



LSEG STREETEVENTS

EDITED TRANSCRIPT

ACADIAN ASSET MANAGEMENT INC INVESTOR FORUM

EVENT DATE/TIME: May 19, 2026 / 2:00PM UTC



An LSEG Business



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PRESENTATION

Melody Huang *Acadian Asset Management Inc - Investor Relations*

Good morning, everyone. My name is Melody Huang. I lead Investor Relations at Acadian Asset Management Inc. Welcome to our Investor Forum. We are grateful to have our shareholders, analysts, and partners joining us today, both in person and virtually. We truly appreciate your engagement and your continued interest in our company.

Before we begin, I'd like to note that today's presentation will include 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. Please refer to Acadian's SEC filings and our investor materials for additional information regarding those risks and uncertainties as well as reconciliation, definitions, and additional information about our non-GAAP financial measures.

Any forward-looking statements that we make in the presentation are based on assumptions as of today, and we undertake no obligation to update them as a result of new information or future events. Also, nothing shall be deemed as an offer to sell or solicitation to buy any investment product or service.

Our executive management team will go over the presentation from now to approximately 12:15 PM with break in between. Following the presentation, we'll have time for Q&A. (Event Instructions) Our webcast will conclude after the Q&A section. Please note that a PDF version of today's presentation has been posted on our website.

Thank you again for being here. With that, it is my pleasure to turn things over to Kelly Young, our Chief Executive Officer.

Kelly-Ann Young Acadian Asset Management Inc - President, Chief Executive Officer, Director

Good morning, everyone. Thank you for joining us today. If you see any beads of sweat here, this isn't nerves. I'm conscious the room is actually quite warm. So we are working on getting that cooled down for everyone. But -- so say, good morning. Thank you for joining us today.

I'm incredibly proud to be here with our leadership team. I'm very proud of the broader organization and what we've accomplished over the past several years. This morning, we announced that April ending AUM reached a new record high of \$219 billion. So another important milestone for the firm and one that reflects not only strong market performance, but also the momentum that we're continuing to see across our business globally.

Today is really an opportunity for you to get to know us a little bit deeper. Who are we? How do we think about our business? What differentiates us from our competitors? And where we see the opportunity ahead? So I'll begin with an overview of the company and how we're positioning Acadian for our next phase of growth.

And I think the key theme that you're going to hear throughout the day from all of us is this. The environment is increasingly favoring systematic investing, and Acadian is exceptionally well positioned to capitalize on that shift.

Systematic is clearly having a moment. So over the last several years, we've seen accelerating client demand for systematic strategies across both institutional and wealth channels alike. Since the end of 2022, as you'll see on this chart, systematic equity AUM has grown by approximately 162% versus 130% for discretionary equity strategies.

Perhaps more importantly, Acadian has grown faster than our broader systematic category and competitors with our AUM increasing closer to 178% over that same period. We believe this reflects both strong industry tailwinds, but also strong execution by our team. Clients today are looking for active returns, lower volatility, customization and increasingly data-driven decision-making. And we think Systematic is uniquely positioned to deliver on those needs.

At the same time, advances in technology, in AI tools, computing power are dramatically expanding what's possible within the Systematic investing framework. We've spent 40 years building our team, developing our process and building our infrastructure to compete in this market and believe there are significant opportunities ahead of us.

So what truly differentiates us from other managers? We believe it starts with the durability of the platform that we've built over these past four decades. First and foremost, performance and history matter. We have a 40-year track record and have generated approximately 4.1% of annualized excess return over benchmark on a revenue-weighted basis over the last five years with over 96% of our assets outperforming.

Secondly, our research process is by design, scientific and data-driven. Today, we process many hundreds of millions of daily observations. We're tracking 65,000 securities that are traded globally. But it's not the raw data alone that's the advantage.

The advantage is our ability to structure that information to extract insights from it and convert it into repeatable alpha generation. Our proprietary model incorporates hundreds of differentiated signals developed through decades of research.

Third, technology is deeply embedded across our entire organization. Our infrastructure allows us to transform massive amounts of information into actionable investment insight. And increasingly, we're enhancing those capabilities with AI-enabled research and workflow tools that will improve our efficiency and accelerate innovation across the platform.

But ultimately, our most important asset as ever remains our people. We have an exceptional team across the entire firm. And when we look at our investment team, we have over 100 investment professionals with more than 2,000 years of collective experience.

And finally, and perhaps most importantly, our client relationships. Our clients remain foundational to our success. We now serve well in excess of 1,000 institutional global client accounts and maintain relationships that average well over a decade amongst our largest clients. We count six of the top 20 global asset on -- sorry, largest global asset owners as clients today.

And those relationships are earned over time. It's through performance, it's through transparency, it's through consistency, and it's through trust.

Now ultimately, this is a business where performance matters, and we believe Acadian's long-term investment results are amongst the strongest validations of our model. What's particularly important to us isn't just performance in a single period, but sustained outperformance across multiple market environments and cycles.

Over the last five years, our revenue-weighted portfolios generated approximately 4.1% of annualized excess return over benchmark and approximately 3.4% on an asset-weighted basis. As you'll see from the charts, we've maintained our performance consistently across 3-, 5-, 10-year and since inception periods. And it's that consistency that matters tremendously to our clients.

Strong investment outcomes build trust. Trust supports retention. Retention supports growth. And ultimately, that's what creates durable shareholder value.

The one thing that I think truly differentiates Acadian from -- and our culture from many others in the industry is our commitment to transparency. So both internally and externally, we work very hard to foster what we call relationship alpha.

With clients, that means openness around our investment process, our research insights, our attribution and ensuring access to senior members of our investment team, some of whom you're going to meet today. But internally, we also apply the same philosophy to how we operate as an organization. We encourage cross-team collaboration, respectful debate and open two-way communication.

In a research-driven business like this one, culture matters enormously. The best ideas rarely come from isolated silos, but they emerge from talented teams challenging each other constructively and sharing information openly. And it's that transparency that's become an important part of both our long-term client and our employee retention.

So Acadian today truly is a global business. Over the last four decades, we've built a meaningful international footprint with our head office here in Boston as well as offices in London, Sydney, and Singapore. And importantly, our business has become increasingly diversified geographically.

Today, we have close to a 50-50 AUM split between US and non-US clients. Perhaps even more notably, over 90% of our net client cash flows in the last 12 months have been -- have come from non-US clients. I think that reflects the increasing global relevance of our platform. And when we look forward, we continue to see exciting and significant opportunities internationally.

Industry forecast suggests strong AUM growth across the globe, but particularly in areas like Asia Pac over the next five years. And we believe our systematic capabilities as well as the credibility we have and our expanding distribution platform position us very well to continue to gain share globally.

When you look at our client base today, it's highly diversified, and that diversification matters. Approximately three-quarters of our AUM comes from our traditional institutional client base. Think about pension funds, sovereign wealth funds, endowments and foundations. At the same time, we continue to expand successfully into wealth channels.

Following a recent large mandate win that I talked about on the recent earnings call with a UK wealth manager, wealth-related AUM now represents approximately 25% of our business. Think about that including RIAs, private banks, family offices, the increasingly large defined contribution channels and sub-advisory relationships.

You will have also seen from our press release this morning that we were delighted to announce the launch of Acadian's Global Equity Dynamic Extension Tax Aware Fund, an important step for us as we think about the US taxable wealth market and our ability to penetrate it in the coming years.

As I've noted, today, we serve well over 1,000 client accounts globally and maintain relationships with over 50 investment consultants across the globe. Importantly, our largest client relationships are highly durable with an average relationship length well in excess of 10 years amongst our largest 50 clients. That diversification across geography, across client type and across channel strengthens the resilience of the business and broadens our long-term growth opportunities.

So let's just step back for a moment and take a look at how the firm has evolved since 2023 and how significant that progress has been. Through focused initiatives and disciplined execution, our AUM has grown from \$104 billion to \$196 billion as of the end of the first quarter, and as we announced today, \$219 billion as of the end of April.

During that time, recurring management fees increased from \$373 million to \$637 million. Product initiative AUM expanded from roughly \$6 billion to more than \$66 billion, driven by strategies such as enhanced equities and our extensions business. And importantly, we've created substantial shareholder value during this period with our share price increasing from approximately 19% to nearly 70 -- sorry, from \$19, I should say, to nearly \$70.

So strong markets have clearly helped, but markets alone don't explain this level of growth. This reflects execution in thoughtful and strategic product innovation, thoughtful distribution expansion with investment leadership and with disciplined operational scaling.

Now one of the metrics we focus most closely on is organic growth and the momentum we've seen over the last several years has been very encouraging. Acadian has now delivered nine consecutive quarters of positive net client cash flows, but beyond simply being positive is actually the magnitude of those flows that has been exceptional relative to our peers.

In 2025, net flows represented approximately 25% of beginning period AUM and in the first quarter of this year alone, that figure was approximately 12%. By comparison, our peers were averaging something closer to 1% during those same periods.

So cumulatively from 2023 through the first quarter of this year, we've generated approximately \$50 billion of net client cash flows, representing roughly 53% of beginning period AUM, so not simply a story of favorable markets but have sustained momentum. This is peer-leading organic growth driven by investment performance, intentional product strategy and increasing client demand for our capabilities.

So when we think about the opportunity ahead, we believe Acadian's addressable market is both larger and growing faster than many may appreciate. We estimate our total addressable market or our TAM, approximately \$58 trillion globally today. Think about that, including institutional equity, wealth equity and institutional active corporate credit.

From there, we intentionally narrow our focus to areas where we -- what we define as our serviceable addressable market, or our SAM, which is approximately \$18 trillion. Again, we're intentionally disciplined in how we define that opportunity. These are areas where we think we have existing capabilities that are highly relevant, where we have distribution relationships that are well established that we can leverage and where we believe we have the right to compete.

So importantly, we and the industry estimate these target segments are growing on the region of approximately 10% annually over the next five years, which creates a meaningful long-term growth runway for Acadian. Within that opportunity set, I just wanted to spend a couple of minutes specifically on systematic credit because as many of you know, this has been a strategic focus for us over the last couple of years.

We view credit very much as a natural adjacency to our equity business, and there are a number of reasons why we are so excited about it. When you look at the market opportunity itself, it's substantial. Globally, there's approximately \$4 trillion in actively externally managed corporate credit AUM today. Yet systematic penetration remains relatively low compared to their equity counterparts. So we believe adoption is still very much in the early stages.

It also diversifies our business meaningfully. Credit beta behaves differently from equity beta and our research indicates that Acadian's credit and equity Alpha streams are relatively uncorrelated. So that's valuable for our clients and it's valuable for the resilience of our business model.

And the economics are attractive. Because we're building credit capabilities on top of our existing equity infrastructure, we benefit from immediate platform leverage and lower incremental costs versus building a stand-alone solution from scratch.

So when we look at systematic credit, what do we see? A large market, differentiated diversification, and scalable economics. It's a combination that makes a compelling opportunity and why it remains such a strategic focus for us in the coming years.

So before I hand over to Brendan to talk about our investment process in a bit more detail, I just wanted to leave you with a couple of thoughts. Acadian today is the only pure-play systematic manager in the industry. We have durable competitive advantages built over our four decades of history.

Our strong long-term investment performance continues to underpin client trust and our business growth. Our organic growth profile has accelerated meaningfully through focused and intentional execution and product innovation.

We've continued to expand our addressable market thoughtfully and strategically. And importantly, we believe we're well positioned to continue scaling revenue and earnings with discipline. We're incredibly proud of what we've accomplished so far but believe that the market dynamics are such that there is still substantial opportunity ahead of us.

So thank you again for being here with us today. And with that, it's my great pleasure to hand you over to our Chief Investment Officer, Brendan Bradley.

Brendan Bradley Acadian Asset Management Inc - Executive Vice President, Chief Investment Officer

Okay. Good morning, everyone. Thank you very much, Kelly. It's great to have you here. It's great to have the opportunity to tell you all a little bit more about Acadian's investment team, its investment platform, and its investment process. So that's what I aspire to do here this morning.

So although you will hear it many times today, Acadian is turning 40. I don't know if we have turned 40 or about to turn 40, but we're in that range. And while the investment philosophy remains unchanged, of course, our process has expanded and sort of increased, and we believe efficacy and complexity over time. But the tenets of the philosophy really haven't changed.

And so we are active managers. And so basically, by definition, we believe that our security returns can be predictable, certain parts of security returns can be predictable. We think there are likely mispricings within financial markets. And we think a systematic approach is well suited to take advantage of those situations within financial markets.

And so let's talk about quickly return predictability. There are many number of reasons why this might be true. Some of them might be compensation for risk, for example.

And so equities themselves come at a risk premium, certain equities might command a larger or smaller risk premium. They might have more inflation risk. They might have more recession risk. They might have any number of dimensions of risk that might cause investors to demand a higher return on a go-forward basis.

Secondly, investors can make systematic, predictable mistakes, behavioral mistakes, if you will. Human beings are overconfident as a rule. There are any number of things that would lead to behavioral mistakes that are predictable and exploitable within security markets. And so we think we're well positioned identify some of those mistakes and to take advantage of them.

And then third, there can simply be sort of structural impediments in place that allow some companies to trade at a premium or a discount to what they otherwise might. And so those three things in together lead us to believe that security returns can be predictable.

We think a systematic process is very well suited again to take advantage of these things. A lot of systematic processes, we'll not just focus on expected returns, but also dimensions of risk and dimensions of cost and liquidity. All of those things work in concert in our decision to buy or sell any security in our portfolios.

Lastly, our team, our data, our technology, Kelly has already hit on this a little bit, but let me give a little bit maybe more context in terms of some of these things as it pertains specifically to the investment team. So we have north of 100 people on the investment team, and we come from varied backgrounds.

And so you're hearing from me right now. You're going to hear from our colleague, Deputy CIO, Alexandre Voitenok a little bit. Alex and I come from more STEM oriented background, so that we each have decades of experience working in financial markets.

Many of our other colleagues come from more traditional backgrounds, economics, financial economics, those types of things. We have a bevy of backgrounds all working together, and we are a very team-oriented group.

Collaboration matters. We have areas of responsibility, but we do not have hard silos within the investment team. The expectation is collaboration and transparency within the investment team will produce better outcomes for our clients. And so that's really one of the hallmarks of our approach to investing.

Second, data. Kelly has mentioned this. There are a bunch of very large numbers. It's hard to know what those numbers mean specifically. But maybe a couple of numbers might be helpful.

Every month, we perform over 30 million data quality checks. We are taking in data from over 800 different vendors at something close to 10,000 different data fields.

And so Acadian, if you go back 40 years, we were looking primarily, exclusively in fact, at very structured data was then being inputted into something the spreadsheet equivalent to database equivalent. Today, most of the data that we look at is highly unstructured. It comes from a bevy of different sources, but it is all critical to our success and our clients' success.

Third, on a go-forward basis, we have to be -- we have to build and have a technology platform that allows us not just to do our jobs today to be prepared for a changing world tomorrow. And so we have built over our history, a very scalable, very modular, and a very fast technology platform. And so this is all, we think, a critical advantage for our business and for our clients on a go-forward basis.

So why Acadian? There are a few different things I'll try to highlight here. If we talk about sort of our capabilities, and this is something our colleague, Alex is going to do a little bit, it's important to note that we manage a bevy of strategies up and down the

spectrums of risk.

And so because we manage high-risk strategies, low-risk strategies, it's probably best to sort of frame our performance through the lens of an information ratio, which is units of return for units of active risk -- units of active return, I should say, for units of active risk.

And so the chart that we're showing you here is just to sort of highlight the distributional properties of discretionary managers in yellow, systematic managers in green, and Acadian strategies in blue. And so this is a 10-year information ratio, a distribution of 10-year information ratios for these broad categories. And there are a couple of things that are important to know.

One, Acadian's active returns are essentially uncorrelated with discretionary managers across this very large public investment database. And so what does that mean? It means that asset owners, investors are well positioned to have a mix of systematic managers and in discretionary managers in their own portfolios.

Two, if you look at the distribution of properties of Acadian strategies, their information ratios relative to our competitors in the systematic space, we still look very solid. So we still look above median, basically, our entire distribution is essentially above median for all systematic managers in the investment space as well.

So let me talk about -- a little bit about our process. And so we'll sort of view it through the lens of a flow chart. We'll start sort of all the way upstream and go all the way downstream. And I'll try to highlight a little bit about each piece.

Kelly mentioned our transparency and our openness with our clients is tremendously valuable to what we do. That sort of alpha -- relationship alpha as she termed it. The better our clients understand us, the better it is for us as well. It's easier to have conversations during good times, during difficult times.

We all understand each other and have reasonable sets of expectations. One of the tenets of Acadian's investment philosophy was this concept of a broad opportunity set. And so when we started managing assets a very long time ago, the decision was basically made to launch first an ex US strategy for US asset owners.

And so we start with a very broad opportunity set you saw the number a while ago, over 65,000 companies that were following, I should say, securities that we're following around the world. And the number is actually well north of 65,000 if you incorporate things like onshore Chinese equities, frontier market equities and the entire corporate bond space that we're covering.

Second, our primary advantage may well be our ability to produce security return forecast to work out well in reality. And so a lot of our research energies are really focused on security return prediction. And I'll tell you a little bit about how we do that as well.

Then it comes time to actually build a portfolio. So building a portfolio, of course, expected returns are going to matter. Most of the time, they're the most important thing that we're focused on, but we want to build portfolios that are going to leave returns in the portfolio, so net of real market frictions. So we're trading a lot of assets in markets every single day all around the world; we want to make sure we're not trading away or alpha.

Second, we want to be very cognizant of the risks that we're taking. And so I'll spend a little bit of time in portfolio construction telling you about how we sort of think about and manage risks in our portfolio. And then again, lastly, on trading, again, covering tens of thousands of companies around the world.

While we are not trading 65,000 securities, we are trading last year, as an example, we traded about 22,000 distinct securities. That's still a very, very large number. okay?

So we have to not only be very cognizant about the cost of our trades; we have to know how to measure them. It's an input into our portfolio construction process, and we need to do everything possible to minimize our actual cost and our actual footprint within financial markets.

All right. So maybe a couple of comments on our investment universe. I noted that it's a very large opportunity set, again, well north of 65,000 companies around the globe in terms of credit assets, in terms of equities, onshore Chinese equities, frontier markets, we were founded again in 1986 to manage non-US assets for US asset owners.

By 1988, we had launched a non-US strategy. By 1993, we had gone down the cap spectrum to manage a non-US small-cap strategy. By 1994, we had ventured into emerging markets and started managing dedicated emerging market strategies.

If I keep going forward by 2007, we launched a frontier market strategy. By 2015, we were managing dedicated microcap strategies. And by 2018, we were managing dedicated onshore Chinese equity strategies.

This is all because we have the ability and the breadth to do so. We have a very broad opportunity set, and it's a key element of what it is that we do. A lot of our strategies, it's very common for them to have between 10%, 20%, maybe even a little bit more of their holdings in non-benchmark securities. It's a big part of our success.

If we think about return forecasting, there's the classic trick and mathematics to take a hard problem, break it into a series of easier problems, solve the easier problems then put things back together again. So do you want to own Toyota? Or do you want to own Bank of America, two different countries, two different currencies, two different industries. It's a hard question to answer.

What we try to do is take that hard question and break it into a series of easier questions, answer those and put the pieces back together. So at the end of the day, we have a single forecast for every stock in our universe for which we have available data.

So again, not all 65,000 companies will generate a forecast. But for those that do, for those that have sufficient timely data, we will generate a forecast. And that forecast is actually a composite of five different fundamental forecasts or exclusive forecast, I should say.

There's a stock-specific piece, there's a peer piece, and then there are three different macro models. In aggregate, you get to close to -- you've got these five forecasts. You have 30 different themes. You have over 70, what we call aggregate signals based off of close to 500 micro -- unique micro signals in that final forecast.

The stock-specific piece is usually the driver. It's usually the most important piece. And so that is the model that compares a particular company to others that are like it in well-understood ways. So I think in the case of something like Toyota, we're going to compare it to other Japanese auto companies or in the auto industry, I should say.

And so that stock-specific forecast has four themes. Generally speaking, their valuation, their quality, they are growth oriented and their technical measures, technical things that are related to supply and demand. Those themes are the result of 27 today different aggregate signals across almost 200 unique micro signals.

And so it's, again, a very robust model takes into consideration lots of different things, some of them coming from very structured data, financial statements, so the coming from pure what we think of as supply and demand data. and those things related to trading volumes to momentum to sentiment, those types of things.

Second, we have a peer model. My mom used to paraphrase Miguel de Cervantes, the author of Don Quixote, with a version of tell me who your friends are, and I'll tell you who you are. This is the financial forecasting equivalent of that belief.

And so for every stock, we identify a set of its friends, a set of its peers. We then look at a bevy of signals, tens of signals, about 30 different signals to produce three different forecasts, a momentum forecast, a growth forecast and a fundamental forecast based off of the information we're gleaned from that particular peer group for that particular stock. That's forecast number two.

Forecast three, four, and five are macro-based forecasts. And so in aggregate, this groups to around 200 different individual signals across, again, a bevy of themes and a bevy of aggregate signals. But there are three different models in place.

There is a model based off a geography, so a country model. There's a model based off of industries, a global industry, depending on sort of whether you have in a developed market or an emerging market, and then the intersections of those pieces, the intersections of geography and of industry. And those are three macro models that are also built into each return stock forecasting process.

If we go to portfolio construction, again, we're not just building high expected return portfolios. We want to be very cognizant of the risks that we're taking, and we want to be very aware of the cost that we are generating to produce the positioning that we want in the portfolio. So cost and alpha are clear characteristics.

Alpha, we just talked about a second ago, I'm going to talk about cost a little bit more next. So if we focus on risk in the portfolio construction context, there are -- at Acadian, we sort of think about risk in a number of different ways. You can think there are uncompensated sources of risk.

And that is the group of risks that we would prefer to minimize our exposure to. So they have essentially 0 expected payoff associated with them, but they generate a lot of volatility. And so to the extent possible, we want to remove those from our portfolios.

Second would be different flavors of risks that are compensated, all right? So I mentioned things like recession risk or inflation risk. There are things like value or momentum that are very well known in our area of the industry. And so these are compensated risks.

So the value premium, if you believe there is one, is a compensated source of risk. A momentum premium is a compensated source of risk. So these do have positive expected returns, but they come with a significant amount of volatility as well. And so we will do

our best to manage those what we think of as compensated, but close to generic sources of risk.

A third category would be compensated but more proprietary sources of risk. I can focus on momentum again in a minute. I'll focus on momentum -- I'm sorry, right now. When we I just mentioned, it is a compensated source of generic risk. The generic definitions of momentum look something like 12 minus 1 returns, 9 minus 1 returns, 6 minus 1 returns.

And people have built portfolios that have these exposures, they've measured the risk characteristics, the return premiums associated with them. These things are all generally pretty well known.

So simply in our stock selection forecast, we have momentum in every single of our five major models. But on a stock selection forecast, we have two different aggregate themes to different aggregate signals that comprise something close to 20 unique momentum signals.

None of them are 12 minus 1, 9 minus 1, 6 minus 1, but they do co-move a little bit with generic returns from -- coming from momentum. And so that, we think of is the piece that co-moves is the generic piece. The other piece, the orthogonal piece is the proprietary piece. And so we manage those risks differently.

Next category of risk would be something like a stock-specific risk. So once you can account for what you think of all the risk factors that are relevant, various style factors, things like country, geography, industry, you name it, then you can get to some of the stock-specific pieces. And so we model those as well.

Lastly, we have a category that we think of as being more event-driven or thematic in terms of the risks that we take. And over the past decade, we've actually built a process to help us identify and better manage events that we know sit outside the framework of our typical risk modeling frame, of our typical risk modeling exposures and construction within our portfolios.

If we talk about trading quickly, this is an area where, again, you can easily remove a lot of value from your clients' portfolio. It is not an after-the-fact consideration. We don't generate a trade list and then figure out how to execute it. All of it is done as part of our portfolio construction process. We want to make sure that we're leaving alpha in our clients' portfolios.

While we might be able to trade NVIDIA for close to free all day long, if we're looking at a small cap South Korean healthcare company, that's not the case. We know that we're going to pay some reasonable cost to gain exposure to remove exposure to that company in our portfolio. We want to be upfront and honest with ourselves about what that is.

And so we have built, again, a very comprehensive trading platform to go ahead and interact within financial markets. And so again, I mentioned a couple of numbers about our 2025 trading. I mentioned that we traded in close to 22,000 unique securities, nearly 1 million trades at a dollar value of about \$300 billion traded over the course of 2025.

Most of this is very low touch trading whether directly electronic trading or program trading, very low touch trading, and we have built an entire infrastructure to be able to instruct to measure every single portion of the process. And so we do believe that this is a key competitive advantage to what it is that we do here.

All of this, that entire process is predicated on research. And so it is really in our culture and in our D&A. So ideas can come from anywhere. I mentioned collaboration and team. It's critical to what we do.

We can get a good idea about forecasting returns from someone on the trading team, right? And we want them to speak up. It can move in any direction, and we hope and expect people to contribute beyond their specific area of expertise that we hire them for.

Second, we want to be careful about how we are allocating our resources. So we have a group called the senior investment leadership team, seven of us in charge of running the investment team and all sort of resources, all ideas are vetted and all resources are aside in consultation with that group.

Next, we want to make sure that we are doing things in broad daylight, if you will. And so while a research team working on a particular project might be very small, it might be two people, three people, four people, those people are sort of presenting findings all along the way.

They're getting feedback from their colleagues usually by the team, there's -- by the time this a formal proposal to make a change in our investment process. That idea has been vetted usually between three and five times by a larger group.

The last piece, when a formal proposal is made, it goes in front of a group called the Investment Policy Committee. That's about 40 of the most senior members of the investment team, Alex and myself obviously included. And there the idea is to have the look and feel of an academic locum.

So you've got a protagonist making their case to change the investment process. It's incumbent upon the rest of us to make sure that person has really done their job well. So we're going to beat them up a little bit in a very cordial collegial way. But the idea is to make sure that the work was done well, and we believe the results that are being presented.

And then lastly, the CIO and close consultation with, again, that senior investment leadership team will actually go in the head and say yes or no to affect change in our investment process. And we basically have a quarterly rollout schedule so that no idea sits on the shelf very long.

If necessary, we can implement change immediately. That might be the case of changes on the ground because of some political change or some sort of socioeconomic change that is quite dramatic, either in a particular country or in a particular portion of the world. But almost always, it is very sufficient for us to adhere to our quarterly rollout schedule.

And so with that, I want to turn it over to my colleague, the Deputy CIO of Acadian, Alex Voitenok. He's going to tell you how to take the concepts of process and turn them into Acadian's capabilities.

Alexandre Voitenok Acadian Asset Management Inc - Executive Vice President, Deputy Chief Investment Officer

Thank you, Brendan. I feel like I've learned something. Let me add a little bit of detail. I'm going to cover a couple of things. One, where the investment team has been focused and what was working and where we're growing and also the extent to which the technology and rapid advancements in AI are impacting our process and our team.

So let's start with the focus of the investment team. One of the benefits of the repeatable systematic investment process is the ability to customize our strategies to meet the needs of our investors while retaining the core philosophy of what we are and what we do.

One of the easiest ways to look at it is risk versus return targets, that's the top right chart. And what you will see is position of some of our classes of strategies across the risk dimension, which is x-axis and y-axis, the return we're getting for them. That's what Brendan mentioned as the risk return trade-off, the information ratio, more return per unit of risk, of course, is better.

The blue strategies, the blue dots are core long-only strategies with some extensions and orange are credit, the about 5% risk and slightly below 3% dot is the Acadian D&A. That's the group of what we call core strategies. They are centered on highest risk and highest return.

Highest risk is the byproduct of some limitations that exist in loan strategy. So in order to get the maximum return target, you do need to take a bit more risk. This is what we've been doing for 40 years. This is where most of the revenues.

And typically, our partners, our clients invest into these strategies alongside with similar ones, typically uncorrelated ones, therefore, achieving diversification in their portfolios on their end. Therefore, the higher risk that comes with this high return target is by design has been working well. This is what we've been doing all along, and that's a very familiar business.

Going from there, well, higher risk is not for everyone. And we've definitely seen an increased attention to the consistency of returns. To address that, we've done quite a bit of work on what was our one of the tools in our investment tool set, we call it enhanced strategies. They focus on something like 1%, 1.5% track in error delivering returns on the lower end that you see over there, close to 1 blue dot in the bottom left corner of that chart, that's this enhanced set.

We've done a lot of work to make sure that we can scale in that we have plenty of capacity that we have the right tools that allowed to pay full attention to that set. And we've achieved something that I think is very scalable.

It does not require additional human or in resources for that matter besides the traditional research agenda that we have scales very well with customer customization of the products and this is where we have definitely seen some success. And I believe that will continue because there's definitely a lot of attention to that sort of consistency of returns them.

The next one up is interesting enough. Well, as I said, higher risk is not for everyone. While some investors seek exactly that. So this is where some of our partners will take quite high risk, of course, if that comes with increased return targets.

And this is where leverage comes in and it comes in two different ways. You've probably heard about traditional extension strategies 1-30-30 where 30 refers to additional long and short leverage in addition to the market beta and that's a traditional way to scale up return for the cash to achieve higher returns.

Interestingly enough, leverage may be used not only to scale return on risk, but it can also be used to scale risk down. In other words, you can use leverage to hedge out certain risks. And this is what we do in what we call dynamic extension strategies where the investment team has been focused for the last two, three years with some very interesting results.

Again, the focus here is more on consistency of returns rather than simply high return target and high risk. And also, interestingly enough, since it's based on our traditional philosophy, traditional approach, traditional tool set, it's very easy for us to bring in tax load data into the optimization problem and while still focusing on return generation, focusing on alpha, just like in every other Acadian strategy, we can optimize the tax footprint for US-based taxable investors like myself. So that's one interesting path that these strategies could take.

And of course, finally, credit, Kelly mentioned the strategic importance of that. It's been built on the core infrastructure. We need a lot of conscious effort to make sure that the tools, the process that scale well. The strategy is now quite mature, I think, was the three-year track records. So that's where also all of the -- quite a bit of focus was.

Now let me talk a little bit about technology behind the investment process. Understandably, that's coming up everywhere, and that's what allows us to scale and continue to stay ahead of the competition. So let me jump a little bit ahead of myself and say that we're absolutely a beneficiary of the latest advancements in AI and technology.

For the avoidance of doubt, our process has been leveraging data and technology for 40 years since day one. We've put a lot of effort, a lot of time, a lot of people, hours painfully learning not to cut the corners where they don't need to be cut. Currently, we have a team of about 70 people that are focused on nothing but data and data infrastructure behind it.

I'm not going to rattle the numbers that Brendan rattled on the millions of data points, et cetera. It goes without saying that we use all the data. You can imagine the pricing data, the fundamental data, the alternative data.

But what I do want to stress is that technology is available to everyone today. It's massively scalable. What is not available to everyone is the years of expertise, building the data culture, the data philosophy, the data-driven process philosophy building expertise, building internal tools and infrastructure to process that.

Without that data count, so the only thing that technology scales, it's noise. So it goes without saying that I believe that our efforts and our focus on technology, very well planned, hiring the right people, putting the right infrastructure in place is paying off today and is positioning us to take advantage of that in our investment process.

And AI, so on one hand, certainly feels like an industrial revolution. I'm not sure if all of you appreciate that this industrial evolution has been going on since at least 1950. 1950 for me -- there is a debate -- Brendan and I had this conversation. So 1950s when Alan Turing published his famous test criteria, which was established during test.

In 1943, there was a paper that published the first sort of mathematical approximation of neural networks. So Brendan (inaudible) goes before, 1950, 1956, I think it was a jointly and commonly acknowledged as the official birth date, which is the Dartmouth Summer Research Project where John McCarthy established this field of research and the nomenclature of artificial intelligence.

There have been starts and stops in artificial intelligence and some of the promises much like with internet boom, some of the promises that AI seemed to show didn't pan out. So they were sort of like waves.

One of the waves that I personally was part of his late 1980s, the so-called expert systems that attempted to codify decision-making and data. Hard to scale, very rigid. So again, it didn't pan out, but certainly had some practical applications.

Then '97, you had IBM's Deep Blue and of the racing since then. I had to use our internal AI research agent to confirm the first year when we applied AI in our process in production that turns out to be 2008 in the area of natural language processing and the first research seems to go back to 2006.

The reason why I mention in all of this is effectively the same message that I had on technology in general. None of this is new to us. None of this is radically new. If there are firms and teams that are best positioned to take advantage of rapid acceleration in technology, that's teams like ours.

I cannot speak to what others are doing, but based on who were able to hire, who were able to bring in, I think we're very well positioned. We're not missing on anything. We're definitely taking advantage of technology.

And we're taking advantage of that in two major ways. One is a straight application in the investment process. Again, to be clear, we're not using AI to go from this is stuff, and this is a return of a company. We would not let AI make the influence all the way because we want to retain some fundamental intuition for why things forecast returns.

So maybe a hyperbolic example, but we will not let AI learn that won't face somehow forecast returns. Maybe to use a practical example, if you want to get a kick out of this, Google relationship between the number of movies Russell Crowe appeared on the annual basis and the Walgreens customer satisfaction.

Apparently, the correlation over the multiyear period is 80%. And if you throw that data into machine learning, unsupervised approach, without sensible guardrails, it certainly has a chance of learning that kind of stuff with probably less than amazing implications for out of simple investment process.

So this is what we do in the investment process, certainly, with the advancements in AI technology, we are letting AI to infer some of the relationships between what we believe to work. So the -- some variables that should forecast the outcomes for companies and their returns in the stock market. But we're not going to let it make the entirety. It's a very supervised process, very consistent with our investment philosophy.

And then the second approach where we use AI and machine is very straightforward. It's automate all the research tasks that I met in corporate tasks, use it basically for scale. I continue to make this point to our team where arguably, it's hard to make a team that's 10 times smarter, but it is viable to envision a team that's 10 times more efficient and faster, which is probably a similar outcome.

And this is where mechanically, we have all the infrastructure to take advantage of any emerging technologies, and this is simply what we're doing. So and it's certainly a very exciting time to to be a systematic asset manager and use all the technology to produce consistent, well-understood results.

And let me turn back over to Brendan, so he can look at how these results look over the longer history.

Brendan Bradley Acadian Asset Management Inc - Executive Vice President, Chief Investment Officer

All right. Thanks very much, Alex. So we just want to wrap up, maybe staring a little bit about some of the returns. Obviously, we are in the business to produce good outcomes for our clients and we're trying to convince you here that we've largely done that.

And so we've broken it up into four major categories: core, enhanced, extensions, and credit. And you can see the different colored bars represent different time horizons. Enhanced, obviously, has lower risk, lower return expectations. Extensions have in many cases, higher risk, higher return or same return, moderate risk, higher leverage.

And you can see over the various major strategy groups, we are delivering on our goal to produce compelling returns for our clients. These numbers are through the end of March. You can look at any number of the publicly available data on Acadian funds across the globe.

We're having a very good second quarter as well. And so over the course of 2026, we're having a very strong year from a performance perspective as well.

And so just to wrap up, what do I want to reiterate? So we are really excited about what it is that we do here. So we have built a scalable investment platform that is based off of three legs of the same stools. So research, data and technology.

Every single one of those things depends on our people and our culture. And so our team is really paramount to what we do. As Alex said, we probably can hire a team 10 times smarter than the one we have, but we can try to provide the framework and the runway and the infrastructure to make them 10 times more efficient. But if I come back to the earlier comment about sort of the culture and the collaborative environment, that's as important as anything that we do here.

Second, we really do have sort of a broad and evolving set of capabilities. And so again, we announced publicly this morning that we took one of the things that we've been doing for a long time, global equities. We applied leverage. We made that leverage dynamic and then we added a tax awareness element to it.

And so we launched very recently in Acadian global dynamic leveraged tax aware strategy for the marketplace. Why? Because we know that it's useful for some portion of our client base. And we know we have that skill set. We've been managing global equities for decades. We've been managing leverage versions of global equities for decades.

And then lastly, we have had really a good stretch of solid and compelling performance for our clients across almost everything that it is that we do here across all of our major categories of investments over just about every time period, we have produced good compelling risk-adjusted returns for our clients.

And so again, we're very happy about that, and we're very, very excited about our future. And so with that, I'm going to wrap up, allow us to maybe get a little bit of cooler fresh air, and then we'll come back. Thanks, everyone.

(break)

Theodore Noon Acadian Asset Management Inc - Chief Marketing Officer

Great. Welcome back, everyone. I hope everyone had a nice break and enjoyed hearing from my colleagues, Kelly, Brendan, and Alex. My name is Ted Noon, I'm the Chief Marketing Officer here at Acadian and thrilled to have the opportunity to tell you today a little bit more about the commercial facing activities that my team endeavors in given the remarkable support from our stable investment colleagues.

So I'm going to spend the next 20 minutes or so taking you through the global business, talk a little bit about our client relationships, the areas that we're most excited about on a go-forward basis and look forward to having that opportunity.

So if I move forward here, Kelly talked a little bit about the commercial success that we're having about the positive net flows, but really just wanted to double-click on that as we get started because I believe what you said is absolutely the case. Systematic investing is very much in demand, and we are a key beneficiary of that demand.

And we see that very strongly in the trailing numbers. Last year, 2025 was the strongest asset raising a year in the history of the firm, both on a gross and on a net basis. Q1 of this year was similarly the strongest net and growth quarter in the history of the firm. We are having commercial success in the marketplace. And I really hope over the next 20 minutes or so, I can talk to you a little bit more about why we think that is happening.

Before we talk a little bit about the asset growth, I want to talk a little bit more about the distribution of the assets that we manage for investors globally. So we manage about \$200 billion across roughly 1,000 institutional relationships and I think a couple of different cuts here are important because they talk about the direction of travel for our business.

So here, we're looking at the distribution by client geography, by investment strategy that our clients are invested in and by the type of investor that is investing with Acadian. Kelly touched on this briefly, but I think this is a really important point on the left-hand side of this slide.

Three years ago, our business was roughly two-thirds America, one-third international. Today, it is close to 50-50. Why is that important? Well, the addressable market for us is about half outside the US, the penetration that we've had historically has been lower.

The opportunity for upside growth is very significant internationally in some of the fastest growing marketplaces in the world are international markets. Also having a well-balanced business geographically gives us nice diversification in revenue streams. And so seeing this business closer to 50-50, I think, is a key tenet of my strategy as CMO.

Interestingly, we talked a little bit -- Alex talked a little bit about the growth and extension strategies and enhanced. The middle strategy donut here really talks to that. Three years ago, roughly 90% of our assets were managed in the core orientation. That's the strategy that Brendan and Alex talked about the inception of the firm in 1986, kind of traditional active risk active return.

We've seen very material growth in the enhanced business. I'll talk a little bit more about that and in extensions. And even though Extensions is a relatively smaller contributor to total AUM, it has an outsized contribution in terms of fees given the fees those strategies command and one we're also excited about.

And then lastly, in the back half of this deck, I'll talk a little bit more about the breakdown of institutional versus wealth clients. Wealth has grown from about three years ago. It was about 80% of our assets today. It's -- sorry, it was about 20% of our assets. Today, it's close to 25%, given some very significant success we've seen in the wealth platforms outside the US and then certainly excited about the launch of our tax managed strategy that launched last Friday with employee capital.

So let me talk to you a little bit about clients and why we're so thrilled to have the client base we have. I think it's a great privilege to have this job because Acadian works with some of the largest and most sophisticated investors on the planet. Kelly talked earlier about the fact that we manage money for six of the top 20. These are large, long-tenured relationships in some cases, going back decades.

And then in the US, that penetration is even more apparent. Here in the US, we manage money for 23 of the top large -- 50 largest pension fund investors in the US Kelly also also mentioned very briefly, our average client tenure is above 10 years for our largest

investors. It's actually 13.

And while there's a little bit of a debate where the official number is on average for the industry, I typically think of that as about eight years versus 13 years. What's driving that delta in average client tenure at Acadian.

And I think it gets back to this core interest in systematic. What do we do? We deliver consistent risk-adjusted returns for clients. If a client hires us to do that job, we do it consistently, we're more likely to keep that relationship. We are managing no drama portfolios.

And I think that's really important in an environment where traditional active management, whether that's style-specific value or growth or thematic has had volatile excess returns. Investors today very much want consistent outcomes. And systematic is extraordinarily well positioned to deliver that.

And so while we see that in our average client tenure, I think it's really important as we kind of think about the business growth going forward and the addressable market for us, having very consistent outcomes is something that very much is in demand by investors globally and one that I think systematic is uniquely positioned to provide.

And then lastly, I'll talk a little bit about clients invested in multiple strategies at Acadian. So 27 of our top 50 investors here at Acadian are invested in multiple strategies by AUM. About half of our clients are invested in multiple strategies.

Why does that matter? It matters for a couple of reasons: One, we have more inroads into the organization. We built the trust to have their capital with us. These clients are expanding their relationships with Acadian.

And so while we have many of these largest investors, there's opportunity to expand our relationships with them and they're voting with their capital. So the expanding of relationships are a key area of growth for us as well as developing new relationships.

Let me talk a little bit about the distribution team globally. I have the privilege of working with about 100 colleagues here on the global distribution team, and we're split across four global offices. You're here in warm Boston today, Boston is our headquarters. We were actually founded in this building in 1986. This is where the majority of our clients contract with is where the majority of the team is.

But there's been some exceptional growth in our client franchise outside the US and one I'd like to talk to you a little bit about. So our most established international offices in Singapore that office was founded in 1999. Last year, we celebrated the 25th anniversary of that office. Over the last three years, that office has grown by about 30% a year in terms of asset growth.

The next oldest office in Sydney, established in 2005. So last year, we celebrated the 20th anniversary of that office. And you'll see just the exceptional growth in that office. So roughly 60% year-on-year growth over the last three years out of the Sydney office, which also services our Japanese investors.

And then lastly, London is the largest office outside Boston for us, both in terms of the AUM and overseas and the head count that office is turning 20 this year, we're turning 40 in October. That office is turning 20. And that's really also been a key cornerstone of the growth. You can see roughly 50% year-over-year growth out of that office.

And that really kind of backs you into that move from two-thirds US, one-third international closer to 50-50 today. There is a tremendous opportunity for Acadian, both in the US and outside the US. We have more wood to chop, so to speak, outside the US because that penetration in those client bases is still lower. And so really excited about having the opportunity to grow that franchise.

And I'd just note that these offices, in some cases, have been around for 25 years. we are the beneficiary of a long-term investment of being close to our clients, having people close to our clients. I think we are extraordinarily well positioned to be in the same time zone as many of our investors, and that's much harder to do running a global business just out of Boston. So feel very good about the footprint as we lean into international growth.

I want to talk a little bit about brand. And brand in the context of institutional management is a little bit different than brand in the context of a consumer products company. So brand to us is that the investors that might allocate to Acadian, do they know Acadian, do they respect Acadian. And this slide talks you through one lens of that brand sentiment.

So eVestment, which probably many of you in this room knows is a major aggregator of data on the institutional asset management industry. They do a quarterly brand survey. And I think it's really important to note that Acadian is showing up among much larger peers, in many cases, both by asset owners. Those are the people who would invest with Acadian and by investment consultants.

And I'll just double-click on that a little bit because I think it's really important. You're not going to see Acadian's name on the side of a bus or on a billboard, but when you're doing a search for active equity management, we are going to be in the mix because the people who are doing those searches know our brand, we will get considered.

And I think building that brand over 40 years of having a pure-play systematic process, well articulated as Brendan and Alex took us through earlier is really important. And so again, brand is important. Brand is quiet in institutional space, but it is really important.

Similarly, investment consultants intermediate about 50% of our business. We work with over 50 institutional investment consultants, and I think we are a relatively good partner for them. We have been very consistent in terms of what we do. We are very transparent in the way we talk about our investment process. We are very repeatable in terms of the way we deliver investment returns.

And so generally, I think we are relatively easier to underwrite for their clients. And so we're very privileged to have so many supportive investment consultants because it gives us great leverage in distribution. If that investment consultant says, you should look at these three global equity managers being one of those three is really important in terms of future distribution opportunities and client retention.

So our investment process doesn't always perform well, but having a supportive consultant that can work with an investment or an asset owner through periods of underperformance is also very important.

So really nice window into how our clients and consultants us as a brand. So let me step back away from Acadian now and talk a little bit about this secular growth in systematic investing. So these are aggregate industry numbers. These aren't Acadian-specific numbers, but I think they'll allow us to go through the next couple of slides kind of with a slightly different lens.

And what we're seeing anecdotally in terms of client allocations or I'm reading every meeting note is the sustained interest in systematic investment, sustained demand for consistent risk-adjusted returns. So how do we kind of demonstrate that in terms of flows?

So we look at 2022 and 2025, and we look at active equity investing. We can break that down into traditional discretionary, I think, fundamental traditional discretionary in systematic. And while both categories have grown over this period, systematic is growing at twice the clip.

So this is similar. We're seeing record asset growth in systematic strategies we manage. Our peers in the industry are also experiencing significant growth, and we can see that in the aggregated numbers.

What does this suggest. To me, this suggests an expanding opportunity for Acadian. Our addressable market or our service addressable market is expanding. If people realize that systematic investment can be at the core of their equity allocation, the addressable market for us is gigantic. And I think that realization is happening in the marketplace right now.

Where do we see that? This slide talks about the core equity capabilities. This is a slightly different cut than I think we typically show in investment presentations, but it's one that our investors would be -- would resonate with. These are strategies where we are a known brand in terms of institutional allocators allocating capital.

Non-US equity is the cornerstone of Acadian. In 1986, when we went to market, this was the original idea for Acadian. Today, it represents about \$56 billion in AUM, growing at about an 18% clip.

Emerging markets equity. Brendan mentioned, we've been managing active emerging markets equities since the 1990s. We are a major player in that marketplace. That is a segment that's growing about 17% annually.

And then lastly, as investors think about maybe not trying to time US versus international, having a global equity strategy at scale allows us to participate as investors think about rationalizing of global equity portfolios. And that segment is actually growing the fastest of our core equity capabilities.

But I think the most stark way to think about the sustained growth in systematic is to look at the growth we see in enhanced strategies. Alex talked a little bit about what these strategies do. These strategies take modest active risk for modest active return. They deliver exceptionally consistent client outcomes.

We launched these strategies in 2012 for a top 10 US public pension fund. So we're managing the strategies for almost 15 years. The market has realized that these are great building blocks for portfolios.

And so if we look at the direction of travel in terms of AUM, 2022, we're managing roughly \$3 billion in these strategies. 2024, we're managing \$10 billion. Last year, we quadrupled in AUM. And if we roll that forward to Q1, we're managing close to \$60 billion in these strategies.

These are strategies that can be at the heart of an equity allocation, which means large mandates. There are also strategies where we take modest active risk, modest active return, which means incredible consistency and returns, so they should have long client tenure. So we're really excited about the growth here. And it's evident from the chart here that there's exceptional momentum behind

these strategies.

So let me talk a little bit about the roadmap going forward. And I want to talk a little bit about kind of staging how we think about interfacing with investors. I talked a little bit about enhanced equity. That's the top bar here, and this is the idea that investors are really prioritizing consistent outcomes and consistent excess return.

And so that is something we've been talking to a lot about clients. It's yielding good outcomes in terms of capital raising when investors are going to market, they are disproportionately selecting Acadian strategies.

Equity extensions are obviously a smaller category. five years ago, we were managing roughly \$1 billion in these strategies.

Today, we're managing nine. These strategies have doubled in AUM over the last year. These are strategies that allow us to articulate our investment views very, very well. In a long-only portfolio, it's very hard to get access to the stocks that you dislike. When we go and forecast returns, we forecast every listed asset.

If we really do not like a stock, the most we can do is under-weighted. And in an extension capability, we can actually go short. And so that allows us to transmit our alpha much more cleanly into portfolios. These are strategies we've been managing since the early 2000s. They are experiencing a renaissance in the marketplace.

They are priced like premium active strategies, and so they command a very substantial fee premium to traditional long-only or enhanced equity and that growth we're excited about. It's never going to be the same eye-popping numbers in terms of enhanced but it is a very efficient way for us to articulate our investment views for clients.

Systematic credit Kelly touched on and Brendan touched on. Systematic credit is really exciting for us. If we think about the origin story of Acadian in 1986, going to market with a systematic international equity strategy, systematic equity wasn't even a defined category. International Investing wasn't well understood or even adopted. And when we think about systematic credit, systematic credit has an opportunity to do what we've done in systematic equity apply data to make good investment decisions.

Credit is a huge opportunity set. It's about \$4 trillion in actively managed external portfolios. We estimate the category today of systematic credit to be somewhere between \$100 billion and \$200 billion. So it's a nascent, but we have the opportunity to be there at the beginning when systematic credit has its systematic equity moment. We're really excited about the opportunity here.

strategies take a long time to build, asset classes that you haven't managed assets and before, people want to see out-of-sample returns.

We're just about to come up on our three-year track records in both high yield and investment grade at the end of this year, the beginning of next year. That is a typical institutional marker for consideration of these strategies. The track records are very strong, and we're excited about the growth opportunity ahead there.

And then lastly, I want to talk a little bit about Global Wealth. So Kelly mentioned about a quarter of our clients today are wealth and wealth adjacent clients. It's no secret to anyone in this room that wealth markets are bond average growing substantially faster than institutional markets. And so how do we think about addressing those markets and going into that growth. And I'll take you through that in the next slide.

So this slide talks about four institutional adjacent segments of wealth where we think we have the right to compete and the right to win. Global sub-advisory, non-US intermediaries, US ultra-high net worth and US defined contribution. And I'll spend a little bit of time on each of those.

So global sub-advisory is a relatively well-known segment. Think of this as an institutional-to-institutional relationship. We are going to go talk to an institutional sub-adviser. They are going to handle the last mile distribution to their clients. This is a well-known distribution and well emphasized distribution strategy for Acadian.

That serviceable addressable market for us is roughly \$2.3 trillion. This is big, and it's growing about 17% a year. We had a major win with a UK wealth manager earlier this year that would go in the global sub-advisory bucket.

Non-US intermediaries, think global private banks. Think folks who are distributing usage funds in Asia, in Continental Europe and around the world. We have a USIS platform that's now at scale, 20 funds, roughly \$10 billion in assets.

We are experiencing very significant commercial success with these private banks because they're seeing what the traditional folks in the institutional space are seeing. Systematic strategies can be great building blocks for larger portfolios.

US ultra-high net worth. So I'm going to talk a little bit about this in the context of our fund launch last Friday. Ultra high net worth in the US, we're defining as investors with over \$20 million in investable assets. That is the fastest-growing category of wealth in the United States. It also happens to be the largest. It also happens to be a segment where people care a lot about after-tax returns.

And so our traditional strategies are relatively high turnover and on an after-tax basis for a taxable investor, it's relatively difficult to underwrite. As Alex noted, adding a tax consideration is something that we can do quite seamlessly in our process. And so having this capability will allow us to address this market.

These folks with assets over \$20 million act like institutions. They employ advisers. They're quant literate. They understand systematic. And so without hiring an army of distribution people, we can address this market through traditional distribution channels.

We heretofore did not have a great product fit as we grow this tax managed long-short equity strategy given the institutional brand, I think there's tremendous upside here. We have to wait for that product to be built and so excited about the growth here forward, but now we have a product in market that will meet that need.

And then lastly, let me talk a little bit about US defined contribution. So these are tax deferred investors. They do not care about tax. So our traditional investment strategies worked quite well here. And I would say they work exceptionally well.

If you are a DC plan sponsor and you're looking to underwrite an investment strategy, what do you care? You care about good value for money, you carry about strong excess returns and consistent excess returns. You saw from Brendan and Alex, that is what we do. And so we've seen dramatic growth in this category.

Globally, we oversee about \$20 billion in defined contribution assets. CITs, collective investment trusts are the primary mechanism for delivering these strategies to US defined contribution plans. That platform is roughly \$10 billion today and it's very substantially. We have 11 CITs in markets today. If I think about growth in the US and tax-exempt space, US defined contribution is a key cornerstone of that.

So taken in totality, our institutional adjacent segments allow us to address the wealth opportunity through sub-advisory, non-US intermediaries, ultra-high net worth and defined contribution, and we're seeing real growth in these areas and excited to see what's ahead.

So let me just close with a couple of things before I introduce Scott here. What I hope is clear from my conversation today is that Acadian is established brand and systematic investing. We've been around for 40 years. We have been remarkably consistent in the application of our process and the transparency that we offer. We have a marquee blue chip client base that we're thrilled to have the opportunity to work with, and we have a recognized brand.

I think our growth, which is evident from the last nine quarters of cash flows is evidence of the fact that we're in market with something that investors very much demand. We think that growth is secular. And so the opportunity ahead of us is very, very exciting.

And so the addressable market, whether that be in an institutional space that we don't work with today or a wealth space where we're excited to have the right product market fit. We're excited about the future ahead for Acadian. So thank you very much for your time.

Scott Hynes Acadian Asset Management Inc - Senior Vice President, Chief Financial Officer, Principal Financial Officer

Thanks, Ted, and thanks, everyone, again, for coming today. I think I'm standing between everyone in lunch and our Q&A. So I'm going to try to move relatively quickly. You heard a lot about the business already. So hopefully, I can connect some dots and talk to you about how it all plays out in the context of our financials.

Before I want to -- before I do so before we get into results and what we've been experiencing and where we make it from here, I want to do a little bit of a primer on the company for anyone who is relatively new. So very quickly here.

ENI, what is ENI? It is economic net income. This is important because this is our preferred language to talk to you all as our shareholders and for good reason. So it is non-GAAP, but it's designed to show what is actually flowing to AAMI shareholders.

It builds on GAAP, but it strips out items that don't reflect the underlying economics, the largest being the noncash revaluations of LLC employee-owned equity that happens every quarter. So ENI is the language we use with our shareholders. It's a language we use internally and informs how we run the business, and we believe it gives shareholders the cleanest view of how we're performing quarter to quarter.

So with that, and starting at the top very quickly, we do have ENI revenue, that's management fees plus performance fees. And then from that, we subtract two things. One is the cost of running the firm. That's our ENI operating expenses. And then the second is our ENI variable compensation, and that's largely a contractual share recall, of pre-bonus earnings that are paid to our investment professionals.

What's left is EII operating earnings, and that's the basis for ENI operating margin, which is a focused profitability metric that I'm going to be returning to frequently through this section. From there, we subtract key employee distributions. That's the profit share that goes to the LLC equity and profit interest holders before earnings reach AAMI shareholders.

And then we have net interest and taxes. And so what remains is ENI, and that's the earnings realized by AAMI shareholders. You divide that by a share count you get to ENI EPS. And then all the ratios you see on the right are how we're measuring performance, how we're measuring success, that operating expense ratio, the variable comp ratio, the KE distribution ratio, of course, ENI operating margin. These are things, obviously, we're monitoring quarter-to-quarter and help measure how we perform.

We heard in really great detail from Brendan and Alex about the various strategies, how adverse they are. So rather than try to unpack again what they do, I just wanted to remind you all, when you think about modeling us quarter to quarter, what's going on here? And obviously, market moves matter. So what we've worked to do, and you saw some of this with Brendan and Alex's list certain of the benchmarks that really inform our various strategies.

This is not exhaustive, but it's reflective, right? Do you see MSC Aqui, you see some non-US, you see some small cap, you see some EM. So when the world is up or EM is down, small cap is flat or down. Obviously, you see all those things coming together in our AUM and sometimes offset. Another important dimension and you heard about it in the founding and the history of the company is that even today still approximately two-thirds of our AUM is non-US dollar.

So when you think about market movements during the quarter in our AUM book, you really do need to think about what those benchmark returns look like in US dollar terms. To make this more tangible, a couple of panels there on the right, we include these sensitivities in our Qs and Ks. A 10% move in equity markets roughly translates to \$67 million in annualized management fees and a 10% move in FX rates is roughly \$54 million.

So again, when thinking about the company and the movements between quarters, it's a broad basket of diverse indices and do think about US dollar returns.

All right. So stepping into our recent financial performance. The management team here has made my life pretty easy as a relatively new still CFO. So what we're seeing here is our stack of total revenue, 2023 to 2025. ENI revenue has grown from \$424 million to \$549 million in 2025. That's a 14% growth rate.

Just as important, we put the split between management fees and performance fees here. So management fees have gone from 88% of revenue to 94%. So recurring more durable, more predictable component of the revenue base has grown really materially in recent years.

I want to spend some time quickly on the management fee rate. I know that's been a market focus of late. It continues to be.

All right. Before going into detail here, please do know that, look, this is largely an output, right? I think a lot of you know that. But it's influenced by market movements. It's influenced by client demand and the relative growth rates of our strategies and not all these things are in our control.

So starting on the left panel, our blended fee rate has moved from 38% to 36%, taken all together, and the driver there is largely straightforward. It's something that Ted just got done talking about.

Enhanced is our largest and fastest-growing strategy. It does carry a lower fee rate than other strategies. It's lower right now, typically, than the blended average. So as it's grown, it's brought our headline fee rate down.

This is a trade that we've consciously made and it's one that we feel good about. So Enhanced has been a very significant driver of our management fee growth in dollar terms. And as I'll show, the margin dynamics more than offset this headline management fee rate impact.

Moving to the right side here, the right panel. I know many of you have asked us, what are the puts and takes, how we can put together the fee rate in any given quarter. This is an attempt to shine a little bit of light here and on how certain inflows inform our fee rate.

So what we're showing here is various strategies the current mix of AUM down below the bar charts. And then with the pluses and minuses, basically, how those -- each of those strategies to the extent everything else is equal and their on-boarding is net flows would impact the headline management fee rate.

The key takeaway here, as you can see, is that basically everything outside of Enhance is largely neutral or accretive to the current blended fee rate. So this fee rate trend that you saw on the left side of the page that really has been mix driven. It's not pricing compression.

We have seen real pricing stability. Pricing stability is something that's baked into our forward-looking forecast and we feel relatively confident about that. And we have not really seen or experienced broad-based fee rate pressure in recent years.

Touching on expense dynamics quickly. On the left panel, we've been really fortunate to see revenue grow 14%, at a 14% compound growth rate since 2023 while our operating expenses have been about half of that. That's the 7% in the blue bar on the far left. So obviously, all that is positive operating leverage. It is a deliberate outcome of the business strategy that my colleagues have just been articulating. It's how we've been investing in recent years.

On the right panel, I thought it made sense to unpack. We generated \$549 million of total revenue last year. So how do we get there? Starting at the bottom, 38% of the revenue was ENI operating expenses. That's fixed comp and bend, G&A, depreciation, the investments we're making in the people, the technology, the data in the infrastructure that support the business.

On top of that, the dark blue bar there is variable compensation and sales-based compensation. So that's the contractual share of the investment in marketing professionals earn as the business grows. And then what drops out is 36% and the orange there, and that is our operating earnings, and that's the margin that does flow to our AAMI shareholders before KE distributions, interest and taxes.

So the story here is clear. In recent years, we have been able to grow the top line significantly while keeping the investment base disciplined, and that's what's been driving the margin expansion that we've been seeing recently and how we've effectively been scaling.

So a little bit more on how we've been scaling. A bit of a different look here on the left panel. And on the right, we've got some productivity measures. On the left, we've got ENI operating expenses per dollar of AUM. So that's 20 basis points in 2023.

And then we've gone to 16 last year in 2025. So that reflects a cost structure that's scaling, we are scaling. We think we're going to continue to scale. And on the right, you can see that playing out from an employee productivity perspective, those are the lighter blue bar.

So average AUM starting in the upper right there per FTE has grown at a 20% clip from \$254 million to \$364 million last year. And the revenue per FTE has grown from 13% from \$1.1 million to \$1.4 million. So Ted, Alex, Bren, they're running, we're all running a larger business, and it still remains very much a people business.

But we've grown revenue in a way, the head count and the expenses hasn't grown proportionately. That's by design. It is the benefit of being a systematic manager with a shared research and technology infrastructure that we've heard about earlier this morning, and it really means discipline around people and hiring.

So how does that all come together? Obviously, revenues and expenses, margin, this is very important for us. This is how we're holding ourselves to account. We've expanded our ENI operating margin from something like 28% on the left there, in 2023 to 35.5% in 2025. We did even better than that in the first quarter of '26.

So that's approximately 700 basis points of improvement in margin in the last two years. I'm very proud about that. I want to connect it back to the fee rate discussion. So here in the bars, we stacked at the bottom here in light blue, you can see the mix of enhanced, and this is exactly what Ted showed in a different way, right?

It really has grown strongly from roughly 4% of our total AUM to 23% at the end of 2025. So we delivered this margin expansion with that orange bar there, while the fastest growing, the lower fee rate strategy has become a much larger part of our AUM book.

That's purposeful. And it's proof because we stare at this all the time that that trade is working, and we're holding ourselves to account in this regard. And again, it gives us comfort that the strategy around enhanced and certainly the other product initiatives we

have are paying off in an appropriate way.

Now many of you have asked what is the art of the possible, where do we think we're headed, what can we do? So in orange there, we're highlighting today, we're announcing that we're trying to aspire to a near-term 38% to 40% ENI operating margin target.

I'm going to walk through that in a little bit more detail. So that obviously intimates continued ENI operating margin expansion. It is from our perspective to something that's closer to top quartile among traditional asset management peers. So we think it's appropriate. We think we can get there.

So let me talk a little bit more about how. On this slide, we're walking from the left, 35.5% is where we ran for the full year last year is about the highest in recent history. And then moving to the right there in the green, there's our revenue. So we baked in certain assumptions.

These are important around market appreciation, organic AUM growth and this obviously reflects everything that you've heard from our business leaders and Ted just talked about. So continued momentum in areas like enhanced extensions and of course, we're standing up credit and it does bake in, obviously, wealth becoming an increasingly important channel for us.

More specifically on market returns, and we've got this footnoted at the bottom. So what this reflects is a 9% annual market return that's 5% core equity, 2% dividends and reinvestments and 2% alpha. It's pretty standard for all of you, assumption that we often make when forecasting forward. That's before any positive net cash -- net client cash flows.

We continue to be bullish in this regard. I think we can talk more about it. We talked about in the earnings call, but the pipeline continues to refill. So this outlook in terms of revenue does assume because we're optimistic in this regard that we continue the positive trend and positive net client cash flows over the near to medium term.

In the middle, moving right to the operating expenses, right, we're going to keep investing, make no mistake about that. The first red bar does reflect continued spending on technology, data AI-enabled capabilities. There's a lot of things that I think in particular that Alex was talking about and the infrastructure that's going to support new areas of growth like systematic credit like wealth. So we're continuing to invest in the business.

As you've heard from Ted, Brendan, and Alex and Kelly, it's not a step change, though, right? So there are incremental expenses. We can talk more about it, but it's not a step change. The business is really scaling nicely.

As I continue to move right, you see variable compensation. Again, that's largely a contractual output so as our pre-bonus earnings grow, that contractual share to our professionals grows with it. You take it all together, we think we can get to 38% to 40% that range. That's primarily driven by revenue growth. It outpaces the controllable cost base as we continue to invest, the compensation structure does what it's supposed to do.

Moving quickly here from the income statement, if you will, to the balance sheet, really proud of how we've made some progress here in recent years. And I think the strengthening of the balance sheet has been stark.

So I'm going to start on the right side with debt. The gross debt has gone down from something like \$361 million a few years ago in the first quarter of '23 to \$285 million. At the same time, our adjusted EBITDA, that's the darker blue, next on the right has gone from \$131 million to \$220 million. So we've been able to move most sides of that leverage equation in our favor.

The result down below in orange. You see the gross leverage moving from 2.8 down to 1.6 -- I'm sorry, the gross leverage moved from 2.8 back in '23 to 1.3 in 2026. And then that same leverage net of cash, net leverage, 1.6 down to 0.7 times.

At the same time, the liquidity position in recent quarters has really been enhanced. So just as of last quarter, we had approximately \$129 million of cash, then we had \$97 million in liquid seed investments and then \$175 million of total revolver capacity, of which \$90 million was undrawn at the end of the first quarter.

So this balance sheet today really gives us real optionality. I think it allows us to navigate a whole bunch of different market environments and at the same time to continue to invest in the business, support the management team here and also to continue to return capital to shareholders, all without stretching from a leverage perspective.

More capital and capital management and how we think about it. So I wanted to show you here a waterfall. This is something we literally revisit our Board. The first priority is always organic, and that's been a focus lately. So that is people, that's technology, that is seed capital.

We're going to fund the initiatives that support growth and exceed our internal hurdle rates, and we're dedicated to prioritizing continued investments through the cycle in this regard. That's the most focused area.

The second is inorganic. So to be clear, that's for us, really bolt-ons and certain lift outs. We're definitively opportunistic. We're selective and focused on things like capabilities, data adjacencies and perhaps some distribution enhancements that extend all the things that we already really do well.

The third in yellow there, and I just touched on it, is ongoing debt management. We do want to maintain a durable balance sheet with conservative leverage through the cycle in a variety of market conditions. We want to rely on that revolver that we have today for basically all our working capital needs. And we are going to look to continue to pay down a term loan that we still have outstanding opportunistically when we're in an excess cash position.

So after we funded the business and manage the balance sheet, we're then in the gray in the black. We're in an excess capital position and then relooking to return capital to shareholders. We've been doing that. We'll continue to do it. It's dividends first, we think about those being stable and sustainable.

I think as you know, we recently increased the dividend just this most recent quarter and then share repurchases, which are flexible and opportunistic. And they are informed by where we see valuation in our balance sheet capacity in any given quarter.

So a little bit more on capital return, what has that look like here? We've got a stack from 2022, all the way to 2025. The dark blue has been repurchases, which has been the primary vehicle for returning capital for us in recent years. The lighter blue in dividends, and we've returned a total and we've got on the right panels here, \$1.4 billion of excess capital to shareholders, again, that has been the primary vehicle for us to return capital in recent years.

And then the share count, which we've highlighted here in that orange line, the average diluted shares has come down 58% over that period. So obviously, that's been a meaningful driver of our ENI EPS growth and obviously means that for AAMI shareholders, they get to enjoy more earnings as the business continues to grow going forward.

Dividends already mentioned, we increased to \$0.10 per quarter from \$0.01. That was just this most recent quarter. And again, we want those to be stable and sustainable and consistent with the framework that I just walked through.

Repurchases continue to be a focus, but they will be flexible. They will be opportunistic. We are not managing to a payout ratio. They are informed by valuation, the balance sheet capacity I highlighted and where we are in the leverage cycle. But the track record here, hopefully, on this page, reflects our commitment to being -- I keep saying athletic.

And I mean it, athletic in this regard of constantly looking at the balance sheet, any excess capital, listening to the management team, what they need to continue to grow the business and then returning any capital efficiently to shareholders that we don't need to grow the business.

So with that, some key takeaways for me. Again, the primers on the business, just remember ENI is our language and our framework for assessing shareholder outcomes. It's the right language for understanding our shareholder economics.

While we're equity-oriented, we are diversified across benchmarks, geographies and currencies. So please remember that when modeling us. And revenue obviously has grown meaningfully in recent years. And with it, we believe the quality of our revenue mix as well.

So management fees are much larger durable share of our total revenue base. We delivered positive operating leverage to enhance scale and disciplined investment and we're confident in our ability to continue to do so. That's obviously reflected in the announced 38% to 40% operating margin target I just disclosed.

And the balance sheet is in the strongest position it has been in recent memory. And our capital allocation framework going forward is pretty straightforward. We're going to be funding the business first. We're going to maintain financial flexibility and then we'll be looking to return any excess capital to our shareholders.

So with that, I think, Melody, we're going to take one quick break. We're going to reorganize ourselves up here, and then we're going to do Q&A with all of us. So just bear with this, I think we'll do about 10 minutes?

Melody Huang Acadian Asset Management Inc - Investor Relations

We are going to be a little bit longer because online, we'll start the Q&A session at 12:30. So please feel free to -- if you need to do phone calls and we'll also have to set up the Q&A section.

Scott Hynes Acadian Asset Management Inc - Senior Vice President, Chief Financial Officer, Principal Financial Officer

Very good.

(break)

QUESTIONS AND ANSWERS

Melody Huang Acadian Asset Management Inc - Investor Relations

Thank you. Welcome to our Q&A session. We're going to take questions from the in-person attendees first. We will have a first question from Lulu.

Unidentified Participant

My question is on sort of the quality of GAAP earnings and ENI. Can you talk out the biggest delta? I know the revaluation charge has been an item that's been increasing over the past few quarters. Can you talk about sort of when you see a path to stabilization of that and free cash flow generation?

Scott Hynes Acadian Asset Management Inc - Senior Vice President, Chief Financial Officer, Principal Financial Officer

Yes. I'll start. I mean, a couple of thoughts. I mean, we're sensitive to this. As you've rightly identified, the biggest needle mover between GAAP and ENI every quarter is effectively the revaluation of employee LLC.

We're looking at some of the private partnership interests effectively, their equity interest. As our forward-looking forecast evolves, they get mark-to-market every quarter. That is not going to change. It is there. It's the totality of that, by the way, is observable on our balance sheet on the liability side, that is the primary driver of the ENI construction.

I inherited that framework when I came out as CFO, but it is completely sensible to me.

So again, as I start off my presentation, what we're trying to achieve with ENI as a non-GAAP measure, is: one, to clean out extraordinary items as I think you to custom see most people do, right, things that aren't recurring. We try to do that; and then it is this revaluation that is persistent. There is an operating agreement effectively between us as a holding company and certain of the key employees at the operating company. We feel very comfortable around that arrangement. That's what's going on there.

But that dynamic of that mark-to-market depending on how our forecast changes can be volatile.

And with ENI, we try to suss that out while with GAAP in other places in our disclosures, hopefully, it's visible because it's not something we're trying to run away from, it's just a dynamic of the business. And we don't think because it is mark-to-market that is perfectly comparable or fair to look at our quarterly results with all that noise in there. But it will persist. But again, it's reflecting of the structure between, as I said, the public company and the operating company. It's one, as we've just articulated this morning, we think, is working really, really well.

We continue to be excited about. So that's going to persist. But hopefully, and I welcome the feedback, Melody and I do, we strive to make the disclosures as robust as they can be and make sure everyone's understanding exactly what's going on here, but that will persist. And I would say to make it more real. Last year when we saw some big inflows, and we were uncertain around to the timing of those when we see big inflows, and that's a good news store.

Our forward-looking forecasts, which informs how those profit interests are valued, those go up, if that makes sense, right? So that's why in the course of last year, you saw a particularly outsized amount of volatility there. So I think might it smooth now that we've seen some of the larger digestion of these really extraordinarily large single client wins, perhaps, but there's always going to be that dynamic there -- and to the extent that it is there, that's why we're going to keep ENI because, again, I think cleaning that out is most

comparable between other publicly traded asset managers.

And again, it makes more clear, I think what's really going on in the business rather than just that mark-to-market movement. Help me because you had a second piece there, I apologize.

Unidentified Participant

How does that tie into free cash flow generation? And maybe just a follow-up on the question. So on how margin expansion does your ENI margin expansion also flow through GAAP margin expansion?

Scott Hynes *Acadian Asset Management Inc - Senior Vice President, Chief Financial Officer, Principal Financial Officer*

It should. I mean I would unpack that a bit, not sure, it will, to a varying degree. The ENI margin that we disclosed on a headline basis, the operating margin is before key employee distributions. After that, we are confident you have seen and similar to that headline operating margin that is pre-KE. If you look at our post KE basis, it's effectively doing the same thing, but the KE distributions are meaningful.

So call it, 3 to 5 percentage points, typically lower. If you suss out or remove the KE distributions from the ENI operating margin, that's what's left. And it's behaved symmetrically, if you will, with ENI operating margin just again like 3 to 5 percentage points lower.

And in the same way that I outlined that 38%, 40% target pre-KE distributions, we effectively see the same thing going on post KE distributions. Again, it's symmetrical but call it, 3 or 5 percentage point lower or once you take out the key employee distributions. But like I said, it is driving the business that's reflective of the economics in the arrangement between us and our investment professionals, we feel really good about it. So just to be transparent around it. That's what's going on.

And I would add, in this context, again, because we are publicly traded, we try to make this most meaningful for people. There are certain folks that you guys may have spent time with that still have a multi-boutique model where there's something similar to KE but not many. So that's another reason that most people just don't have those KE distributions. So what's really going on in the business when we think about margin profitability, we still think it's most appropriate to stare at that pre-KE ENI operating margin that's what's most comparable to make it up and not really the other larger scale traditional asset managers that were frequently comped against, and that's why we focus on it. Hopefully, that's of help.

Glenn Schorr *Evercore Inc - Analyst*

Thanks, Glenn Schorr at Evercore. I appreciate this. So on the upside, I'm curious how you see -- how many clients have a dedicated systematic sleeve or does it come out of an equity bucket right now how the consultants are addressing that? How are you helping the consultants address that? And on the flip side, just a general question of, do any of your strategies have capacity constraints at all that we should be thinking about?

Kelly-Ann Young *Acadian Asset Management Inc - President, Chief Executive Officer, Director*

Do you want to take the first part of that? And then I might ask Brendan, maybe I might ask you to comment on capacity, but.

Theodore Noon *Acadian Asset Management Inc - Chief Marketing Officer*

Yes. I would say, it's Glenn, right? Thanks for the question. In terms of the -- do investors have a systematic bucket, mostly not I think we're being evaluated against other opportunities in the market, and that's a much bigger pie. If you roll back the clock 10 or 15 years ago, maybe people had a sleeve of I want a value manager, I want a growth manager, and I want a systematic manager.

I think we're just all being evaluated in a similar playing field today. And I think key development that I'm seeing in terms of investor allocations is, again, as I mentioned, this preference towards consistency, this unwillingness or certainly less attractiveness of comparing value and growth or having thematic managers. I think generally, those have been disappointing for many managers

because they introduced a lot of volatility. And so I think that the market for systematic is at the core of the equity portfolio, and it's not necessarily called systematic allocation. It could be called a core allocation.

Brendan Bradley Acadian Asset Management Inc - Executive Vice President, Chief Investment Officer

Maybe some comments on capacity. So thank you, Glenn. Let me make some comments on capacity. One, it is something that is every bit part of our research process. And so every year, we undertake a capacity study.

It is a formal research project. It involves around half a dozen people on the investment team, and we are in the middle of it today, in fact. And so we've upgraded our estimation process over time. In fact, when I joined in 2004, it was one of the first things they assigned to me as the new guy, working with a very senior member of the firm back then. There are some places where we are capacity constrained, but in most areas, we have plenty of room to grow.

And so I mentioned earlier that we managed strategies in the micro cap space, in the small cap space. Some of those are closed and some of those have been closed in the small-cap space, as an example, with room to continue to access those assets for the broader all-cap strategies within Acadian's framework. And so yes, there are some areas where we are closed and other areas where we have lots and lots of room and call it the lots of room category, it depends on how that money comes in at the same time, and I'll give you an example, take something like global equities where we have a lot of headroom.

If we are thinking about something like an enhanced strategy, the way that we designed it, the way that we built it, it is a de minimis draw on what we think of as the firm's capacity. And so in that sense, we can take in many, many tens of billions into global and still not impact what we think of as our core global strategies.

On the other hand, if we get money flowing into global in the more highly levered versions of global, then we would reach limits more quickly possibly from both the short side and the long side because of the, say, it's certain -- tens of billions if 30% to 60% of that is our securities that you're short. That might be our limiting factor first or it could be that you have alpha diminution on your long side because you don't have as much access some of those mid-cap and small-cap companies. So we've got, in many cases, capacity is fungible and it's where demand is coming from and lots of room to grow. In other cases, we do have some hard constraints.

Michael Cyprys Morgan Stanley - Analyst

Mike Cyprys, Morgan Stanley. I wanted to come back to some of your comments around AI. Clearly, something you guys have been using for many years. I was hoping you could speak to some of the innovation that you think might be unlocked by AI over the next 12, 18 months versus over the next three to five years? And then you mentioned some of the guardrails that you're employing today.

How do you think about a future state where those guardrails get softened, if not eliminated. What's that path look like?

Alexandre Voitenok Acadian Asset Management Inc - Executive Vice President, Deputy Chief Investment Officer

So a couple of things. Right now, the clearest path to using AI is on the technology side for sure. So with the arrival of Claude Code and an additional code and assist tools, we're able to tackle projects on the infrastructure side that were almost unattainable earlier. That's a very interesting frontier because as we keep focusing on efficiency having a technology stack that supports common data access, certain common tools is incredibly important and often for a company that's our size. What you have is multiple technology stack, where improving them definitely adds that sort of consistency and repeatability, but it's hard to sell almost two internal teams like you're going to spend a year and you're going to end up with the same thing, just instead of five same things, you're going to have one.

So that's sometimes a hard sale. But it is indeed a significant return on investment to have a unified technology stack and the tool stack where you're not wasting time later in reconciliation. It's a deep rabbit hole, but there are certainly significant efficiency gains that could be produced by a thoughtful approach to infrastructure.

And like I said, those projects are very expensive. And often, there are simply higher ROI projects. with the arrival of these code assist tools, you can undertake these big projects that were essentially almost immovable previously. So that's, I think, the next sort

of 12 to 18 months where you could see significant reimagining all of the technology stack simply because you can. And that's pretty amazing.

Again, you need to have guardrails around it because I'm sure you've seen all the stories where the stock was, oh, so-and-so deleted all the data and I've then acknowledged that the agent didn't follow instructions. So there is a massive security guardrails that we're putting in place. And that, in some sense, moderate the pace of innovation because we don't want to arrive at that place where something unexpected happens. And that probably brings me to the next question of what guardrails may be softened on the AI side. It's sort of the same philosophical approach where we first put enough emphasis on attribution, so understanding what capabilities we may employ and how to infer.

What was learned? Did we learn that correlation between Russell Crowe movies and Walgreens customer satisfaction or whether it's doing something that we understand.

So the first step in that direction is attribution of investment returns, the tools that allow you to have at least some understanding of what is being learned by models under the hood. And as that gives you more certainty that you have a handle on the processing and still guide it towards the results that have intuition then you start relaxing those constraints. So in other words, as Brendan was talking about groups of stocks, remember the friends you might define friends by similarity of earnings, et cetera, et cetera. Or you may allow some machine learning approaches to learn what are companies that are similar to that one and you don't always have transparency. But again, as long as you're not forecasting returns of those directly, as you say, instead of defining the industry, I will have econometric approach that allows me to define groups.

And then I will still forecast fundamentals for those groups in a way I understand you're sort of making this gradual steps.

Michael Cyprys Morgan Stanley - Analyst

So just a follow-up. So as AI enables you to do things before maybe you want to dream of, to put words in your mouth, that now is maybe accessible. It's also accessible for others, whether it's your competitors or maybe even new competitors, folks that we haven't even thought about, whether it's day-to-day retail investors using Anthropic and Claude to become systematic investors for the first time ever. So how do you think about the implications of AI on the competitive landscape? And can you talk about what it takes to be a winner here from AI and from all these technology advancements.

Alexandre Voitenok Acadian Asset Management Inc - Executive Vice President, Deputy Chief Investment Officer

Look, just like in any industrial evolution that has happened before there are losers and winners. It's not like entire industries are being approved. You adopt first. So a couple of things. One, like I said, in the extreme example, the retail investors who are starting to play with core the AI, et cetera.

They have a very long way to go before they even understand what are the capabilities that they have and how they can leverage them without that understanding what they will leverage is noise that I can assure you and we see this in our own research process, where the minute -- you simply stop coordinating efforts between the two research teams, the amount of noise generated exceeds what would be a helpful outcome for the business.

So it's the 40 years of history that I draw upon that tell us how to execute these types of projects is definitely an edge to begin with. As my one of my friends in the industry said, things that we've learned over the past 20 years is how not to cut certain corners because you do want to cut corners to move fast, employ these technologies, et cetera, et cetera. And there are certain learnings in terms of data hygiene and data philosophy that are a big advantage and accumulated over time.

Theodore Noon Acadian Asset Management Inc - Chief Marketing Officer

I can build on the client response or the investor response, and I just underscore that investment management is a trust industry, and it is also a relatively conservative industry, and it takes exactly 40 years to get a 40-year track record. And so I don't spend a lot of time worrying about being dis-intermediated by a couple of folks who've got cloud code. I don't mean to sound arrogant, but I think the decision-making process is going to weed out folks that do not have the requisite referrals, track records, substantial business. And so yes, I think the important commercial consideration is what are our competitors doing in the space not is this thing to invite

more competitors. The amount of money that we spend every year on just data alone is a very significant moat for us as a business. It's not insurmountable. There are other people in this space, but it doesn't invite a lot of competition from start-ups.

Kelly-Ann Young *Acadian Asset Management Inc - President, Chief Executive Officer, Director*

And if it does, we're happy, because we want to be on the other side of that trade.

Brendan Bradley *Acadian Asset Management Inc - Executive Vice President, Chief Investment Officer*

Perfectly. Yes. And maybe I would just highlight, this is -- these are very compelling tools. But they -- as an example, you're not going to take your favorite LLM pointed at security markets and have it pick stocks for you. And so you really have to know how to use these things.

By construction, by design, they fit data very well. And in some sense, they'll make a prediction about what word comes next or make a prediction about something else. In the hands of the uninitiated, these are -- these tools are actually quite dangerous as opposed to very helpful. And though, as Alex noted, we started using some of these techniques back in 2008.

It was our first sort of foray into natural language processing. We have grown our people skills, the skills of our people in this area. We have grown our utilization of these tools, and we have not -- we've not forgotten that by design, they are going to in sample fit data exceptionally well. The idea of having confidence that what you've done is going to work well out of sample. That's a very different ball game.

And that does require a lot of experience and a lot of work with these tools to understand what can go wrong out of sample and how to build a process that will be robust over time.

Scott Hynes *Acadian Asset Management Inc - Senior Vice President, Chief Financial Officer, Principal Financial Officer*

I would just add very quickly from the finance side. I mean, we, as a finance team of our ear to the ground here in an appropriate way, meaning we want to support the business. I think that's a core part of the job. I like Ted's disintermediation frame and that we don't see it that way. But I do think and simply what you're hearing from Brendan Alex is there's an element of table stakes here.

So when I talked, for instance, about that margin walk baked in there is definitively investments in agentic AI and other tools looking at our Chief Technology Officer, is also in the room. But -- so from the finance team, we're baking that into our investments, and it's real. I mean we talked about data that's always been a big spend. But I think there is an incremental spend here to make sure, just as they described that they have the tools they need, like I said, let I hear is more of a table stakes. You got to have and keep pace here.

The real threat would be not keeping pace in that regard because they are tools.

Alexandre Voitenok *Acadian Asset Management Inc - Executive Vice President, Deputy Chief Investment Officer*

And I think that sums it up. These are tools they still require the philosophy that this is being the right team to outline them.

Dima Rubinchik *Brightlight Capital - Analyst*

Dima Rubinchik, Brightlight Capital. Just a short term, one of the two questions. On \$219 billion in April, maybe just a rough breakdown of asset depreciation versus new money flows. Have you got any mandates now I guess to Q1 or just anything.

Kelly-Ann Young Acadian Asset Management Inc - President, Chief Executive Officer, Director

Yes. I mean, it's been -- it's obviously been a strong -- it was a strong month for markets, and so the majority of that is market appreciation, but we have started off Q2 cash flow positive and continue to see a number of clients continuing to fund new mandates. So the market volatility backdrop that we're seeing isn't delaying any of those fundings. But -- so certainly off to a positive start through the first part of Q2, but the vast majority of that number in April was from market appreciation.

Dima Rubinchik Brightlight Capital - Analyst

That's helpful. And then just you mentioned that the performance fee is becoming a smaller percentage of the overall revenue. We've had kind of four years of very strong performance revenues. '25 was, I think, roughly \$30 million, so a little bit less. Just how should we think about this number on a going forward basis, maybe just rough guidelines?

Scott Hynes Acadian Asset Management Inc - Senior Vice President, Chief Financial Officer, Principal Financial Officer

It's a hard one to forecast. I'll say that out loud. It's something we stay out. I think you've heard from Brendan, Alex actually, it feels good. We're off to a good start to the year.

I think the historical frame is an important one, and I might let Kelly upon. I mean you mentioned 30-some last year, and we think that's very positive. We're very much make no mistake. I mean this is what we're doing. We are in off-the-shop.

So I don't want to be misread in the frame of management fees occupying a total a larger piece of the revenue stack.

Like I said, before we feel good about that because I do think it is more durable from the way that our financials play out, but don't make a mistake that now aren't narrowly focused on here. I do think -- and Kelly has talked about this more, it's used, that I found meaningful that you go back three, we're really talking about things everywhere, all once everything going right. And the gentleman to my right, really crushing things, not that they won't continue to crush things, but I'll let the perhaps opine on that time, but I do think those were extraordinary, which is along with saying -- and hopefully, I think a lot of folks have picked up on this that it's not fair to simply roll those results that I think we approached \$70-some million in a year, right, roll those going forward and just assume that's going to happen every year. I don't think that's a fair assumption.

So last year is last year, do we think we can do better? We can. I will say, it's a little bit more in between to be candid of how we think about it or at least when I showed that margin walk, some sort of more stabilization between last year and how we saw some of those absolutely stratospheric returns, meaning alpha generation in the years prior to 2025. Hopefully, that's a help. Kelly.

Kelly-Ann Young Acadian Asset Management Inc - President, Chief Executive Officer, Director

No. As you said, I think 2024 was the high water marketing. We were at \$70-some million as I said, I did -- and Brendan will say it far more eloquently, but that was everything working everywhere all at once and exceeding every expectation I think, that we had. And for the very high standards we set for ourselves. So it's also going to be, as we see a meaningful mix shift to the business as we see clients moving towards things like extensions that attract a performance fee, it's possible then that you do see that ramp back up.

But again, as I said, I think anchoring to 2024 is hard because again, that was just simply an exceptional year across every dimension.

Brendan Bradley Acadian Asset Management Inc - Executive Vice President, Chief Investment Officer

And maybe just to add on. 2025 was nearly the year 2024 was. And we had some softer performance in asset strategies that have maybe some more performance fees associated with them. And so as an example, in 2025, we had a weak year in emerging markets. 2026 is a great year in emerging markets.

But it's right now at the moment, a little bit softer on non-US small-cap strategies, for example. So most years, we have, hopefully, most things, all things are performing well. It's not uncommon and not unexpected if we have a strategy or a small number of strategies that aren't meeting our expectation over some short window of time.

Kenneth Lee *RBC Capital Markets Inc - Analyst*

Ken Lee, RBC Capital Markets. One on the systematic credit strategies. So newer, more nascent area there. As you think about potential growth and adoption of these kind of strategies among your clients, what could be similar to what you've seen on the systematic equity side? What could be some differences in terms of potential growth in demand there?

Kelly-Ann Young *Acadian Asset Management Inc - President, Chief Executive Officer, Director*

Maybe I'll start with some framing, Ken, and I'll let Ted talk more about what were the conversations we're having with clients. When we hired the gentleman to lead this initiative just over four years ago, Scott Richardson. We were very intentional and asked him to come and say, tell us what you need in terms of building the team. We don't want to sort of live and learn a little like tell us what you need, build the team from the ground up from day one, build it on our existing infrastructure and platform and then incubate those track records always with the intention that we thought that, again, if we raise money in under three years, that would be great, but the kind of industry standard is a minimum of three years.

I always -- when I talk about expectations there, again, I think unlike enhanced and extensions, no pun intended. They are an extension of what we've been doing for years on the equity side. And so Acadian's credibility and our proved statement equity, I think, has meant that take-up has been that much quicker in some of these newer areas for us on the equity side. Again, we have that same credibility on the institutional side with credit. Scott has built, I think, a fantastic team is building a compelling offering.

But again, I think where we are in terms of that journey, we're kind of -- we're comfortable with where we are. And certainly, I think what we've seen is not just the activity ramping up in terms of potential client engagement, but a real shift from kind of education or what is systematic credit, where could this fit okay. Now I understand it. I'm thinking about where this sits in my day-to-day allocations. But I don't know if you want to add anything, Ted.

Theodore Noon *Acadian Asset Management Inc - Chief Marketing Officer*

Yes. I think that's fair. I think the place that sits in the portfolio maybe is a little different than where we are in equity space in that this is a bit of a more nascent category. And so it is likely to be the case because this strategy is going to be nested with other active credit strategies is that they are narrative, and I think it's a very fair narrative is we are going to provide excellent diversification opportunities relative to traditional credit picking strategies. And so what does that mean?

That means that the likely investor is likely to be large because they're going to have multiple credit and they have disaggregated the ag. And then what's really, I think, satisfying about that is, you saw in my slides and other slides, we already work with a lot of these folks. So we have built long-term trusting relationships with the large sponsors that are willing to be early that have multiple credit assignments. And so if you think about the near-term addressable market for us, we're going to target the folks that are willing to be early in that have relatively large credit allocations.

Over time, our hope and expectation is as systematic credit goes mainstream, that market opportunity broaden as people become more comfortable with it as a stand-alone allocation.

Nathan Moser *Impax Asset Management - Analyst*

Nathan Moser from Impax Asset Management. Maybe a question for the CIO team. you alluded to last year's performance softening a bit. The performance has been incredibly strong for a very long period of time. So congratulations to you guys for doing that.

Help me as I think forward to what sort of market environment might be difficult from a performance standpoint and maybe frame it, if you will, from what factor environments are the most negative towards you guys winning it?

Brendan Bradley *Acadian Asset Management Inc - Executive Vice President, Chief Investment Officer*

Sure. Let me take a stab at that. So one example would be some of the challenges we had with our quality exposures in 2025, for example. So some headwinds. And when I mentioned these models, right, there's a stock selection model that is a big driver of the overall return forecast that has these four broad themes: value, quality, growth and technical.

Technical does get a lot of exposure in our model, and it transfers into portfolios quite well. quality is maybe slightly behind in terms of exposure in the alpha model, but transfers very well because it's a very long persistent payoff associated with it. And so if there is an environment, and I appreciate the sound self-serving, but where low-quality junky stocks are performing very well, that's going to be a headwind for us.

And so we saw some of that in particular in emerging markets in 2025. So if you think about some of the characteristics that we have, generally, it's the case that a quality value technical, if you technically you want to plop in momentum is maybe the most popular, the most well known. Some of those things sort of one pays off, while the other doesn't. And so the hope is the belief is that by building a diversified set of exposures, we should be well positioned to weather most storms. There will occasionally be a period where what we think of as junky low-quality stocks that are probably already expensive, that's a really difficult headwind for us to overcome even if those stocks have positive momentum associated with them.

Alexandre Voitenok *Acadian Asset Management Inc - Executive Vice President, Deputy Chief Investment Officer*

So ultimately, there's got to be something about cash flows in aggregate, right? And the environment where a shoe-making company can add AI to the name and go up 1,000%, like that becomes a casino, and we don't play casino.

Nathan Moser *Impax Asset Management - Analyst*

The growth in Enhance has been unbelievable, but chunky. And so I want to try to pick out a little bit just to understand what we should think about going forward. So I'm assuming if 90% of your flows came from outside the US in the last 12 months, a good chunk of that was Enhance. So if you could expand on that.

And then what you could tell us about the client segment or segments that it's coming from did they apply leverage to that? Anything on client concentration and any lockups or anything like that? Just the growth has been so good. I want to make sure we don't over model it.

Kelly-Ann Young *Acadian Asset Management Inc - President, Chief Executive Officer, Director*

You want to take that?

Theodore Noon *Acadian Asset Management Inc - Chief Marketing Officer*

Yes, I can take that. You're right that most of the growth has come outside the US, and most of that growth has been enhanced. And I think there's a really interesting story that I tried to touch on related to consistency and expected outcomes. So no, clients are not using leverage On top of that. Where are we attracting this capital from folks that are either dissatisfied with traditional discretionary active management, their decision-making window has narrowed and they want something that is just a smoother ride.

And then interestingly, outside the US, specifically, we're drawing demand from passive. And so these are folks that have gone passive and realize that maybe 100 extra basis points in excess return long term really compounds out pretty well. And so if you can show them through a 15-year history that you've been able to do that very consistently, then all of a sudden, you're competing not just against traditional active, you're drawing money from passive, and that has been the case in some of those very large wins outside the US. We are seeing, I think, less chunky mandates going -- the pipeline is very healthy and there's plenty of enhanced in it, but it's not quite as lumpy as it has been.

And then the last comment I would make, this is again related to consistency. Those are big mandates, but we're managing them in a very tight risk framework. And so our opportunity to do very well or very poorly is much more constrained. So I'd like to think that the client tenor on those is going to be very long because they're core allocations where we're taking very modest risk. And so I model that out, I think, very far forward.

Michael Cyprys Morgan Stanley - Analyst

Mike Cyprys from Morgan Stanley again. Just wanted to ask about the new tax aware strategy. That sounds pretty exciting. Can you talk about your go-to-market strategy, some of the steps you're going to be taking around distribution, around marketing, around product there over the next, call it, 6, 12 months versus over the next couple of years, how you see this product ramping and do we need to work for any sort of three-year track records or not exactly because you have long track records that from the institutional side that can be applied day one.

Kelly-Ann Young Acadian Asset Management Inc - President, Chief Executive Officer, Director

Let me just start that, yes. No, I think -- I think exactly what you're suggesting, Mike, is correct. So again, this isn't a case of like with credit. Again, we've been running extensions for more than 20 years. Our dynamic extensions, we're a different flavor of that.

We have had tax aware capabilities for a very long time. We haven't done it. We haven't rolled it out strategically before, but we have been doing this for a long time. We're really excited. We launched the fund last week.

We've launched it with internal and employee capital. We're all excited to be invested in it. So for us, I think -- and I'll let Ted comment on this. We do have some external capital lined up to come in. For us, actually, the ramp is not about the investment capability that's built out.

The team have done an amazing job to convince ourselves that we can run this at great scale, it's more about the operational platform and infrastructure. But again, I think sort of internal capital today, I want to say external capital in about eight or nine weeks with some clients who know us very well, and then I'll let you talk about how quickly we ramp that up.

Theodore Noon Acadian Asset Management Inc - Chief Marketing Officer

Yes, I think that's exactly right. We want to be -- we want to walk before we run here. And I mentioned before trust being a big part of this business. We want to get this right. We have to get this right for these clients.

And so we are making sure that we are operationally set up to deliver the right reporting to make sure that we have the right folks interfacing with these people. There is plenty of demand right now. And so if you think about the investment consultants that have been big supporters of us on the institutional side, you think about them thinking about their business going forward. Recently, they're thinking about taxable investors as a big segment. And so we have a natural place to go, and we're seeing the demand.

And if anything, we have been slowing the inbound to make sure that we're ready to deliver really high-quality service and performance and reporting for folks that are going to be in these strategies. So there is clearly demand, and I don't think we have to wait three years if anything, we are slowing the demand down today to make sure we get it right for the investors.

Melody Huang Acadian Asset Management Inc - Investor Relations

This concludes our Q&A and Kelly will deliver her closing remarks. Thank you.

Kelly-Ann Young Acadian Asset Management Inc - President, Chief Executive Officer, Director

Yes. So just before we wrap up, I just wanted to leave you just with a couple of thoughts. So firstly, thank you again for your time today, for your questions and most importantly, for your continued support of Acadian. What I hope came through clearly is that we believe this firm is exceptionally well positioned for the future. We operate in a part of the industry that continues to benefit from really powerful long-term secular trends.

And I think you heard Ted underline that. When you think about the growing adoption of systematic investing, increasing demand for data-driven at active strategies, we've talked about expansion across our global distribution platform, but very excitingly across wealth as well with the new strategy being launched and the need for very scalable investment solutions in what are increasingly complex markets.

Importantly, I think we believe we've built the right platform to capitalize on all of those opportunities. We've had four decades of doing this, and we've built a business, as you've seen, with really strong investment performance. differentiated research capabilities, incredibly deep client relationships that are across the globe and a culture here that continues to attract the very best exceptional talent in this industry. And I think what gives me most confidence is the momentum that we're seeing across the business today. Our organic growth has accelerated really meaningfully as you've seen in the presentations today.

That opportunity set is continuing to expand, and we believe still in the very early stages of where this platform can be over time.

At the same time, we remain very disciplined in how we're operating the company. We understand there's a focus on balancing growth with execution, our innovation with risk management and our long-term investment with the really important task of creating shareholder value. So I'm incredibly proud of the team that we have here, and I'm incredibly grateful to our clients and to our shareholders for the continued trust that you place in all of us. We appreciate the partnership. We appreciate your confidence.

We share it, and we really look forward to continuing the journey with all of you. So very much appreciate you joining us today. Thank you.

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