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Q1 2025 ACADIAN ASSET MANAGEMENT INC EARNINGS CALL

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- **Kelly Young** *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Michael Cyprys** *Morgan Stanley - Analyst*
- **Kenneth Lee** *RBC Capital Markets - Analyst*
- **John Dunn** *Evercore - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Acadian Asset Management, Inc., earnings conference call and webcast for the first-quarter 2025. (Operator Instructions) Please note that this call is being recorded today, Thursday, May 1, 2025, at 11:00 AM Eastern Time.

I would now like to turn the meeting over to Melody Huang, SVP, Director of Finance and Investor Relations. Please go ahead, Melody.

Melody Huang *Acadian Asset Management LLC - Director of Finance and Investor Relations*

Good morning, and welcome to Acadian Asset Management, Inc.'s conference call to discuss our results for the first quarter ended March 31, 2025.

Before we begin the presentation, please note that we may make forward-looking statements about our business and financial performance. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those projected. Additional information regarding these risks and uncertainties appears in our SEC filings, including the Form 8-K filed today containing the earnings release and our 2024 Form 10-K. Any forward-looking statements that we make on this call are based on assumptions as of today, and we undertake no obligation to update them as a result of new information or future events.

We may also reference certain non-GAAP financial measures. Information about any non-GAAP measures referenced, including a reconciliation of those measures to GAAP measures, can be found on our website, along with the slides that we will use as part of today's discussion. Finally, nothing herein shall be deemed as an offer or solicitation to buy any investment products.

Kelly Young, our President and Chief Executive Officer, will lead the call. And now I'm pleased to turn the call over to Kelly.

Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

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Thanks, Melody. Good morning, everyone, and thanks for joining us today. We're very pleased with the path Acadian is on in 2025, and I'm excited to share our results for the first quarter with you. Acadian is the only pure-play publicly traded systematic manager. Founded in 1986, Acadian has pioneered systematic investing, and we continue to lead the sector through constant innovation. We've delivered sustained outperformance across various investment strategies and through numerous market cycles.

We manage $121.9 billion of AUM, and Acadian is a pure systematic manager applying data and technology to the evaluation of global stocks and corporate bonds. 94% of our strategies by revenue are outperforming benchmarks over a five-year period with 4.4% annualized excess return. Our competitive edge comes from the convergence of talented people, rich data, and powerful tools, and we have a 120-person investment team with over 100 advanced analytic degrees. We are implementing product and distribution initiatives to drive sustainable growth.

Slide 4 showcases Acadian's Q1 2025 strong performance. Our net income attributable to controlling interest is up 38% compared to prior year, and US GAAP EPS is up 46%. ENI diluted EPS of $0.54 per share is up 23% with adjusted EBITDA up 10%. We delivered $3.8 billion of positive net flows, our strongest quarter in 19 years, and finished with AUM of $121.9 billion as of March 31, 2025.

Acadian's investment performance track record remains strong despite the market volatility. We have five major implementations, which comprise the majority of our assets. As of March 31, 2025, global equity, emerging markets equity, non-US equity, small-cap equity and our enhanced equity strategies have 100% of assets outperforming benchmarks across 3-, 5- and 10-year periods with one minor variation.

In Q1 of 2025, global equity markets experienced significant volatility amid a complex macroeconomic backdrop. While US equities fell, European markets and emerging markets both rose, partly driven by dollar weakening, and investments outside of the US provided significant diversification benefits for our clients' portfolios.

Our disciplined systematic investment process has generated meaningful long-term alpha for our clients. Our revenue-weighted five-year annualized return in excess of benchmark was 4.4% as of the end of Q1 of 2025 on a consolidated firm-wide basis. Our asset-weighted five-year annualized return in excess of benchmark was 3.5% as of the end of Q1. By revenue weight, more than 94% of Acadian strategies outperformed their respective benchmarks across 3-, 5- and 10-year periods as of the end of March 2025.And by asset weight, more than 90% of Acadian strategies outperformed their respective benchmarks across 3-, 5- and 10-year periods.

Next, I'd like to focus on Acadian's extensive global distribution platform, which has helped us achieve strong gross sales and will be a major driver of growth in the years ahead.

For many years, Acadian has had a strong global presence with four offices in Boston, London, Sydney, and Singapore. We have continued to expand our client and distribution team with over 90 experienced professionals serving more than 1,000 client accounts in 40 countries. The team has established strong, deep relationships with many institutional clients and our average relationship length with our top 50 clients is over 10 years.We work with over 40 investment consultants across market segments and geographies, leading to a diverse client base invested across multiple strategies.

We had approximately $9 billion of gross sales in the first quarter of 2025 after achieving record annual sales of $21 billion in 2024. In tandem with expanding our distribution capabilities, Acadian's business and product development teams have been focused on increasing our strategy and vehicle offerings in high demand and growing areas where Acadian's systematic approach is particularly well suited, and our current pipeline is very robust. The success of Acadian as a highly regarded institutional investment manager is testament to our proven investment process as well as Acadian's world-class investment and distribution teams.

We have six clients among the top 20 global asset owners and 27 clients among the top 50 US retirement plans. Over 50% of our assets are from clients invested in multiple Acadian strategies. Our client base is diverse with 37% of assets managed for clients outside of the US. We offer over 80 institutional quality funds for investors and achieved $8.8 billion of gross sales in Q1 of 2025, reaching $121.9 billion of assets under management as of March 31, 2025.

The next slide highlights the positive trend in Acadian's net flows, showing a significant increase from the negative $2.3 billion in the full year of 2023 to the positive $1.8 billion in the full year for 2024 and reaching $3.8 billion in Q1 of this year. This was the highest quarterly NCCF that we've generated in 19 years. Our core strategies such as global, non-US and EM equity saw robust net inflows and our newer strategies such as enhanced equity and extension equity strategies had meaningful positive flows in the first quarter of the year.

As we discussed in our last earnings call, there are four key product initiatives in addition to our core strategy that we expect will drive Acadian's future growth. These are enhanced equity, extension equity, systematic credit and equity alternatives, and we

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continue to make strong progress in these endeavors.

Our enhanced equity strategies underscore the potential for strong future growth as the market opportunity is vast. Enhanced equity is one of Acadian's key product initiatives to drive long-term growth. Recent flows have been robust with end of Q1 2025 AUM of $12 billion, doubling from the prior year and expected to continue meaningful growth in the future. Enhanced equity strategies address investors increasing demand for consistent, low-risk alpha at fees below those of fully active strategies. These strategies appeal to a number of investors, including investors in the $16 trillion global passive equity market who are seeking improved performance with modest incremental risk.

Our enhanced equity strategies repackage Acadian's alpha in a lower-risk manner to meet market demand. These strategies leverage Acadian's proprietary investment process to invest in benchmark stocks and deliver attractive risk-adjusted returns with lower tracking error. And current notable implementations include the Russell 1000, MSCI ACWI and the MSCI Emerging Markets Indexes.

Results have been robust, as shown on Slide 13. Our enhanced equity targets stable alpha with low active risk and has produced consistent outperformance versus benchmarks. In the chart below, we highlight the relationship between the monthly three-year annualized return of Acadian's enhanced Global Equity strategy versus that of the MSCI ACWI Index's monthly three-year annualized return. We track the rolling return at each month end from Enhanced Global Equities inception date of September 2012 to the end of 2024.

The solid line represents the index's returns. The dots representing the strategy returns are consistently close to or above the benchmark line, noting the outperformance since inception of the strategy at lower levels of tracking error than core strategies. Our enhanced equity strategies offer attractive risk-adjusted returns and can satisfy broader investment demand for lower fees and more consistent return characteristics.

I'm now going to turn the call over to Melody to provide you with an update on capital allocation.

Melody Huang *Acadian Asset Management LLC - Director of Finance and Investor Relations*

Thanks, Kelly. Acadian has low leverage ratios with high liquidity position. At the end of the first quarter 2025, we have $119.6 million in cash and $91.5 million in fee investments. Debt including outstanding balance on revolving credit facility of $80 million reflects draws to support first quarter seasonal needs and is expected to be fully paid down by year-end. Our debt-to-adjusted EBITDA ratio was 2 times as of March 31, '25, and our net leverage ratio was just 1.3 times as of end of Q1 '25.

AAMI Board declared an interim dividend of $0.01 per share to be paid on June 27, 2025. Our balance sheet provides liquidity and financial flexibility to execute our growth strategy and to enhance shareholder value.

We have demonstrated a track record of creating significant value through buybacks to our shareholders. Outstanding diluted shares went down 57% from $86 million in Q4 2019 to 37 million shares in Q1 2025. $1.4 billion in excess capital was returned to shareholders over the last five years through share buybacks and dividends.

During the first quarter of 2025, we repurchased 0.8 million shares of common stock or 2% of total outstanding shares for an aggregate total of $19.4 million. We expect to continue generating strong free cash and deploying excess capital towards supporting organic growth and share buybacks.

Now I'm going to turn the call back to Kelly.

Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

Thanks, Melody. Slide 16 highlights that Acadian is positioning for multiple expansions and value creation. The AAMI stock PE multiple based on last 12 months earning is around 9 times. Our peer asset managers' average is higher at around 12 times, indicating a 33% premium. Acadian Asset Management, Inc., stock price is at $26.69 as of April 29, 2025.

If we apply that 33% increase to get our stock to the same 12x as our peers' average multiple, the implied price would be $35.50. This presents a compelling investment opportunity in AAMI given our strong growth potential.

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Before going into Q&A, I'd like to recap the key points in this presentation. We're the only pure-play publicly traded systematic manager. We have a nearly 40-year track record with competitive edge in systematic investing and Acadian's investment performance track record remains strong with more than 90% of strategies by revenue outperforming over 3-, 5- and 10-year periods.

We started 2025 with outstanding performance. Q1 '25 ENI EPS is up 23% from Q1 of 2024. We delivered positive Q1 NCCF of $3.8 billion, our best quarterly flows in 19 years. We will continue to drive growth through targeted distribution initiatives and accelerate growth through key product initiatives such as enhanced equity. Acadian Asset Management, Inc., stock is trading at a modest PE multiple of 9 times compared to our peer average of 12 times.

Acadian is well positioned to generate value for shareholders. Our team's focus, talent, and hard work have been instrumental in achieving these milestones, and I look forward to building on this momentum and driving further growth and innovation.

This concludes my prepared remarks. And at this point, I'd be delighted to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Cyprys, Morgan Stanley.

Michael Cyprys *Morgan Stanley - Analyst*

Congratulations on the strong flows here, best in 19 years. That's great to see. Nearly $9 billion gross sales, nearly $4 billion of net inflows. Maybe you could just unpack some of the key strategies that you saw contributing? And can you just remind us what the revenue impact was of those flows as we think about the organic base fee impact stemming from the strong flows in the quarter?

Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

Mike, nice to speak to you again. Yes, so flows in Q1 were really pretty diversified in terms of where we've seen those asset raising efforts. Particularly, we've seen, as I noted in my prepared remarks, a huge interest in our enhanced equity strategies and those different implementations, particularly, I'd say, across global and sort of broader equity and emerging markets implementation. So continuing to see real interest and momentum there as well as in our extension strategies, which, again, as you know, as we noted, they are two of our sort of key initiatives. So very excited to see the growth there.

Other areas of conversation that we're having with investors and where we're seeing interest is sort of broadly, I would say, in non-US strategies. And I think that's sort of some momentum and a bit of a pivot that we've seen through this quarter after last year, where there was tended to be quite a US-centric bias. So certainly, I'd say kind of broad across the spectrum of our new initiatives as well as some of our core strategies.

In terms of overall fee impact, so our blended rate remains around 38 basis points. Obviously, in the near term, we don't expect that to change. Obviously, over the longer term, things like enhanced tend to attract a lower fee as the sort of lower risk, lower return expectations on those strategies. But obviously, where we're seeing on the other side, interest in areas like extensions, like small cap, those attract higher fees, they're limited capacity in some cases. And so certainly, over the near term, we don't expect a change to that blended rate.

But obviously, over the longer term, market dynamics, flows into different areas, may have an impact of medium to longer term.

Michael Cyprys *Morgan Stanley - Analyst*

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Great. And then just a follow-up question on the pipeline. Maybe you could just help unpack how the composition of that looks today, size, magnitude, types of strategies in there, how that compares versus last quarter. And clearly, very strong, quite impressive investment performance. Just curious how that is evolving here in April given the volatile market backdrop.

Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

Yes, sure. So yes, in terms of pipeline, as I said, the momentum continues to build in two of those key initiatives in the near term in both enhanced and extensions. So I expect those to continue to be a theme in terms of pipeline and asset raising through this year. And as I say, Michael, we're having kind of more conversations now than non-US nature or sort of broader in terms of global and sort of, I'd say, some resurgence of interest in emerging markets. So pretty broad in terms of pipeline.

Obviously, Q1, very strong quarter in terms of gross sales. The pipeline remains very robust. So again, we're obviously looking to continue to build on that momentum and feel pretty positive about where we are now going into Q2 and Q3.

Perhaps, maybe I'll just comment a little bit on performance. Q1 saw some mixed performance across some of the strategies. I think the benefit of being long-term investors, we're steadfast and committed to our process. And as we noted in the presentation, our long-term returns obviously remain very strong. There's obviously been some very sharp swings in the market since early April. And I think this is where I think it's important to emphasize that Acadian's process adapts systematically and not emotionally to these types of environments.

The process we've built is continually integrating new data and allowing us to respond, I'd say, objectively and systematically to evolving risks.

So I always think it's a good reminder that we find opportunities in periods of dislocation, and periods of stress often lead to mispricings. And so for a process like ours, again, this is when we can find particularly attractive opportunities, particularly in less efficient markets. But certainly, the macro backdrop has obviously been a little more challenging than perhaps 2024 was. But again, still with some good areas and bright spots of performance for us. And as things we hope start to settle down in Q2, again, I think we're well positioned for some good performance this year.

Operator

Kenneth Lee, RBC.

Kenneth Lee *RBC Capital Markets - Analyst*

Just one on capital management. Wondering if you could share any updated thoughts around outlook for share repurchases for the rest of the year? And perhaps just remind us again what's remaining in terms of the share repurchase authorization at this point?

Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

Ken, nice to speak to you again. Yes, as we've previously disclosed over a number of quarters, one of our key objectives is obviously to return capital to shareholders through stock buybacks. So in Q1, as we noted, we bought back 0.8 million shares or $19 million in total. The most recent authorization has approximately $61 million remaining on it as of the end of the quarter. But maybe just to be clear on that, any actual buyback activity is obviously subject to a number of factors.

That's obviously the company's stock price, the capital needs of the business, the economic backdrop, market conditions. So the Board does refresh the amount of that authorization from time to time when we think it's prudent to do so. But we don't have a specific time frame in mind to sort of finish those buybacks under that current authorization, Ken. And as I say, again, that's going to depend on a variety of factors, such as stock price being one of them, but there is $61 million remaining on the current authorization.

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Kenneth Lee *RBC Capital Markets - Analyst*

Okay. Great. Very helpful there. And just one follow-up, if I may. Looking through the slides, it looks as if the various expense ratios, the outlooks there are unchanged from last quarter. Wonder if you could just talk a little bit more about potential levers Acadian might have for further expense reductions if needed, if market volatility were to continue, for example, for a longer period of time?

Melody Huang *Acadian Asset Management LLC - Director of Finance and Investor Relations*

Ken, this is Melody. Yes, our expenses, operating expenses and variable comp ratio remain the same. I think we are going to be continued laser-focused on expense management. And in terms of the market volatility, we will manage our expenses, make sure that we continue to achieve the similar margin. So that's currently -- the expenses ratio for the full year remains unchanged.

Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

And we generate very strong free cash flow, as you know, Ken. So I think we remain very well positioned today to support growth, to return capital to shareholders. But to Melody's point, we obviously remain laser-focused on expenses and being efficient. And again, I think one of the many benefits of being a systematic manager is the ability to raise assets and not necessarily have to scale costs in a linear fashion.

Operator

John Dunn, Evercore.

John Dunn *Evercore - Analyst*

I wonder just with the market moves we've had so far in 2Q, maybe could you give us a little color on what of your strategies is seeing demand in April and particularly managed well, which I think have been out of favor for a while and maybe this might be a more constructive environment for it.

Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

Sure. I mean, April has been a similar theme, I would say, to what we saw in sort of Q1 and the back half of Q1. The areas of interest have really tended to be our broader strategy, so sort of global and ACWI implementations, things that are not perhaps as focused on just the US enhanced. Again, I think the sort of lower risk, more consistent return profiles are proving to be pretty popular and resonating with clients.

As you know, [management] has been a bit of a headwind for us in the most recent few quarters. But as you know, it's a strategy that I think that's recently had an opportunity to kind of reassert its value in this type of market environment. And we've certainly sort of seen that in, I'd say, the first four months of this year. I don't imagine that we're going to see a strong tailwind in terms of asset raising in that strategy in the next few quarters.

But I do believe that investors that remain in those types of strategies will be pleased with their decision to keep those allocations given the current market environment. So again, not necessarily a strong tailwind and expecting to see huge growth in management, but I suspect it's going to be less of a headwind as those strategies kind of prove their worth in this type of environment.

John Dunn *Evercore - Analyst*

Got it. And then you just noted demand for non-US strategies. Maybe you have any thoughts on the potential for even greater demand for non-US strategies as people potentially look to put more money outside the US.

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Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

Yes. I think it's a theme in our pipeline. I think it's going to be a theme in -- as we actually move to fund those mandates. Certainly, last year, there was a lot of focus and interest in sort of US domestic strategies. We are seeing, I think, a number of investors think more carefully about their strategic asset allocation and perhaps adjusting those to either kind of broader developed markets mandates.

Obviously, that includes US in a global implementation, but also a lot of kind of ACWI ex-US type mandates. So I agree with you. There has, I think, been a shift over the last two or three months in terms of investor focus and attention on those sort of broader implementations and things perhaps of more of an ex-US nature.

Operator

That concludes our question-and-answer session. I'd like to turn the conference call back over to Kelly Young.

Kelly Young *Acadian Asset Management LLC - Chief Marketing Officer, Executive Vice President, Member of the Leadership Team*

I'd just like to thank everyone for joining us today, and I wish you all a great day. Thank you.

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