5) Fair Value Measurements (cont.)**

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2016 (in millions):

	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II)	Significant unobservable inputs (Level III)	Uncategorized	Total value December 31, 2016
<b>Assets of OMAM and consolidated Funds <sup>(1)</sup></b>					
Common and preferred stock	\$ 35.1	\$ —	\$ —	\$ —	\$ 35.1
Short-term investment funds	0.4	—	—	—	0.4
<b>Consolidated Funds total</b>	<b>35.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>35.5</b>
Investments in separate accounts <sup>(2)</sup>	7.5	—	—	—	7.5
Investments related to long-term incentive compensation plans <sup>(3)</sup>	78.1	—	—	—	78.1
Investments in unconsolidated Funds <sup>(4)</sup>	—	—	—	40.5	40.5
<b>OMAM total</b>	<b>85.6</b>	<b>—</b>	<b>—</b>	<b>40.5</b>	<b>126.1</b>
<b>Total fair value assets</b>	<b>\$ 121.1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 40.5</b>	<b>\$ 161.6</b>
<b>Liabilities of OMAM and consolidated Funds <sup>(1)</sup></b>					
Common stock	\$ (5.0)	\$ —	\$ —	\$ —	\$ (5.0)
<b>Consolidated Funds total</b>	<b>(5.0)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(5.0)</b>
Derivative securities	—	(0.1)	—	—	(0.1)
<b>OMAM total</b>	<b>—</b>	<b>(0.1)</b>	<b>—</b>	<b>—</b>	<b>(0.1)</b>
<b>Total fair value liabilities</b>	<b>\$ (5.0)</b>	<b>\$ (0.1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (5.1)</b>

(1) Assets and liabilities measured at fair value are comprised of financial investments managed by the Company's Affiliates. \$ 56.8 million in assets and \$7.0 million in liabilities at September 30, 2017 and \$35.5 million in assets and \$5.0 million in liabilities at December 31, 2016 are the result of the consolidation of Funds sponsored by the Company's Affiliates.

The fair value of other investments is estimated based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs and therefore classified within Level II. The Company obtains prices from independent pricing services that may utilize broker quotes, but generally the independent pricing services will use various other pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data. The Company has not made adjustments to the prices provided. If the pricing services are only able to (a) obtain a single broker quote or (b) utilize a pricing model, such securities are classified as Level III. If the pricing services are unable to provide prices, the Company attempts to obtain one or more broker quotes directly from a dealer or values such securities at the last bid price obtained. In either case, such securities are classified as Level III. The Company performs due diligence procedures over third party pricing vendors to understand their methodology and controls to support their use in the valuation process to ensure compliance with required accounting disclosures.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**5) Fair Value Measurements (cont.)**

Equity, short-term investment funds and derivatives which are traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified as Level I. These securities that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs obtained by the Company from independent pricing services are classified as Level II.

- (2) Investments in separate accounts of \$51.5 million at September 30, 2017 consist of approximately 1% of cash equivalents and 99% of equity securities. Investments in separate accounts of \$7.5 million at December 31, 2016 consist of approximately 28% of cash equivalents and 72% of equity securities. The Company has valued these using the published price of the underlying securities as of the measurement date. Accordingly, the Company has classified these investments as Level I.
- (3) Investments related to long term compensation plans of \$90.4 million and \$78.1 million at September 30, 2017 and December 31, 2016, respectively, are investments in publicly registered daily redeemable funds (some managed by Affiliates), which the Company has classified as trading securities and valued using the published price as of the measurement dates. Accordingly, the Company has classified these investments as Level I.
- (4) The uncategorized amounts of \$47.1 million and \$40.5 million at September 30, 2017 and December 31, 2016, respectively, relate to investments in unconsolidated Funds which consist primarily of investments in Funds advised by Affiliates and are valued using NAV which the Company relies on to determine their fair value as a practical expedient and has therefore not classified these investments in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to amounts presented in the Condensed Consolidated Balance Sheets. These unconsolidated Funds consist primarily of real estate investment Funds and UCITS. The NAVs that have been provided by investees have been derived from the fair values of the underlying investments as of the measurement dates.

These investments are subject to longer than monthly or quarterly redemption restrictions, and due to their nature, distributions are received only as cash flows are generated from underlying assets over the life of the Funds. The range of time over which the underlying assets are expected to be liquidated by the investees is approximately one to eight years from September 30, 2017. The valuation process for the underlying real estate investments held by the real estate investment Funds begins with each property or loan being valued by the investment teams. The valuations are then reviewed and approved by the valuation committee, which consists of senior members of the portfolio management, acquisitions, and research teams. For certain properties and loans, the valuation process may also include a valuation by independent appraisers. In connection with this process, changes in fair-value measurements from period to period are evaluated for reasonableness, considering items such as market rents, capitalization and discount rates, and general economic and market conditions.

Not included in the above are \$13.9 million and \$52.0 million at September 30, 2017 and December 31, 2016, respectively, of various investments carried at cost, including investments in timber and timberlands.

There were no significant transfers of financial assets or liabilities among Levels I, II or III during the nine months ended September 30, 2017 or 2016.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

## 6) Variable Interest Entities

The Company, through its Affiliates, sponsors the formation of various entities considered to be VIEs. These VIEs are primarily Funds managed by Affiliates and are investment vehicles typically owned entirely by third-party investors. Certain Funds may be capitalized with seed capital investments from the Company and may be owned partially by Affiliate key employees and/or individuals that own minority interests in an Affiliate.

The Company's determination of whether it is the primary beneficiary of a Fund that is a VIE is based in part on an assessment of whether or not the Company and its related parties are exposed to the majority of the risks and rewards of the entity. Typically the Fund's investors are entitled to substantially all of the economics of these VIEs with the exception of the management fees and performance fees, if any, earned by the Company or any investment the Company has made into the Funds. The Company generally is not the primary beneficiary of Fund VIEs created to manage assets for clients unless the Company's ownership interest, including interests of related parties, is substantial.

The following table presents the assets and liabilities of Funds that are VIEs and consolidated by the Company (in millions):

	9/30/2017	12/31/2016
<b>Assets</b>		
Investments at fair value	\$ 28.4	\$ 14.9
Other assets of consolidated Funds	10.4	0.6
<b>Total Assets</b>	<b>\$ 38.8</b>	<b>\$ 15.5</b>
<b>Liabilities</b>		
Other liabilities of consolidated Funds	\$ 1.5	\$ 0.7
<b>Total Liabilities</b>	<b>\$ 1.5</b>	<b>\$ 0.7</b>

"Investments at fair value" consist of investments in securities. The Company has also consolidated Funds that are not VIEs, and therefore the assets and liabilities of those Funds are not included in the table above.

The assets of consolidated VIEs presented in the table above belong to the investors in those Funds, are available for use only by the Fund to which they belong, and are not available for use by the Company to the extent they are held by non-controlling interests. Any debt or liabilities held by consolidated Funds have no recourse to the Company's general credit.

The Company's involvement with Funds that are VIEs and not consolidated by the Company is generally limited to that of an investment manager and its investment in the unconsolidated VIE, if any. The Company's investment in any unconsolidated VIE generally represents an insignificant interest of the Fund's net assets and assets under management, such that the majority of the VIE's results are attributable to third parties. The Company's exposure to risk in these entities is generally limited to any capital contribution it has made or is required to make and any earned but uncollected management fees. The Company has not issued any investment performance guarantees to these VIEs or their investors.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**6) Variable Interest Entities (cont.)**

The following information pertains to unconsolidated VIEs for which the Company holds a variable interest (in millions):

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Unconsolidated VIE assets	\$ 6,024.1	\$ 6,006.3
Unconsolidated VIE liabilities	\$ 3,895.3	\$ 3,740.2
Equity interests on the Condensed Consolidated Balance Sheet	\$ 51.5	\$ 54.2
Maximum risk of loss <sup>(1)</sup>	\$ 55.7	\$ 58.5

(1) Includes equity investments the Company has made or is required to make and any earned but uncollected management/incentive fees. The Company does not record performance/incentive allocations until the respective measurement period has ended.

In addition to the multiple unconsolidated VIE Funds, the Company determined that Heitman LLC, one of the Company's Affiliates, is a VIE. The Company concluded that it is not the primary beneficiary of Heitman LLC because it does not hold the power to direct its most economically significant activities. The Company aggregated Heitman LLC with the Company's other unconsolidated VIE Funds due to their similar risk profiles given that the risks and rewards are driven by changes in investment values and the Affiliates' ability to manage those assets.

On August 2, 2017, OMAM entered into a non-binding term sheet to sell its stake in Heitman LLC to Heitman's management for cash consideration totaling \$110 million. This transaction is expected to close around year-end.

**7) Related Party Transactions**

OM plc has historically provided the Company with various oversight services, including governance, which includes compensation for board and executive committees, investor relations, procurement of insurance coverage, human resources, financial reporting, internal audit, treasury, systems, risk and tax services. Many of these services have been transitioned to the Company. That portion of the above costs which (i) are directly attributable to the Company, (ii) have been charged to the Company by OM plc and (iii) have been paid to OM plc by the Company, have been recorded in the Company's unaudited Condensed Consolidated Financial Statements and was \$0.1 million and \$0.2 million in the three months ended September 30, 2017 and 2016, respectively, and \$0.5 million and \$0.6 million in the nine months ended September 30, 2017 and 2016, respectively.

During 2016, the Company made a loan to an equity-method Affiliate that was used to make co-investments in Affiliate Funds. Amounts due to the Company in connection with this loan are included in other assets on the Company's Consolidated Balance Sheets and were \$3.4 million and \$2.7 million at September 30, 2017 and at December 31, 2016, respectively.

During 2014, the Company entered into a Seed Capital Management Agreement, a Deferred Tax Asset Deed, a Co-investment Deed and a shareholder agreement with OM plc and/or OM plc's subsidiaries. During 2016, the Company and OM plc agreed to amend the Seed Capital Management Agreement. As a result of the amendment, the Company purchased approximately \$39.6 million of seed investments from OM plc in September 2016. The Company purchased the remaining seed capital investments covered by the Seed Capital Management Agreement valued at \$63.4 million in July 2017, partially financed by borrowings under a non-recourse seed capital facility (see

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**7) Related Party Transactions (cont.)**

Note 8). The Company also purchased \$4.5 million of co-investments fully financed by promissory notes payable. As of September 30, 2017, the Company no longer managed seed capital provided by OM plc. Amounts owed to OM plc associated with the Co-investment Deed were \$8.6 million at September 30, 2017. As of September 30, 2017, the Company had recorded \$4.4 million for redemptions and estimated taxes due under the Co-investment Deed. Amounts withheld in excess of the future tax liability will be payable to OM plc upon settlement.

During 2016, the Company and OM plc agreed to amend the Deferred Tax Asset Deed. Under the terms of the Deferred Tax Asset Deed, as amended, the Company agreed to make a payment of the net present value of the future tax benefits due to OM plc valued as of December 31, 2016. This payment of \$142.6 million will be made over three installments, with the first installment of \$45.5 million paid on June 30, 2017 and the remaining two installments to be paid on December 31, 2017 and June 30, 2018. The Company retains an indemnity from OM plc that protects the realized and future tax benefits covered by the Deferred Tax Asset Deed (including the \$142.6 million total payment referenced above) in the event of a tax law change or challenge from the IRS.

As the Company is a member of a group of related businesses, it is possible that the terms of certain related party transactions are not the same as those that would result from transactions with wholly unrelated parties.

**8) Borrowings and Debt**

The Company's long-term debt at September 30, 2017 was comprised of a revolving credit facility, non-recourse seed capital financing and long-term bonds.

**Revolving Credit Facility**

On October 15, 2014, the Company entered into a revolving credit facility with Citibank, as administrative agent and issuing bank, and Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint lead arrangers and joint book runners (as amended, the "Credit Facility"). Pursuant to the terms of the Credit Facility, the Company may obtain loans on a revolving credit basis and procure the issuance of letters of credit in an aggregate amount at any time outstanding not in excess of \$350 million. The Credit Facility has a maturity date of October 15, 2019. Borrowings under the credit facility bear interest, at OMAM's option, at either the per annum rate equal to (a) the greatest of (i) the prime rate, (ii) the federal funds effective rate plus 0.5% and (iii) the one month Adjusted LIBO Rate plus 1.0%, plus, in each case an additional amount ranging from 0.25% to 1.00%, with such additional amount based from time to time on the ratio of the Company's total consolidated indebtedness to Adjusted EBITDA (a "Leverage Ratio") until either Moody's Investor Service, Inc. or Standard & Poor's assigned an initial rating to the Company's senior, unsecured long-term indebtedness for borrowed money that was not subject to credit enhancement, or its credit rating, at which time such additional amount became based on its credit rating or (b) the London interbank offered rate for a period, at the Company's election, equal to one, two, three or six months plus an additional amount ranging from 1.25% to 2.00%, with such additional amount based from time to time on the Company's Leverage Ratio until it was assigned a credit rating, at which time such additional amount became based on its credit rating. In addition, the Company is charged a commitment fee based on the average daily unused portion of the revolving credit facility at a per annum rate ranging from 0.20% to 0.50%, with such amount based from time to time on its Leverage Ratio until it was assigned a credit rating, at which time such amount became based on the Company's credit rating.

In July 2016, Moody's Investor Service, Inc. and Standard & Poor's each assigned an initial investment-grade rating to the Company's senior, unsecured long-term indebtedness. As a result of the assignment of the credit ratings, the

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**8) Borrowings and Debt (cont.)**

Company's interest rate on outstanding borrowings was set at LIBOR + 1.50% and the commitment fee on the unused portion of the revolving credit facility was set at 0.25% . Prior to the assignment of the credit ratings, the Company's interest rate on outstanding borrowings was based on the Company's Leverage Ratio and was set at LIBOR + 1.25% and the commitment fee on the unused portion of the revolving credit facility was set at 0.20% . Under the Credit Facility, the ratio of third-party borrowings to trailing twelve months Adjusted EBITDA cannot exceed 3.0 x, and the interest coverage ratio must not be less than 4.0 x.

At September 30, 2017 the outstanding balance of the facility was \$0.0 million ( \$350.0 million of undrawn revolving credit facility capacity). Including \$392.6 million of long-term bonds and per the terms of the revolving credit facility, which excludes non-recourse debt (see below), the Company's ratio of third-party borrowings to trailing twelve months Adjusted EBITDA was 1.5 x and interest coverage ratio was 10.8x . The fair value of borrowings on the revolving credit facility approximated the net cost basis as of September 30, 2017 .

At December 31, 2016 the outstanding balance of the facility was \$0.0 million ( \$350.0 million of undrawn revolving credit facility capacity). Including \$392.3 million of long-term bonds (see below), the Company's ratio of third-party borrowings to trailing twelve months Adjusted EBITDA was 1.9 x and interest coverage ratio was 18.5x .

**Non-recourse seed capital facility**

In July 2017, the Company purchased all remaining seed capital investments covered by the Seed Capital Management Agreement from OM plc for \$63.4 million . OMAM financed this purchase in part through borrowings under a non-recourse seed capital facility collateralized entirely by its seed capital holdings. The Company entered into this facility as of July 17, 2017, and may borrow up to \$65.0 million , so long as the borrowing does not represent more than 50% of the value of the permitted seed capital collateral. The non-recourse seed facility bears interest at LIBOR + 1.55% with a commitment fee on the unused portion of this facility of 0.95% . The facility currently has a maturity date of July 17, 2018 and includes a six-month evergreen renewal option. At September 30, 2017 , amounts outstanding under this non-recourse seed capital facility amounted to \$33.5 million . Per the terms of the Company's revolving credit facility, drawdowns under this facility are excluded from the Company's third party debt levels for purposes of calculating the Company's credit ratio covenants. The fair value of borrowings on the non-recourse seed capital facility approximated the net cost basis as of September 30, 2017 .

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**8) Borrowings and Debt (cont.)****Long-term bonds**

The Company's long-term bonds were comprised of the following as of the dates indicated (in millions):

	September 30, 2017				December 31, 2016	
	Maturity amount	Discount and issuance costs	Carrying value	Fair Value	Carrying value	Fair Value
Long-term bonds:						
4.80% Senior Notes Due 2026	\$ 275.0	\$ (3.2)	\$ 271.8	\$ 284.2	\$ 271.6	\$ 271.0
5.125% Senior Notes Due 2031	125.0	(4.2)	120.8	124.9	120.7	107.9
<b>Total long-term bonds</b>	<b>\$ 400.0</b>	<b>\$ (7.4)</b>	<b>\$ 392.6</b>	<b>\$ 409.1</b>	<b>\$ 392.3</b>	<b>\$ 378.9</b>

In July 2016, the Company issued \$275.0 million of 4.80% Senior Notes due 2026 (the "2026 Notes") and \$125.0 million of 5.125% Senior Notes due 2031 (the "2031 Notes"). The Company used the net proceeds of these offerings to finance the acquisition of Landmark in August 2016, settle an outstanding interest rate lock, purchase seed capital from OM plc and pay down the balance of the Revolving Credit Facility.

**4.80% Senior Notes Due July 2026**

The \$275.0 million 2026 Notes were sold at a discount of \$(0.5) million and the Company incurred debt issuance costs of \$(3.0) million, which are being amortized to interest expense over the ten-year term. The 2026 Notes can be redeemed at any time prior to the scheduled maturity in part or in aggregate, at the greater of 100% of the principal amount at that time or the sum of the remaining scheduled payments discounted at the treasury rate (as defined) plus 0.5%, together with any related accrued and unpaid interest.

**5.125% Senior Notes Due August 2031**

The \$125.0 million 2031 Notes incurred debt issuance costs of \$(4.3) million, which are being amortized to interest expense over the fifteen-year term. The 2031 Notes can be redeemed at any time, on or after August 1, 2019 at a redemption price equal to 100% of the principal amount together with any related accrued and unpaid interest.

The fair value of the long-term bonds was determined using broker quotes and any recent trading activity for each of the notes listed above, which are considered Level II inputs.

**Interest expense**

Interest expense incurred amounted to a total of \$6.4 million and \$4.4 million for the three months ended September 30, 2017 and 2016, respectively. Interest expense incurred amounted to a total of \$18.2 million and \$5.4 million for the nine months ended September 30, 2017 and 2016, respectively. Interest expense consists of interest accrued on the long-term debt, commitment fees and amortization of debt-related costs.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**9) Commitments and Contingencies**

***Operational commitments***

The Company had unfunded commitments to invest up to approximately \$58 million in co-investments with its Affiliates as of September 30, 2017 . These commitments will be funded as required through the end of the respective investment periods ranging through 2022 .

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

***Litigation***

The Company and its Affiliates are subject to claims, legal proceedings and other contingencies in the ordinary course of their business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved in a manner unfavorable to the Company or its Affiliates. The Company and its Affiliates establish accruals for matters for which the outcome is probable and can be reasonably estimated. If an insurance claim or other indemnification for a litigation accrual is available to the Company, the associated gain will not be recognized until all contingencies related to the gain have been resolved. As of September 30, 2017 , there were no material accruals for claims, legal proceedings or other contingencies.

***Indemnifications***

In the normal course of business, such as through agreements to enter into business combinations and divestitures of Affiliates, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred.

***Foreign tax contingency***

The Company has clients in non-U.S. jurisdictions which require entities that are conducting certain business activities in such jurisdictions to collect and remit tax assessed on certain fees paid for goods and services provided. The Company does not believe this requirement is applicable based on its limited business activities in these jurisdictions. However, given the fact that uncertainty exists around the requirement, the Company has chosen to evaluate its potential exposure related to non-collection and remittance of these taxes. At September 30, 2017 , management of the Company has estimated the potential maximum exposure and concluded that it is not material. No accrual for the potential exposure has been recorded as the probability of incurring any potential liability relating to this exposure is not probable at September 30, 2017 .

On July 13, 2017, (the "Effective Date") the U.K. published revised draft legislation to be included in the U.K. Finance Bill (No. 2) 2017 (the "Finance Bill") that would impact the Company's tax position as of the Effective Date. This legislation is expected to receive Royal Assent in the fourth quarter of 2017. If enacted as originally proposed, the Company's U.K. tax liability will increase as of the Effective Date. Consequently, if enactment occurs in the fourth quarter, the Company's tax expense for the four quarter will reflect the impact of this increase as of the Effective Date.



**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**9) Commitment and Contingencies (cont.)**

*Considerations of credit risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments. The Company maintains cash and cash equivalents and short term investments with various financial institutions. These financial institutions are typically located in cities in which the Company and its Affiliates operate. For the Company and certain Affiliates, cash deposits at a financial institution may exceed Federal Deposit Insurance Corporation insurance limits.

**10) Earnings Per Share**

Basic earnings per share is calculated by dividing net income attributable to controlling interests by the weighted-average number of shares outstanding. Diluted earnings per share is similar to basic earnings per share, but is adjusted for the effect of potentially issuable ordinary shares, except when inclusion is antidilutive.

The calculation of basic and diluted earnings per ordinary share is as follows (dollars in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Numerator:</b>				
Net income attributable to controlling interests	\$ 18.7	\$ 34.0	\$ 53.0	\$ 101.1
Less: Total income available to participating unvested securities <sup>(1)</sup>	(0.1)	(0.2)	(0.3)	(0.7)
Total net income attributable to ordinary shares	\$ 18.6	\$ 33.8	\$ 52.7	\$ 100.4
<b>Denominator:</b>				
Weighted-average ordinary shares outstanding—basic	109,037,556	119,288,903	111,270,049	119,569,288
Potential ordinary shares:				
Restricted stock units	629,441	363,401	669,849	190,497
Weighted-average ordinary shares outstanding—diluted	109,666,997	119,652,304	111,939,898	119,759,785
<b>Earnings per ordinary share attributable to controlling interests:</b>				
Basic	\$ 0.17	\$ 0.28	\$ 0.47	\$ 0.84
Diluted	\$ 0.17	\$ 0.28	\$ 0.47	\$ 0.84

(1) Income available to participating unvested securities includes dividends paid on unvested restricted shares and their proportionate share of undistributed earnings.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**11) Accumulated Other Comprehensive Income**

The following tables show the tax effects allocated to each component of other comprehensive income (in millions):

	For the nine months ended September 30, 2017		
	Pre-Tax	Tax (Expense)	Net of Tax
Foreign currency translation adjustment	\$ 2.6	\$ —	\$ 2.6
Amortization related to derivative securities	2.0	(0.7)	1.3
<b>Other comprehensive income (loss)</b>	<b>\$ 4.6</b>	<b>\$ (0.7)</b>	<b>\$ 3.9</b>

	For the nine months ended September 30, 2016		
	Pre-Tax	Tax Benefit	Net of Tax
Foreign currency translation adjustment	\$ (1.4)	\$ —	\$ (1.4)
Change in net realized and unrealized gain (loss) on derivative securities	(25.2)	4.4	(20.8)
<b>Other comprehensive income (loss)</b>	<b>\$ (26.6)</b>	<b>\$ 4.4</b>	<b>\$ (22.2)</b>

The components of accumulated other comprehensive income (loss) for the nine months ended September 30, 2017 were as follows (in millions):

	Foreign currency translation adjustment	Valuation of derivative securities	Total
Balance, as of December 31, 2016	\$ 0.6	\$ (26.9)	\$ (26.3)
Other comprehensive income	2.6	1.3	3.9
<b>Balance, as of September 30, 2017</b>	<b>\$ 3.2</b>	<b>\$ (25.6)</b>	<b>\$ (22.4)</b>

The Company reclassified \$2.0 million and \$0.5 million from accumulated other comprehensive income (loss) to interest expense on the Consolidated Statements of Income for the nine months ended September 30, 2017 and 2016, respectively.

**OM Asset Management plc**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**12) Derivatives and Hedging**

**Cash flow hedge**

In July 2015, the Company entered into a \$300 million notional Treasury rate lock contract which was designated and qualified as a cash flow hedge. The Company documented its hedging strategy and risk management objective for this contract in anticipation of a future debt issuance. The Treasury rate lock contract eliminated the impact of fluctuations in the underlying benchmark interest rate for future forecasted debt issuances. The Company assessed the effectiveness of the hedging contract at inception and on a quarterly basis thereafter. In November 2015, at the Treasury rate lock termination date, the Company de-designated the Treasury rate lock and entered into an extension for the same \$300 million notional through early July 2016. In July 2016, the Company entered into a second extension to the Treasury rate lock in conjunction with the issuances of the previously forecasted debt. The forecasted debt issuances occurred in July 2016 and the Treasury rate lock, which had an accumulated fair value of \$(34.4) million, was settled. Refer to Note 8, Borrowings and Debt, for additional information on the debt issuances.

Consistent with the original Treasury rate lock, the extended Treasury rate locks were designated and qualified as cash flow hedges. The Company documented its hedging strategy and risk management objective for these contracts in anticipation of the July 2016 debt issuance. The extended Treasury rate locks effectively eliminated the impact of fluctuations in the underlying benchmark interest rate for the debt issuances. The Company assessed the effectiveness of the hedging contracts at each of the extended Treasury rate locks' inception dates and on a quarterly basis thereafter, where applicable. At the rate lock settlement, the hedging contracts were evaluated to be highly effective in offsetting changes in cash flows associated with the hedged items. The Company did not record any hedge ineffectiveness in 2016.

As of September 30, 2017, the balance recorded in accumulated other comprehensive income (loss) was \$(25.6) million, net of tax. This balance will be reclassified to earnings through interest expense over the life of the issued debt. Amounts of \$2.0 million and \$0.5 million have been reclassified for the nine months ended September 30, 2017 and 2016, respectively. During the next twelve months the Company expects to reclassify approximately \$2.7 million to interest expense.

**13) Discontinued Operations and Restructuring**

All of the Company's discontinued operations were wound down or transferred to OM plc prior to 2016.

The Company recognized a gain (loss) on disposal, net of taxes, of \$0.0 million and \$(0.4) million, with basic and diluted discontinued operations earnings per share of \$0.00 and \$0.00 for the three months ended September 30, 2017 and 2016, respectively.

The Company recognized a gain (loss) on disposal, net of taxes, of \$(0.1) million and \$1.2 million, with basic and diluted discontinued operations earnings per share of \$0.00 and \$0.01 for the nine months ended September 30, 2017 and 2016, respectively. Gains and losses on disposal of discontinued operations represent the Company's rights or obligations related to contractual residual interests in previously discontinued operations.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Unless we state otherwise or the context otherwise requires, references in this Quarterly Report on Form 10-Q to “OMAM” refer to OM Asset Management plc, references to the “Company” refer to OMAM, and references to “we,” “our” and “us” refer to OMAM and its consolidated subsidiaries and equity-accounted Affiliates, excluding discontinued operations. References to the holding company or “Center” excluding the Affiliates refer to OMAM Inc., or OMUS, a Delaware corporation and indirect, wholly owned subsidiary of OMAM. Unless we state otherwise or the context otherwise requires, references in this Quarterly Report on Form 10-Q to “Affiliates” or an “Affiliate” refer to the asset management firms in which we have an ownership interest. References in this Quarterly Report on Form 10-Q to “OM plc” refer to Old Mutual plc, our former parent. None of the information in this Quarterly Report on Form 10-Q constitutes either an offer or a solicitation to buy or sell any of our Affiliates’ products or services, nor is any such information a recommendation for any of our Affiliates’ products or services.

The following discussion of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and related notes which appear elsewhere in this Quarterly Report on Form 10-Q.

This discussion contains forward-looking statements that involve risks and uncertainties. See “Forward-Looking Statements” at the end of this Item 2 for more information. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results.

Our MD&A is presented in five sections:

- **Overview** provides a brief description of our Affiliates, a summary of *The Economics of Our Business* and an explanation of *How We Measure Performance* using a non-GAAP measure which we refer to as economic net income or ENI. This section also provides a *Summary Results of Operations* and information regarding our *Assets Under Management* by Affiliate and strategy, and net flows by asset class, client type and client location.
- **U.S. GAAP Results of Operations for the three and nine months ended September 30, 2017 and 2016** includes an explanation of changes in our U.S. GAAP revenue, expense, and other items for the three and nine months ended September 30, 2017 and 2016 as well as key U.S. GAAP operating metrics.
- **Non-GAAP Supplemental Performance Measure - Economic Net Income** includes an explanation of the key differences between U.S. GAAP net income and ENI, the key measure management uses to evaluate our performance. This section also provides a reconciliation between U.S. GAAP net income attributable to controlling interests and ENI for the three and nine months ended September 30, 2017 and 2016 as well as a reconciliation of key ENI operating items including ENI revenue and ENI operating expenses. In addition, this section provides key non-GAAP operating metrics and a calculation of tax on economic net income.
- **Capital Resources and Liquidity** discusses our key balance sheet data. This section also discusses *Adjusted EBITDA; Cash Flows* from the business; *Future Capital Needs; and Long-Term Debt*. The discussion of Adjusted EBITDA includes an explanation of how we calculate Adjusted EBITDA and a reconciliation of U.S. GAAP net income attributable to controlling interests to Adjusted EBITDA.
- **Critical Accounting Policies and Estimates** provides a discussion of the key accounting policies used in the preparation of our U.S. GAAP financial statements.

## Overview

We are a diversified, multi-boutique asset management firm headquartered in London, UK. We operate our business through eight affiliate firms to whom we refer in this quarterly report as our Affiliates. Through our Affiliates, we offer a diverse range of actively-managed investment strategies and products to institutional investors around the globe. While our Affiliates maintain autonomy in the investment process and the day-to-day management of their businesses, our strategy is to work with them to accelerate the growth and profitability of their firms.

Under U.S. GAAP, our Affiliates may be consolidated into our operations or may be accounted for as equity investments. We may also be required to consolidate certain of our Affiliates' sponsored investment entities, or Funds, due to the nature of our decision-making rights, our economic interests in these Funds or the rights of third-party clients in those Funds.

Our Affiliates and their principal strategies include:

- *Acadian Asset Management LLC* (“*Acadian*”) —a leading quantitatively-oriented manager of active global and international equity, and alternative strategies.
- *Barrow, Hanley, Mewhinney & Strauss, LLC* (“*Barrow Hanley*”) —a widely recognized value-oriented investment manager of U.S., international and global equities, fixed income and a range of balanced investment management strategies.
- *Campbell Global, LLC* (“*Campbell Global*”) —a leading sustainable timber and natural resource investment manager that seeks to deliver superior investment performance by focusing on unique acquisition opportunities, client objectives and disciplined management.
- *Copper Rock Capital Partners LLC* (“*Copper Rock*”) —a specialized growth equity investment manager of small-cap international, global and emerging markets equity strategies.
- *Heitman LLC* (“*Heitman*”) <sup>(1)(2)</sup> —a leading real estate investment manager of high-quality global strategies focused on private real estate equity, public real estate securities and real estate debt.
- *Investment Counselors of Maryland, LLC* (“*ICM*”) <sup>(1)</sup> — a value-driven domestic equity manager with product offerings across the entire capitalization range and a primary focus on small-cap companies.
- *Landmark Partners, LLC* (“*Landmark*”) —a leading global secondary private equity, real estate and real asset investment firm.
- *Thompson, Siegel & Walmsley LLC* (“*TSW*”) —a value-oriented investment manager focused on small- and mid-cap U.S. equity, international equity and fixed income strategies.

---

(1) Accounted for under the equity method of accounting.

(2) We have executed a non-binding term sheet to sell our stake in Heitman LLC to Heitman's management for cash consideration totaling \$110 million. We have therefore presented operational information (including AUM and flow data) excluding Heitman for periods beginning in the third quarter of 2017 (Heitman remains in operational information for the first half of 2017). Under U.S. GAAP, financial results will continue to include Heitman until the transaction closes around year-end. We will retain our co-investment interests in Heitman-managed funds as well as any carried interest associated with these investments.

## **The Economics of Our Business**

Our profitability is affected by a variety of factors including the level and composition of our average assets under management, or AUM, fee rates charged on AUM and our expense structure. Our Affiliates earn management fees based on assets under management. Approximately 80% of our management fees are calculated based on average AUM (calculated on either a daily or monthly basis) with the remainder of our management fees calculated based on period end AUM or other measuring methods. Changes in the levels of our AUM are driven by our investment performance and net client cash flows. Our Affiliates may also earn performance fees, or adjust management fees, when certain accounts differ in relation to relevant benchmarks or exceed or fail to exceed required returns. Approximately \$54.8 billion, or 23% of our AUM in consolidated Affiliates, are in accounts with incentive fee or carried interest features in which OMAM participates in the performance fee. The majority of these incentive fees are calculated based on value added over the relevant benchmarks on a rolling three year basis. Carried interests are features of private equity funds, which are calculated based on long term cumulative returns.

Our largest expense item is compensation and benefits paid to our and our Affiliates' employees, which consists of both fixed and variable components. Fixed compensation and benefits represents base salaries and wages, payroll taxes and the costs of our employee benefit programs. Variable compensation, calculated as described below, may be awarded in cash, equity or profit interests.

The arrangements in place with our Affiliates result in the sharing of economics between OMUS and each Affiliate's key management personnel using a profit-sharing model, except for ICM, which uses a revenue share model as a result of a legacy economic arrangement that has not been restructured. Profit sharing affects two elements within our earnings: (i) the calculation of variable compensation and (ii) the level of each Affiliate's equity or profit interests distribution to its employees. Variable compensation is the portion of earnings that is contractually allocated to Affiliate employees as a bonus pool, typically representing a fixed percentage of earnings before variable compensation, which is measured as revenues less fixed compensation and benefits and other operating and administrative expenses. Profits after variable compensation are shared between us and Affiliate key employee equity holders according to our respective equity or profit interests ownership. The sharing of profits in this manner ensures that the economic interests of Affiliate key employees and those of OMUS are aligned, both in terms of generating strong annual earnings as well as investing those earnings back into the business in order to generate growth over the long term. We view profit sharing as an attractive operating model, as it allows us to share in the benefits of operating leverage as the business grows, and ensures all equity and profit interests holders are incentivized to achieve that growth.

Equity or profit interests owned by Affiliate key employees are either awarded as part of their variable compensation arrangements, or alternatively, may have originally resulted from OMUS acquiring less than 100% of the Affiliate. Over time, Affiliate key employee-owned equity or profit interests are recycled from one generation of employee-owners to the next either by the next generation purchasing equity or profit interests directly from retiring principals, or by Affiliate key employees forgoing cash bonuses in exchange for the equivalent value in Affiliate equity or profit interests. The recycling of equity or profit interests is often facilitated by OMUS; see "—U.S. GAAP Results of Operations—U.S. GAAP Expenses—Compensation and Benefits Expense" for a further discussion.

## **How We Measure Performance**

We manage our business in aggregate based on a single reportable segment, reflecting how our management assesses the performance of our business. Within our organizational framework, the same operational resources support multiple products and Affiliates and performance is evaluated at a consolidated level.

In measuring and monitoring the key components of our earnings, our management uses a non-GAAP financial measure, ENI, to evaluate the financial performance of, and to make operational decisions for, our business. We also use ENI to make resource allocation decisions, determine appropriate levels of investment or dividend payout, manage balance sheet leverage, determine Affiliate variable compensation and equity distributions, and incentivize management. It is an important measure in evaluating our financial performance because we believe it most accurately represents our operating performance and cash generation capability.

[Table of Contents](#)

ENI differs from net income determined in accordance with U.S. GAAP as a result of both the reclassification of certain income statement items and the exclusion of certain non-cash or non-recurring income statement items. In particular, ENI excludes non-cash charges representing the changes in the value of Affiliate equity and profit interests held by Affiliate key employees, the results of discontinued operations which are no longer part of our business and that portion of consolidated Funds which are not attributable to our shareholders. ENI is also adjusted for amortization of acquisition-related contingent consideration and pre-acquisition retained equity with service components.

ENI revenue is primarily comprised of the fee revenues paid to us by our clients for our advisory services and earnings from our equity-accounted Affiliates. Revenue included within ENI differs from U.S. GAAP revenue in that it excludes amounts from consolidated Funds which are not attributable to our shareholders and includes our share of earnings from equity-accounted Affiliates.

ENI expenses are calculated to reflect all usual expenses from ongoing continuing operations attributable to our shareholders. Expenses included within ENI differ from U.S. GAAP expenses in that they exclude amounts from consolidated Funds which are not attributable to our shareholders, revaluations of Affiliate key employee owned equity and profit interests, amortization and impairment of acquired intangibles and other acquisition-related items, and certain other non-cash expenses.

“Non-controlling interests” is a concept under U.S. GAAP that identifies net components of revenues and expenses that are not attributable to our shareholders. For example the portion of the net income (loss) of any consolidated Fund that is attributable to the outside investors or clients of the consolidated Fund is included in “Non-controlling interests” in our Consolidated Financial Statement. Conversely, “controlling interests” is the portion of revenue or expense that is attributable to our shareholders.

For a more detailed discussion of the differences between U.S. GAAP net income and economic net income, see “—Non-GAAP Supplemental Performance Measure — Economic Net Income.”

## Summary Results of Operations

The following table summarizes our unaudited results of operations for the three and nine months ended September 30, 2017 and 2016 :

(\$ in millions, unless otherwise noted)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	2017 vs. 2016	2017	2016	2017 vs. 2016
<b>U.S. GAAP Basis</b>						
Revenue	\$ 223.2	\$ 170.8	\$ 52.4	\$ 638.2	\$ 476.9	\$ 161.3
Pre-tax income from continuing operations attributable to controlling interests	13.6	41.7	(28.1)	54.6	133.7	(79.1)
Net income from continuing operations attributable to controlling interests	18.7	34.4	(15.7)	53.1	99.9	(46.8)
Net income attributable to controlling interests	18.7	34.0	(15.3)	53.0	101.1	(48.1)
U.S. GAAP operating margin <sup>(1)</sup>	3.7%	23.5%	n/m	7.0%	26.3%	n/m
Earnings per share, basic (\$)	\$ 0.17	\$ 0.28	\$ (0.11)	\$ 0.47	\$ 0.84	\$ (0.37)
Earnings per share, diluted (\$)	\$ 0.17	\$ 0.28	\$ (0.11)	\$ 0.47	\$ 0.84	\$ (0.37)
Basic shares outstanding (in millions)	109.0	119.3	(10.3)	111.3	119.6	(8.3)
Diluted shares outstanding (in millions)	109.7	119.7	(10.0)	111.9	119.8	(7.9)
<b>Economic Net Income Basis <sup>(2)(3)</sup></b>						
<b>(Non-GAAP measure used by management)</b>						
ENI revenue <sup>(4)</sup>	\$ 228.2	\$ 175.8	\$ 52.4	\$ 648.4	\$ 488.7	\$ 159.7
Pre-tax economic net income <sup>(5)</sup>	64.2	49.4	14.8	179.6	140.2	39.4
Adjusted EBITDA	72.0	55.4	16.6	202.5	151.0	51.5
ENI operating margin <sup>(6)</sup>	38.9%	36.5%	235 bps	37.8%	35.4%	245 bps
Economic net income <sup>(7)</sup>	46.7	38.0	8.7	132.2	106.2	26.0
ENI diluted EPS	\$ 0.43	\$ 0.32	\$ 0.11	\$ 1.18	\$ 0.89	\$ 0.29
<b>Other Operational Information <sup>(8)</sup></b>						
Assets under management (AUM) at period end (in billions)	\$ 235.9	\$ 234.2	\$ 1.7	\$ 235.9	\$ 234.2	\$ 1.7
Net client cash flows (in billions)	0.5	(2.6)	3.1	(2.3)	(3.1)	0.8
Annualized revenue impact of net flows (in millions) <sup>(9)</sup>	12.2	(7.5)	19.7	26.1	(3.6)	29.7

- (1) U.S. GAAP operating margin equals operating income from continuing operations divided by total revenue. Our U.S. GAAP operating margin is not significantly impacted by the effect of consolidated Funds for the three and nine months ended September 30, 2017 .
- (2) Economic net income is a non-GAAP measure we use to evaluate the performance of our business. For a reconciliation to U.S. GAAP financial information and a further discussion of economic net income refer to “—Non-GAAP Supplemental Performance Measure—Economic Net Income.”
- (3) Excludes restructuring charges associated with the CEO transition amounting to \$0.2 million ( \$0.1 million after taxes) for the three months ended September 30, 2017 and \$9.5 million ( \$5.5 million after taxes) for the nine months ended September 30, 2017 .
- (4) ENI revenue is the ENI measure which corresponds to U.S. GAAP revenue.
- (5) Pre-tax economic net income is the ENI measure which corresponds to U.S. GAAP pre-tax income from continuing operations attributable to controlling interests.
- (6) ENI operating margin is a non-GAAP efficiency measure, calculated based on ENI operating earnings divided by ENI revenue. The ENI operating margin corresponds to our U.S. GAAP operating margin, excluding the effect of consolidated Funds.



- (7) Economic net income is the ENI measure which corresponds to U.S. GAAP net income from continuing operations attributable to controlling interests.
- (8) As previously disclosed, in August 2017 we executed a non-binding term sheet to sell our stake in Heitman LLC to Heitman's management. Operational information (including AUM and flow data) excludes Heitman for periods beginning in the third quarter of 2017 (Heitman remains in operational information for the first half of 2017). Under U.S. GAAP, financial results will continue to include Heitman until the transaction closes around year-end. Including Heitman, AUM, net flows, and Annualized revenue impact of net flows were \$268.2 billion, \$(0.4) billion, and \$10.3 million for the three months ended September 30, 2017, respectively, and \$268.2 billion, \$(3.2) billion, and \$24.2 million for the nine months ended September 30, 2017, respectively.
- (9) Annualized revenue impact of net flows represents the difference between annualized management fees expected to be earned on new accounts and net assets contributed to existing accounts, less the annualized management fees lost on terminated accounts or net assets withdrawn from existing accounts, including equity-accounted Affiliates. The annualized management fees are calculated by multiplying the annual gross fee rate for the relevant account by the net assets gained in the account in the event of a positive flow, excluding any current or future market appreciation or depreciation, or the net assets lost in the account in the event of an outflow, excluding any current or future market appreciation or depreciation. For a further discussion of the uses and limitations of the annualized revenue impact of net flows, see "Assets Under Management" herein.

### Assets Under Management

On August 2, 2017, OMAM entered into a non-binding term sheet to sell its stake in Heitman LLC to Heitman's management. While Heitman will continue to contribute to our financial results until the transaction closes, we have broken the Heitman AUM and flows out of our AUM reporting as of July 1, 2017, in order to give the reader a better perspective of the ongoing business following the closing of this transaction. Unless specifically noted, flow information includes flows from Heitman for the first half of 2017, but excludes it thereafter, and AUM data at September 30, 2017 excludes the Heitman AUM.

The following table presents our assets under management by Affiliate as of each of the dates indicated:

(\$ in billions)	September 30, 2017		December 31, 2016	
Acadian Asset Management	\$	92.8	\$	75.0
Barrow, Hanley, Mewhinney & Strauss		92.4		92.3
Campbell Global		5.2		5.2
Copper Rock Capital Partners		6.0		5.1
Investment Counselors of Maryland		2.0		2.0
Landmark Partners		13.4		9.7
Thompson, Siegel & Walmsley		24.1		19.9
<b>Total assets under management excluding Heitman</b>		<b>235.9*</b>		<b>209.2</b>
Heitman		32.3		31.2
<b>Total assets under management including Heitman</b>	<b>\$</b>	<b>268.2</b>	<b>\$</b>	<b>240.4*</b>

\* Reported AUM.

Our primary asset classes include:

- i. U.S. equity, which includes small cap through large cap securities and substantially value or blended investment styles;
- ii. Global/non-U.S. equity, which includes global and international equities including emerging markets;
- iii. Fixed income, which includes government bonds, corporate bonds and other fixed income investments in the United States; and
- iv. Alternatives, which consist of real estate, timberland investments, secondary Funds and other alternative investments.

The following table presents our assets under management by strategy as of each of the dates indicated:

(\$ in billions)	September 30, 2017	December 31, 2016
U.S. equity, small/smld cap value	\$ 7.6	\$ 7.9
U.S. equity, mid cap value	12.7	11.3
U.S. equity, large cap value	57.0	59.2
U.S. equity, core/blend	3.2	3.6
<b>Total U.S. equity</b>	<b>80.5</b>	<b>82.0</b>
Global equity	38.7	32.3
International equity	54.6	42.5
Emerging markets equity	28.0	21.6
<b>Total global/non-U.S. equity</b>	<b>121.3</b>	<b>96.4</b>
Fixed income	13.4	13.9
Alternatives <sup>(1)</sup>	20.7	48.1
<b>Total assets under management</b>	<b>\$ 235.9</b>	<b>\$ 240.4</b>

(1) Excludes \$32.3 billion related to Heitman at September 30, 2017.

***AUM flows and the annualized revenue impact of net flows***

In the following tables, we present our asset flows and market appreciation by asset class, client type and client location. We also present a key metric used to better understand our asset flows, the annualized revenue impact of net client cash flows. Annualized revenue impact of net flows represents the difference between annualized management fees expected to be earned on new accounts and net assets contributed to existing accounts, less the annualized management fees lost on terminated accounts or net assets withdrawn from existing accounts, including equity-accounted Affiliates. The annualized management fees are calculated by multiplying the annual gross fee rate for the relevant account by the net assets gained in the account in the event of a positive flow, excluding any current or future market appreciation or depreciation, or the net assets lost in the account in the event of an outflow, excluding any current or future market appreciation or depreciation.

The annualized revenue impact of net flows metric is designed to provide investors with a better indication of the potential financial impact of net client cash flows, however it has certain limitations. For instance, it does not include assumptions for the next twelve months' market appreciation or depreciation or investment performance associated with the assets gained or lost. Nor does it account for factors such as future client terminations or additional contributions or withdrawals over the next twelve months. Additionally, the basis points reported are fee rates based on the asset levels at the time of the transactions and do not consider the fact that client fee rates may change over the next twelve months.

[Table of Contents](#)

The following table summarizes our asset flows and market appreciation by asset class for each of the periods indicated:

(\$ in billions, unless otherwise noted)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>U.S. equity</b>				
Beginning balance	\$ 81.3	\$ 78.6	\$ 82.0	\$ 76.9
Gross inflows	0.9	1.3	3.4	5.4
Gross outflows	(3.3)	(4.2)	(11.5)	(10.1)
Net flows	(2.4)	(2.9)	(8.1)	(4.7)
Market appreciation	1.6	2.8	6.6	5.8
Other	—	—	—	0.5
<b>Ending balance</b>	<b>\$ 80.5</b>	<b>\$ 78.5</b>	<b>\$ 80.5</b>	<b>\$ 78.5</b>
Average AUM	\$ 80.3	\$ 79.2	\$ 81.2	\$ 77.9
Average AUM of consolidated Affiliates	\$ 78.4	\$ 77.4	\$ 79.3	\$ 76.1
<b>Global / non-U.S. equity</b>				
Beginning balance	\$ 112.9	\$ 89.0	\$ 96.4	\$ 84.8
Gross inflows	4.1	3.8	13.2	10.2
Gross outflows	(2.8)	(3.0)	(10.5)	(6.9)
Net flows	1.3	0.8	2.7	3.3
Market appreciation	7.1	5.7	22.2	7.0
Other	—	—	—	0.4
<b>Ending balance</b>	<b>\$ 121.3</b>	<b>\$ 95.5</b>	<b>\$ 121.3</b>	<b>\$ 95.5</b>
Average AUM <sup>(1)</sup>	\$ 117.8	\$ 93.1	\$ 109.7	\$ 88.5
<b>Fixed income</b>				
Beginning balance	\$ 13.2	\$ 14.3	\$ 13.9	\$ 13.8
Gross inflows	0.3	0.4	1.1	0.9
Gross outflows	(0.2)	(0.6)	(2.3)	(1.8)
Net flows	0.1	(0.2)	(1.2)	(0.9)
Market appreciation	0.1	0.3	0.7	1.5
<b>Ending balance</b>	<b>\$ 13.4</b>	<b>\$ 14.4</b>	<b>\$ 13.4</b>	<b>\$ 14.4</b>
Average AUM <sup>(1)</sup>	\$ 13.3	\$ 14.3	\$ 13.4	\$ 14.1
<b>Alternatives <sup>(2)</sup></b>				
Beginning balance	\$ 51.4	\$ 36.9	\$ 48.1	\$ 36.9
Acquisition (removal) of Affiliates	(32.4)	8.8	(32.4)	8.8
Gross inflows	2.0	1.0	5.9	3.5
Gross outflows	(0.1)	(0.3)	(0.9)	(1.0)
Hard asset disposals	(0.4)	(1.0)	(0.7)	(3.3)
Net flows	1.5	(0.3)	4.3	(0.8)
Market appreciation	0.2	0.4	0.7	1.7
Other	—	—	—	(0.8)
<b>Ending balance</b>	<b>\$ 20.7</b>	<b>\$ 45.8</b>	<b>\$ 20.7</b>	<b>\$ 45.8</b>
Average AUM	\$ 19.6	\$ 41.5	\$ 39.8	\$ 38.7
Average AUM of consolidated Affiliates	\$ 19.6	\$ 11.0	\$ 18.5	\$ 8.4
<b>Total <sup>(3)</sup></b>				
Beginning balance	\$ 258.8	\$ 218.8	\$ 240.4	\$ 212.4
Acquisition (removal) of Affiliates	(32.4)	8.8	(32.4)	8.8
Gross inflows	7.3	6.5	23.6	20.0
Gross outflows	(6.4)	(8.1)	(25.2)	(19.8)
Hard asset disposals	(0.4)	(1.0)	(0.7)	(3.3)
Net flows	0.5	(2.6)	(2.3)	(3.1)
Market appreciation	9.0	9.2	30.2	16.0
Other	—	—	—	0.1

<b>Ending balance</b>	<b>\$</b>	<b>235.9</b>	<b>\$</b>	<b>234.2</b>	<b>\$</b>	<b>235.9</b>	<b>\$</b>	<b>234.2</b>
Average AUM	\$	231.0	\$	228.1	\$	244.1	\$	219.2
Average AUM of consolidated Affiliates	\$	229.1	\$	195.8	\$	220.9	\$	187.1
Annualized basis points: inflows		54.2		41.5		49.6		40.8
Annualized basis points: outflows		40.2		37.9		35.1		36.9
<b>Annualized revenue impact of net flows (\$ in millions)</b>	<b>\$</b>	<b>12.2</b>	<b>\$</b>	<b>(7.5)</b>	<b>\$</b>	<b>26.1</b>	<b>\$</b>	<b>(3.6)</b>

[Table of Contents](#)

- (1) Average AUM equals average AUM of consolidated Affiliates.
- (2) Reflects removal of Heitman in Q3'17. Including Heitman, alternative net flows, market appreciation, average AUM and ending AUM would be \$0.6 billion, \$1.0 billion, \$52.2 billion, and \$53.0 billion, respectively, for the three months ended September 30, 2017 and \$3.4 billion, \$1.5 billion, \$50.5 billion and \$53.0 billion, respectively, for the nine months ended September 30, 2017.
- (3) Including Heitman, total net flows, market appreciation, average AUM and ending AUM would be \$(0.4) billion, \$9.8 billion, \$263.6 billion, and \$268.2 billion, respectively, for the three months ended September 30, 2017 and \$(3.2) billion, \$31.0 billion, \$254.8 billion and \$268.2 billion, respectively, for the nine months ended September 30, 2017.

We also analyze our asset flows by client type and client location. Our client types include:

- i. Sub-advisory, which includes assets managed for underlying mutual fund and variable insurance products which are sponsored by insurance companies and mutual fund platforms, where the end client is typically retail;
- ii. Institutional, which includes assets managed for public/government pension funds, including U.S. state and local government funds and non-U.S. sovereign wealth, local government and national pension funds; also includes corporate and union-sponsored pension plans; and
- iii. Retail/other, which includes assets managed for mutual funds sponsored by our Affiliates, defined contribution plans and accounts managed for high net worth clients.

[Table of Contents](#)

The following table summarizes our asset flows by client type for each of the periods indicated:

(\$ in billions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017(1)	2016	2017(1)	2016
<b>Sub-advisory <sup>(2)</sup></b>				
Beginning balance	\$ 80.7	\$ 71.5	\$ 75.9	\$ 69.0
Acquisition (removal) of Affiliates	(3.0)	—	(3.0)	—
Gross inflows	2.0	2.2	6.9	7.9
Gross outflows	(2.3)	(3.8)	(9.1)	(9.3)
Net flows	(0.3)	(1.6)	(2.2)	(1.4)
Market appreciation	2.0	2.8	8.7	4.8
Other	—	—	—	0.3
<b>Ending balance</b>	<b>\$ 79.4</b>	<b>\$ 72.7</b>	<b>\$ 79.4</b>	<b>\$ 72.7</b>
<b>Institutional <sup>(3)</sup></b>				
Beginning balance	\$ 167.1	\$ 137.3	\$ 154.1	\$ 133.8
Acquisition (removal) of Affiliates	(29.0)	8.6	(29.0)	8.6
Gross inflows	5.0	3.9	15.3	10.8
Gross outflows	(3.7)	(3.5)	(14.7)	(8.4)
Hard asset disposals	(0.4)	(1.0)	(0.7)	(3.3)
Net flows	0.9	(0.6)	(0.1)	(0.9)
Market appreciation	6.7	5.9	20.7	10.3
Other	—	—	—	(0.6)
<b>Ending balance</b>	<b>\$ 145.7</b>	<b>\$ 151.2</b>	<b>\$ 145.7</b>	<b>\$ 151.2</b>
<b>Retail/Other <sup>(4)</sup></b>				
Beginning balance	\$ 11.0	\$ 10.0	\$ 10.4	\$ 9.6
Acquisition (removal) of Affiliates	(0.4)	0.2	(0.4)	0.2
Gross inflows	0.3	0.4	1.4	1.3
Gross outflows	(0.4)	(0.8)	(1.4)	(2.1)
Net flows	(0.1)	(0.4)	—	(0.8)
Market appreciation	0.3	0.5	0.8	0.9
Other	—	—	—	0.4
<b>Ending balance</b>	<b>\$ 10.8</b>	<b>\$ 10.3</b>	<b>\$ 10.8</b>	<b>\$ 10.3</b>
<b>Total <sup>(5)</sup></b>				
Beginning balance	\$ 258.8	\$ 218.8	\$ 240.4	\$ 212.4
Acquisition (removal) of Affiliates	(32.4)	8.8	(32.4)	8.8
Gross inflows	7.3	6.5	23.6	20.0
Gross outflows	(6.4)	(8.1)	(25.2)	(19.8)
Hard asset disposals	(0.4)	(1.0)	(0.7)	(3.3)
Net flows	0.5	(2.6)	(2.3)	(3.1)
Market appreciation	9.0	9.2	30.2	16.0
Other	—	—	—	0.1
<b>Ending balance</b>	<b>\$ 235.9</b>	<b>\$ 234.2</b>	<b>\$ 235.9</b>	<b>\$ 234.2</b>

(1) Amounts reported reflect the removal of Heitman in the third quarter of 2017.

(2) Including Heitman, sub-advisory net flows, market appreciation and ending AUM would be \$(0.4) billion, \$2.2 billion and \$82.5 billion, respectively, for the three months ended September 30, 2017 and \$(2.3) billion, \$8.9 billion and \$82.5 billion, respectively, for the nine months ended September 30, 2017.

(3) Including Heitman, institutional net flows, market appreciation and ending AUM would be \$0.1 billion, \$7.3 billion and \$174.5 billion, respectively, for the three months ended September 30, 2017 and \$(0.9) billion, \$21.3 billion and \$174.5 billion, respectively, for the nine months ended September 30, 2017.

(4) Including Heitman, retail/other net flows, market appreciation and ending AUM would be \$(0.1) billion, \$0.3 billion and \$11.2 billion, respectively, for the three months ended September 30, 2017 and \$0.0 billion, \$0.8 billion and \$11.2 billion, respectively, for the nine months ended September 30, 2017.



(5) Including Heitman, total net flows, market appreciation and ending AUM would be \$(0.4) billion, \$9.8 billion and \$268.2 billion, respectively, for the three months ended September 30, 2017 and \$(3.2) billion, \$31.0 billion and \$268.2 billion, respectively, for the nine months ended September 30, 2017.

It is a strategic objective to increase our percentage of assets under management sourced from non-U.S. clients. Our categorization by client location includes:

- i. U.S.-based clients, where the contracting client is based in the United States, and
- ii. Non-U.S.-based clients, where the contracting client is based outside the United States.

The following table summarizes asset flows by client location for each of the periods indicated:

(\$ in billions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017(1)	2016	2017(1)	2016
<b>U.S. (2)</b>				
Beginning balance	\$ 205.2	\$ 175.0	\$ 191.6	\$ 171.8
Acquisition (removal) of Affiliates	(25.5)	7.4	(25.5)	7.4
Gross inflows	4.7	5.1	17.6	14.3
Gross outflows	(5.0)	(7.1)	(20.3)	(17.1)
Hard asset disposals	(0.3)	(0.6)	(0.4)	(2.3)
Net flows	(0.6)	(2.6)	(3.1)	(5.1)
Market appreciation	6.6	7.4	22.7	13.0
Other	—	—	—	0.1
<b>Ending balance</b>	<b>\$ 185.7</b>	<b>\$ 187.2</b>	<b>\$ 185.7</b>	<b>\$ 187.2</b>
<b>Non-U.S. (3)</b>				
Beginning balance	\$ 53.6	\$ 43.8	\$ 48.8	\$ 40.6
Acquisition (removal) of Affiliates	(6.9)	1.4	(6.9)	1.4
Gross inflows	2.6	1.4	6.0	5.7
Gross outflows	(1.4)	(1.0)	(4.9)	(2.7)
Hard asset disposals	(0.1)	(0.4)	(0.3)	(1.0)
Net flows	1.1	—	0.8	2.0
Market appreciation	2.4	1.8	7.5	3.0
<b>Ending balance</b>	<b>\$ 50.2</b>	<b>\$ 47.0</b>	<b>\$ 50.2</b>	<b>\$ 47.0</b>
<b>Total (4)</b>				
Beginning balance	\$ 258.8	\$ 218.8	\$ 240.4	\$ 212.4
Acquisition (removal) of Affiliates	(32.4)	8.8	(32.4)	8.8
Gross inflows	7.3	6.5	23.6	20.0
Gross outflows	(6.4)	(8.1)	(25.2)	(19.8)
Hard asset disposals	(0.4)	(1.0)	(0.7)	(3.3)
Net flows	0.5	(2.6)	(2.3)	(3.1)
Market appreciation	9.0	9.2	30.2	16.0
Other	—	—	—	0.1
<b>Ending balance</b>	<b>\$ 235.9</b>	<b>\$ 234.2</b>	<b>\$ 235.9</b>	<b>\$ 234.2</b>

(1) Amounts reported reflect the removal of Heitman in the third quarter of 2017.



[Table of Contents](#)

- (2) Including Heitman, U.S. net flows, market appreciation and ending AUM would be \$(0.6) billion, \$7.3 billion and \$211.9 billion, respectively, for the three months ended September 30, 2017 and \$(3.1) billion, \$23.4 billion and \$211.9 billion, respectively, for the nine months ended September 30, 2017.
- (3) Including Heitman, non-U.S. net flows, market appreciation and ending AUM would be \$0.2 billion, \$2.5 billion and \$56.3 billion, respectively, for the three months ended September 30, 2017 and \$(0.1) billion, \$7.6 billion and \$56.3 billion, respectively, for the nine months ended September 30, 2017.
- (4) Including Heitman, total net flows, market appreciation and ending AUM would be \$(0.4) billion, \$9.8 billion and \$268.2 billion, respectively, for the three months ended September 30, 2017 and \$(3.2) billion, \$31.0 billion and \$268.2 billion, respectively, for the nine months ended September 30, 2017.

At September 30, 2017, our total assets under management were \$235.9 billion, a decrease of \$(22.9) billion, or (8.8)%, compared to \$258.8 billion at June 30, 2017 and an increase of \$1.7 billion, or 0.7%, compared to \$234.2 billion at September 30, 2016. The change in assets under management during the three months ended September 30, 2017 reflects net market appreciation of \$9.0 billion, net flows of \$0.5 billion and the removal of Heitman of \$(32.4) billion. The change in assets under management during the nine months ended September 30, 2017 reflects net market appreciation of \$30.2 billion, net flows of \$(2.3) billion and the removal of Heitman of \$(32.4) billion.

For the three months ended September 30, 2017, our net flows were \$0.5 billion compared to \$(0.3) billion for the three months ended June 30, 2017 and \$(2.6) billion for the three months ended September 30, 2016. Hard asset disposals of \$(0.4) billion, \$(0.2) billion and \$(1.0) billion are reflected in the net flows for the three months ended September 30, 2017, June 30, 2017 and September 30, 2016, respectively. For the three months ended September 30, 2017, the annualized revenue impact of the net flows was \$12.2 million, as gross inflows of \$7.3 billion during the three-month period were into asset classes yielding approximately 54 bps and gross outflows and hard asset disposals in the same period of \$(6.8) billion were out of asset classes yielding approximately 40 bps. This is compared to the annualized revenue impact of net flows of \$13.1 million for the three months ended June 30, 2017 and \$(7.5) million for the three months ended September 30, 2016.

For the nine months ended September 30, 2017, our net flows were \$(2.3) billion compared to \$(3.1) billion for the nine months ended September 30, 2016. Hard asset disposals of \$(0.7) billion are reflected in the net flows for the nine months ended September 30, 2017 and \$(3.3) billion for the nine months ended September 30, 2016. For the nine months ended September 30, 2017, the annualized revenue impact of the net flows increased to \$26.1 million compared to \$(3.6) million for the nine months ended September 30, 2016. Gross inflows of \$23.6 billion in the nine months ended September 30, 2017 yielded an average of 50 bps compared to \$20.0 billion yielding 41 bps in the year-ago period. Gross outflows and hard asset disposals of \$(25.9) billion yielded 35 bps in the nine months ended September 30, 2017 compared to \$(23.1) billion yielding 37 bps in the year-ago period.

Including Heitman, our total net flows and market appreciation would have been as follows:

	<b>Including Heitman, for periods ending September 30, 2017</b>	
	<b>Three Months</b>	<b>Nine Months</b>
Beginning AUM	\$ 258.8	\$ 240.4
Gross inflows	7.8	24.1
Gross outflows	(6.6)	(25.4)
<b>Net flows before hard asset disposals</b>	<b>1.2</b>	<b>(1.3)</b>
Hard asset disposals	(1.6)	(1.9)
<b>Net flows</b>	<b>(0.4)</b>	<b>(3.2)</b>
Market appreciation	9.8	31.0
<b>Ending AUM</b>	<b>\$ 268.2</b>	<b>\$ 268.2</b>

**U.S. GAAP Results of Operations for the Three and Nine Months Ended September 30, 2017 and 2016**

Our U.S. GAAP results of operations were as follows for the three and nine months ended September 30, 2017 and 2016 :

(\$ in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
<b>U.S. GAAP Statement of Operations</b>						
Management fees	\$ 221.7	\$ 171.8	\$ 49.9	\$ 624.1	\$ 478.5	\$ 145.6
Performance fees	0.7	(1.1)	1.8	12.1	(1.9)	14.0
Other revenue	0.1	0.1	—	0.6	0.3	0.3
Consolidated Funds' revenue	0.7	—	0.7	1.4	—	1.4
<b>Total revenue</b>	<b>223.2</b>	<b>170.8</b>	<b>52.4</b>	<b>638.2</b>	<b>476.9</b>	<b>161.3</b>
Compensation and benefits	182.2	100.0	82.2	498.4	272.1	226.3
General and administrative expense	27.6	27.2	0.4	80.9	71.7	9.2
Amortization of acquired intangibles	1.6	0.9	0.7	4.9	1.0	3.9
Depreciation and amortization	3.2	2.5	0.7	8.5	6.9	1.6
Consolidated Funds' expense	0.3	—	0.3	0.8	—	0.8
<b>Total expenses</b>	<b>214.9</b>	<b>130.6</b>	<b>84.3</b>	<b>593.5</b>	<b>351.7</b>	<b>241.8</b>
<b>Operating income</b>	<b>8.3</b>	<b>40.2</b>	<b>(31.9)</b>	<b>44.7</b>	<b>125.2</b>	<b>(80.5)</b>
Investment income	9.4	5.6	3.8	20.5	13.6	6.9
Interest income	0.1	0.3	(0.2)	0.5	0.3	0.2
Interest expense	(6.4)	(4.4)	(2.0)	(18.2)	(5.4)	(12.8)
Net consolidated Funds' investment gains	3.4	—	3.4	9.9	—	9.9
<b>Income from continuing operations before taxes</b>	<b>14.8</b>	<b>41.7</b>	<b>(26.9)</b>	<b>57.4</b>	<b>133.7</b>	<b>(76.3)</b>
Income tax expense (benefit)	(5.1)	7.3	(12.4)	1.5	33.8	(32.3)
<b>Income from continuing operations</b>	<b>19.9</b>	<b>34.4</b>	<b>(14.5)</b>	<b>55.9</b>	<b>99.9</b>	<b>(44.0)</b>
Gain (loss) on disposal of discontinued operations, net of tax	—	(0.4)	0.4	(0.1)	1.2	(1.3)
<b>Net income</b>	<b>19.9</b>	<b>34.0</b>	<b>(14.1)</b>	<b>55.8</b>	<b>101.1</b>	<b>(45.3)</b>
Net income attributable to non-controlling interests in consolidated Funds	1.2	—	1.2	2.8	—	2.8
<b>Net income attributable to controlling interests</b>	<b>\$ 18.7</b>	<b>\$ 34.0</b>	<b>\$ (15.3)</b>	<b>\$ 53.0</b>	<b>\$ 101.1</b>	<b>\$ (48.1)</b>
Basic earnings per share (\$)	\$ 0.17	\$ 0.28	\$ (0.11)	\$ 0.47	\$ 0.84	\$ (0.37)
Diluted earnings per share (\$)	0.17	0.28	(0.11)	0.47	0.84	(0.37)
Weighted average basic ordinary shares outstanding	109.0	119.3	(10.3)	111.3	119.6	(8.3)
Weighted average diluted ordinary shares outstanding	109.7	119.7	(10.0)	111.9	119.8	(7.9)
U.S. GAAP operating margin <sup>(1)</sup>	3.7%	23.5%		7.0%	26.3%	

(1) The U.S. GAAP operating margin equals operating income from continuing operations divided by total revenue.

[Table of Contents](#)

The following table reconciles our net income attributable to controlling interests to our pre-tax income from continuing operations attributable to controlling interests:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>U.S. GAAP Statement of Operations</b>				
<b>Net income attributable to controlling interests</b>	<b>\$ 18.7</b>	<b>\$ 34.0</b>	<b>\$ 53.0</b>	<b>\$ 101.1</b>
Exclude: (Gain) loss on disposal of discontinued operations, net of tax	—	0.4	0.1	(1.2)
<b>Net income from continuing operations attributable to controlling interests</b>	<b>18.7</b>	<b>34.4</b>	<b>53.1</b>	<b>99.9</b>
Add: Income tax expense (benefit)	(5.1)	7.3	1.5	33.8
<b>Pre-tax income from continuing operations attributable to controlling interests</b>	<b>\$ 13.6</b>	<b>\$ 41.7</b>	<b>\$ 54.6</b>	<b>\$ 133.7</b>

### U.S. GAAP Revenues

Our U.S. GAAP revenues principally consist of:

- management fees earned based on our overall weighted average fee rate charged to our clients and the level of assets under management;
- performance fees earned or management fee adjustments when our Affiliates' investment performance over agreed time periods for certain clients has differed from pre-determined hurdles;
- other revenue, consisting primarily of marketing, distribution and consulting services; and
- revenue from consolidated Funds, a portion of which is attributable to the holders of non-controlling interests in consolidated Funds.

### Management Fees

Our management fees are a function of the fee rates our Affiliates charge to their clients, which are typically expressed in basis points, and the levels of our assets under management.

Excluding assets managed by our equity-accounted Affiliates, average basis points earned on average assets under management were 38.4 bps and 37.8 for the three and nine months ended September 30, 2017, respectively, and 34.9 and 34.2 bps for the three and nine months ended September 30, 2016, respectively. The greatest driver of increases or decreases in this average fee rate is changes in the mix of our assets under management caused by acquisitions, net inflows or outflows in certain asset classes or disproportionate market movements. The three and nine months ended September 30, 2017 were positively impacted by the higher yield on alternative assets acquired in the Landmark transaction as well as a positive market environment and the effect of higher fee rates on asset inflows than on asset outflows.

[Table of Contents](#)

Our average basis points by asset class (including consolidated Affiliates that are included, and excluding equity-accounted Affiliates that are not included in management fee revenue) over each of the periods indicated were:

(\$ in millions, except AUM data in billions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017		2016		2017		2016	
	Revenue	Basis Pts	Revenue	Basis Pts	Revenue	Basis Pts	Revenue	Basis Pts
U.S. equity	\$ 47.2	24	\$ 47.6	24	\$ 144.9	24	\$ 139.7	25
Global/non-U.S. equity	121.5	41	96.6	42	339.3	41	277.0	42
Fixed income	6.9	21	7.5	21	20.8	21	21.9	21
Alternatives	46.1	93	20.1	73	119.1	86	39.9	64
<b>U.S. GAAP management fee revenue &amp; weighted average fee rate on average AUM of consolidated Affiliates <sup>(1)</sup></b>	<b>\$ 221.7</b>	<b>38.4</b>	<b>\$ 171.8</b>	<b>34.9</b>	<b>\$ 624.1</b>	<b>37.8</b>	<b>\$ 478.5</b>	<b>34.2</b>
Average AUM excluding equity-accounted Affiliates	\$ 229.1		\$ 195.8		\$ 220.9		\$ 187.1	
Average AUM including equity-accounted Affiliates & weighted average fee rate <sup>(2)</sup>	\$ 231.0	38.6	\$ 228.1	35.7	\$ 244.1	38.0	\$ 219.2	35.2

(1) Amounts shown are equivalent to ENI management fee revenue. (See “ENI Revenues”)

(2) Average AUM including equity-accounted Affiliates excludes Heitman as of the beginning of the third quarter, 2017.

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Management fees increased \$49.9 million , or 29.0% , from \$171.8 million for the three months ended September 30, 2016 to \$221.7 million for the three months ended September 30, 2017 . The increase was due to higher levels of assets under management, primarily attributable to positive markets and incremental revenue from the Landmark acquisition. Average assets under management excluding equity-accounted Affiliates increased 17.0% , from \$195.8 billion for the three months ended September 30, 2016 to \$229.1 billion for the three months ended September 30, 2017 .

The increase in management fee revenue is also driven by the increases in basis point yields of our assets under management. Excluding equity-accounted Affiliates, the weighted average fee rate earned on our average assets under management was 38.4 basis points for the three months ended September 30, 2017 and 34.9 basis points for the three months ended September 30, 2016 , with the increase driven mostly by the mix of flows and market movements into assets with higher fee rates, as well as the higher fee-rate assets under management added as a result of the Landmark transaction. Compared to the three months ended September 30, 2016 , the combined share of higher fee global/non-U.S. equity and alternative assets, excluding equity-accounted Affiliates, increased by approximately 7% , to 60% of average assets, while the mix of U.S. equity and fixed income decreased approximately (7)% to 40% of average assets. This shift was driven by flows, as well as the addition of Landmark and the impact of market movements.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Management fees increased \$145.6 million , or 30.4% , from \$478.5 million for the nine months ended September 30, 2016 to \$624.1 million for the nine months ended September 30, 2017 . The increase was primarily attributable to higher overall levels of assets under management as a result of positive markets and incremental revenue from the Landmark transaction. Average assets under management excluding equity-accounted Affiliates increased 18.1% , from \$187.1 billion for the nine months ended September 30, 2016 to \$220.9 billion for the nine months ended September 30, 2017 .

[Table of Contents](#)

Excluding equity-accounted Affiliates, the weighted average fee rate earned on our average assets under management was 37.8 basis points for the nine months ended September 30, 2017 and 34.2 basis points for the nine months ended September 30, 2016, with the increase driven mostly by the addition of the higher-fee rate assets under management due to the Landmark transaction with a portion of the increase due to the mix of flows and market movements in and out of assets with varying fee rates. Compared to the nine months ended September 30, 2016, the combined share of higher fee global/non-U.S. equity and alternative assets, excluding equity-accounted Affiliates, increased by approximately 6%, to 58% of average assets, while the mix of U.S. equity and fixed income decreased approximately (6)% to 42% of average assets. This shift was driven by flows, as well as the addition of Landmark and the impact of market movements.

**Performance Fees**

Approximately \$54.8 billion, or 23% of our AUM in consolidated Affiliates, are in accounts with incentive fee or carried interest features, where we participate in such a fee. Included below is a breakdown of our AUM from consolidated Affiliates, broken out between AUM subject to performance fees or carried interest and that subject only to management fees. Our alternative products subject to performance fees or carried interest earn these performance fees upon exceeding high-water mark performance thresholds or outperforming a hurdle rate. Conversely, the separate accounts/other products, which primarily earn management fees, are potentially subject to performance adjustment up or down based on investment performance versus benchmark. For each of these categories and in total, we have indicated in the table below the ratio of performance fees or carried interest relative to total management fees and performance fees (together, total fees).

Category	AUM of consolidated Affiliates at September 30, 2017 (\$ in billions)			Management fees for the nine months ended September 30, 2017 (\$ in millions)			Performance fees for the nine months ended September 30, 2017 (\$ in millions)		
	Total	AUM of accounts without performance fees	AUM of accounts with performance fees	Total	Accounts without performance fees	Accounts with performance fees	Total	As a % of total category fees among accounts with performance fees	As a % of total category fees (among all accounts)
Alternative products	\$ 20.7	\$ 12.0*	\$ 8.7	\$ 119.1	\$ 70.3	\$ 48.8	\$ 10.6	17.8%	8.2%
Separate accounts/other products	213.2	167.1	46.1	505.0	431.3	73.7	1.5	2.0%	0.3%
<b>Total</b>	<b>\$ 233.9</b>	<b>\$ 179.1</b>	<b>\$ 54.8</b>	<b>\$ 624.1</b>	<b>\$ 501.6</b>	<b>\$ 122.5</b>	<b>\$ 12.1</b>	<b>9.0%</b>	<b>1.9%</b>

\* Certain legacy Landmark Funds include a carried interest component in which we do not participate and which is not consolidated in our revenue. A majority of the \$12.0 billion shown here includes such Funds managed by Landmark and any carried interest earned by these Funds is not attributable to us.

[Table of Contents](#)

In aggregate, we recognized \$12.1 million in performance fees in the nine months ended September 30, 2017. Included in this number were \$(9.3) million of negative performance fees, calculated in total by each Fund that had net negative performance fees on a year-to-date basis. The negative performance fee generally represents performance adjustments in certain sub-advisory accounts. Gross performance fees earned, excluding performance fees at equity-accounted Affiliates, were 1.9% of total fees for the nine months ended September 30, 2017 and (0.4)% of total fees for the nine months ended September 30, 2016. Performance fees are typically shared with our Affiliate key employees through various contractual compensation and profit-sharing arrangements, as illustrated in the following table:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gross performance fees	\$ 0.7	\$ (1.1)	\$ 12.1	\$ (1.9)
<b>Net performance fees <sup>(1)</sup></b>	<b>\$ 1.0</b>	<b>\$ (0.8)</b>	<b>6.2</b>	<b>(1.1)</b>
Percentage of performance fees accruing to OMAM <sup>(2)</sup>	142.9%	72.7 %	51.2%	57.9 %
Gross performance fees as a percentage of total fees <sup>(3)</sup>	0.3%	(0.6)%	1.9%	(0.4)%

(1) Net performance fees are shown after the effect of contractual variable compensation and distributions to key employees of the Affiliates and represent the amount of the performance fee directly attributable to our shareholders.

(2) Reflects net performance fees as a percentage of gross performance fees. Net performance fees can be greater than gross performance fees when the Affiliate employees' share of the negative performance fees are greater than the corresponding percentages of the positive fees earned.

(3) Total fees, comprised of management fees and performance fees, excluding the effect of consolidated Funds, were \$222.4 million for the three months ended September 30, 2017, and \$170.7 million for the three months ended September 30, 2016. Total fees were \$636.2 million for the nine months ended September 30, 2017 and \$476.6 million for the nine months ended September 30, 2016.

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Performance fees increased \$1.8 million, from \$(1.1) million for the three months ended September 30, 2016 to \$0.7 million for the three months ended September 30, 2017. Performance fees can be variable and are contractually triggered based on investment performance results over agreed upon time periods. The increase was primarily attributable to reductions in the levels of aforementioned net negative performance fees along with higher performance fees earned in global/non-U.S. products.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Performance fees increased \$14.0 million, from \$(1.9) million for the nine months ended September 30, 2016 to \$12.1 million for the nine months ended September 30, 2017. Performance fees can be variable and are contractually triggered based on investment performance results over agreed upon time periods. The increase was primarily attributable to a performance fee earned on an alternative product in the second quarter.

The liquidation of an alternative product may result in the recognition of a performance fee. With respect to liquidations likely to occur in the near term, we do not expect to receive any net performance fees that would be material to our operating results. These projections are based on market conditions and investment performance as of September 30, 2017.

### **Other Revenue**

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Other revenue was unchanged, amounting to \$0.1 million for the three months ended September 30, 2016 and \$0.1 million for the three months ended September 30, 2017.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016 : Other revenue increased \$0.3 million , or 100.0% , from \$0.3 million for the nine months ended September 30, 2016 to \$0.6 million for the nine months ended September 30, 2017 . The increase for the nine months ended September 30, 2017 was primarily attributable to consulting services offered by an Affiliate in 2017.

### U.S. GAAP Expenses

Our U.S. GAAP expenses principally consist of:

- i. compensation paid to our investment professionals and other employees, including base salary, benefits, sales-based compensation, variable compensation, Affiliate distributions, revaluation of key employee owned Affiliate equity and profit interests, and the amortization of acquisition-related consideration and pre-acquisition employee equity;
- ii. general and administrative expenses;
- iii. amortization of acquired intangible assets;
- iv. depreciation and amortization charges; and
- v. expenses of consolidated Funds, the net cost of which is attributable to the holders of non-controlling interests.

### Compensation and Benefits Expense

Our most significant category of expense is compensation and benefits awarded to our and our Affiliates' employees. The following table presents the components of U.S. GAAP compensation expense for the three and nine months ended September 30, 2017 and 2016 :

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Fixed compensation and benefits <sup>(1)</sup>	\$ 42.8	\$ 36.3	\$ 127.1	\$ 105.7
Sales-based compensation <sup>(2)</sup>	4.6	4.3	13.5	13.5
Variable compensation <sup>(3)</sup>	61.5	45.7	182.6	124.1
Affiliate key employee distributions <sup>(4)</sup>	19.9	11.3	51.3	28.8
Non-cash Affiliate key employee equity revaluations <sup>(5)</sup>	35.8	(6.4)	71.0	(8.8)
Acquisition-related consideration and pre-acquisition employee equity <sup>(6)</sup>	17.6	8.8	52.9	8.8
<b>Total U.S. GAAP compensation and benefits expense</b>	<b>\$ 182.2</b>	<b>\$ 100.0</b>	<b>\$ 498.4</b>	<b>\$ 272.1</b>

(1) Fixed compensation and benefits include base salaries, payroll taxes and the cost of benefit programs provided. For the three and nine months ended September 30, 2017 , \$42.8 million and \$126.6 million , respectively, of fixed compensation and benefits (of the \$42.8 million and \$127.1 million above) is included within economic net income, which excludes the compensation and benefits associated with the CEO transition costs.

(2) Sales-based compensation is paid to us and our Affiliates' sales and distribution teams and represents compensation earned by our sales professionals, paid over a multi-year period, related to revenue earned on new sales. Its variability is based upon the structure of sales-based compensation due on inflows of assets under management in both current and prior periods.

- (3) Variable compensation is contractually set and calculated individually at each Affiliate, plus Center bonuses. Variable compensation is usually awarded based on a contractual percentage of each Affiliate’s ENI profits before variable compensation and may be paid in the form of cash or non-cash Affiliate equity or profit interests. In Affiliates with an agreed split of performance fees between Affiliate employees and OMAM, the Affiliates’ share of performance fees is allocated entirely to variable compensation. Center variable compensation includes cash and OMAM equity. Non-cash variable compensation awards typically vest over several years and are recognized as compensation expense over that service period. The variable compensation ratio at each Affiliate, calculated as variable compensation divided by ENI earnings before variable compensation, will typically be between 25% and 35%.

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cash variable compensation	\$ 56.8	\$ 39.4	\$ 162.2	\$ 105.0
Non-cash equity-based award amortization	4.7	6.3	20.4	19.1
<b>Total variable compensation <sup>(a)</sup></b>	<b>\$ 61.5</b>	<b>\$ 45.7</b>	<b>\$ 182.6</b>	<b>\$ 124.1</b>

- (a) For the three and nine months ended September 30, 2017, \$61.5 million and \$173.8 million, respectively, of variable compensation expense (of the \$61.5 million and \$182.6 million above) is included within economic net income, which excludes the variable compensation associated with the CEO transition costs.
- (4) Affiliate key employee distributions represent the share of Affiliate profits after variable compensation that is attributable to Affiliate key employee equity and profit interests holders, according to their ownership interests. The Affiliate key employee distribution ratio at each Affiliate is calculated as Affiliate key employee distributions divided by ENI operating earnings at that Affiliate. At certain Affiliates, OMUS is entitled to an initial preference over profits after variable compensation, structured such that before a preference threshold is reached, there would be no required key employee distributions, whereas for profits above the threshold the key employee distribution amount would be calculated based on the key employee economic percentages, which range from approximately 20% to 40% at our consolidated Affiliates.
- (5) Non-cash Affiliate key employee equity revaluations represent changes in the value of Affiliate equity and profit interests held by Affiliate key employees. These ownership interests may in certain circumstances be repurchased by OMUS at a value based on a pre-determined fixed multiple of trailing earnings and as such this value is carried on our balance sheet as a liability. However, any equity or profit interests repurchased by OMUS can be used to fund a portion of future variable compensation awards, resulting in savings in cash variable compensation that offset the negative cash effect of repurchasing the equity. Our Affiliate equity and profit interest plans have been designed to ensure OMUS is not required to repurchase more equity than we can reasonably recycle through variable compensation awards in any given twelve month period. OMUS may also choose to retain repurchased Affiliate equity or profit interests, entitling us to an additional share of future Affiliate earnings that represents an unrecognized economic asset to us.
- (6) Acquisition-related consideration and pre-acquisition employee equity represents the amortization of acquisition-related contingent consideration created as a result of the Landmark transaction. It also includes the value of employee equity owned pre-acquisition. These items have been included in U.S. GAAP compensation expense as a result of ongoing service requirements for employee recipients.



Fluctuations in compensation and benefits expense for the periods presented are discussed below.

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Compensation and benefits expense increased \$82.2 million , or 82.2% , from \$100.0 million for the three months ended September 30, 2016 to \$182.2 million for the three months ended September 30, 2017 . Fixed compensation and benefits increased \$6.5 million , or 17.9% , from \$36.3 million for the three months ended September 30, 2016 to \$42.8 million for the three months ended September 30, 2017 . This reflects the effect of the Landmark acquisition as well as new hires and annual cost of living increases. Variable compensation increased \$15.8 million , or 34.6% , from \$45.7 million for the three months ended September 30, 2016 to \$61.5 million for the three months ended September 30, 2017 , due to the higher pre-variable compensation earnings, in part reflecting the effect of the Landmark transaction. Sales-based compensation increased \$0.3 million , or 7.0% , from \$4.3 million for the three months ended September 30, 2016 to \$4.6 million for the three months ended September 30, 2017 , as a result of the structure of sales-based compensation due to the timing of asset inflows triggering sales-based compensation in both current and prior periods. Affiliate key employee distributions increased \$8.6 million , or 76.1% , from \$11.3 million for the three months ended September 30, 2016 to \$19.9 million for the three months ended September 30, 2017 as a result of higher underlying operating earnings, the levered structure of distributions at certain Affiliates, and the effect of the Landmark transaction, as Landmark employees own 40% of their business. Revaluations of Affiliate equity increased by \$42.2 million reflecting revaluations of key employee ownership interests at our consolidated Affiliates, and Landmark in particular, as the value of Affiliate equity decreased \$(6.4) million in the three months ended September 30, 2016 and increased \$35.8 million in the three months ended September 30, 2017 . Acquisition-related consideration and pre-acquisition equity increased \$8.8 million , or 100.0% , from \$8.8 million for the three months ended September 30, 2016 to \$17.6 million for the three months ended September 30, 2017 and represents amortization of the value of contingent consideration and employee-owned equity, related to Landmark, recorded as compensation under U.S. GAAP due to certain service requirements associated with the arrangements. The increase in compensation resulting from the amortization of acquisition-related consideration and pre-acquisition employee equity, as well as the non-cash Affiliate key employee equity revaluations and increased variable compensation, all of which were impacted by the Landmark transaction, were the primary reasons for the reduction of our U.S. GAAP operating margin.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Compensation and benefits expense increased \$226.3 million , or 83.2% , from \$272.1 million for the nine months ended September 30, 2016 to \$498.4 million for the nine months ended September 30, 2017 . Fixed compensation and benefits increased \$21.4 million , or 20.2% , from \$105.7 million for the nine months ended September 30, 2016 to \$127.1 million for the nine months ended September 30, 2017 . This reflects annual cost of living increases, new hires and higher compensation costs as a result of the Landmark acquisition. Additionally, \$0.5 million of the increase is attributable to CEO transition costs incurred in the second quarter of 2017. Variable compensation increased \$58.5 million , or 47.1% , from \$124.1 million for the nine months ended September 30, 2016 to \$182.6 million for the nine months ended September 30, 2017 . The increase was attributable to higher pre-variable compensation earnings, including the acquisition of Landmark, which in turn was primarily attributable to increases in management fee revenue. Additionally, \$8.8 million of the increase is attributable to CEO transition costs incurred in the second quarter of 2017. Sales-based compensation was unchanged, at \$13.5 million for the nine months ended September 30, 2016 and \$13.5 million for the nine months ended September 30, 2017 . The structure of sales-based compensation allows for variability in this expense due to the timing of asset inflows triggering sales-based compensation in both current and prior periods. Affiliate key employee distributions increased \$22.5 million , or 78.1% , from \$28.8 million for the nine months ended September 30, 2016 to \$51.3 million for the nine months ended September 30, 2017 primarily as a result of higher earnings before Affiliate key employee distributions at the consolidated Affiliates and the levered structure of distributions at certain Affiliates, combined with the effect of the Landmark transaction, where employees retain a 40% ownership position. Revaluations of Affiliate equity increased by \$79.8 million , reflecting revaluations of key employee ownership interests at our consolidated Affiliates, and Landmark in particular, as the value of Affiliate equity decreased \$(8.8) million in the nine months ended September 30, 2016 and increased \$71.0 million in the nine months ended September 30, 2017 . Acquisition-related consideration and pre-acquisition equity increased \$44.1 million , or 501.1% , from \$8.8 million for the nine months ended September 30, 2016 to \$52.9 million for the nine months ended September 30, 2017 and represents amortization of the value of contingent consideration and employee-owned equity, related to Landmark, recorded as compensation under U.S. GAAP due to

certain service requirements associated with the arrangements. The increase in compensation resulting from the amortization of acquisition-related consideration and pre-acquisition employee equity, as well as the non-cash Affiliate key employee equity revaluations and increased variable compensation, all of which were impacted by the Landmark transaction, were the primary reasons for the reduction of our U.S. GAAP operating margin.

***General and Administrative Expense***

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : General and administrative expense increased \$0.4 million , or 1.5% , from \$27.2 million for the three months ended September 30, 2016 to \$27.6 million for the three months ended September 30, 2017 . The increases in general and administrative expenses primarily reflect new initiatives and the impact of Landmark, offset by efficiencies of scale.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : General and administrative expense increased \$9.2 million , or 12.8% , from \$71.7 million for the nine months ended September 30, 2016 to \$80.9 million for the nine months ended September 30, 2017 , driven by systems costs, new initiatives and the impact of Landmark.

***Amortization of Acquired Intangibles Expense***

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Amortization of acquired intangibles expense increased \$0.7 million , or 77.8% , from \$0.9 million for the three months ended September 30, 2016 to \$1.6 million for the three months ended September 30, 2017 . The increase reflects the amortization of intangible assets acquired in the Landmark transaction.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Amortization of acquired intangibles expense increased \$3.9 million , or 390.0% , from \$1.0 million for the nine months ended September 30, 2016 to \$4.9 million for the nine months ended September 30, 2017 . The increase reflects the amortization of intangible assets acquired in the Landmark transaction.

***Depreciation and Amortization Expense***

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Depreciation and amortization expense increased \$0.7 million , or 28.0% , from \$2.5 million for the three months ended September 30, 2016 to \$3.2 million for the three months ended September 30, 2017 . The increase was primarily due to additional fixed asset and technology investments in the business.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Depreciation and amortization expense increased \$1.6 million , or 23.2% , from \$6.9 million for the nine months ended September 30, 2016 to \$8.5 million for the nine months ended September 30, 2017 . The increase was primarily due to additional fixed asset and technology investments in the business.

## **U.S. GAAP Other Non-Operating Items of Income and Expense**

Other non-operating items of income and expense consist of:

- i. investment income;
- ii. interest income; and
- iii. interest expense.

### ***Investment Income***

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Investment income increased \$3.8 million , or 67.9% , from \$5.6 million for the three months ended September 30, 2016 to \$9.4 million for the three months ended September 30, 2017 , primarily due to higher returns on seed capital investments following the purchase of approximately \$40 million in seed capital from OM plc in September 2016 and approximately \$63 million in July 2017.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Investment income increased \$6.9 million , or 50.7% , from \$13.6 million for the nine months ended September 30, 2016 to \$20.5 million for the nine months ended September 30, 2017 . In the first quarter of 2017, an Affiliate of the Company sold a cost-basis investment in timber and timberlands for a net gain of \$1.7 million. The remainder of the increase is primarily due to higher amounts of seed capital deployed and increased gains on those seed investments.

### ***Interest Income***

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Interest income decreased \$(0.2) million , from \$0.3 million for the three months ended September 30, 2016 to \$0.1 million for the three months ended September 30, 2017 . The decrease was due to lower cash balances in the quarter.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Interest income increased \$0.2 million , from \$0.3 million for the nine months ended September 30, 2016 to \$0.5 million for the nine months ended September 30, 2017 . The increase was due to higher average cash balances in 2017.

### ***Interest Expense***

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Interest expense increased \$2.0 million , or 45.5% , from \$4.4 million for the three months ended September 30, 2016 to \$6.4 million for the three months ended September 30, 2017 , reflecting the issuance of \$400 million in long-term debt in July 2016 and interest on a non-recourse seed facility from July 2017.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Interest expense increased \$12.8 million , or 237.0% , from \$5.4 million for the nine months ended September 30, 2016 to \$18.2 million for the nine months ended September 30, 2017 , primarily reflecting the issuance of \$400 million in long-term debt in July 2016.

## **U.S. GAAP Income Tax Expense**

Our effective tax rate has been impacted primarily by adjustments to reserves for uncertain tax positions, adjustments to the valuation allowance for deferred tax assets, the mix of income earned in the United States versus lower-taxed foreign jurisdictions and benefits from intercompany financing arrangements. Our effective tax rate could be impacted in the future by these items as well as changes in tax laws and regulations in jurisdictions in which we operate.

## [Table of Contents](#)

The tax expense (benefit) for the three and nine months ended September 30, 2017, reflects the impact of adjusting to a lower estimated annual effective tax rate caused by decreases in anticipated income from continuing operations before tax and the increased impact from the benefit of intercompany interest.

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Income tax expense decreased \$(12.4) million, from \$7.3 million for the three months ended September 30, 2016 to \$(5.1) million for the three months ended September 30, 2017. The decrease relates primarily to the lower estimated annual effective tax rate mentioned above, decreases in income from continuing operations before tax and the benefit of the intercompany interest expense.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Income tax expense decreased \$(32.3) million, or (95.6)% , from \$33.8 million for the nine months ended September 30, 2016 to \$1.5 million for the nine months ended September 30, 2017. The decrease relates primarily to decreases in income from continuing operations before tax and adjustments to uncertain tax positions. In 2016 the adjustment for uncertain tax positions increased the income tax expense and in 2017 the adjustments to uncertain tax positions, primarily reflecting the expiration of the statute of limitations, decreased the income tax expense. The effective tax rate decreased to 2.7% for the nine months ended September 30, 2017 from 25.3% for the nine months ended September 30, 2016 due to decreases in income from continuing operations before tax and the benefit of the intercompany interest expense.

On July 13, 2017, or the Effective Date, the U.K. published revised draft legislation to be included in the U.K. Finance Bill (No. 2) 2017, or the Finance Bill, that would impact our tax position as of the Effective Date. The legislation is expected to receive Royal Assent later in the year and there is still scope for changes to be made as the Finance Bill is finalized. If this legislation is enacted as proposed, our U.K. tax liability is expected to increase by approximately \$2.4 million in the fourth quarter of 2017 and \$10 million annually in 2018 and thereafter. While we continue to explore alternative structures that comply with these new tax rules, given the Effective Date, we expect to record the incremental U.K. tax as of that date, following enactment of the Finance Bill. In the event that the proposed legislation is enacted as proposed in the fourth quarter of 2017, the impact to our 2017 GAAP EPS would be approximately \$(0.02) per share.

### **U.S. GAAP Consolidated Funds**

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : Funds consolidation for the three months ended September 30, 2017 reflected consolidated Funds' revenue of \$0.7 million, consolidated Funds' expense of \$0.3 million and consolidated Funds' investment gain of \$3.4 million. We did not consolidate results from operations of any Funds in the three months ended September 30, 2016.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : Funds consolidation for the nine months ended September 30, 2017 reflected consolidated Funds' revenue of \$1.4 million, consolidated Funds' expense of \$0.8 million and consolidated Funds' investment gain of \$9.9 million. We did not consolidate results from operations of any Funds in the nine months ended September 30, 2016.

### **Discontinued Operations**

*Three months ended September 30, 2017 compared to three months ended September 30, 2016* : All of our discontinued operations were wound down, sold, or transferred to OM plc prior to 2016 and there were no results from discontinued operations in either the three months ended September 30, 2016 or September 30, 2017. Discontinued operations consisted of a loss on disposal of \$(0.4) million for the three months ended September 30, 2016, net of tax, representing incremental losses from disposals in that period. There was no gain or loss on disposal in the three months ended September 30, 2017.

*Nine months ended September 30, 2017 compared to nine months ended September 30, 2016* : All of our discontinued operations were wound down, sold, or transferred to OM plc prior to 2016 and there were no results from discontinued operations in either the nine months ended September 30, 2016 or September 30, 2017.

Discontinued operations consisted of a gain on disposal of \$1.2 million for the nine months ended September 30, 2016 and a loss on disposal of \$(0.1) million for the nine months ended September 30, 2017, in each case net of tax, representing incremental gains and (losses) from disposals in each period. Gains and losses on disposal of discontinued operations represent our rights or obligations related to contractual residual interests in previously discontinued operations.

### Key U.S. GAAP Operating Metrics

The following table shows our key U.S. GAAP operating metrics for the three and nine months ended September 30, 2017 and 2016. In the third quarter of 2016 and in the three and nine months ended September 30, 2017, due to the purchase of certain seed capital investments from OM plc, we consolidated certain Funds. The second, third and fourth metrics below have each been adjusted to eliminate the effect of consolidated Funds to more accurately reflect the economics of our Company.

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator: Operating income	\$ 8.3	\$ 40.2	\$ 44.7	\$ 125.2
Denominator: Total revenue	\$ 223.2	\$ 170.8	\$ 638.2	\$ 476.9
<b>U.S. GAAP operating margin <sup>(1)</sup></b>	<b>3.7%</b>	<b>23.5%</b>	<b>7.0%</b>	<b>26.3%</b>
Numerator: Total operating expenses <sup>(2)</sup>	\$ 214.6	\$ 130.6	\$ 592.7	\$ 351.7
Denominator: Management fee revenue	\$ 221.7	\$ 171.8	\$ 624.1	\$ 478.5
<b>U.S. GAAP operating expense / management fee revenue <sup>(3)</sup></b>	<b>96.8%</b>	<b>76.0%</b>	<b>95.0%</b>	<b>73.5%</b>
Numerator: Variable compensation	\$ 61.5	\$ 45.7	\$ 182.6	\$ 124.1
Denominator: Operating income before variable compensation and Affiliate key employee distributions <sup>(2)(4)(5)</sup>	\$ 89.3	\$ 97.2	\$ 278.0	\$ 278.1
<b>U.S. GAAP variable compensation ratio <sup>(3)</sup></b>	<b>68.9%</b>	<b>47.0%</b>	<b>65.7%</b>	<b>44.6%</b>
Numerator: Affiliate key employee distributions	\$ 19.9	\$ 11.3	\$ 51.3	\$ 28.8
Denominator: Operating income before Affiliate key employee distributions <sup>(2)(4)(5)</sup>	\$ 27.8	\$ 51.5	\$ 95.4	\$ 154.0
<b>U.S. GAAP Affiliate key employee distributions ratio <sup>(3)</sup></b>	<b>71.6%</b>	<b>21.9%</b>	<b>53.8%</b>	<b>18.7%</b>

(1) Excluding the effect of Funds consolidation in the applicable periods, the U.S. GAAP operating margin is 3.6% for the three months ended September 30, 2017, 23.5% for the three months ended September 30, 2016, 6.9% for the nine months ended September 30, 2017 and 26.3% for the nine months ended September 30, 2016.

(2) Excludes consolidated Funds expense of \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2017, respectively. We did not consolidate results from operations of any Funds in the three and nine months ended September 30, 2016.

(3) Excludes the effect of Funds consolidation for the three and nine months ended September 30, 2017. We did not consolidate results from operations of any Funds in the three and nine months ended September 30, 2016.

(4) Excludes consolidated Funds revenue of \$0.7 million and \$1.4 million for the three and nine months ended September 30, 2017, respectively. We did not consolidate results from operations of any Funds in the three and nine months ended September 30, 2016.

- (5) The following table identifies the components of operating income before variable compensation and Affiliate key employee distributions, as well as operating income before Affiliate key employee distributions:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Operating income</b>	\$ 8.3	\$ 40.2	\$ 44.7	\$ 125.2
Affiliate key employee distributions	19.9	11.3	51.3	28.8
Operating income of consolidated Funds	(0.4)	—	(0.6)	—
<b>Operating income before Affiliate key employee distributions</b>	<b>27.8</b>	<b>51.5</b>	<b>95.4</b>	<b>154.0</b>
Variable compensation	61.5	45.7	182.6	124.1
<b>Operating income before variable compensation and Affiliate key employee distributions</b>	<b>\$ 89.3</b>	<b>\$ 97.2</b>	<b>\$ 278.0</b>	<b>\$ 278.1</b>

#### Effects of Inflation

For the three and nine months ended September 30, 2017 and 2016, inflation did not have a material effect on our consolidated results of operations.

#### Non-GAAP Supplemental Performance Measure — Economic Net Income

As supplemental information, we provide a non-GAAP performance measure that we refer to as economic net income, or ENI, which represents our management's view of the underlying economic earnings generated by us. We define economic net income as ENI revenue less (i) ENI operating expenses, (ii) variable compensation, (iii) key employee distributions, (iv) net interest and (v) taxes, each as further discussed in this section. ENI adjustments to U.S. GAAP include both reclassifications of U.S. GAAP revenue and expense items, as well as adjustments to U.S. GAAP results, primarily to exclude non-cash, non-economic expenses, or to reflect cash benefits not recognized under U.S. GAAP.

ENI is an important measure to investors because it is used by the Company to make resource allocation decisions, determine appropriate levels of investment or dividend payout, manage balance sheet leverage, determine Affiliate variable compensation and equity distributions, and incentivize management. It is also an important measure because it assists management in evaluating our operating performance and is presented in a way that most closely reflects the key elements of our profit share operating model with our Affiliates. For a further discussion of how we use ENI and why ENI is useful to investors, see “—Overview—How We Measure Performance.” Please note the following refinements to our definition of economic net income undertaken in light of transactions which closed in the third quarter of 2016. Items (iv) and (v) reflect the breakout of line items which have always been part of our definition of ENI that have now become more meaningful in light of our purchase of seed capital from OM plc on September 15, 2016 and the acquisition of Landmark Partners as of August 18, 2016. We have also added additional explanatory language to item (ii) in light of the treatment of a portion of the purchase price and non-controlling interests from Landmark Partners as compensation for U.S. GAAP purposes.

To calculate economic net income, we re-categorize certain line items on our Statement of Operations to reflect the following:

- We exclude the effect of Funds consolidation by removing the portion of Fund revenues, expenses and investment return which were not attributable to our shareholders.
- We include within management fee revenue any fees paid to Affiliates by consolidated Funds, which are viewed as investment income under U.S. GAAP.
- We include our share of earnings from equity-accounted Affiliates within other income in ENI revenue, rather than investment income.

## [Table of Contents](#)

- We treat sales-based compensation as a general and administrative expense, rather than part of fixed compensation and benefits.
- We identify separately from operating expenses variable compensation and Affiliate key employee distributions, which represent Affiliate earnings shared with Affiliate key employees.

We also make the following adjustments to U.S. GAAP results to more closely reflect our economic results:

- i. We exclude non-cash expenses representing changes in the value of Affiliate equity and profit interests held by Affiliate key employees. These ownership interests may in certain circumstances be repurchased by OMUS at a value based on a pre-determined fixed multiple of trailing earnings and as such this value is carried on our balance sheet as a liability. Non-cash movements in the value of this liability are treated as compensation expense under U.S. GAAP. However, any equity or profit interests repurchased by OMUS can be used to fund a portion of future variable compensation awards, resulting in savings in cash variable compensation that offset the negative cash effect of repurchasing the equity. Our Affiliate equity and profit interest plans have been designed to ensure OMUS is never required to repurchase more equity than we can reasonably recycle through variable compensation awards in any given twelve month period. OMUS may also choose to retain repurchased Affiliate equity or profit interests, entitling us to an additional share of future Affiliate earnings that represents an unrecognized economic asset to us.
- ii. We exclude non-cash amortization or impairment expenses related to acquired goodwill and other intangibles as these are non-cash charges that do not result in an outflow of tangible economic benefits from the business. We also exclude the amortization of acquisition-related contingent consideration, as well as the value of employee equity owned pre-acquisition, as occurred as a result of the Landmark transaction, where such items have been included in compensation expense as a result of ongoing service requirements for certain employees. Please note that the revaluations related to these acquisition-related items are included in (i) above.
- iii. We exclude capital transaction costs, including the costs of raising debt or equity, gains or losses realized as a result of redeeming debt or equity and direct incremental costs associated with acquisitions of businesses or assets.
- iv. We exclude seed capital and co-investment gains, losses and related financing costs. The net returns on these investments are considered and presented separately from ENI because ENI is primarily a measure of our earnings from managing client assets, which therefore differs from earnings generated by our investments in Affiliate products, which can be variable from period to period.
- v. We include cash tax benefits associated with deductions allowed for acquired intangibles and goodwill that may not be recognized or have timing differences compared to U.S. GAAP.
- vi. We exclude the results of discontinued operations attributable to controlling interests since they are not part of our ongoing business, and restructuring costs incurred in continuing operations which represent an exit from a distinct product or line of business.
- vii. We exclude deferred tax resulting from changes in tax law and expiration of statutes, adjustments for uncertain tax positions, deferred tax attributable to intangible assets and other unusual items not related to current operating results to reflect ENI tax normalization.

We also adjust our income tax expense to reflect any tax impact of our ENI adjustments.

## Reconciliation of U.S. GAAP Net Income to Economic Net Income for the Three and Nine Months Ended September 30, 2017 and 2016

The following table reconciles net income attributable to controlling interests to economic net income for the three and nine months ended September 30, 2017 and 2016 :

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>U.S. GAAP net income attributable to controlling interests</b>	\$ 18.7	\$ 34.0	\$ 53.0	\$ 101.1
<i>Adjustments to reflect the economic earnings of the Company:</i>				
i. Non-cash key employee-owned equity and profit interest revaluations	35.8	(6.4)	71.0	(8.8)
ii. Amortization of acquired intangible assets, acquisition-related consideration and pre-acquisition employee equity	19.2	9.7	57.8	9.8
iii. Capital transaction costs	—	4.4	—	6.1
iv. Seed/Co-investment (gains) losses and financings <sup>(1)</sup>	(4.7)	0.2	(13.4)	(0.5)
v. Tax benefit of goodwill and acquired intangibles deductions	2.2	1.7	6.7	3.0
vi. Discontinued operations and restructuring <sup>(2)</sup>	0.3	0.4	9.7	(1.2)
vii. ENI tax normalization	(4.5)	(2.9)	(2.3)	(0.7)
Tax effect of above adjustments, as applicable <sup>(3)</sup>	(20.3)	(3.1)	(50.3)	(2.6)
<b>Economic net income</b>	<b>\$ 46.7</b>	<b>\$ 38.0</b>	<b>\$ 132.2</b>	<b>\$ 106.2</b>

- (1) The net return on seed/co-investment (gains) losses and financings for the three and nine months ended September 30, 2017 and 2016 is shown in the following table:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Seed/Co-investment (gains) losses	\$ (6.3)	\$ (0.6)	\$ (16.6)	\$ (1.8)
<b>Financing costs:</b>				
Seed/Co-investment average balance	119.8	72.0	80.8	69.9
Blended interest rate*	5.0%	4.7%	5.3%	2.5%
Financing costs	1.6	0.8	3.2	1.3
<b>Net seed/co-investment (gains) losses and financing</b>	<b>\$ (4.7)</b>	<b>\$ 0.2</b>	<b>\$ (13.4)</b>	<b>\$ (0.5)</b>

\* Prior to the July 2016 bond issuances, the blended interest rate was based on the Company's interest rate on its revolving credit facility. Subsequent to the 2016 bond issuance and the establishment of OMAM's non-recourse seed capital facility in July 2017, the blended rate is based first on the interest rate paid on the Company's non-recourse seed capital facility up to the average amount drawn, and thereafter on the weighted average rate of the long-term debt.

- (2) Included in restructuring in the three months ended September 30, 2017 is \$0.2 million for CEO recruiting costs. Included in restructuring for the nine months ended September 30, 2017 is \$9.5 million related to CEO transition costs, comprised of \$0.5 million of fixed compensation and benefits, \$8.8 million of variable compensation and \$0.2 million of recruiting costs.
- (3) Reflects the sum of line items i, ii, iii, iv and the restructuring component of line vi taxed at the 40.2% U.S. statutory rate (including state tax).



### Limitations of Economic Net Income

Economic net income is the key measure our management uses to evaluate the financial performance of, and make operational decisions for, our business. Economic net income is not audited and is not a substitute for net income or other performance measures that are derived in accordance with U.S. GAAP. Furthermore, our calculation of economic net income may differ from similarly titled measures provided by other companies.

Because the calculation of economic net income excludes certain ongoing expenses, including amortization expense and certain compensation costs, it has certain material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures of earnings.

### ENI Revenues

The following table reconciles U.S. GAAP revenue to ENI revenue for the three and nine months ended September 30, 2017 and 2016 :

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
U.S. GAAP revenue	\$ 223.2	\$ 170.8	\$ 638.2	\$ 476.9
Include investment return on equity-accounted Affiliates	5.7	5.0	11.2	11.8
Exclude revenue from consolidated Funds attributable to non-controlling interests	(0.7)	—	(1.4)	—
Other	—	—	0.4	—
<b>ENI revenue</b>	<b>\$ 228.2</b>	<b>\$ 175.8</b>	<b>\$ 648.4</b>	<b>\$ 488.7</b>

The following table identifies the components of ENI revenue:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Management fees <sup>(1)</sup>	\$ 221.7	\$ 171.8	\$ 624.1	\$ 478.5
Performance fees <sup>(2)</sup>	0.7	(1.1)	12.1	(1.9)
Other income, including equity-accounted Affiliates <sup>(3)</sup>	5.8	5.1	12.2	12.1
<b>ENI revenue</b>	<b>\$ 228.2</b>	<b>\$ 175.8</b>	<b>\$ 648.4</b>	<b>\$ 488.7</b>

(1) ENI management fees correspond to U.S. GAAP management fees.

(2) ENI performance fees correspond to U.S. GAAP performance fees.

(3) ENI other income is comprised primarily of other revenue under U.S. GAAP, plus our earnings from equity-accounted Affiliates of \$5.7 million and \$11.2 million for the three and nine months ended September 30, 2017 , respectively, and \$5.0 million and \$11.8 million for the three and nine months ended September 30, 2016 , respectively.

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
U.S. GAAP other revenue	\$ 0.1	\$ 0.1	\$ 0.6	\$ 0.3
Income from equity-accounted Affiliates	5.7	5.0	11.2	11.8
Other reconciling items	—	—	0.4	—
<b>ENI other income</b>	<b>\$ 5.8</b>	<b>\$ 5.1</b>	<b>\$ 12.2</b>	<b>\$ 12.1</b>

**ENI Operating Expenses**

The largest difference between U.S. GAAP operating expense and ENI operating expense (excluding the impact of Funds consolidation) relates to compensation. As shown in the following reconciliation, we exclude the impact of key employee equity revaluations. We also exclude the amortization of contingent purchase price and pre-acquisition equity owned by employees, both with a service requirement, associated with the Landmark acquisition. Variable compensation and Affiliate key employee distributions are also segregated out of U.S. GAAP operating expense in order to align with the manner in which these items are contractually calculated at the Affiliate level.

The following table reconciles U.S. GAAP operating expense to ENI operating expense for the three and nine months ended September 30, 2017 and 2016 .

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
U.S. GAAP operating expense	\$ 214.9	\$ 130.6	\$ 593.5	\$ 351.7
<i>Less: items excluded from economic net income</i>				
Acquisition-related consideration and pre-acquisition employee equity	(17.6)	(8.8)	(52.9)	(8.8)
Non-cash key employee equity and profit interest revaluations	(35.8)	6.4	(71.0)	8.8
Amortization of acquired intangible assets	(1.6)	(0.9)	(4.9)	(1.0)
Capital transaction costs	—	(4.4)	—	(6.1)
Restructuring costs <sup>(1)</sup>	(0.2)	—	(9.5)	—
Funds' operating expense	(0.3)	—	(0.8)	—
<i>Less: items segregated out of U.S. GAAP operating expense</i>				
Variable compensation <sup>(2)</sup>	(61.5)	(45.7)	(173.8)	(124.1)
Affiliate key employee distributions	(19.9)	(11.3)	(51.3)	(28.8)
<b>ENI operating expense</b>	<b>\$ 78.0</b>	<b>\$ 65.9</b>	<b>\$ 229.3</b>	<b>\$ 191.7</b>

(1) Included in restructuring in the three months ended September 30, 2017 is \$0.2 million for CEO recruiting costs. Included in restructuring for the nine months ended September 30, 2017 is \$9.5 million related to CEO transition costs, comprised of \$0.5 million of fixed compensation and benefits, \$8.8 million of variable compensation and \$0.2 million of recruiting costs.

(2) For the nine months ended September 30, 2017, \$182.6 million of variable compensation expense is included within U.S. GAAP net income, which includes variable compensation associated with the CEO transition costs presented in "Restructuring costs" in this table.

The following table identifies the components of ENI operating expense:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Fixed compensation & benefits <sup>(1)</sup>	\$ 42.8	\$ 36.3	\$ 126.6	\$ 105.7
General and administrative expenses <sup>(2)</sup>	32.0	27.1	94.2	79.1
Depreciation and amortization	3.2	2.5	8.5	6.9
<b>ENI operating expense</b>	<b>\$ 78.0</b>	<b>\$ 65.9</b>	<b>\$ 229.3</b>	<b>\$ 191.7</b>

(1) Fixed compensation and benefits include base salaries, payroll taxes and the cost of benefit programs provided. The following table reconciles U.S. GAAP compensation expense for the three and nine months ended September 30, 2017 and 2016 to ENI fixed compensation and benefits expense:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Total U.S. GAAP compensation expense	\$ 182.2	\$ 100.0	\$ 498.4	\$ 272.1
Acquisition-related consideration and pre-acquisition employee equity	(17.6)	(8.8)	(52.9)	(8.8)
Non-cash key employee equity and profit interest revaluations excluded from ENI	(35.8)	6.4	(71.0)	8.8
Sales-based compensation reclassified to ENI general & administrative expenses	(4.6)	(4.3)	(13.5)	(13.5)
Affiliate key employee distributions	(19.9)	(11.3)	(51.3)	(28.8)
Compensation related to restructuring expenses <sup>(a)</sup>	—	—	(9.3)	—
Variable compensation <sup>(b)</sup>	(61.5)	(45.7)	(173.8)	(124.1)
<b>ENI fixed compensation and benefits</b>	<b>\$ 42.8</b>	<b>\$ 36.3</b>	<b>\$ 126.6</b>	<b>\$ 105.7</b>

(a) Compensation related to restructuring in the nine months ended September 30, 2017 are comprised of \$0.5 million of fixed compensation and benefits and \$8.8 million of variable compensation associated with the CEO transition.

(b) For the nine months ended September 30, 2017, \$182.6 million of variable compensation expense is included within U.S. GAAP net income, which includes variable compensation associated with the CEO transition costs presented in “Compensation related to restructuring expenses” in this table.

(2) The following table reconciles U.S. GAAP general and administrative expense to ENI general and administrative expense:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
U.S. GAAP general and administrative expense	\$ 27.6	\$ 27.2	\$ 80.9	\$ 71.7
Sales-based compensation	4.6	4.3	13.5	13.5
Capital transaction costs	—	(4.4)	—	(6.1)
Restructuring costs <sup>(a)</sup>	(0.2)	—	(0.2)	—
<b>ENI general and administrative expense</b>	<b>\$ 32.0</b>	<b>\$ 27.1</b>	<b>\$ 94.2</b>	<b>\$ 79.1</b>

(a) Reflects pre-tax costs associated with the CEO transition.

### Key Non-GAAP Operating Metrics

The following table shows our key non-GAAP operating metrics for the three and nine months ended September 30, 2017 and 2016. We present these metrics because they are the measures our management uses to evaluate the profitability of our business and are useful to investors because they represent the key drivers and measures of economic performance within our business model. Please see the footnotes below for an explanation of each ratio, its usefulness in measuring the economics and operating performance of our business, and a reference to the most closely related U.S. GAAP measure:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator: ENI operating earnings <sup>(1)</sup>	\$ 88.7	\$ 64.2	\$ 245.3	\$ 172.9
Denominator: ENI revenue	\$ 228.2	\$ 175.8	\$ 648.4	\$ 488.7
<b>ENI operating margin <sup>(2)</sup></b>	<b>38.9%</b>	<b>36.5%</b>	<b>37.8%</b>	<b>35.4%</b>
Numerator: ENI operating expense	\$ 78.0	\$ 65.9	\$ 229.3	\$ 191.7
Denominator: ENI management fee revenue <sup>(3)</sup>	\$ 221.7	\$ 171.8	\$ 624.1	\$ 478.5
<b>ENI operating expense ratio <sup>(4)</sup></b>	<b>35.2%</b>	<b>38.4%</b>	<b>36.7%</b>	<b>40.1%</b>
Numerator: ENI variable compensation	\$ 61.5	\$ 45.7	\$ 173.8	\$ 124.1
Denominator: ENI earnings before variable compensation <sup>(1)(5)</sup>	\$ 150.2	\$ 109.9	\$ 419.1	\$ 297.0
<b>ENI variable compensation ratio <sup>(6)</sup></b>	<b>40.9%</b>	<b>41.6%</b>	<b>41.5%</b>	<b>41.8%</b>
Numerator: Affiliate key employee distributions	\$ 19.9	\$ 11.3	\$ 51.3	\$ 28.8
Denominator: ENI operating earnings <sup>(1)</sup>	\$ 88.7	\$ 64.2	\$ 245.3	\$ 172.9
<b>ENI Affiliate key employee distributions ratio <sup>(7)</sup></b>	<b>22.4%</b>	<b>17.6%</b>	<b>20.9%</b>	<b>16.7%</b>

(1) ENI operating earnings represents ENI earnings before Affiliate key employee distributions and is calculated as ENI revenue, less ENI operating expense, less ENI variable compensation. It differs from economic net income because it does not include the effects of Affiliate key employee distributions, net interest expense or income tax expense.

The following table reconciles U.S. GAAP operating income to ENI operating earnings:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
U.S. GAAP operating income	\$ 8.3	\$ 40.2	\$ 44.7	\$ 125.2
Include investment return on equity-accounted Affiliates	5.7	5.0	11.2	11.8
Exclude the impact of:				
Affiliate key employee-owned equity and profit interest revaluations	35.8	(6.4)	71.0	(8.8)
Amortization of acquired intangible assets, acquisition-related consideration and pre-acquisition employee equity	19.2	9.7	57.8	9.8
Capital transaction costs	—	4.4	—	6.1
Restructuring costs <sup>(a)</sup>	0.2	—	9.5	—
Other	—	—	0.4	—
Affiliate key employee distributions	19.9	11.3	51.3	28.8
Variable compensation <sup>(b)</sup>	61.5	45.7	173.8	124.1
Funds' operating (income) loss	(0.4)	—	(0.6)	—
<b>ENI earnings before variable compensation</b>	<b>150.2</b>	<b>109.9</b>	<b>419.1</b>	<b>297.0</b>
Less: ENI variable compensation	(61.5)	(45.7)	(173.8)	(124.1)
<b>ENI operating earnings</b>	<b>88.7</b>	<b>64.2</b>	<b>245.3</b>	<b>172.9</b>
Less: ENI Affiliate key employee distributions	(19.9)	(11.3)	(51.3)	(28.8)
<b>ENI earnings after Affiliate key employee distributions</b>	<b>\$ 68.8</b>	<b>\$ 52.9</b>	<b>\$ 194.0</b>	<b>\$ 144.1</b>

(a) Included in restructuring in the three months ended September 30, 2017 is \$0.2 million for CEO recruiting costs. Included in restructuring for the nine months ended September 30, 2017 is \$9.5 million related to CEO transition costs, comprised of \$0.5 million of fixed compensation and benefits, \$8.8 million of variable compensation and \$0.2 million of recruiting costs.

(b) For the nine months ended September 30, 2017, \$182.6 million of variable compensation expense is included within U.S. GAAP net income, which includes variable compensation associated with the CEO transition costs presented in "Restructuring costs" in this table.

- (2) The ENI operating margin, which is calculated before Affiliate key employee distributions, is used by management and is useful to investors to evaluate the overall operating margin of the business without regard to our various ownership levels at each of the Affiliates. The ENI operating margin is most comparable to our U.S. GAAP operating margin. Our U.S. GAAP operating margin, excluding the effect of consolidated Funds, is 3.6% for the three months ended September 30, 2017, 23.5% for the three months ended September 30, 2016, 6.9% for the nine months ended September 30, 2017 and 26.3% for the nine months ended September 30, 2016.

The ENI operating margin is important because it gives investors an understanding of the profitability of the total business relative to revenue, irrespective of the ownership position which OMAM has in each of its Affiliates. Management and investors use this ratio when comparing our profitability relative to our peer group and evaluating our ability to manage the cost structure and profitability of our business under different operating environments.

- (3) ENI management fee revenue corresponds to U.S. GAAP management fee revenue.

- (4) The ENI operating expense ratio is used by management and is useful to investors to evaluate the level of operating expense as measured against our recurring management fee revenue. We have provided this ratio since many operating expenses, including fixed compensation & benefits and general and administrative expense, are generally linked to the overall size of the business. We track this ratio as a key measure of scale economies at OMAM because in our profit sharing economic model, scale benefits both the Affiliate employees and OMAM shareholders. The ENI operating expense ratio is most comparable to the U.S. GAAP operating expense / management fee revenue ratio.
- (5) ENI earnings before variable compensation is calculated as ENI revenue, less ENI operating expense.
- (6) The ENI variable compensation ratio is used by management and is useful to investors to evaluate consolidated variable compensation as measured against our ENI earnings before variable compensation. Variable compensation is contractually set and calculated individually at each Affiliate, plus Center bonuses. Variable compensation is usually awarded based on a contractual percentage of each Affiliate's ENI earnings before variable compensation and may be paid in the form of cash or non-cash Affiliate equity or profit interests. Center variable compensation includes cash and OMAM equity. Non-cash variable compensation awards typically vest over several years and are recognized as compensation expense over that service period. The variable compensation ratio at each Affiliate, calculated as variable compensation divided by ENI earnings before variable compensation, will typically be between 25% and 35%. The ENI variable compensation ratio is most comparable to the U.S. GAAP variable compensation ratio.
- (7) The ENI Affiliate key employee distribution ratio is used by management and is useful to investors to evaluate Affiliate key employee distributions as measured against our ENI operating earnings. Affiliate key employee distributions represent the share of Affiliate profits after variable compensation that is attributable to Affiliate key employee equity and profit interests holders, according to their ownership interests. The Affiliate key employee distribution ratio at each Affiliate is calculated as Affiliate key employee distributions divided by ENI operating earnings at that Affiliate. At certain Affiliates, OMUS is entitled to an initial preference over profits after variable compensation, structured such that before a preference threshold is reached, there would be no required key employee distributions, whereas for profits above the threshold the key employee distribution amount would be calculated based on the key employee economic percentages, which range from approximately 20% to 40% at our consolidated Affiliates. The ENI Affiliate key employee distributions ratio is most comparable to the U.S. GAAP Affiliate key employee distributions ratio.

**Tax on Economic Net Income**

The following table reconciles the United States statutory tax to tax on economic net income:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Pre-tax economic net income <sup>(1)</sup>	\$ 64.2	\$ 49.4	\$ 179.6	\$ 140.2
Intercompany interest expense deductible for U.S. tax purposes	(19.7)	(18.9)	(58.6)	(54.3)
<b>Taxable economic net income</b>	<b>44.5</b>	<b>30.5</b>	<b>121.0</b>	<b>85.9</b>
Taxes at the U.S. federal and state statutory rates <sup>(2)</sup>	(17.8)	(12.2)	(48.6)	(34.5)
Other reconciling tax adjustments	0.3	0.8	1.2	0.5
<b>Tax on economic net income</b>	<b>(17.5)</b>	<b>(11.4)</b>	<b>(47.4)</b>	<b>(34.0)</b>
Add back intercompany interest expense previously excluded	19.7	18.9	58.6	54.3
<b>Economic net income</b>	<b>\$ 46.7</b>	<b>\$ 38.0</b>	<b>\$ 132.2</b>	<b>\$ 106.2</b>
Economic net income effective tax rate <sup>(3)</sup>	27.3%	23.1%	26.4%	24.3%

(1) Includes interest income and third party ENI interest expense, as shown in the following table:

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
U.S. GAAP interest income	\$ 0.1	\$ 0.3	\$ 0.5	\$ 0.3
U.S. GAAP interest expense	(6.4)	(4.4)	(18.2)	(5.4)
<b>U.S. GAAP net interest expense</b>	<b>(6.3)</b>	<b>(4.1)</b>	<b>(17.7)</b>	<b>(5.1)</b>
Other ENI interest expense exclusions <sup>(a)</sup>	1.7	0.6	3.3	1.2
<b>ENI net interest income (expense)</b>	<b>(4.6)</b>	<b>(3.5)</b>	<b>(14.4)</b>	<b>(3.9)</b>
ENI earnings after Affiliate key employee distributions <sup>(b)</sup>	68.8	52.9	194.0	144.1
<b>Pre-tax economic net income</b>	<b>\$ 64.2</b>	<b>\$ 49.4</b>	<b>\$ 179.6</b>	<b>\$ 140.2</b>

(a) Other ENI interest expense exclusions represent cost of financing on seed capital and co-investments.

(b) ENI earnings after Affiliate key employee distributions is calculated as ENI operating income (ENI revenue, less ENI operating expense, less ENI variable compensation), less Affiliate key employee distributions. Refer to “—Key Non-GAAP Operating Metrics” for a reconciliation from U.S. GAAP operating income (loss) to ENI earnings after Affiliate key employee distributions.

(2) Taxed at U.S. Federal and State statutory rate of 40.2%

(3) The economic net income effective tax rate is calculated by dividing the tax on economic net income by pre-tax economic net income.

On July 13, 2017, or the Effective Date, the U.K. published revised draft legislation to be included in the U.K. Finance Bill (No. 2) 2017, or the Finance Bill, that would impact our tax position as of the Effective Date. The legislation is expected to receive Royal Assent later in the year and there is still scope for changes to be made as the Finance Bill is finalized. If this legislation is enacted as proposed, our U.K. tax liability is expected to increase by approximately \$10 million annually in 2018 and thereafter. While we continue to explore alternative structures that comply with these new tax rules, given the Effective Date, we expect to record the incremental U.K. tax as of that

date following enactment of the Finance Bill. In the event that the proposed legislation is enacted as proposed in the fourth quarter of 2017, the impact to our 2017 ENI EPS would be approximately \$(0.03) per share.

## Capital Resources and Liquidity

### Supplemental Liquidity Measure — Adjusted EBITDA

As supplemental information, we provide information regarding Adjusted EBITDA, which we define as economic net income before net interest, income taxes, depreciation and amortization. Adjusted EBITDA is a non-GAAP liquidity measure that we provide in addition to, but not as a substitute for, cash flows from operating activities. It should be noted that our calculation of Adjusted EBITDA may not be consistent with Adjusted EBITDA as calculated by other companies. We believe Adjusted EBITDA is a useful liquidity metric because it indicates our ability to make further investments in our business, service debt and meet working capital requirements. It is also encapsulated in our line of credit as part of our liquidity covenants.

The following table reconciles our U.S. GAAP net income attributable to controlling interests to EBITDA to Adjusted EBITDA to economic net income for the three and nine months ended September 30, 2017 and 2016 .

(\$ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net income attributable to controlling interests</b>	\$ 18.7	\$ 34.0	\$ 53.0	\$ 101.1
Net interest expense to third parties	6.3	4.1	17.7	5.1
Income tax expense (including tax expenses related to discontinued operations)	(5.1)	8.4	1.5	35.5
Depreciation and amortization (including intangible assets)	4.8	3.2	13.4	7.8
<b>EBITDA</b>	\$ 24.7	\$ 49.7	\$ 85.6	\$ 149.5
Non-cash compensation costs associated with revaluation of Affiliate key employee-owned equity and profit interests	35.8	(6.4)	71.0	(8.8)
Amortization of acquisition-related consideration and pre-acquisition employee equity	17.6	8.9	52.9	8.9
EBITDA of discontinued operations	0.1	(0.7)	0.2	(2.9)
(Gain) loss on seed and co-investments	(6.3)	(0.6)	(16.6)	(1.8)
Restructuring costs <sup>(1)</sup>	0.2	—	9.5	—
Capital transaction costs	—	4.4	—	6.1
Other	(0.1)	0.1	(0.1)	—
<b>Adjusted EBITDA</b>	\$ 72.0	\$ 55.4	\$ 202.5	\$ 151.0
ENI net interest expense to third parties	(4.6)	(3.5)	(14.4)	(3.9)
Depreciation and amortization	(3.2)	(2.5)	(8.5)	(6.9)
Tax on economic net income	(17.5)	(11.4)	(47.4)	(34.0)
<b>Economic net income</b>	\$ 46.7	\$ 38.0	\$ 132.2	\$ 106.2

(1) Included in restructuring in the three months ended September 30, 2017 is \$0.2 million for CEO recruiting costs. Included in restructuring for the nine months ended September 30, 2017 is \$9.5 million related to CEO transition costs, comprised of \$0.5 million of fixed compensation and benefits, \$8.8 million of variable compensation and \$0.2 million of recruiting costs.



**Limitations of Adjusted EBITDA**

As a non-GAAP, unaudited liquidity measure and derivation of EBITDA, Adjusted EBITDA has certain material limitations. It does not include cash costs associated with capital transactions and excludes certain U.S. GAAP expenses that fall outside the definition of EBITDA. Each of these categories of expense represents costs to us of doing business, and therefore any measure that excludes any or all of these categories of expense has material limitations.

**Cash Flows**

The following table summarizes certain key financial data relating to cash flows. All amounts presented exclude consolidated Funds:

(\$ in millions)	Nine Months Ended September 30,	
	2017	2016
<b>Cash provided by (used in) <sup>(1)(2)</sup></b>		
Operating activities	\$ 170.4	\$ 58.3
Investing activities	(26.7)	(276.6)
Financing activities	(119.2)	232.9

(1) Excludes consolidated Funds.

(2) Cash flow data shown only includes cash flows from continuing operations.

**Comparison for the nine months ended September 30, 2017 and 2016**

Net cash provided by operating activities of continuing operations increased \$112.1 million, from net cash provided of \$58.3 million for the nine months ended September 30, 2016 to net cash provided of \$170.4 million for the nine months ended September 30, 2017, driven primarily by higher amortization and revaluation of non-cash compensation awards for the nine months ended September 30, 2017. Net cash provided by (used in) investing activities of continuing operations decreased \$249.9 million, from \$276.6 million used for the nine months ended September 30, 2016 to \$26.7 million used for the nine months ended September 30, 2017, driven primarily by the acquisition of Landmark in the three months ended September 30, 2016. Net cash used in financing activities of continuing operations increased \$352.1 million, from \$232.9 million provided for the nine months ended September 30, 2016 to \$119.2 million used for the nine months ended September 30, 2017, due to debt issuance which occurred in 2016 and did not recur in 2017, higher payments to OM plc under the DTA Deed, and increased share repurchases in the nine months ended September 30, 2017.

**Future Capital Needs**

We believe that our available cash and cash equivalents to be generated from operations, supplemented by short-term and long-term financing, as necessary, will be sufficient to fund current operations and capital requirements for at least the next twelve months, including our obligations under the amended Deferred Tax Asset Deed and the Landmark earn-out, as well as our day-to-day operations and future investment requirements. Refer to Note 7, Related Party Transactions in our Condensed Consolidated Financial Statements, for additional information on the amended agreements with OM plc. Our ability to secure short-term and long-term financing in the future will depend on several factors, including our future profitability, our relative levels of debt and equity and the overall condition of the credit markets.

**Long-Term Debt**

The following table summarizes our financing arrangements as of the dates indicated:

(\$ in millions)	9/30/2017	12/31/2016	Interest rate	Maturity
<b>Long-term debt of OMAM, net of issuance costs</b>				
Third party obligations:				
Revolving credit facility	\$ —	\$ —	LIBOR + 1.50% plus 0.25% commitment fee	October 15, 2019
Non-recourse seed capital facility	\$ 33.5	\$ —	LIBOR + 1.55% plus 0.95% commitment fee	July 17, 2018
Long-term bonds:				
4.80% Senior Notes Due 2026	271.8	271.6	4.80%	July 27, 2026
5.125% Senior Notes Due 2031	120.8	120.7	5.125%	August 1, 2031
<b>Total long-term debt</b>	<b>\$ 426.1</b>	<b>\$ 392.3</b>		

**Revolving Credit Facility**

On October 15, 2014, we entered into a revolving credit facility with Citibank, as administrative agent and issuing bank, and Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint lead arrangers and joint book runners (as amended, the “Credit Facility”). Pursuant to the terms of the Credit Facility, we may obtain loans on a revolving credit basis and procure the issuance of letters of credit in an aggregate amount at any time outstanding not in excess of \$350 million. The Credit Facility has a maturity date of October 15, 2019. Borrowings under the facility bear interest, at our option, at either the per annum rate equal to (a) the greatest of (i) the prime rate, (ii) the federal funds effective rate plus 0.5% and (iii) the one month Adjusted LIBO Rate plus 1.0%, plus, in each case an additional amount ranging from 0.25% to 1.00%, with such additional amount based from time to time on the ratio of our total consolidated indebtedness to Adjusted EBITDA (a “Leverage Ratio”) until either Moody’s Investor Service, Inc. or Standard & Poor’s assigned an initial rating to our senior, unsecured long-term indebtedness for borrowed money that was not subject to credit enhancement, or our credit rating, at which time such additional amount became based on our credit rating or (b) the London interbank offered rate for a period, at our election, equal to one, two, three or six months plus an additional amount ranging from 1.25% to 2.00%, with such additional amount based from time to time on our Leverage Ratio until we were assigned a credit rating, at which time such additional amount became based on our credit rating. In addition, we are charged a commitment fee based on the average daily unused portion of the revolving credit facility at a per annum rate ranging from 0.20% to 0.50%, with such amount being based from time to time on our Leverage Ratio until we were assigned a credit rating, at which time such amount became based on our credit rating.

Under the Credit Facility, the ratio of third-party borrowings to trailing twelve months Adjusted EBITDA cannot exceed 3.0x, and the Interest Coverage Ratio must not be less than 4.0x. At September 30, 2017, our ratio of third-party borrowings to trailing twelve months Adjusted EBITDA was 1.5 x and our Interest Coverage Ratio was 10.8x.

In July 2016, Moody’s Investor Service, Inc. and Standard & Poor’s each assigned an initial investment-grade rating to the our senior, unsecured long-term indebtedness. As a result of the assignment of the credit ratings, our interest rate on outstanding borrowings was set at LIBOR + 1.50% and the commitment fee on the unused portion of the revolving credit facility was set at 0.25%. Prior to the assignment of the credit ratings, our interest rate on outstanding borrowings was based on our Leverage Ratio and was set at LIBOR + 1.25% and the commitment fee on the unused portion of the revolving credit facility was set at 0.20%.

### **Non-recourse seed capital facility**

In July 2017, we purchased all remaining seed capital investments covered by the Seed Capital Management Agreement from OM plc for \$63.4 million . We financed this purchase in part through borrowings under a non-recourse seed capital facility collateralized entirely by our seed capital holdings. We entered into this facility as of July 17, 2017, and may borrow up to \$65.0 million , so long as the borrowing does not represent more than 50% of the value of the seed capital collateral. At September 30, 2017 , amounts outstanding under this non-recourse seed capital facility amounted to \$33.5 million . Since this facility is non-recourse to us beyond the seed investments themselves, drawdowns under this facility are excluded from our third party debt levels for purposes of calculating our credit ratio covenants under the revolving credit facility.

### **Long-term bonds**

In July 2016, we issued \$275.0 million of 4.80% Senior Notes due 2026 (the “2026 Notes”) and \$125.0 million of 5.125% Senior Notes due 2031 (the “2031 Notes”). We used the net proceeds of these offerings to finance the acquisition of Landmark in August 2016, purchase seed capital from OM plc, settle a Treasury rate lock contract and pay down the balance of the Revolving Credit Facility.

#### **4.80% Senior Notes Due July 2026**

The \$275.0 million 2026 Notes were sold at a discount of \$(0.5) million and we incurred debt issuance costs of \$(3.0) million , which are being amortized to interest expense over the ten-year term. The 2026 Notes can be redeemed at any time prior to the scheduled maturity in part or in aggregate, at the greater of 100% of the principal amount at that time or the sum of the remaining scheduled payments discounted at the treasury rate (as defined) plus 0.5% , together with any related accrued and unpaid interest.

#### **5.125% Senior Notes Due August 2031**

The \$125.0 million 2031 Notes incurred debt issuance costs of \$(4.3) million , which are being amortized to interest expense over the fifteen-year term. The 2031 Notes can be redeemed at any time, on or after August 1, 2019 at a redemption price equal to 100% of the principal amount together with any related accrued and unpaid interest.

### **Critical Accounting Policies and Estimates**

There have been no additional updates or changes to our critical accounting policies from those disclosed as of December 31, 2016 in our Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K filed on February 22, 2017.

#### **Revenue from contracts with customers**

In May 2014, the FASB issued ASU 2014-9, *Revenue from Contracts with Customers* . ASU 2014-9 modifies existing U.S. GAAP revenue recognition standards to more closely align with international accounting standards. Additionally, the guidance requires improved disclosures around the nature, amount, timing and uncertainty of revenue recognized. Under the standard, a company is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. Since issuing the standard, the FASB has issued several amendments, including clarifying certain components of the standard as well as delaying the mandatory adoption date of ASU 2014-9 for public entities to annual reporting periods beginning after December 15, 2017. ASU 2014-9, as amended, will be effective for us on January 1, 2018.

## [Table of Contents](#)

The guidance permits two methods of adoption; a full retrospective adoption will apply the standard to each prior reporting period presented and a modified retrospective adoption, where the cumulative effect of initially applying the guidance is recognized at the date of initial application. We will adopt the standard using the modified retrospective method.

We have substantially completed our detailed assessment of contractual arrangements and, while this examination and assessment is not yet complete, we have not observed any arrangement that would cause a material change to the timing of when revenue is recognized upon transition to ASU 2014-9. The standard also requires, in certain instances, the capitalization of certain costs associated with acquiring a contract with a customer. We have determined that certain categories of sales-based compensation would therefore be capitalized and amortized over the anticipated life of the associated contract. While we are continuing to assess the magnitude of this change, we anticipate recording an entry on January 1, 2018 to retrospectively capitalize previously expensed sales-based compensation.

Significant milestones remaining in 2017 include producing a final determination of this amount to be capitalized, drafting 2018 quarterly and annual disclosures and prospectively implementing revised internal controls pursuant to the standard.

### **Forward Looking Statements**

This Quarterly Report on Form 10-Q includes forward-looking statements, as that term is used in the Private Securities Litigation Reform Act of 1995, including information relating to anticipated growth in revenues, margins or earnings, anticipated changes in our business (including a transaction with Heitman LLC), anticipated future performance of our business, the impact of the Landmark acquisition, anticipated future investment performance of our Affiliates, our expected future net cash flows, our anticipated expense levels, changes in expense, the expected effects of acquisitions, the effects of changes in tax laws and expectations regarding market conditions. The words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “can be,” “may be,” “aim to,” “may affect,” “may depend,” “intends,” “expects,” “believes,” “estimate,” “project,” and other similar expressions are intended to identify such forward-looking statements. Such statements are subject to various known and unknown risks and uncertainties and we caution readers that any forward-looking information provided by or on behalf of us is not a guarantee of future performance.

Actual results may differ materially from those in forward-looking information as a result of various factors, some of which are beyond our control, including but not limited to those discussed above and elsewhere in this Quarterly Report and in our most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 22, 2017, our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2017 and our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 10, 2017. Due to such risks and uncertainties and other factors, we caution each person receiving such forward-looking information not to place undue reliance on such statements. Further, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and we undertake no obligations to update any forward looking statement to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

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

#### Market Risk

Our exposure to market risk is directly related to the role of our Affiliates as asset managers. Substantially all of our investment management revenues are derived from our Affiliates' agreements with their clients. Under these agreements, the revenues we receive are based on the value of our assets under management or the investment performance on client accounts for which we earn performance fees. Accordingly, our revenues and net income may decline as a result of our assets under management decreasing due to depreciation of our investment portfolios. In addition, such depreciation could cause our clients to withdraw their funds in favor of investments offering higher returns or lower risk, which would cause our revenues and net income to decline further.

Our model for assessing the impact of market risk on our results uses September 30, 2017 ending AUM and management fee rates as the basis for management fee revenue calculations. With respect to performance fee revenue, we assume that relative investment performance remains the same as it was on September 30, 2017. Therefore, market-driven changes in performance fees, which are typically based on relative performance versus market indices, reflect changes in the underlying AUM used in the calculation rather than differences in relative performance as a result of a changed market environment. The basis for the analysis is performance fees earned for the twelve months ended September 30, 2017.

Our profit sharing economic structure results in a sharing of market risk between us and our employees. Approximately 50% of our ENI cost structure is variable, representing variable compensation and Affiliate key employee distributions. These variable expenses generally are linked in a formulaic manner to the profitability of the business after covering operating expenses, which include base compensation and benefits, general and administrative expenses, and depreciation and amortization. In modeling the impact of market risk, we assume that these operating expenses remain unchanged, but the resulting impact on profit driven by increases or decreases in revenue will change variable compensation and Affiliate key employee distributions in line with their formulaic calculations. Any change in pre-tax profit is tax-effected at our statutory combined state and federal rate of 40.2% to calculate profit after tax.

The value of our assets under management was \$235.9 billion as of September 30, 2017. A 10% increase or decrease in the value of our assets under management, if proportionally distributed over all of our investment strategies, asset classes and client relationships, would cause an annualized increase or decrease in our gross management fee revenues of approximately \$91.1 million based on our current weighted average fee rate of approximately 38.6 basis points, including equity-accounted Affiliates. Approximately \$55.4 billion, or 23%, of our AUM, including equity-accounted Affiliates, are in accounts subject to performance fees. Of these assets, approximately 85% are in accounts for which performance fees, or management fee adjustments, are calculated based on investment return that differs from the relative benchmark returns. Assuming the market change does not impact our relative performance, a 10% increase or decrease in AUM would have approximately a \$1.7 million impact to our gross performance fees based on our trailing twelve month performance fees of \$16.6 million as of September 30, 2017. The combined impact on our management fees and performance fees would have a direct impact on our earnings and result in an annual change of approximately \$30.1 million in our post-tax economic net income, given our current cost structure and operating model.

Equity market risk, interest rate risk, and foreign currency risk are the market risks that could have the greatest impact on our management fees, performance fees and our business profitability. Impacts on our management and performance fees can be calculated based on the percentage of AUM constituting equity investments, fixed income investments, or foreign currency denominated investments, respectively, multiplied by the relevant weighted average management fee and performance fee attributable to that asset class.

- Our equity markets-based AUM includes U.S. equities (including small cap through large cap securities and substantially value or blended investment styles) and global/non-U.S. equities (including global, non-U.S. and emerging markets securities). A 10% increase or decrease in equity markets would cause our \$201.8 billion of equity assets under management to increase or decrease by \$20.2 billion, resulting in a change in annualized

management fee revenue of \$69.8 million and an annual change in post-tax economic net income of approximately \$23.8 million, given our current cost structure, operating model, and weighted average equity fee rates of 35 basis points at the mix of strategies as of September 30, 2017 . Approximately \$46.0 billion, or 23%, of our equity markets-based AUM are in accounts subject to performance fees. Of these assets, approximately 99% are in accounts for which performance fees, or management fee adjustments, are calculated based on investment return that differs from the relative benchmark returns. Assuming the market change does not impact our relative performance, a 10% change in equity markets would not result in a material impact from performance fees on our post-tax economic net income, given our current cost structure and operating model.

- Foreign currency AUM includes equity and alternative assets denominated in foreign currencies. A 10% increase or decrease in foreign exchange rates against the U.S. dollar would cause our \$100.7 billion of foreign currency denominated AUM to increase or decrease by \$10.1 billion, resulting in a change in annualized management fee revenue of \$43.8 million and an annual change in post-tax economic net income of \$15.6 million, based on weighted average fees earned on our foreign currency denominated AUM of 44 basis points at the mix of strategies as of September 30, 2017 . Approximately \$12.5 billion, or 12%, of our foreign currency denominated AUM are in accounts subject to performance fees. Of these assets, approximately 90% are in accounts for which performance fees, or management fee adjustments, are calculated based on investment return that differs from the relative benchmark returns. Assuming the market change does not impact our relative performance, a 10% change in foreign currency exchange rates would have an approximate incremental \$0.5 million impact from performance fees on our post-tax economic net income, given our current cost structure and operating model.
- Fixed income AUM includes instruments in government bonds, corporate bonds and other fixed income investments in the United States. A change in interest rates, resulting in a 10% increase or decrease in the value of our total fixed income AUM of \$13.4 billion, would cause AUM to rise or fall by approximately \$1.3 billion. Based on our fixed income weighted average fee rates of 21 basis points, annualized management fees would change by \$2.8 million and post-tax economic net income would change by \$0.9 million annually. There are currently no material fixed income assets earning performance fees as of September 30, 2017 .

Our investment income primarily represents investments in Affiliates accounted for under the equity method. Exposure to market risks for Affiliates accounted for under the equity method is immaterial and is included in the analysis above.

While the analysis above assumes that market changes occur in a uniform manner across the relevant portfolio, because of our declining fee rates for larger relationships and differences in our fee rates across asset classes, a change in the composition of our assets under management, in particular an increase in the proportion of our total assets under management attributable to strategies, clients or relationships with lower effective fee rates, could have a material negative impact on our overall weighted average fee rate.

As is customary in the asset management industry, clients invest in particular strategies to gain exposure to certain asset classes, which exposes their investment to the benefits and risks of such asset classes. We have not adopted a corporate-level risk management policy regarding client assets, nor have we attempted to hedge at the corporate level or within individual strategies the market risks that would affect the value of our overall assets under management and related revenues. Any reduction in the value of our assets under management would result in a reduction in our revenues.

**Item 4. Controls and Procedures.**

**Controls and Procedures**

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) at September 30, 2017 . Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

***Internal Control over Financial Reporting***

There have been no changes in internal control over financial reporting during the quarter ended September 30, 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time, we and our Affiliates may be parties to various claims, suits and complaints in the ordinary course of our business. Although the amount of liability that may result from these matters cannot be ascertained, we do not currently believe that, in the aggregate, they will result in liabilities material to our consolidated financial condition, future results of operations or cash flow.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in our most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 22, 2017, under the heading “Risk Factors”, Item 8.01 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2017 and Item 1A to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2017.

### Item 6. Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
2.1	<a href="#">Purchase Agreement, dated June 13, 2016, by and among OMAM Inc., OMAM (2016 Newco) LLC, Landmark Partners, LLC, LMRK Intermediary, Inc. and the sellers named therein, incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K/A filed on July 20, 2016.</a>
3.1	<a href="#">Memorandum of Association, incorporated herein by reference to Exhibit 3.1 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.</a>
3.2	<a href="#">Articles of Association, incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 5, 2015.</a>
4.1	<a href="#">Specimen Ordinary Share Certificate, incorporated herein by reference to Exhibit 4.1 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.</a>
4.2	<a href="#">Form of Senior or Subordinated Indenture, incorporated herein by reference to Exhibit 4.2 to the Registration Statement No. 333-207781 on Form S-3 filed on November 4, 2015.</a>
4.3	<a href="#">Base Indenture, dated as of July 25, 2016, among OM Asset Management plc, as Issuer, Wilmington Trust, National Association, as Trustee, and Citibank, N.A., as Securities Administrator, incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on July 25, 2016.</a>
4.4	<a href="#">Supplemental Indenture, dated as of July 25, 2016, among OM Asset Management plc, as Issuer, Wilmington Trust, National Association, as Trustee, and Citibank, N.A., as Securities Administrator, incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on July 25, 2016.</a>
4.5	<a href="#">Form of 4.800% Note due 2026, incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on July 25, 2016.</a>



[Table of Contents](#)

<b>Exhibit No.</b>	<b>Description</b>
4.6	<a href="#">Second Supplemental Indenture, dated as of August 1, 2016, among OM Asset Management plc, as Issuer, Wilmington Trust, National Association, as Trustee, and Citibank, N.A. as Securities Administrator, incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on August 1, 2016.</a>
4.7	<a href="#">Form of 5.125% Note due 2031, incorporated herein by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on August 1, 2016.</a>
10.1	<a href="#">Revolving Credit Agreement, dated October 15, 2014, by and among OM Asset Management plc, certain lenders, and Citibank N.A., as administrative agent, with Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, as joint book runners and joint lead arrangers, incorporated herein by reference to Exhibit 10.7 to Current Report on Form 8-K filed on October 20, 2014.</a>
10.2	<a href="#">Employment Agreement with Peter L. Bain, incorporated herein by reference to Exhibit 10.2 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.</a>
10.3	<a href="#">Employment Agreement with Linda T. Gibson, incorporated herein by reference to Exhibit 10.3 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.</a>
10.4	<a href="#">OM Asset Management plc Equity Incentive Plan, incorporated herein by reference to Exhibit 10.4 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.</a>
10.5	<a href="#">OM Asset Management plc 2017 Equity Incentive Plan, incorporated herein by reference to Appendix D to the Company Proxy Statement on Form 14A filed on April 3, 2017.</a>
10.6	<a href="#">Co-Investment Deed, dated October 8, 2014, by and between OM Asset Management plc and OM Group (UK) Limited, incorporated herein by reference to Exhibit 10.2 to Current Report on Form 8-K filed on October 20, 2014.</a>
10.7	<a href="#">Intellectual Property License Agreement, dated October 8, 2014, by and among OM Asset Management plc, Old Mutual plc, and Old Mutual Life Assurance Company (South Africa) Ltd., incorporated herein by reference to Exhibit 10.3 to Current Report on Form 8-K filed on October 20, 2014.</a>
10.8	<a href="#">Deferred Tax Asset Deed, dated October 8, 2014, by and between OM Asset Management plc and OM Group (UK) Limited, incorporated herein by reference to Exhibit 10.4 to Current Report on Form 8-K filed on October 20, 2014.</a>
10.9	<a href="#">Heads of Agreement, dated as of June 13, 2016, among OM Asset Management plc and OM Group (UK) limited, amending the Deferred Tax Asset Deed, dated September 29, 2014, incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on June 14, 2016.</a>
10.10	<a href="#">Registration Rights Agreement, dated October 8, 2014, by and among OM Asset Management plc, Old Mutual plc, and OM Group (UK) Limited, incorporated herein by reference to Exhibit 10.5 to Current Report on Form 8-K filed on October 20, 2014.</a>
10.11	<a href="#">Shareholder Agreement, dated October 8, 2014, by and between OM Asset Management plc and Old Mutual plc, incorporated herein by reference to Exhibit 10.6 to Current Report on Form 8-K filed on October 20, 2014.</a>

<b>Exhibit No.</b>	<b>Description</b>
10.12	<a href="#">Form of Deed of Indemnity for Directors, incorporated herein by reference to Exhibit 10.11 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.</a>
10.13	<a href="#">Limited Liability Company Agreement of Barrow, Hanley, Mewhinney &amp; Strauss, LLC, effective January 12, 2010, incorporated herein by reference to Exhibit 10.12 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.</a>
10.14	<a href="#">Sixth Amended and Restated Limited Liability Company Agreement of Acadian Asset Management LLC, effective March 14, 2016, incorporated herein by reference to Exhibit 10.13 to Annual Report on Form 10-K filed on March 15, 2016.</a>
10.15	<a href="#">OM Asset Management plc Non-Employee Directors' Equity Incentive Plan, as Amended and Restated effective April 26, 2017, incorporated herein by reference to Appendix C to the Company's Proxy Statement on Form 14A filed on April 3, 2017.</a>
10.16	<a href="#">Form of Management Registration Rights Agreement, incorporated herein by reference to Exhibit 10.15 to Registration Statement No. 333-197106 on Form S-1 filed on September 10, 2014.</a>
10.17	<a href="#">Form of Restricted Stock Unit Award Agreement for Employees, incorporated herein by reference to Exhibit 10.17 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.</a>
10.18	<a href="#">Form of Restricted Stock Award Agreement for Employees, incorporated herein by reference to Exhibit 10.16 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.</a>
10.19	<a href="#">Form of Restricted Stock Unit Award Agreement for Non-Employee Directors, incorporated herein by reference to Exhibit 10.18 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.</a>
10.20	<a href="#">Form of Restricted Stock Unit Award Agreement for Canadian Employees, incorporated herein by reference to Exhibit 10.19 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.</a>
10.21	<a href="#">Form of Restricted Stock Unit Award Agreement for Hong Kong Employees, incorporated herein by reference to Exhibit 10.20 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.</a>
10.22	<a href="#">Form of Restricted Stock Unit Award Agreement for U.K. Employees, incorporated herein by reference to Exhibit 10.21 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.</a>
10.23	<a href="#">Form of Deed poll Instrument, incorporated herein by reference to Exhibit 10.22 to Registration Statement No. 333-197106 on Form S-1 filed on October 6, 2014.</a>
10.24	<a href="#">First Amendment dated September 1, 2015 to the Revolving Credit Agreement dated as of October 15, 2014 by and among OM Asset Management plc and Citibank, N.A., incorporated herein by reference to Exhibit 10.26 to Quarterly Report on Form 10-Q filed on August 9, 2016.</a>

[Table of Contents](#)

<b>Exhibit No.</b>	<b>Description</b>
10.25	<a href="#">Second Amendment dated March 1, 2016 to the Revolving Credit Agreement, as amended, dated as of October 15, 2014 by and among OM Asset Management plc and Citibank, N.A., incorporated herein by reference to Exhibit 10.27 to Quarterly Report on Form 10-Q filed on August 9, 2016.</a>
10.26	<a href="#">Third Amendment dated August 3, 2016 to the Revolving Credit Agreement, as amended, dated as of October 15, 2014 by and among OM Asset Management plc and Citibank, N.A., incorporated herein by reference to Exhibit 10.28 to Quarterly Report on Form 10-Q filed on August 9, 2016.</a>
10.27	<a href="#">OM Asset Management plc Executive Performance Plan, effective as of January 1, 2018, incorporated herein by reference to Appendix B to the Company's Proxy Statement on Schedule 14A, filed on April 3, 2017.</a>
10.28*	<a href="#">Form of Transition Severance Agreement</a>
31.1*	<a href="#">Certification of the Company's Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of the Company's Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2017 and 2016, (iv) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2017 and 2016, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016, and (vi) the Notes to Condensed Consolidated Financial Statements.

---

\* Filed herewith

**SIGNATURES**

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

OM Asset Management plc

Dated: November 9, 2017

By: /s/ James J. Ritchie

James J. Ritchie  
Chairman and Interim Chief Executive Officer  
(principal executive officer)

/s/ Stephen H. Belgrad

Stephen H. Belgrad Executive Vice President and Chief Financial Officer  
(principal financial officer and principal accounting officer)

**TRANSITION SEVERANCE AGREEMENT**

THIS TRANSITION SEVERANCE AGREEMENT (the “Agreement”) is made this \_\_\_\_ day of August 2017, by and between OMAM Inc., (“the Company”) and , (“the Executive”). It is intended to provide enhanced severance for a limited duration, for the purpose of retaining key talent during the Company’s leadership transition. In consideration of the mutual agreements herein contained, the parties hereto, intending to be legally bound, hereby agree as follows.

1. **TERM.** The term of this Agreement (the “Term”) shall commence on August \_\_\_\_, 2017 (the “Effective Date”) and shall continue until the earlier of (i) two (2) years following the commencement of employment by the Company’s next new permanent CEO, or (ii) the date on which the Executive’s employment is terminated by the Executive or the Company pursuant to Section 2 below.

2. **TERMINATION.** Either the Executive or the Company may terminate the Executive’s employment at any time, for any reason, upon written notice (the “Termination Date”). Any payment upon termination will be subject to the provisions of this Section 2.

a. **Termination By The Company With Cause.** The Company may terminate the Executive’s employment with Cause immediately upon written notice, subject to the terms of this Section 2(a). Upon termination of the Executive’s employment with the Company with Cause, except with respect to accrued but unpaid base salary and any vested benefits to which the Executive may be entitled under any applicable plans and programs of the Company as of the Termination Date, the Executive will not earn or be eligible for, and the Company shall not be obligated to pay the Executive, any other compensation, including any annual bonus or other amounts provided herein, and the Company shall have no further liability or obligation whatsoever to the Executive hereunder. “Cause” means: (i) the Executive’s willful or reckless misconduct, or gross, continuing or repeated negligence in the performance of the Executive’s duties and responsibilities with respect to the Company or any of its affiliates, or his or her material failure to carry out directions which are reasonable in light of the Executive’s primary duties and responsibilities, or any other conduct that results in substantial injury (monetary or otherwise) to the Company or any member of the Company Group (as defined below) or their officers, directors, employees or other agents; (ii) the Executive’s conviction of a felony, which has or could have a material adverse effect (monetary or otherwise) on the Company or any member of the Company Group or their affiliates, officers, directors, employees or other agents; (iii) the Executive’s embezzlement or misappropriation of funds, commission of any material act of dishonesty, fraud or deceit, or violation of any federal or state law applicable to the securities industry; (iv) the Executive’s material breach of a legal or fiduciary duty owed to the Company or any member of the Company Group or their officers, directors, employees or other agents; or (v) the Executive’s material breach of any provision of any agreement between the Executive and the Company or any member of the Company Group, any Company policy or practice, or any applicable law.

b. **Termination By The Executive.** The Executive may terminate the Executive's employment by providing the Company with sixty (60) days' written notice (the sixty (60) day period described in this Section 2(b) and Section 2(c) below is referred to as the "**Notice Period**"). In the event the Executive provides notice to the Company under this Section 2(b), and regardless of whether the Company terminates the Executive prior to the expiration of the Notice Period, the Executive shall be eligible to receive during the Notice Period (i) the Executive's current base salary and (ii) continuation of health benefits normally offered to the Executive at the active employee rate, for the portion of time that the Executive is actively working or, if terminated, benefits will continue through the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and the cost of COBRA will be at the active employee rate for the balance of the Notice Period or, if applicable, the Company will provide a taxable reimbursement in an amount equal to the employer portion of the premiums for such health benefits for the balance of the Notice Period; upon completion of the Notice Period the Executive may continue COBRA coverage for the remainder of the applicable statutory period at the COBRA rate in effect at the time. The Executive will not earn or be eligible for, and the Company shall not be obligated to pay the Executive, any other compensation, including any annual bonus or other amounts provided herein. The Company shall have no further liability or obligation whatsoever to the Executive except that (i) any vested but unpaid amounts (e.g., deferred compensation) will be treated in accordance with the applicable plan terms, (ii) equity awards will be treated in accordance with their terms, and (iii) executive remains eligible for COBRA coverage in accordance with applicable law.

c. **Termination By The Company Without Cause.** The Company may terminate the Executive's employment without Cause at any time upon sixty (60) days' notice or payment in lieu of all or any portion of the Notice Period Upon a termination by the Company of the Executive without Cause, and in consideration for and subject to the Executive signing a general waiver and release of claims provided by the Company, in substantially the form attached hereto as Exhibit A, and ongoing compliance with the restrictive covenants set forth in Sections 3 and 4 of this Agreement, the Executive will be entitled to receive severance payments and benefits equal to:

(i) A lump sum payment equal to the Executive's Salary and Bonus (as defined below) for the Severance Period (as defined below), payable in cash. The term "Salary and Bonus" means (A) the Executive's monthly salary at the rate in effect immediately before the Termination Date, plus (B) the amount of the annual Bonus (as defined below) paid or granted to the Executive for the prior fiscal year (or, if no Bonus has been paid or granted for the prior fiscal year, the Bonus paid or granted for the most recent fiscal year for which a Bonus was paid or granted) divided by twelve (12). The "Severance Period" is twelve (12) months; provided, however, that if any portion of the Notice Period is worked by the Executive or payment in lieu of a portion or all of the Notice Period is provided, the Executive will receive twelve (12) months of Salary and Bonus, reduced by any amount of salary paid to the Executive with respect to the Notice Period (i.e. the total amount provided to the Executive following the beginning of

the Notice Period will be equal to twelve (12) months of Salary and Bonus). For purposes of this Agreement, the term “Bonus” means the full annual incentive amount, expressed as a dollar amount, that is awarded to the Executive for the applicable year based on performance, which may be payable in a combination of cash and equity grants.

(ii) Continuation of health benefits at the active employee rate through COBRA or, if applicable, taxable reimbursement in an amount equal to the employer portion of the premiums for such health and welfare benefits for twelve (12) months after the Termination Date.

(iii) An annual Bonus for the year in which the Termination Date occurs, based on attainment of the applicable objective performance goals according to the terms of the annual bonus plan, which shall be pro-rated based on the number of days worked during the termination year through the end of the Notice Period (without regard to whether pay is provided in lieu of all or a portion of the Notice Period). The Bonus for the year in which the Termination Date occurs shall be calculated in a manner similar to that used for similarly situated executives of the Company (determined as if the Executive’s employment had not terminated). The prorated Bonus under this subsection (iii) shall be paid in cash at the same time that Bonuses are paid to employees for the year in which the Termination Date occurs.

(iv) If the annual Bonus earned for the year prior to the year in which the Termination Date occurs has not yet been paid, such annual Bonus shall be paid to the Executive in cash at the same time as Bonuses are paid to employees for such year.

(v) Continued vesting of the Executive’s time- and performance-based restricted stock and restricted stock unit awards pursuant to their existing vesting schedules. To the extent the Company has a tax withholding obligation (relating to income, employment and/or social security taxes) with respect to one or more unvested awards as of the Termination Date, a sufficient number of the Executive’s time-based awards will be deemed to vest and may be sold to cover the minimum applicable tax withholding tax liability, provided that such vesting and sale does not have adverse consequences under IRC Section 409A and is otherwise permitted by applicable law, and subject to the provisions of the Company’s insider trading policy. Continued vesting means that the awards will no longer be subject to the requirement of continued service, but (i) any performance-based awards will continue to be subject to vesting based on attainment of performance goals, (ii) except as provided above with respect to tax withholding, the shares subject to the awards may not be transferred until the specified vesting dates in the applicable award agreements, and (iii) the awards will be subject to forfeiture pursuant to the Company’s Clawback Policy or in the event of a breach by the Executive of any restrictive covenants under this

Agreement or under any other agreement with the Company or a member of the Company Group.

d. **Payments** . The severance payment set forth in Section 2(c)(i) shall be paid in a lump sum payment within 60 days following the Termination Date, subject to expiration of the statutory rescission period for signing the release and waiver of claims. The COBRA reimbursement set forth in Section 2(c)(ii) shall be paid in accordance with customary payroll practices over the 12 month period following the Termination Date and shall commence within 60 days following the Termination Date, subject to expiration of the statutory rescission period for signing the release and waiver of claims; provided that the first payment shall include any amounts that would have otherwise been paid in accordance with customary payroll practices during the period between the Termination Date and the first payment date. Notwithstanding the provisions of this Section 2(d), if the foregoing release and waiver period following the Termination Date spans two calendar years and if required by Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), payments shall not commence until the later calendar year.

e. **Termination By The Executive for Good Reason.** The Executive may terminate employment for Good Reason, as described in this Section 2(e). Upon a termination for Good Reason, and in consideration for and subject to the Executive signing a general waiver and release of claims provided by the Company, in substantially the form attached hereto as Exhibit A, and ongoing compliance with the restrictive covenants set forth in Sections 3 and 4 of this Agreement, the Executive will be entitled to receive the severance payments and benefits described in Section 2(c) above. The term “Good Reason” means the occurrence of one or more of the following without the Executive’s consent, other than on account of Executive’s inability to perform his or her duties on account of mental or physical disability:

(i) A material reduction of the Executive’s aggregate annual compensation, including, without limitation, base salary and annual bonus and other incentive compensation opportunity, from that in effect immediately prior to the commencement of employment by the Company’s new permanent CEO, if such reduction is not related to either individual or corporate performance.

(ii) A material change in the geographic location at which the Executive must perform services for the Company (which, for purposes of this Agreement, means a change in Executive’s principal place of employment by 50 or more miles, provided that such relocation materially increases the time of the Executive’s commute as compared to the Executive’s commute immediately prior to the commencement of employment by the Company’s new permanent CEO).

The Executive must provide written notice of termination for Good Reason to the Company within thirty (30) days after the event constituting Good Reason. The Company shall have a period of thirty (30) days in which it may correct the act or failure to act that constitutes the grounds for Good Reason as set forth in the Executive’s notice of termination. If the Company does not correct the act or failure to act, the Executive’s



employment will terminate for Good Reason on the first business day following the Company's thirty (30)-day cure period. If the event constituting Good Reason is a material reduction in compensation described in subsection (i) above, the Executive's Salary and Bonus for purposes of the severance calculations shall be determined without regard to the material reduction of compensation described in subsection (i).

f. **Death or Disability** . If the Executive's employment is terminated by the Company on account of the Executive's death or Disability (as defined below), such termination by the Company shall not constitute a termination without Cause pursuant to Section 2(c); provided, however, that any death or Disability of the Executive after the Notice Period commences will be treated in accordance with Section 2(c). For purposes of this Section 2(f), the term "Disability" means the Executive incurs a mental or physical disability that entitles the Executive to disability benefits under the Company's long-term disability plan.

g. **Clawback Policy** . Any "Covered Incentive Compensation" provided under this Agreement is subject to the Clawback Policy adopted by the Board, as in effect from time to time. "Covered Incentive Compensation" is defined in the Clawback Policy as any short-term or long-term cash or equity-based incentive award paid, granted, earned, or vested for a performance year or a performance period, if and only if such incentive award was granted after the effective date of the Clawback Policy (regardless of whether the performance for which the award was granted predated the effective date of the Clawback Policy).

### **3. RESTRICTIVE COVENANTS.**

a. The Executive acknowledges and agrees that during employment with the Company, the Executive will acquire Confidential Information and secret information in relation to the Company and its parents, subsidiaries, affiliates, or other related entities ("Company Group"), and that through dealing closely with customers and clients the Executive will form close connections with and influence over those customers and clients. The Executive acknowledges and agrees that the Confidential Information and business relationships of the Company Group are necessary for the Company to continue to operate its business. The Executive further acknowledges and agrees that the Company has a reasonable, necessary and legitimate business interest in protecting its Confidential Information and business relationships and that the following covenants are reasonable and necessary to protect such business interests and are given for good and valuable consideration.

b. The Executive hereby agrees that all times during the Term and for a period of twelve (12) months following the Termination Date or resignation of the Executive's employment for any reason, the Executive shall not, on behalf of the Executive or any person or entity with which the Executive may become associated with in any manner:

(i) directly or indirectly solicit, induce or in any manner attempt to solicit or induce any person employed by or acting as a director, employee, officer or agent of, or consultant to the Company or Company Group, to leave such position and become employed or associated with any other entity or business; or

(ii) employ or attempt to employ or negotiate or arrange the employment or engagement by any other person, of any person who to the Executive's knowledge was within six (6) months prior to the termination or resignation of the Executive's employment for any reason, a director or employee of the Company or Company Group personally known to the Executive; or

(iii) directly or indirectly solicit, interfere with, disrupt or attempt to disrupt any relationship, contractual or otherwise, between the Company or Company Group and any of their respective clients, customers, partners or joint venturers.

c. The Executive agrees that the duration and geographic scope of the restrictive provisions set forth in Section 3(b) herein are reasonable. In the event that any court determines that the duration or geographic scope, or both, are unreasonable and that such provision is to that extent unenforceable, the Executive agrees that the provision shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The Executive also agrees that damages are an inadequate remedy for any breach of the restrictive provisions herein and that the Company shall, whether or not it is pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions without bond or other security upon any actual or threatened breach of the non-solicitation provisions herein.

d. The obligations of Executive under this Section 3 shall survive termination of this Agreement. Further, the provisions of this Section 3 shall continue to apply with full force and effect should the Executive transfer between or among the Company Group, wherever situated, or otherwise become employed by the Company Group, or be promoted or reassigned to positions other than that held by the Executive as of the Effective Date. The Company shall have the right to communicate the Executive's ongoing obligations hereunder to any entity or individual with whom the Executive becomes employed by or otherwise engaged following termination of employment with the Company.

#### **4. CONFIDENTIAL INFORMATION.**

a. The Executive shall not during the Term and at all times following the termination or resignation of the Executive's employment for any reason:

(i) divulge or communicate to any person or persons any Confidential Information (except to employees of, or to attorneys, accountants or other

professionals engaged by, the Company or Company Group with a need to know such information); or

(ii) use any Confidential Information for the Executive's own purposes or for any purposes other than those of the Company or Company Group; or

(iii) through any failure to exercise all reasonable due care and diligence cause any unauthorized disclosure of any Confidential Information.

b. “ **Confidential Information** ” includes, but is not limited to, all private, secret or confidential information concerning the business affairs of the Company or Company Group or concerning customers, clients, or employees of the Company or Company Group, including but not limited to the following: any financial information or valuation information concerning the Company or Company Group, and any other proprietary information of the Company or Company Group, including that relating to the demonstrably anticipated business of the Company or Company Group that the Executive obtains, develops or learns in the course of his or her employment by the Company or Company Group. Confidential Information specifically includes: any inventions (whether or not patentable), works of authorship, designs, know-how, ideas and information made or conceived or reduced to practice, in whole or in part, by the Executive during the term of his or her employment, all business, technical and financial information, including trade secrets, information about clients, including their names, addresses and investment history; information about employees or applicants for employment, their compensation, qualifications, and performance levels; all information regarding fees, commission and compensation, including former employees' termination arrangements; all investment, advisory, technical or research data, and financial models developed by the Company or Company Group and its employees; methods of operation; manuals, books and notes regarding the products and services of the Company or Company Group; all drawings, designs, patterns, devices, methods, techniques, compilations, processes, product specifications and guidelines, future plans, cost and pricing information, computer programs, formulas, and equations; the cost to the Company or Company Group of supplying its products and services; written business records, files, documents, specifications, plans and compilations of information concerning the business of the Company; and reports, correspondence, records, account lists; price lists, budgets, indices, invoices and telephone records that the Executive obtains, develops or learns in the course of the Executive's employment by the Company or Company Group; provided that Confidential Information does not include any information that is or becomes known to the public or within the trade or industry of the Company or Company Group unless it becomes known due to the Executive's violation of this Agreement.

c. All notes, memoranda, records, lists of customers and suppliers and employees, correspondence, documents, computer and other discs and tapes, data listing, codes, designs and drawings and other documents and material whatsoever (whether made or created by the Executive or otherwise) belonging to the business of the Company

or Company Group (and any copies of the same): (i) shall be and remain the property of the Company or Company Group, and (ii) shall be delivered by the Executive to the Company (or to such other Company Group as the case may require) from time to time on demand and in any event on the termination of this Agreement.

d. The Executive shall not at any time either during the Term, and at all times following the termination or resignation of the Executive's employment for any reason, make any untrue, misleading or disparaging statement with respect to the Company or any Company Group (or any of its or their employees or officers).

e. At no time following the termination or resignation of the Executive's employment for any reason shall the Executive directly or indirectly represent himself or herself as being interested in or employed by or in any way connected with the Company or Company Group, other than as a former employee or officer of the Company or Company Group.

f. Nothing in this Agreement restricts or prohibits the Executive from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "**Regulators**"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. Federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

g. The obligations of the Executive under Sections 3 and 4 shall survive termination of this Agreement.

## **5. ARBITRATION.**

a. Except as provided herein, any and all disputes that arise out of or relate to the terms of this Agreement shall be resolved through final and binding arbitration. SUCH ARBITRATION SHALL BE IN LIEU OF ANY TRIAL BEFORE A JUDGE AND/OR JURY, AND THE EXECUTIVE AND THE COMPANY EXPRESSLY WAIVE ALL RIGHTS TO HAVE SUCH DISPUTES RESOLVED VIA TRIAL BEFORE A JUDGE AND/OR JURY. Such disputes shall include, without limitation, claims for breach of contract or of the covenant of good faith and fair dealing, claims of discrimination, and claims under any federal, state or local law or regulation now in existence or hereinafter enacted and as amended from time to time concerning in any way

the Executive's employment with the Company or its termination. The only claims not covered by this requirement to arbitrate disputes, which shall instead be resolved pursuant to applicable law, are: (i) claims for benefits under the unemployment insurance benefits; (ii) claims for workers' compensation benefits under any of the Company's workers' compensation insurance policy or fund; (iii) claims under the National Labor Relations Act; (iv) claims brought by the Company for alleged violations of Section 3 or 4 of this Agreement; and (v) claims that may not be arbitrated as a matter of law.

b. Arbitration will be conducted in Boston, Massachusetts. Arbitration shall be conducted in accordance with the Federal Arbitration Act ("FAA") and the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA Rules" available at [www.adr.org](http://www.adr.org)), provided, however, that the arbitrator shall allow the discovery required by applicable law in arbitration proceedings, including, but not limited to, discovery available under the applicable state and/or federal arbitration statutes. Also, to the extent that any of the AAA Rules or anything in this arbitration section conflicts with any arbitration procedures required by applicable law, the arbitration procedures required by applicable law shall govern.

c. During the course of arbitration, the Company will bear the cost of (i) the arbitrator's fee, and (ii) any other expense or cost the Executive would not be required to bear if the Executive were free to bring the dispute or claim in court. Each party shall bear their own attorneys' fees incurred in connection with the arbitration, except that the Company will reimburse the Executive if the Executive prevails on at least one material claim. Subject to the immediately preceding sentence, the arbitrator will not have authority to award attorneys' fees unless a statute or contract at issue in the dispute authorizes the award of attorneys' fees to the prevailing party. In such case, the arbitrator shall have the authority to make an award of attorneys' fees as required or permitted by the applicable statute or contract.

d. The arbitrator shall issue a written award that sets forth the essential findings of fact and conclusions of law on which the award is based. The arbitrator shall have the authority to award any relief authorized by law in connection with the asserted claims or disputes. The arbitrator's award shall be subject to correction, confirmation, or vacation, as provided by applicable law setting forth the standard of judicial review of arbitration awards. Judgment upon the arbitrator's award may be entered in any court having jurisdiction thereof.

## **6. GENERAL.**

a. Effective as of the Termination Date, the Executive shall resign all officerships, directorships, trusteeships and other positions he or she may hold, in whole or in part, by virtue of his/her association with the Company and Company Group, and he or she shall execute and deliver such additional documents or instruments, if any, as may be requested by the Company or Company Group to confirm or effectuate such resignations.

b. All payments under this Agreement shall be subject to applicable tax withholding, and the Company shall withhold from any payments hereunder all federal, state, local and non-U.S. taxes that the Company is required to withhold.

c. This Agreement shall be deemed to have been made in the Commonwealth of Massachusetts, shall take effect as an instrument under seal, and the validity, interpretation and performance of this Agreement shall be governed by, and construed in accordance with, the internal law of Commonwealth of Massachusetts, without giving effect to conflict of law principles.

d. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes all oral or written employment, consulting, severance, change of control or similar agreements between the Executive, on the one hand, and the Company or affiliates, on the other hand, except as otherwise set forth herein. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement is binding upon and inures to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business, although the obligations of the Executive are personal and may be performed only by him/her.

e. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

If to the Company:

OMAM  
200 Clarendon Street, 53<sup>rd</sup> Floor  
Boston, MA 02116  
Attn: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

f. The Company shall indemnify the Executive to the full extent permitted by applicable law with respect to the Executive's performance of duties and responsibilities to the Company and the Company Group, and the Company shall maintain reasonable insurance coverage (including but not limited to directors' and

officers' liability insurance coverage) with respect to the Executive's performance of duties and responsibilities to the Company and the Company Group.

g. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

h. This Agreement contains the entire understanding and agreement of the parties with respect to the subject matter hereof, and supersedes all negotiations, proposals and agreements (whether written or oral) between them (or their respective affiliates or representatives) relating to the subject matter hereof. No agreements or representations (whether oral or otherwise, express or implied) that are not expressly set forth in, but that relate to the subject matter of, this Agreement have been made by either party.

7. **SECTION 409A.** This Agreement shall be interpreted and operated to reflect the intent of the parties that all provisions of this Agreement shall comply with Section 409A of the Code. The Company shall not have any liability or obligation to the Executive with respect to any taxes that may become payable by the Executive pursuant to Section 409A. Severance benefits under this Agreement are intended to be exempt from Section 409A under the "short-term deferral" exception, to the maximum extent applicable, and then under the "separation pay" exception, to the maximum extent applicable. For purposes of Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments and each payment shall be treated as a separate payment. Notwithstanding anything in this Agreement to the contrary, if the Executive is a "specified employee" for purposes of Section 409A and if payment of any amounts under this Agreement is required to be delayed for a period of six months after separation from service pursuant to Section 409A, payment of such amounts shall be delayed as required by Section 409A, and the accumulated amounts shall be paid in a lump sum payment within 15 days after the end of the six-month period, or if earlier, upon the Executive's death. For all purposes under this Agreement, reference to the Executive's "termination of employment" (and corollary terms) with the Company shall be construed to refer to the Executive's "separation from service" (as defined by Section 409A). With respect to any payments under this Agreement that are subject to Section 409A, in no event shall the Executive, directly or indirectly, designate the calendar year of a payment. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A, (a) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (b) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (c) such payments shall be made on or before the last day of the Executive's taxable year following the taxable year in which the expense was incurred.

IN WITNESS WHEREOF this Agreement has been executed as of the day and year first above written.

By: EXECUTIVE

---

By: OMAM Inc.

---



## Attachment A

### RELEASE OF CLAIMS

**FOR AND IN CONSIDERATION OF** the payments offered under the Severance Agreement between OMAM Inc. (the “**Company**”) and me dated as of August \_\_\_, 2017 (the “**Agreement**”), which payments are conditioned on my signing this Release of Claims and to which I am not otherwise entitled, I, on my own behalf and on behalf of my heirs and estate, voluntarily, knowingly and willingly settle, release and forever discharge the Company, its subsidiaries, affiliates, parents, shareholders, members, and owners, together with each of those entities’ respective officers, directors, shareholders, members, owners, employees, agents, fiduciaries and administrators (collectively, the “**Releasees**”) from any and all legally waivable claims and rights of any nature whatsoever which I now have or in the future may have against them, whether known or unknown, suspected or unsuspected for any act, omission or event up to and including the date I sign this Release and Waiver of Claims.

This release includes, but is not limited to, any rights or claims relating in any way to my employment relationship with the Company or any of the other Releasees or the termination thereof, any contract claims (express or implied, written or oral), or any rights or claims under any statute, including, without limitation, the Americans with Disabilities Act, the Rehabilitation Act of 1973 (including Section 504 thereof), Title VII of the 1964 Civil Rights Act, the Civil Rights Act of 1866 (42 U.S.C. § 1981), the Civil Rights Act of 1991, the Equal Pay Act, the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Family Medical Leave Act, the Lilly Ledbetter Fair Pay Act, the Genetic Information Non-Discrimination Act, and the Employee Retirement Income Security Act of 1974, all as amended, and the Massachusetts Law Prohibiting Unlawful Discrimination, Massachusetts Equal Pay Law, except for claims that cannot be waived related to inquiry or discussion of wages, Massachusetts Right to be Free from Sexual Harassment Law, Massachusetts Age Discrimination Law, Massachusetts Equal Rights Law, Massachusetts Equal Rights for the Elderly and Disabled Law, Massachusetts Civil Rights Law, Massachusetts False Claims Act, Massachusetts Family and Medical Leave Laws and Small Necessities Act, Massachusetts labor and industry privacy law, and any other federal, state or local law.

By signing this agreement, I am acknowledging that this waiver includes any future claims against the Company under Mass. Gen. Laws ch. 149, § 148 - the Massachusetts Wage Act. These claims include, but are not limited to, failure to pay earned wages, failure to pay overtime, failure to pay earned commissions, failure to timely pay wages, failure to pay accrued vacation or holiday pay, failure to furnish appropriate pay stubs, claims for improper wage deductions, and claims for failing to provide proper check-cashing facilities. This settlement and release specifically includes, but is not limited to, any claims based upon the right to the payment of wages, incentive and performance compensation, bonuses, equity grants, carried interest points, vacation, pension benefits, 401(k) Plan benefits, stock benefits or any other employee benefits, or any other rights arising under federal, state or local laws prohibiting discrimination, retaliation and/or harassment on the basis of race, color, age, religion, sexual orientation, religious creed, sex, national origin, ancestry, alienage, citizenship, nationality, mental or

physical disability, denial of family and medical care leave, medical condition (including cancer and genetic characteristics), marital status, military status, gender identity, whistleblower status, harassment or any other basis prohibited by law; provided, however, that I am not releasing any claims related to enforcement of the terms of the Agreement.

Nothing in the Agreement or Release and Waiver of Claims restricts or prohibits me from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the “Regulators”), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. However, to the maximum extent permitted by law, I am waiving my right to receive any individual monetary relief from the Company or any others covered by the release of claims in this Agreement resulting from such claims or conduct, regardless of whether you or another party has filed them, and in the event I obtain such monetary relief the Company will be entitled to an offset for the payments made pursuant to the Agreement. Neither this Agreement nor the Release and Waiver of Claims limits my right to receive an award from any Regulator that provides awards for providing information relating to a potential violation of law. I do not need the prior authorization of the Company to engage in conduct protected by this paragraph, and do not need to notify the Company that I have engaged in such conduct. I understand that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

I acknowledge that, in signing this Release and Waiver of Claims, I have not relied on any promises or representations, express or implied, other than those that are set forth expressly in the Agreement and that are intended to survive separation from employment, in accordance with the terms of the Agreement.

General Release for Age Claims. In addition to all other claims released for the payment(s) described in the Consideration clause, I waive all claims available against the Releasees arising out of my employment with the Company or the termination of that employment under the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act.

Acknowledgement of Voluntariness and Time to Review. I acknowledge that:

- I have read this Release and Waiver of Claims and understand it;
- I am signing this Release and Waiver of Claims voluntarily in order to release claims against the Company in exchange for payment that is greater than I would otherwise have received;

- I am signing this Release and Waiver of Claims after the date of my separation from the Company and was offered at least 21 days to consider my choice to sign it;
- The Company advises me to consult with an attorney;
- I know that I can revoke this Release and Waiver of Claims within 7 days of signing it and that it does not become effective until that 7-day period has passed. To revoke, contact the General Counsel or Director of Talent and Rewards; and
- I agree that changes to this Release and Waiver of Claims before its execution, whether material or immaterial, do not restart my time to review the Agreement.

Intending to be legally bound, I have signed this Release of Claims as of the date written below.

Signature:

Date

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James J. Ritchie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OM Asset Management plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

/s/ James J. Ritchie

---

James J. Ritchie

Chairman and Interim Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen H. Belgrad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OM Asset Management plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

/s/ Stephen H. Belgrad

---

Stephen H. Belgrad

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, James J. Ritchie, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q of OM Asset Management plc for the quarterly period ended September 30, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents in all material respects the financial condition and results of operations of OM Asset Management plc for the periods covered by the Report. The foregoing certification is being furnished to the Securities and Exchange Commission as part of the Report. A signed original of this statement has been provided to OM Asset Management plc and will be retained by OM Asset Management plc and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 9, 2017

/s/ James J. Ritchie

---

James J. Ritchie

Title: Chairman and Interim Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen H. Belgrad, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report on Form 10-Q of OM Asset Management plc for the quarterly period ended September 30, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents in all material respects the financial condition and results of operations of OM Asset Management plc for the periods covered by the Report. The foregoing certification is being furnished to the Securities and Exchange Commission as part of the Report. A signed original of this statement has been provided to OM Asset Management plc and will be retained by OM Asset Management plc and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 9, 2017

/s/ Stephen H. Belgrad

\_\_\_\_\_  
Name: Stephen H. Belgrad

Title: Executive Vice President and  
Chief Financial Officer