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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

OR

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

For the transition period from to

Commission File Number 001-3668

BRIGHTSPHERE
Investment Group plc

(Exact name of registrant as specified in its charter)

England and Wales	98-1179929
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

Millennium Bridge House
2 Lambeth Hill
London EC4V 4GG, United Kingdom
+44-20-7002-7000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares ($.001 par value)	New York Stock Exchange
4.800% Notes due 2026	New York Stock Exchange
5.125% Notes due 2031	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒	Accelerated filer ☐	Smaller reporting company ☐
Non-accelerated filer ☐		Emerging growth company ☐

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

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

At June 30, 2018 , the aggregate market value of the ordinary shares held by non-affiliates of the registrant, based upon the closing price of $14.26 on that date on the New York Stock Exchange, was $1,153,016,813 . Calculation of holdings by non-affiliates is based upon the assumption, for this purpose only, that executive officers, directors and any persons holding 10% or more of the registrant's ordinary shares are affiliates. There were 92,023,923 shares of the registrant's ordinary shares outstanding on February 26, 2019 .

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on or about June 19, 2019 are incorporated by reference into Part III.

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Forward-Looking Statements

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

Actual results may differ materially from those in forward-looking information as a result of various factors, some of which are beyond our control, including but not limited to those discussed under the heading "Risk Factors" in Item 1A of this Annual Report on Form 10-K. Due to such risks and uncertainties and other factors, we caution each person receiving such forward-looking information not to place undue reliance on such statements. Further, such forward-looking statements speak only as of the date of this Annual Report and we undertake no obligations to update any forward looking statement to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

Our future revenue, earnings and financial performance may fluctuate due to numerous factors, such as: the earnings of our Affiliates; the total value and composition of our Affiliates' assets under management; the concentration of revenues in limited numbers of Affiliates and asset classes; the quality and autonomous nature of our relations with our Affiliates; our Affiliates' exposure to liability; our ability to grow our Affiliates or acquire new firms; the nature of our Affiliates' advisory agreements; market fluctuations, client investment decisions and investment returns; our or our Affiliates' levels of debt and expenses; our Affiliates' ability to maintain fee levels; the integrity of our and our Affiliates' brands and reputations; our and our Affiliates' ability to limit employee misconduct; our and our Affiliates' ability to manage actual or potential conflicts of interest that may arise in our business; our competitors' performance; the performance and retention of existing personnel; our or our Affiliates' ability to recruit new personnel; our or our Affiliates ability to launch new products; our reliance on third-party service providers; our and our Affiliates' ability to execute strategies; our ability to complete our redomestication to the United States; our and our Affiliates' ability to conform to compliance guidelines; potential litigation (including administrative or tax proceedings) or regulatory actions; software and insurance costs; our access to capital; modifications of relevant tax laws or interpretations thereof and potential increases in our tax liability; the risks of our ownership structure; and the other factors discussed in Item 1A, "Risk Factors."

Unless we state otherwise or the context otherwise requires, references in this Annual Report on Form 10-K to "BrightSphere" or "BSIG" refer to BrightSphere Investment Group plc, references to the "Company" and references to "we," "our" and "us" refer to BSIG and its consolidated subsidiaries and equity-accounted Affiliates, excluding discontinued operations. References to the "Center" refer to the holding company excluding the Affiliates and/or BrightSphere Inc., or BSUS, a Delaware corporation and indirect, wholly owned subsidiary of BSIG. Unless we state otherwise or the context otherwise requires, references in this Annual Report on Form 10-K to "Affiliates" or an "Affiliate" refer to the boutique asset management firms in which we have an ownership interest, and references to our Affiliates' sponsored investment entities are "Funds." References in this Annual Report to "OM plc" refer to Old Mutual plc, our former parent. References to the "Offering" refer to our initial public offering which occurred on October 8, 2014. None of the information in this Annual Report on Form 10-K constitutes either an offer or a solicitation to buy or sell any of our Affiliates' products or services, nor is any such information a recommendation for any of our Affiliates' products or services.

Performance measures used in this report

We present economic net income, or ENI, to help us describe our operating and financial performance. ENI is the key measure our management uses to evaluate the financial performance of, and make operational decisions for, our business. ENI is not audited, and is not a substitute for net income or other performance measures that are derived in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Furthermore, our calculation of ENI may differ from similarly titled measures provided by other companies. Please refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Supplemental Performance Measure—Economic Net Income” for a more thorough discussion of ENI and a reconciliation of ENI to U.S. GAAP net income.

PART I

Item 1. Business.

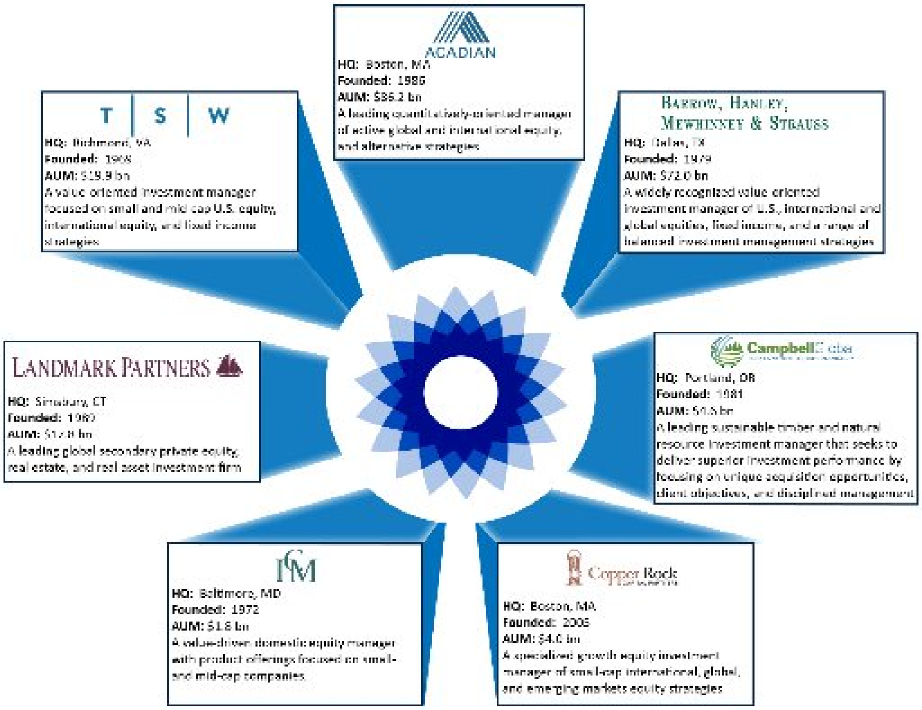
Overview

We are a global, diversified, multi-boutique asset management company with $206.3 billion of assets under management as of December 31, 2018 . We operate our business through our seven Affiliates, which we support through the provision of certain shared services with a focus on the organic growth of our Affiliates from the Center through growth initiatives, investment capital and global distribution capabilities.

Our business model combines the investment talent, entrepreneurialism, focus and creativity of leading asset management boutiques with the resources and capabilities of a larger firm. We have a permanent partnership structure with our Affiliates that preserves the unique culture that has made each of them successful and provides them with investment and day-to-day operational autonomy. We ensure that key management professionals at each Affiliate retain meaningful levels of equity in their own businesses to maintain strong alignment of interests between us, our Affiliates, their clients, and our shareholders. Our approach to investing in Affiliates includes a profit-sharing arrangement to provide incentives for growth and prudent business management across multiple generations of Affiliate partners.

We have broad and deep experience in working with boutique asset managers, and we leverage the expertise and resources within our organization to engage actively with our Affiliates and provide them with growth leverage generally unavailable to specialist asset management firms. We work with our Affiliates to execute upon growth opportunities for their businesses in areas such as business line expansion and product development. Our Global Distribution team complements and enhances the distribution capabilities of our Affiliates to enable them to access geographies and channels they may not be able to access on their own. Furthermore, our collaboration with our Affiliates extends to the commitment of seed and co-investment capital to launch new products and investment capital to financially support new growth initiatives. From time to time we may also leverage our prior experience executing M&A transactions for asset managers, to opportunistically source growth opportunities for both us and individual Affiliates through investments in new Affiliates as well as add-on acquisitions on behalf of existing Affiliates.

Currently, our business comprises interests in the following Affiliates:



Our diversification, by Affiliate, asset class, geography and investment strategy, enhances relative earnings stability and provides multiple sources of growth for us. Collectively, our Affiliates offer 106 distinct, active investment strategies in U.S., global, international and emerging markets equities; U.S. fixed income; and alternative investments, including timber and secondary Funds. In addition, there is significant diversification within each of our Affiliate firms through the breadth of their respective investment capabilities. We believe our Affiliates have generated competitive absolute and relative performance records. As of December 31, 2018 , the percentage of our revenue represented by assets under management, or AUM, outperforming their investment benchmarks on a one-, three-, and five-year basis was 31% , 68% and 75% , respectively. Our Affiliates have, from 2012 through 2018, generated positive annualized revenue impact of net flows for six of the past seven years.

Through our Affiliates, we serve a diverse investor base in the institutional and sub-advisory channels in the U.S. and around the world. These clients are highly sophisticated, value the stability and equity ownership of our Affiliates, and typically reward our Affiliates’ strong process-driven investment performance with long-term relationships and asset flows. Our sub-advisory clients also provide access to the retail and defined-contribution marketplace where decision makers take a more institutional approach to choosing asset management providers. Our Affiliates currently manage assets for non-U.S. clients in approximately 30 countries, including Australia, Canada, Denmark, Ireland, the Netherlands, South Korea, and the United Kingdom. Our Center-led Global Distribution platform, launched in 2012, has contributed to the increase of our non-U.S. assets under management. From January 1, 2012 through December 31, 2018, we have raised $15.5 billion in client assets for our Affiliates.

Positive net revenue flows and investment performance, in conjunction with the successful execution of our business strategy, have led to growth in revenues and net income. Our U.S. GAAP revenues excluding consolidated Funds were $625.8 million in 2014 and $924.4 million in 2018 , representing a CAGR of 10.2% . Our U.S. GAAP net income from continuing operations attributable to controlling interests increased from $55.3 million in 2014 to $136.3 million in 2018 . Our ENI revenues grew from $635.4 million in 2014 to $919.1 million in 2018 , a CAGR of 9.7% . Over this period, our pre-tax ENI grew from $204.1 million in 2014 to $262.5 million in 2018 , a CAGR of 6.5% . For additional information regarding economic net income, and reconciliations to U.S. GAAP, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Supplemental Performance Measure—Economic Net Income."

Competitive Strengths

We believe our success as a multi-boutique asset management company is driven by the following competitive strengths:

Well-Established, Diverse Affiliates. Through our seven current Affiliates, we are well-diversified by brand, strategy and asset class, providing multiple sources of revenue and growth opportunities for our business across global market cycles, while limiting downside risk. Each Affiliate has its own brand and investment processes and generally operates in distinct asset classes. Our assets under management across Affiliates are invested in both U.S. and global/non-U.S. equities (30.3% and 51.8% , respectively) as well as fixed income and alternative assets, including timber and secondary Funds focused in real estate and private equity. We are also well-diversified by investment strategy within each asset class, with 106 distinct investment strategy composites. The breadth of our investment capabilities and distinct brand identities appeal to a wide range of clients. We have a well-diversified client base with low levels of client concentration. Our business serves over 850 institutional and sub-advisory clients, with our top 25 client relationships representing approximately 29% of run rate gross management fee revenue, including our equity-accounted Affiliate, as of December 31, 2018 . Total run rate gross management fee revenue reflects the sum for each account at each of our seven Affiliates, of the product of (a) assets under management in each account at December 31, 2018 , multiplied by (b) the relevant management fee rate on that account. This calculation includes all accounts at our equity-accounted Affiliate.

Differentiated Multi-Boutique Model Drives Growth. Our business is differentiated among multi-boutique asset management firms by our focus on active engagement with our Affiliates to enhance their organic growth potential. We have a two-pronged approach for successfully collaborating with our Affiliate firms. First, we align our interests with those of our Affiliates by providing Affiliate partners with equity in their own firms and through a profit-sharing structure that sets bonuses as a percentage of pre-bonus profit. This structure gives our Affiliate partners meaningful wealth creation opportunities through equity ownership and encourages investments in long-term growth while maintaining an appropriate focus on profitability, efficient capital management and risk control. Second, we offer our Affiliates strategic and financial support to grow and enhance their businesses. Strategic guidance includes helping Affiliates to expand into new products, strategies, geographies or channels, and may also include lift-outs of new investment teams or the acquisition of add-on businesses. Our financial support further extends to the investment of seed and co-investment capital to help launch new investment strategies. In addition, our Center-led Global Distribution team complements and enhances the distribution capabilities of our Affiliates. Utilizing our strategic capabilities enables our Affiliates to capitalize on growth opportunities while maintaining their focus on delivering superior investment performance, innovative offerings, and excellent service to their clients. In 2018 , over $5.0 billion of the Company's gross sales resulted from new initiatives, seeding, and Global Distribution.

Track Record of Competitive Investment Performance Across Market Cycles. Our Affiliates have produced competitive long-term investment performance across their product offerings, generating outperformance relative to benchmarks across market cycles. Through December 31, 2018 , 77 of our Affiliates' 95 strategies that have performance benchmarks have outperformed their relevant benchmarks since inception. These strategies represent 95% of the total assets in the 95 strategies that have performance benchmarks. Investment performance is calculated on a gross basis, excluding the impact of management, administration, and performance fees. Based on our current average management fee rate, investment returns net of fees would be on average approximately 35 bps lower than gross returns (excluding products which are not benchmarked). For the rolling 10-year period ending December 31, 2018 , approximately 70% of benchmarked assets have outperformed their relevant benchmarks. Our Affiliates' five largest benchmarked investment strategies, Acadian Asset Management (AAM) Emerging Markets Equity , AAM Global Managed Volatility , AAM Global Equity , Thompson, Siegel & Walmsley LLC (TSW) International , and Barrow, Hanley, Mewhinney & Strauss (BHMS) Large Cap Value have each outperformed their relevant benchmarks since inception by 2.6% , 2.1% , 1.6% , 1.6% , and 1.3% , respectively, on an annualized basis.

Attractive Financial Model. Our multi-boutique model generates strong, recurring free cash flow to our business that we can use for growth initiatives on behalf of our Affiliates, return to shareholders through dividends and stock repurchases, or in certain circumstances, use to make investments in new Affiliates. Our ENI revenue has grown 9.7% annually since 2014 . Our revenue consists largely of recurring management fees on assets under management and is not heavily dependent upon more volatile performance fees. We earn an attractive margin on revenue enhanced by our profit-sharing model that enables us to participate directly in margin expansion as our Affiliates grow. Our U.S. GAAP operating margin was (6)% for 2014 (17% excluding consolidated Funds) and 9% for 2018 (9% excluding consolidated Funds). Our comparable ENI operating margin (calculated before Affiliate key employee distributions) was stable from 39% for 2014 to 38% in 2018 as we continued to invest in the business.

Experienced Management Team. The members of our senior management team have significant, long-term experience in the asset management industry and bring a wide range of expertise that includes investment banking and corporate strategy, private equity, corporate development and portfolio management. Each of our senior executives understands how to structure and maintain partnerships that provide Affiliate firms with the proper incentives and resources to continue to generate strong growth.

Growth Strategy

The cornerstone of our multi-boutique model is to combine the investment talent, entrepreneurialism, focus and creativity of leading asset management boutiques with the expertise and capital of a larger firm in areas where our resources can provide distinct advantages. We provide strategic capabilities to our Affiliates, enabling them to focus on delivering superior investment performance, innovative offerings, and excellent service to their clients. We strive to maintain and enhance the characteristics which have made our Affiliates market leaders in their areas of expertise. Our focus is working with a select group of diverse Affiliates with whom we can build scalable business platforms leveraging their core investment and distribution capabilities.

Our growth strategy is based on the incentives inherent in our aligned partnership model. As a permanent partner dedicated to providing our Affiliates with operational autonomy, our structure is designed to align our economic interests with those of our Affiliates to promote long-term client-driven growth. Through retained Affiliate equity ownership and a profit-sharing partnership model, we ensure appropriate focus on key issues critical to the long-term success of each Affiliate, particularly investment performance, client service, talent management and risk management.

Core Affiliate Growth. Our growth strategy is rooted in core Affiliate growth. Our Affiliates are strong investment management boutiques with highly-defined and rigorous investment strategies for which there is real demand in the institutional marketplace. Our Affiliates have excellent long-term performance records and have generated strong growth through net client revenue flows. See "—Overview of Current Affiliates"

Collaborative Organic Growth. Our collaboration with our Affiliates enables them to grow and enhance their businesses in ways that they could not do on their own. We leverage the broad industry experience of our senior management to evaluate, structure, and support Affiliate growth opportunities, including expansion into new products and strategies, geographies and channels. In addition, we provide seed and co-investment capital to help launch new products. See "Our Operating Model and Holding Company Activities—Collaborative Growth Initiatives"

Global Distribution . Our Affiliates are recognized for their long-term investment performance and high quality client service, and have strong client and consultant relationships in their core institutional marketplaces. However, there are certain areas of distribution outside of their core markets that are more scale-oriented or specialized in nature. To assist our Affiliates in penetrating these markets, we offer a range of distribution capabilities in a transparent, opt-in partnership-based model that is supported by an experienced sales team focused on cultivating broad and deep relationships within the U.S. sub-advised and variable annuity channels and non-U.S. markets. See "—Distribution Model and Client Base" for further discussion of our Center-led Global Distribution platform.

Investments in New Affiliates. We may also from time to time opportunistically pursue partnerships with additional boutique asset managers that can enhance our growth potential and diversify our earnings drivers. In such instances, we would expect to target asset classes that complement our existing Affiliates' capabilities or provide additional expertise in capacity-constrained investment strategies.

Our Operating Model and Holding Company Activities

Overview

We manage our business through seven Affiliates, each of which operates autonomously and employs its own distinct investment processes. We work with our Affiliates to identify and execute upon growth opportunities in areas such as distribution, business line expansion and product development. Our collaboration with our Affiliates extends to the commitment of seed and co-investment capital to launch new products and investment capital to financially support new growth initiatives. We align incentives with our Affiliates through our permanent partnership structure, which provides employee partners of our Affiliates with equity in their respective firms through an equity recycling program, and participation in established profit-sharing arrangements.

Affiliate Partnership Model

We are a permanent partner dedicated to providing our Affiliates with operational autonomy in a structure that aligns our common economic interests. By offering Affiliate management direct participation in the growth and profitability of their businesses through equity ownership and a profit-share-based bonus pool, we provide our Affiliates with a strong incentive to manage their businesses for the long-term, investing with us to build equity value over time.

- *Affiliate Operating Autonomy.* Affiliates retain day-to-day operating autonomy over their businesses, including decisions related to hiring, compensation, investment processes, product distribution and branding. We retain oversight through Affiliate board representation, remuneration committee participation, and certain approval rights, including approval of each Affiliate's annual business plan.
- *Affiliate Partners Have Retained Equity in their Own Firms.* Partners in each of our Affiliates own meaningful equity positions in their respective businesses. Among our consolidated Affiliates, their equity stakes range from approximately 20% to 40% , in some cases following a distribution preference to BSIG. We may facilitate the recycling of Affiliate equity to the next generation of Affiliate partners. When this occurs, the impact to us is generally cash-neutral.

- *Profit-Share Economics.* Rather than invest in a fixed percentage of Affiliate revenues (a "revenue-share" model), Affiliate partners and we each invest in the underlying profits of their respective businesses, a model we refer to as a "profit-share" model (with the exception of ICM, which has a legacy revenue-share model that was not restructured). Distributions of profit to the Affiliate equity-holders are based on their proportionate ownership of their businesses, in some cases following a preferred return to us. In addition, bonus pools for Affiliates are typically contractually set at 25% to 35% of Affiliate pre-bonus profit. This enables us to participate in the margin increases of our Affiliates, while incentivizing Affiliate management and us to jointly support growth initiatives. For additional information on our profit-sharing model, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—The Economics of Our Business."

Collaborative Growth Initiatives

Our business is differentiated from other multi-boutique asset management companies by our focus on active engagement with our Affiliates to enhance their organic growth potential. Our collaboration with Affiliates generally consists of the following:

- *Strategic Affiliate Growth Opportunities.* As part of our partnership approach with Affiliates, we support the Affiliates to identify and analyze potential growth strategies for their businesses. Dedicated professionals at BSIG help to formulate a plan of execution and develop an economic structure to appropriately share risk and reward between us and Affiliate equity-holders.

  We have collaborated with our Affiliates on a number of growth initiatives to further diversify and strengthen our business. Our Affiliates have been able to leverage our strategic capabilities in areas such as capital support (including seed capital and co-investments), corporate development, global distribution, and product expansion. Our strategic support has accelerated, and continues to accelerate, our Affiliates' growth through a range of collaborative projects.

- *Seed Capital.* As of December 31, 2018 , we have approximately $130 million committed to seed capital, which is currently invested in 26 products across seven different asset classes. Our Affiliates' use of seed capital generally falls into two categories: incubation capital and scale capital. Incubation capital is used to establish a track record for a new investment strategy. These new strategies generally take three to five years to season to the point where they are recommended by consultants or become attractive for clients. Alternatively, scale capital is used to extend a product with an established track record into a co-mingled fund, and is generally outstanding for a shorter period of time. Scale capital allows third-party clients to invest in the new fund without individually representing too substantial a percentage of the vehicle. Over $16 billion of our current AUM are in products which have been seeded by us since 2004 , and our seeding program has generated an annualized internal rate of return of approximately 23% over this period, including investment returns on the seeded products and the incremental value generated by third party assets raised, including annual profits and a terminal value.
- *Co-Investment Capital.* We also provide co-investment capital to support the formation of closed-end, long-term partnerships managed by our Affiliates. These fixed-life partnerships typically require us and/or the Affiliate or its employees to invest 1% to 3% of the product's capital to align interests with those of their clients. Of our current $28.7 million portfolio of co-investments at fair value, 24% is managed by Campbell Global (investing in timber), 33% is managed by Landmark Partners (investing in secondary funds), and 43% remains managed by Heitman LLC, a former Affiliate (investing in real estate). As part of the sale of our interest in Heitman LLC to its management (see "—Overview of Current Affiliates—Sale of Heitman"), we retained our co-investment interests in Heitman-managed funds as well as any carried interest associated with these investments. In consideration for providing co-investment capital, which is typically illiquid for approximately seven to ten years, we receive returns on our underlying partnership investment, our proportionate share of profits on assets in the fund, and the potential for fund incentive fee allocations.

Capital Management

Our asset management business generates significant, recurring free cash flow that can be re-invested in the growth-oriented strategies described above to create value for our shareholders. Strategic and efficient management of our Company's capital underpins our approach to investing in these strategies. In particular, we believe we can generate strong returns on allocated capital by (i) providing seed capital to fund new products and strategies; (ii) committing co-investment capital to launch new fund partnerships in which our Affiliates act as the general partner; (iii) providing investment capital to support organic growth; and (iv) implementing opportunistic share repurchase programs. Management undertakes detailed business case analyses with respect to all growth opportunities, and only considers those that yield an acceptable return while operating within the parameters of our risk appetite. For the period January 1, 2016 to December 31, 2018, we have repurchased approximately 14.5% of our shares.

Holding Company Management Team

Our senior management team has defined a core set of operating principles and positioned our business around them. Our business strategy is to enhance the long-term growth of our market leading, boutique investment management firms. The members of our senior management team leverage their experience in areas such as asset management sector investment banking, private equity and corporate strategy to focus on supporting our Affiliates in areas where we believe we can provide the greatest benefit.

Overview of Current Affiliates

ACADIAN

BARROW, HANLEY, MEWHINNEY & STRAUSS

Acadian Asset Management LLC , or Acadian ($86.2 billion in AUM as of December 31, 2018), founded in 1986, is a leading quantitatively-oriented manager of active global and international equity, and alternative strategies. The firm pursues a fundamentally-grounded, data rich and highly structured approach to investing that seeks to identify and exploit systematic and structural inefficiencies in the markets. Acadian applies a range of investment and risk considerations to a universe of over 40,500 securities taken from 100 global markets. Managed strategies include global, international and emerging markets equities, long/short strategies, and managed volatility strategies. Its flagship Emerging Markets Equity strategy has outperformed its benchmark, MSCI Emerging Markets (Net), by 2.6% (USD, gross of fees) on an annualized basis since its inception in 1994 through December 31, 2018 .

Acadian invests on behalf of a wide range of institutional clients across the globe, including public and private funds, endowments and foundations, and retail clients through sub-advisory channels. The firm's clients are domiciled in over nineteen countries across Asia, Australia, Europe and North America. Acadian's management team is led by Co-Chief Executive Officers Ross Dowd and John Chisholm, and Acadian's Chief Investment Officer, Brendan Bradley. The firm has 108 investment and research professionals and manages approximately 60 distinct investment products and strategies.

Barrow, Hanley, Mewhinney & Straus LLC , or Barrow Hanley ($72.0 billion in AUM as of December 31, 2018), founded in 1979, has an outstanding long-term track record of providing its clients with superior performance and client service in a wide range of value-oriented investment strategies. The firm applies a strict definition of value that guides all of its investment decisions, as it employs disciplined, bottom-up analysis to construct value equity portfolios of U.S., non-U.S., global and emerging market securities that exhibit below-market price-to-earnings ratios, below-market price-to-book ratios, and above-market dividend yields, regardless of market conditions. The firm's value-oriented fixed income portfolios seek to achieve higher total returns with below-benchmark volatility by identifying temporarily mispriced securities with yield-to-maturity advantages over Treasury bonds of comparable maturity. Barrow Hanley's flagship large cap value equity product, which had over $33 billion in assets at December 31, 2018 , has a 39 -year track record.

Barrow Hanley has a diverse and longstanding clientele; more than 30 of its clients have maintained their relationships with Barrow Hanley for more than 20 years. In addition to direct relationships with institutional investors, the firm serves as a sub-advisor to more than 25 highly regarded mutual fund clients, and is one of four external sub-advisors managing the Vanguard Windsor II Fund.

Ray Nixon and Cory Martin are the executive directors of Barrow Hanley and James Barrow is the firm's Founding Director. In addition, Barrow Hanley has a team of 20 managing directors. The firm has 48 investment professionals managing approximately 25 distinct investment strategies.

Overview of Current Affiliates (cont.)

Campbell Global LLC , or Campbell Global ($4.6 billion in AUM as of December 31, 2018), is a global investment manager focused on timberland. They are widely recognized as an authority on both forest management and timberland investing. Based in Portland, Oregon, Campbell Global has more than three decades of experience in timberland management and value creation. A pioneer in the field, they have managed more than 5.3 million acres (2.1 million hectares) worldwide for pension funds, endowments, foundations and other global institutional investors since inception. Campbell Global combines ingenuity, data-supported decision making and a passion for responsible investing, striving to deliver the best possible performance to clients.

As of December 31, 2018 , the firm managed more than 1.7 million acres (0.7 million hectares) and employed 164 individuals across the U.S. and New Zealand. Campbell Global's management team is led by Chief Executive Officer and Chairman John Gilleland and Angie Davis, President and Managing Director. The firm has 37 investment professionals managing its investment portfolios.

Copper Rock Capital Partners LLC , or Copper Rock ($4.0 billion in AUM as of December 31, 2018), founded in 2005, offers specialized, growth equity investment management focused on small and small/mid-capitalization strategies in international, global and emerging markets growth equities. Copper Rock's investment strategy seeks to outperform in up-markets due to the firm's pure fundamental growth approach and also to protect clients' capital through portfolio construction and a strong sell discipline.

Copper Rock's client base includes pension plans, institutional investors and mutual funds located in the U.S., Canada, the United Kingdom, Ireland, Denmark, South Africa and Australia. Copper Rock's management team is led by the firm's Chairman and Chief Investment Officer Steve Dexter and Chief Executive Officer Mike Forrester. The firm has eight investment professionals managing four distinct investment strategies.

Overview of Current Affiliates (cont.)

INVESTMENT COUNSELORS OF MARYLAND, LLC

Investment Counselors of Maryland, LLC ,* or ICM ($1.8 billion in AUM as of December 31, 2018), founded in 1972, focuses on value-driven equities and invests through a well-established, bottom-up investment process that it applies with an emphasis on small- and mid-cap companies. The firm employs a team orientation in making investment decisions. Each member of ICM's investment team has a sector focus and is responsible for generating and analyzing ideas within that sector. The most promising investment ideas are reviewed by the entire team, and the ultimate buy/sell decisions are made by the respective portfolio manager teams.

For over four decades, ICM has been managing assets for institutional clients and high net worth individuals through separate accounts and an institutional mutual fund, and has generated excellent results for its clients over this time. ICM's management team is led by Managing Partner and Chief Investment Officer, William V. Heaphy. The firm has eight investment professionals managing four distinct investment strategies.

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* accounted for under the equity method of accounting.

LANDMARK PARTNERS

Landmark Partners, LLC , or Landmark ($17.8 billion in AUM as of December 31, 2018), founded in 1989 and acquired by BSIG in August 2016, specializes in secondary market transactions of private equity and real estate investments. The firm has one of the longest track records in the industry and is a leading source of liquidity to owners of interests in real estate, real asset, venture, mezzanine, and buyout limited partnerships. Landmark has formed 31 Funds over the last 30 years. These Funds have been capitalized at more than $27 billion , which has been deployed across over 2,250 partnership interests that comprise over 27,650 underlying company and property investments.

Landmark's investor base is mostly comprised of institutional investors including: sovereign wealth funds, public pensions, corporate pensions, insurance companies, asset managers, and foundations located globally.

Landmark is led by President and Managing Partner, Timothy Haviland and Chairman and Managing Partner, Francisco Borges, supported by a team of fourteen Partners. As of December 31, 2018 , Landmark employed 121 individuals across five offices in Boston, MA; New York, NY; Simsbury, CT and Dallas, TX in the United States and London in the United Kingdom.

Overview of Current Affiliates (cont.)

Thompson, Siegel & Walmsley LLC , or TSW ($19.9 billion in AUM as of December 31, 2018), founded in 1969, applies a value-oriented investment approach across a range of products in U.S. and international equities, fixed income and alternative investments. TSW's singular investment objective is to outperform its benchmarks, net of fees, over rolling three- to five-year periods. TSW employs a proprietary screening process to generate focused lists of companies that are most attractive within different market capitalization ranges. The firm's investment teams then use fundamental analysis to construct portfolios, which they believe possess catalysts that can unlock value.

TSW has a diverse client base that includes corporations, public pensions, high-net-worth families and individuals, and sub-advisory clients and has generated a strong track record of providing investors with excellent long-term results. The firm's management team is led by Chief Executive Officer Frank Reichel, President John Reifsnider, Chief Financial Officer Horace Whitworth, and Director of Operations, Lori Anderson. The firm has 22 investment professionals managing fourteen investment strategy composites.

Distribution Model and Client Base

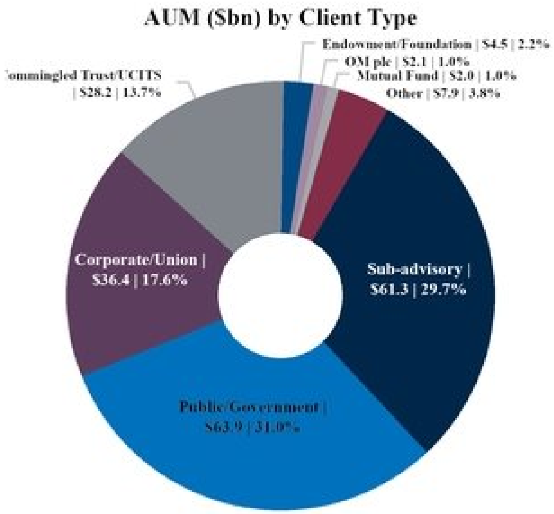
Our distribution is focused on the institutional and sub-advisory channels, reached through both Affiliate-led and complementary, Center-led sales efforts. Our Affiliates have teams of established sales and client service professionals with broad and deep relationships across the major segments of the institutional investor community. Consistent with our partnership philosophy, Affiliates develop and maintain client relationships independently of both us and each other, while maintaining the option to participate in Center-led complementary distribution initiatives in the domestic sub-advisory and selected global markets. In aggregate, our Affiliates have approximately 131 sales and marketing professionals servicing over 850 institutional and sub-advisory clients.

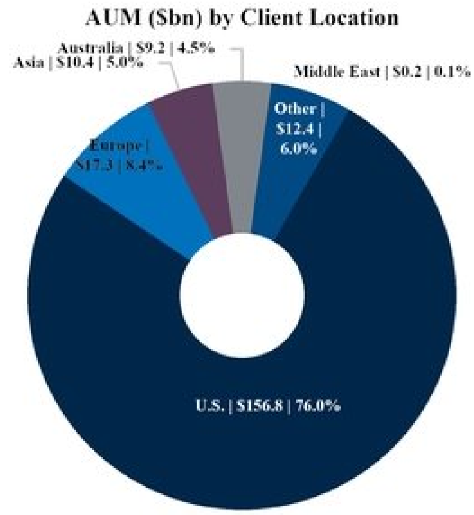
We launched our Center-led Global Distribution platform in 2012, which consists of a team of experienced channel and regional marketing specialists focused on developing new business opportunities for our Affiliates. In the U.S., complementing and enhancing the distribution capabilities of the Affiliates, we have executive and sales and marketing professionals focused on cultivating relationships in the sub-advisory (mutual fund and variable annuity) channel. We also maintain independent relationships with institutional investment consultants. If requested, our team also provides strategic marketing support for the Affiliates. Outside the U.S., where scale is a meaningful advantage to support geographic reach and servicing capabilities, we have a Global Distribution team consisting of dedicated and strategically deployed sales and marketing professionals focused on developing client relationships and gathering assets. Within these channels and jurisdictions, our objective is to cultivate broad and deep relationships with key consultants and institutional investors and to generate new client opportunities for those Affiliates who take advantage of our Global Distribution platform. From January 1, 2012 through December 31, 2018 , we have raised $15.5 billion in client assets for our Affiliates.

The institutional channel accounts for 65% of our AUM. Within this channel, we have strong relationships in the public/government pension market (31% of our AUM) and the corporate plan market (18% of our AUM), which comprise a substantial portion of the institutional investment market overall, particularly in the U.S. Our institutional marketplace clients are highly diverse across segments and geographies and have various growth characteristics.

While our Affiliates market primarily to institutional investors, we participate in the individual investor market through the sub-advisory channel, which represents 30% of our AUM. Within this channel, we manage assets for mutual funds, giving us exposure to a retail investor base and the defined contribution market. We have approximately 65 sub-advisory mandates on approximately 50 leading platforms, including Vanguard, American Beacon, Principal and Transamerica. Our top ten sub-advisory relationships account for approximately 25% of AUM and 14% of run rate gross management fee revenue, including our equity-accounted Affiliate, and have an average tenure of over ten years.

Across our Affiliates, our client base is highly diverse with no significant concentration in our portfolio, though some Affiliates may have client exposures that are meaningful to their individual businesses. As of December 31, 2018 , our Affiliates' top five client relationships represented 13% of total run rate gross management fee revenue, including our equity-accounted Affiliate, and our Affiliates' top 25 clients represented 29% of run rate gross management fee revenue, including our equity-accounted Affiliate.





Total AUM: $206.3 bn

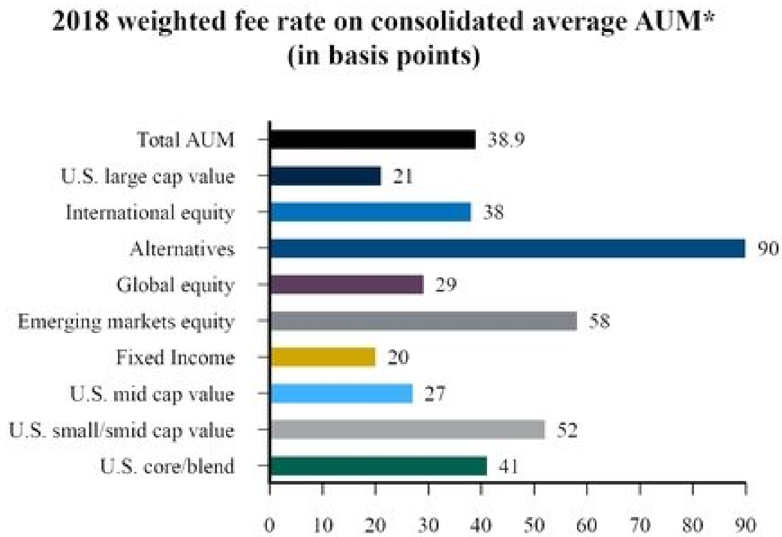
Data as of December 31, 2018

Products and Investment Performance

Product Mix

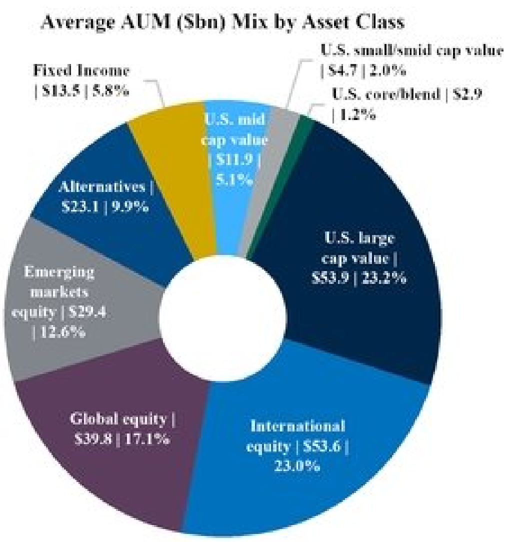
Our Affiliates offer leading products in U.S., global, international and emerging markets equities; U.S. fixed income; and alternative investments, including timber and secondary Funds.

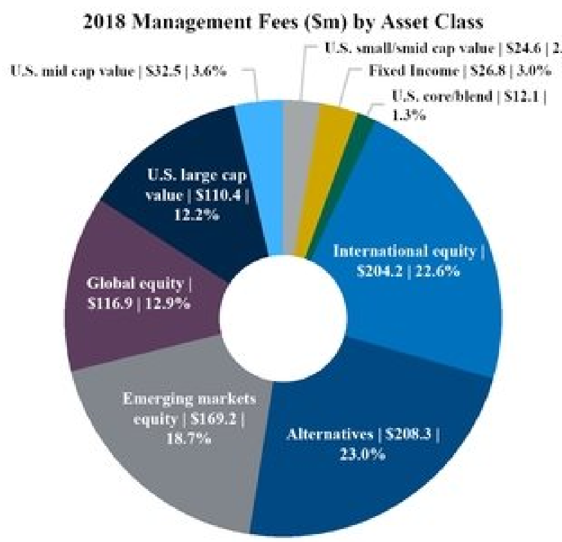
The charts below present our average fee rates, average assets under management, and management fee revenue excluding equity-accounted Affiliates by asset class and illustrate the diversification benefits of our multi-boutique business model. Our largest asset class, U.S. large cap value equities, represents 23.2% of our average AUM of consolidated Affiliates for the year ended December 31, 2018 ; however, with a weighted average fee rate of approximately 21 basis points, this asset class represents only 12.2% of our management fee revenue in 2018 . Each of five asset classes represents 12% or more of our management fee revenue in 2018, providing a balanced earnings stream to our business. Moreover, within our three largest asset classes by revenue — international equities, alternative investments and emerging markets equity — we offer a range of strategies which provide further stability to our earnings.



Data as of December 31, 2018

* Excludes equity-accounted Affiliates





Total Average AUM: $232.8 bn*

Data as of December 31, 2018

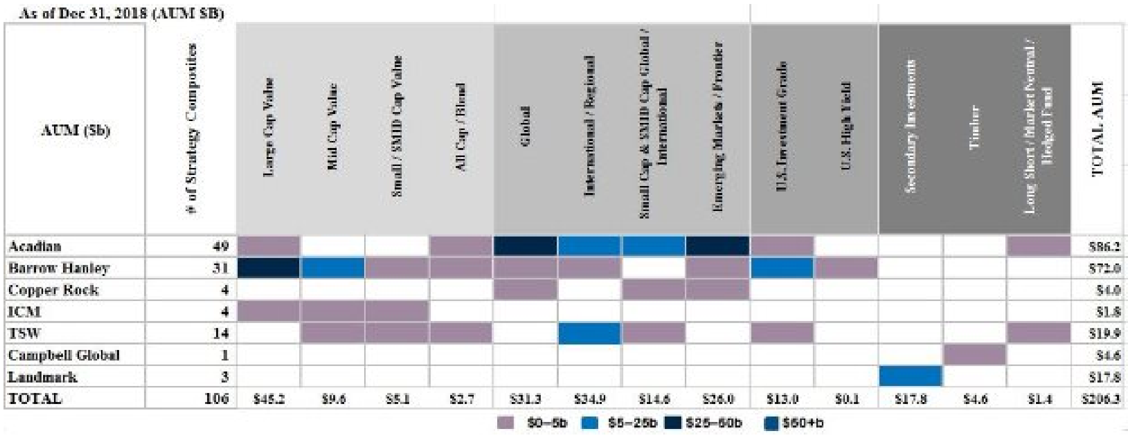
Total Management Fees: $905.0 m*

Data as of December 31, 2018

* Excludes equity-accounted Affiliates

We have product breadth and diversity within individual Affiliates as well as across our Affiliates. For example, Barrow Hanley, whose core offerings consist of leading value-oriented U.S. equity strategies, also offers a highly-rated suite of non-U.S. equity and U.S. investment grade fixed income investment products that adhere to the firm's traditional value discipline. Similarly, Acadian applies its quantitative approach across a range of equities, in terms of geography as well as market capitalization.

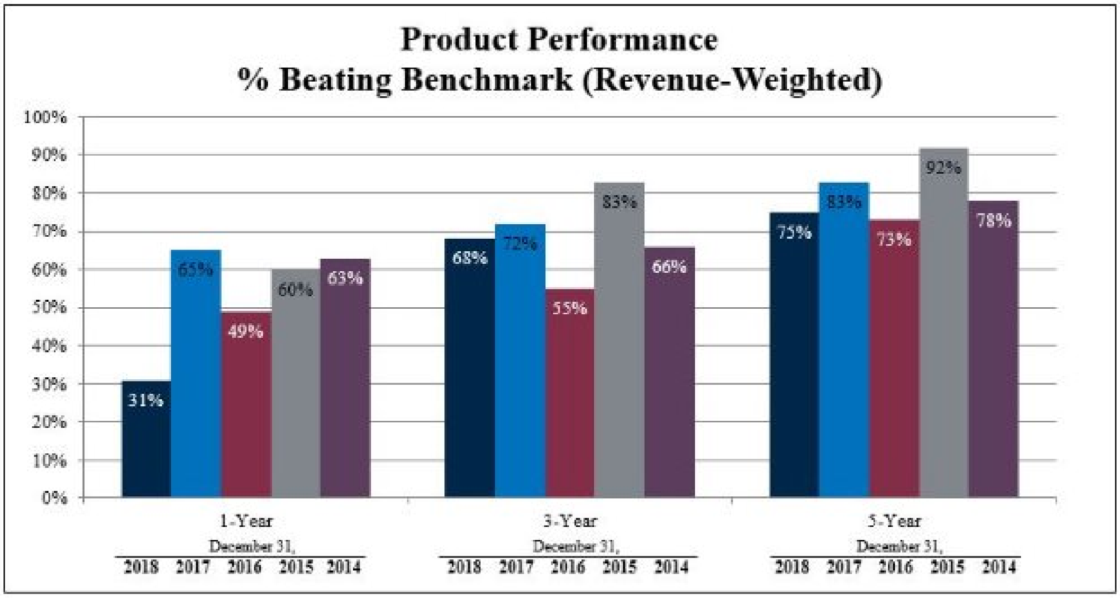
Our Affiliates' product offerings are well-positioned in areas of investor demand, and the diversity of investment style and asset class enables us to participate in growing segments of the industry in multiple investing environments. The chart below illustrates the diversity of our assets under management by asset class and Affiliate. In total, our Affiliates manage 106 strategy composites, including three Affiliates that manage at least ten strategies each.



Investment Performance

While each of our Affiliates has distinct investment processes and generally operates in different asset classes, our unifying mission is to produce risk-adjusted performance, or alpha, for our clients. We measure alpha generation relative to the specific benchmarks our Affiliates' clients use to evaluate our performance in our Affiliates' strategies. Looking at this measure on a consolidated basis, our Affiliates have competitive near- and long-term performance records and are well-positioned for continued growth.

In the chart below, which measures revenue-weighted performance relative to benchmarks over the last five years, we typically have had between 50% and 90% of our revenue derived from benchmarked products (which represent approximately 91% of our total AUM) performing ahead of their respective benchmarks on a one-, three- and five-year basis. In evaluating prospective investments, we believe institutional investors generally give the three-year performance of an investment product the greatest weighting.



Data as of December 31 for the years 2014 to 2018

In addition to analyzing our Affiliates' performance on a revenue-weighted basis, which gives us a perspective on product performance with respect to our Affiliates' existing client base, we also consider the number of our Affiliates' at-scale product strategies (defined as strategies with greater than $100 million of AUM) beating benchmarks. This latter measure, labeled as "equal-weighted," indicates the opportunity we have to generate sales in a variety of market environments. For instance, strong performance in a newer, smaller product such as small-cap emerging markets may not affect revenue-weighted performance, but it can have a meaningful effect on revenue growth given client demand for this higher fee product. The chart below indicates performance on a revenue-weighted and equal-weighted (by product) basis relative to benchmark, as at December 31, 2018 . In addition, we have indicated the percentage of our assets beating their benchmarks over the same time periods. While we believe the first two methodologies provide better insight into our performance trends, we have also included AUM-weighted performance, as this is a more standard industry performance metric.

Data as of December 31, 2018

Competition

We and our Affiliates face competition from many segments in the asset management industry. At the Company level, we compete with other investment management firms, including investment management holding companies, insurance companies, banks and private equity firms. Our Affiliates compete globally with international and domestic investment management firms, hedge funds and other subsidiaries of financial institutions for institutional assets.

Many of the organizations our Affiliates compete with offer investment strategies similar to those offered by our firms, and these organizations may have greater financial resources and distribution capabilities than we or our Affiliates are able to offer. Additionally, there are limited barriers to entry for new investment managers. Our Affiliates compete with these organizations to attract and retain institutional clients and their assets based on the following primary factors:

- the investment performance records of our Affiliates' investment strategies;
- the breadth of active investment strategies offered by our Affiliates in the asset classes in which they specialize;
- the alignment of our Affiliates' investment strategies to the current market conditions and investment preferences of potential clients;
- the quality and reputation of the investment teams that execute the investment strategies at our Affiliates;
- the strength of our Affiliates' and our distribution teams; and
- the strength of our Affiliates' client service and long-term client relationships.

Business History

The predecessor of BSIG was formed in 1980. We were incorporated on May 29, 2014 as a private limited company under the laws of England and Wales. At the time of our initial public offering of our ordinary shares, or the Offering, we changed our name to OM Asset Management plc.

From the Offering until May 2017, we were a majority-owned subsidiary of OM Group (UK) Limited, or OMGUK, which was in turn wholly owned by OM plc. The board of directors of OM plc elected to undertake the Offering which was priced on October 8, 2014. On October 9, 2014, we began trading on the New York Stock Exchange under the ticker symbol "OMAM." On March 2, 2018, we announced the change of our name to BrightSphere Investment Group plc and on March 26, 2018, our ticker symbol changed to "BSIG."

Between the time of the Offering and November 2017, OM plc implemented a plan to dispose of our shares in an orderly manner which balanced value, cost, time and risk. A series of transactions were executed to dispose of OM plc's shareholdings, including secondary offerings on the public market, sales of shares from OM plc to HNA Capital U.S., or HNA, and our repurchase and retirement of shares held by OM plc. Following these transactions, at December 31, 2017, HNA owned 24.95% of our outstanding ordinary shares and OM plc held 1,000 of our ordinary shares. On November 18, 2018, HNA notified us that it had agreed to sell the substantial majority of its ordinary shares to Paulson & Co ("Paulson"). On February 25, 2019, this transaction was completed and Paulson holds approximately 21.7% of the ordinary shares of the Company and HNA does not own any of the ordinary shares of the Company. See Note 1, "Organization and Description of the Business" in our Consolidated Financial Statements included in Item 8 herein for a further description of these transactions.

In August 2016, we completed the acquisition of Landmark Partners and in January 2018, we completed the sale of our stake in Heitman LLC to members of Heitman's management.

Employees

As of December 31, 2018 , we had 960 full-time equivalent employees, of which 84 were employees of the Company and 876 were employees of our Affiliates. None of our employees or those of our Affiliates are subject to any collective bargaining agreements. We believe our relationships with our employees to be good and have not experienced interruptions to operations due to labor disagreements.

Operations, Systems and Technology

We generally use both third-party commercial technology solutions and services to support investment management and operational activities, including functions such as portfolio management, trading, investment accounting, client reporting and financial reporting. Certain Affiliates have built proprietary systems to support the investment process where competitive advantages to do so exist. Systems and processes are customized as necessary to support our investment processes and operations. Information security, business continuity and data privacy programs have been implemented to help mitigate risks.

Available Information

Our web site is www.bsig.com. Our web site provides information about us, and from time to time we may use it as a distribution channel of material company information. We routinely post financial and other important information in the "Investor Relations" section of our web site and we encourage investors to consult that section regularly. That section of our web site includes "Public Filings" where one can download copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits, and any other report filed or furnished with the U.S. Securities and Exchange Commission, or the SEC, pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. We make these reports available through our web site as soon as reasonably practicable after our electronic filing of such materials with, or the furnishing of them to, the SEC. The information contained or incorporated on our web site is not a part of this Annual Report on Form 10-K.

In addition, the SEC maintains a website that contains reports, proxy statement and other information about issuers, such as BSIG, who file electronically with the SEC. The address of the website is www.sec.gov.

Item 1A. Risk Factors

You should carefully consider the following risk factors in addition to the other information included or incorporated by reference in this Annual Report on Form 10-K before investing in our ordinary shares. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations or cash flow. If any of the following risks and uncertainties actually occurs, you may lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Business Risks

Our overall financial results are dependent on the ability of our Affiliates to generate earnings.

BSIG is a holding company and is not a registered investment adviser under United States, or U.S., federal or state law. As such, BSIG does not manage investments for clients and does not directly receive management fees. All of BSIG's revenue generation is dependent on our Affiliates, who are registered investment advisers under the Investment Advisers Act of 1940, as amended, or the Advisers Act, and receive the majority of their fees based on the market values of assets under management. Substantially all of BSIG's cash flows consist of distributions received from our Affiliates. As a result, BSIG's cash flows and ability to fund operations are largely dependent upon the profitability of our Affiliates.

Each Affiliate is required to make certain cash distributions to us under the operating agreement we enter into with such Affiliate. Distributions to us from an Affiliate may be subject to the Affiliate maintaining sufficient working capital, regulatory requirements, claims of creditors of the Affiliate and applicable bankruptcy and insolvency laws. Any material decrease in profits at, or material reduction in distributions from, our Affiliates could negatively impact our business and results of operations.

The ability of our Affiliates to attract and retain assets under management and generate earnings is dependent on our Affiliates maintaining competitive investment performance, as well as market and other factors.

Our financial performance is dependent upon the abilities of our Affiliates to minimize outflows and increase inflows through sound relative investment performance over measured periods of time compared to relevant benchmarks and peer performance results. The performance of our Affiliates' investment strategies, which can be impacted by factors within and/or outside the control of our Affiliates, including general market and economic conditions, is critical to retaining existing client assets and investors, including in mutual funds and private funds our Affiliates advise or sub-advise, and attracting new client and investor assets. Poor performance can be caused by our Affiliates' choices in investing in sectors, industries, companies or assets that do not perform as well as others. Additionally, companies in which our Affiliates invest may incur negative changes in their financial conditions or suffer other adverse events that could reduce the values of the Affiliates' investments in those companies.

Net flows related to our investment strategies can be affected by investment performance relative to other competing investment strategies or to established benchmarks. Investment management strategies are rated, ranked or assessed by independent third parties, distribution partners, and industry periodicals and services. These assessments often influence the investment decisions of our Affiliates' clients and investors in mutual funds and private funds our Affiliates advise or sub-advise. If the performance or assessment of our Affiliates' investment strategies is seen as underperforming relative to peers, it could, among other things, result in an increase in the withdrawal of assets by existing clients and investors in mutual funds and private funds our Affiliates advise or sub-advise, the termination of an Affiliate as a sub-adviser to a mutual fund and the inability to attract additional investments from existing and new clients or investors. If a significant portion of clients or investors decides to withdraw their investments or terminate their investment management agreements or sub-advisory agreements with our Affiliates, our Affiliates' abilities to generate earnings would decline and our results of operations and financial condition would be affected.

In addition, assets could be withdrawn for any number of reasons other than poor absolute or relative investment performance, including macro-economic factors unrelated to investment performance, a reduction in market demand for the asset classes, products or strategies offered by our Affiliates, the loss of key personnel, price declines in the securities markets generally, price declines in those assets in which client assets are concentrated or changes in investment patterns of clients. Any of these factors could have a negative impact on the revenues and profits of an Affiliate and an adverse impact on our results of operations and financial condition.

Our relationships with our Affiliates are critical to our success.

Maintaining strong relationships with our Affiliates is critical to our business model. Any potential disagreements over matters such as economics or management policies, growth strategies and compensation philosophy would impact our relationships with our Affiliates if not effectively managed. Any strains in the relationships that we have with our Affiliates could be detrimental to our overall business.

Each of our Affiliates operates under ownership, governance and economic arrangements that we and such Affiliate negotiated either at inception or during the course of our relationship. Periodically, these arrangements are reviewed and, in some instances, may be renegotiated and revised. Any renegotiation that results in a reduction in our ownership interest in an Affiliate and/or a revision to the economic arrangements could reduce the economic benefits derived by us from that Affiliate.

We derive a substantial portion of our revenue from a limited number of Affiliates and investment strategies.

As of December 31, 2018 , Acadian and Barrow Hanley represented 77% of our assets under management, from which we derive a substantial portion of our revenue. An adverse change in the operating results of either of these Affiliates, whether as a result of poor investment performance, withdrawals of assets under management or otherwise, could have a substantial impact on our results of operations.

While our Affiliates invest in a number of asset classes, a significant portion of our assets are invested in a limited number of investment strategies. As of December 31, 2018 , $86.1 billion , or 42% , of our assets under management were concentrated across five investment strategies: Barrow Hanley 's Large Cap Value Equity ($33.1 billion , or 16%), Acadian 's Emerging Markets Equity ($19.6 billion , or 10%), Acadian 's Global Managed Volatility Equity ($12.1 billion , or 6%), Landmark 's Secondary Private Equity ($11.3 billion , or 5%) and TSW 's International Equity ($10 billion , or 5%). Consequently, our results of operations are dependent upon the abilities of our Affiliates that manage these investment strategies to minimize the risk of outflows through relatively strong performance over measured periods of time compared to relevant benchmarks and peer performance results. Also, certain investors may evaluate us on the basis of the asset-weighted performance of our assets under management. A relatively small change in the relative performance of one of our largest strategies, such as Barrow Hanley's Large Cap Value Equity , could have a significant impact on the asset-weighted performance of our assets under management. Such volatility could adversely affect investors' perception of us.

Our business model limits our ability to manage our Affiliates' investment management practices and certain other aspects of their day-to-day operations.

Our multi-boutique affiliate structure offers a diversity of investment styles and client bases. While our agreements with all of our consolidated Affiliates give us ultimate control over the business activities of those Affiliates if necessary, we generally do not become directly involved in managing their day-to-day operations, including investment management practices, policies and procedures, fee levels, marketing and product development, client relationships and employment and compensation programs. If we fail to intervene in potentially serious matters arising out of the day-to-day operations of our Affiliates, our reputation could be damaged and our results of operations adversely affected.

For ICM, we exercise significant influence rather than control. Our ability to (i) direct the activities of ICM, (ii) influence its decision-making processes and (iii) require that our risk management and governance practices are applied may be limited and not consistent with those of our controlled Affiliates.

Our growth strategy is dependent upon continued growth of our existing Affiliates.

Since we depend on distributions from our Affiliates to conduct our operations, the inability of our Affiliates to meet projected distribution levels could impact their ability to grow their businesses and contribute to our future growth at current or historical levels. In addition, capacity constraints, particularly on our Affiliates' smaller strategies, or the unavailability of appropriate investment opportunities could limit their ability to accept new client assets and, therefore, limit the growth of their and our revenue.

Our growth strategy may also be enhanced from time to time by our ability to successfully make new acquisitions or investments, which will depend on our ability to find suitable firms to acquire or invest in, our ability to negotiate agreements with such firms on acceptable terms, our ability to raise the capital necessary to finance such transactions, and our ability to secure any necessary approvals for such transactions. There is no certainty that we will identify suitable candidates at prices and terms we consider attractive, consummate any such acquisition or investment on acceptable terms, have sufficient resources to complete an identified acquisition or investment, obtain necessary approvals for such investment or that our strategy for pursuing acquisitions or investments will be effective. Any acquisition or investment can involve a number of risks, including the existence of known liabilities or contingent liabilities or those not disclosed or known by us prior to closing an acquisition or investment. An acquisition or investment may impose additional demands on our staff that could strain our operational resources and increase the possibility of operational error, and require expenditure of substantial legal, investment banking and accounting fees. We may be required to issue ordinary shares or otherwise obtain additional capital or spend significant cash to consummate an acquisition or investment, resulting in dilution of ownership or additional debt leverage, or spend additional time and money on facilitating the acquisition or investment that otherwise would be spent on the development and expansion of our existing businesses. Following a completed acquisition or investment, failure by us and the target firm to achieve a strong, long-term relationship, or failure of the firm to realize incremental organic growth and growth through leveraging its relationship with us may result in our inability to achieve the anticipated benefits of the acquisition or investment, and could have an adverse impact on our business, financial condition and results of operations.

We and our Affiliates rely on certain key personnel, and our results are dependent upon our ability to retain and attract key personnel.

We and our Affiliates depend on the skills and expertise of our key investment and management personnel, and our success and growth depends on our ability to attract and retain key personnel. Our Affiliates rely heavily upon the services of certain key investment and management personnel, many of whom have managed their firms for a number of years and who primarily guide the investment decision-making processes and strategies at the firms. The loss of key investment and management personnel at any of our Affiliates for any reason could have an adverse impact upon our business, results of operations and financial condition. Any of our key investment or management personnel could resign at any time, join a competitor or form a competing company. We and our Affiliates have entered into non-competition agreements with some, but not all, of our investment and management personnel, but these agreements may not be enforceable or may not be enforceable to their full extent. In addition, we and our Affiliates may agree to waive a non-competition agreement applicable to investment or management personnel in light of the circumstances of our relationship with that person.

All of our Affiliates have established equity plans which are intended to attract, retain and motivate key personnel and pursuant to which key Affiliate personnel may be awarded or be able to purchase equity in their firm. The equity plans provide key employees with the opportunity to participate in the appreciation in the value of their businesses. Award documents under these plans typically limit a recipient's right to provide competitive services to clients of the Affiliates or solicit employees of the Affiliates for prescribed periods. Additionally, certain of our Affiliates' key executive management personnel may have entered into, or been offered the opportunity to enter into, agreements with us that are structured to motivate and retain such personnel. However, retention strategies we and our Affiliates have put into place may not be successful and, to the extent the plans do not produce the desired results, our Affiliates may suffer a loss of valued personnel.

For certain of our Affiliates, a number of key management personnel are arriving at the point in their careers where they may be looking to limit their day-to-day involvement in their businesses or withdraw entirely. We have instituted succession planning at our Affiliates in an attempt to mitigate any disruption caused by these changes but cannot predict whether such efforts will be successful and whether the firms will be able to retain clients, assets and personnel or attract new assets and talent.

We rely upon the contributions of our senior management team to establish and implement our strategy and to manage the future growth of our business. The amount and structure of compensation and opportunities for equity ownership we offer are key components of our ability to attract and retain qualified management personnel. There is no assurance that we will be successful in designing and implementing an attractive compensation model.

Our Affiliates' business operations are complex, and a failure to properly perform operational tasks or maintain infrastructure could have an adverse effect on our revenues and income.

In addition to providing investment management services, our Affiliates must have the necessary operational capabilities to manage their businesses effectively in accordance with client expectations and applicable law. The required non-investment management functions include sales, marketing, portfolio recordkeeping and accounting, security pricing, trading activity, investor reporting, corporate governance, compliance, net asset value computations, account reconciliations and calculations of required distributions to accounts. Some of these functions are performed either independently or with the support of or in conjunction with us or third-party service providers that are overseen by our Affiliates. Also, certain of our Affiliates are highly dependent on specially developed proprietary systems. Any material failure to properly develop, update, or maintain sufficient technological infrastructure, or perform and monitor non-investment management functions and operations, or adequately oversee the entities that provide the services, could result in potential liability to clients, regulatory sanctions, investment losses, loss of clients and damage to the reputation of our Affiliates or to our reputation.

Reputational harm could result in a loss of assets under management and revenues for our Affiliates and us.

The integrity of our brand and reputation, as well as the integrity of the brand and reputation of each of our Affiliates, is critical to the ability of us and our Affiliates to attract and retain clients, business partners and employees and maintain relationships with consultants. We operate within the highly regulated financial services industry and various potential scenarios could result in harm to our reputation. They include internal operational failures, failure to follow investment or legal guidelines in the management of accounts, intentional or unintentional misrepresentation of our Affiliates' products and services in offering or advertising materials, public relations information, social media or other external communications, employee misconduct or investments in businesses or industries that are controversial to certain special interest groups. Such factors could potentially result in regulatory actions and litigation. The negative publicity associated with any of these factors could harm our reputation and those of our Affiliates and adversely impact relationships with existing and potential clients, third-party distributors, consultants and other business partners and subject us to regulatory sanctions. Damage to our brands or reputations would negatively impact our standing in the industry and result in loss of business in both the short term and the long term.

We or our Affiliates may not always successfully manage actual or potential conflicts of interests that may arise in our businesses.

As we continue to expand the scope of our business, we increasingly confront actual, potential and perceived conflicts of interest relating to our activities and the investment activities of our Affiliates. Conflicts may arise with respect to decisions by our Affiliates regarding, among other things, the allocation of specific investment opportunities among accounts in which Affiliates may receive an allocation of profits and accounts in which they do not receive such an allocation or among client accounts that have overlapping investment objectives yet different fee structures, including certain accounts which may pay Affiliates performance-based fees.

Certain client accounts of our Affiliates have similar investment objectives and may engage in transactions in the same types of securities and instruments. These transactions could impact the prices and availability of the securities and instruments in which a client account invests and could have an adverse impact on an account's performance. An Affiliate may also buy or sell positions in a client account while that or another Affiliate, on behalf of other client accounts, is undertaking a similar, differing or opposite strategy, which could disadvantage the other accounts.

The SEC and other regulators have increased their scrutiny of conflicts of interest. Our Affiliates have implemented procedures and controls to identify, manage, mitigate (where possible) and disclose actual, potential or perceived conflicts of interest, but it is possible that the procedures adopted by our Affiliates may not be effective in identifying, managing or mitigating all conflicts which could give rise to the dissatisfaction of, or litigation by, investors or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and the reputations of us and our Affiliates could be damaged if we or they fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny, litigation or reputational risk incurred in connection with conflicts of interest would adversely impact our business in a number of ways, including by making counterparties reluctant to do business with us, impeding our ability to retain or increase our assets under management, subjecting us to potential litigation and adversely impacting our results of operations.

Conflicts of interest also may arise between our Affiliates where, for example, for competitive business reasons, more than one Affiliate may seek the same business opportunity, clients or talent or make other competitive business decisions.

We may make business decisions which we believe are in the best interests of the Company but that may have indirect negative effects on one or more of our Affiliates. We also may be required to make strategic and financial or other resource allocation decisions that may directly benefit one or more Affiliates and not others. Any decision that does not directly or indirectly benefit an Affiliate could negatively impact our relationship with that Affiliate.

Equity ownership by key employees of each Affiliate is at the level of the applicable Affiliate and not at the holding company level, although employees of our Affiliates may acquire our ordinary shares. Therefore, there may be instances where the interests of an Affiliate and its key employee equity-holders may not align with ours in effecting a desired outcome.

While we endeavor to assess and resolve any conflicts in a manner that is not disruptive or detrimental to us or our Affiliates, there is no assurance that a resolution may be possible or the interests of all parties can be taken into account.

Impairment of our Affiliates' relationships with clients and/or consultants may negatively impact their businesses and our results of operations.

Our Affiliates have strong client and consultant relationships in their core institutional marketplaces, and they depend upon these relationships to successfully market their existing products and strategies and to introduce new products and strategies. Some Affiliates may have client exposures that are meaningful to their individual businesses. As of December 31, 2018 , our Affiliates' top five client relationships represented 13% of total run rate gross management fee revenue, including our equity-accounted Affiliate, and our Affiliates' top 25 clients represented 29% of run rate gross management fee revenue, including our equity-accounted Affiliate. Total run rate gross management fee revenue reflects the sum for each account at each of our seven current Affiliates, of the product of (a) assets under management in each account at December 31, 2018 , multiplied by (b) the relevant management fee rate on that account. This calculation includes the management fees paid by accounts at our equity-accounted Affiliate. Any negative changes in these relationships that reduce the number of client or consultant contacts, restrict access to existing or potential clients, or result in negative statements by a consultant, could have an adverse impact on our Affiliates' businesses and negatively impact our results of operations.

The business of our Affiliates is dependent upon investment advisory agreements that are subject to negotiation, non-renewal, or termination, including termination upon assignment.

Our Affiliates derive substantially all of their revenues from the fees charged to their clients under their investment advisory agreements with those clients. The agreements generally provide for fees to be paid on the basis of the market values of assets under management, although a portion also provide for performance-based fees to be paid on the basis of investment performance against stated benchmarks.

An investment advisory agreement may be terminated by a client without penalty upon relatively short notice (typically no more than 30 days). In addition, the investment advisory agreements and sub-advisory agreements with respect to registered investment companies generally may be terminated by the mutual fund or, in those instances where an Affiliate serves as a sub-adviser, the mutual fund's adviser, without penalty, upon 60 days' notice and are subject to annual approval by the mutual fund's board of directors or trustees. Clients may decide to terminate or not renew an agreement for poor investment performance or any variety of reasons which may be beyond the control of our Affiliates. A decrease in revenues resulting from termination of an investment advisory agreement or sub-advisory agreement for any reason could have a material adverse effect on the revenue and profits of our Affiliates and a negative effect on our results of operations.

Pursuant to the Advisers Act, investment advisory agreements between our Affiliates, who are (or who have subsidiaries who are) U.S. registered investment advisers, and their clients are not assignable without the consent of the client. As required by the Investment Company Act of 1940, or the Investment Company Act, investment advisory agreements and sub-advisory agreements between our Affiliates and investment company clients and/or the investment advisers to those investment companies terminate upon their assignment. Assignment, as generally defined, includes direct assignments as well as assignments that may be deemed to occur, under certain circumstances, upon the direct or indirect transfer of a "controlling block" of the voting securities of the respective Affiliate. A transaction is not deemed an assignment under the Advisers Act or the Investment Company Act, however, if it does not result in a change of actual control or management of the relevant Affiliate.

If anyone acquires, or is deemed to have acquired, a controlling block of our voting securities in the future, the contractual anti-assignment and termination provisions of the investment advisory and sub-advisory agreements between our Affiliates and their clients may be implicated. If an assignment of an investment advisory or sub-advisory agreement is deemed to occur, and clients do not consent to the assignment or, with respect to investment company clients, enter into a new agreement, which may require the approval of the investment company's shareholders in addition to its board of directors or trustees, our results of operations could be materially and adversely affected.

The historical returns of our existing investment strategies may not be indicative of their future results or of the investment strategies we may develop in the future.

We have presented information with respect to the historical returns of our existing investment strategies throughout this Annual Report on Form 10-K, including under "Business—Products and Investment Performance." The historical returns of our Affiliates' strategies and the ratings and rankings our Affiliates or their strategies have received in the past should not be considered indicative of the future results of these strategies or of any other strategies that our Affiliates may develop in the future. The investment performance our Affiliates achieve for their clients varies over time and the variance can be wide. The ratings and rankings our Affiliates or their strategies have received are typically revised monthly. The historical performance and ratings and rankings presented herein are as of December 31, 2018 and for periods then ended unless otherwise indicated. The returns on the strategies of our Affiliates' have benefited during some periods from investment opportunities and positive economic and market conditions. In other periods, general economic and market conditions have negatively affected investment opportunities and the returns on our Affiliates' strategies. These negative conditions may occur again, and in the future our Affiliates may not be able to identify and invest in profitable investment opportunities within their current or future strategies.

Pressure on fee levels of our Affiliates and changes to their mix of assets could impact our results of operations.

Our profit margins and net income are dependent on the ability of our Affiliates to maintain current fee levels for the products and services they offer. The competitive nature of the asset management industry has led to a trend toward lower fees in certain segments of the asset management market, and there can be no assurance that our Affiliates will be able to maintain their current pricing structures. Our Affiliates also may be required to restructure their fees due to regulatory changes. These factors also could inhibit the ability of our Affiliates to increase fees for certain products. A reduction in the fees charged by our Affiliates, or limited opportunities to increase fees, will reduce or limit our revenues and could reduce or limit our net income.

The fees charged by our Affiliates on their assets under management vary by asset class and produce different revenues per dollar of assets under management based on factors such as the type of assets being managed, the applicable investment strategy, the type of client and the client fee schedule. Institutional clients may have significant negotiating leverage in establishing the terms of an advisory relationship, particularly with respect to the level of fees paid, and the competitive pressure to attract and retain institutional clients may impact the level of fee income earned by an Affiliate. In order for an Affiliate to maintain its fee structure in a competitive environment, it may elect to decline to manage additional assets from potential clients who demand lower fees even though our revenues may be adversely affected in the short term.

Furthermore, a shift in the mix of assets under management from asset classes or products that generate higher fees to those that generate lower fees may result in a decrease in revenues while aggregate assets under management remain unchanged or increase. Such shifts can occur as various investment strategies go in and out of favor due to competition in the industry or as a result of movements between asset classes or certain products no longer being available to investors. In addition, in the event current or future Affiliates have or develop a focus on strategies that generate lower fees, a decrease in revenues may result. A decrease in revenues without a reduction in expenses will result in reduced net income.

Changes in how clients choose to access asset management services may also exert downward pressure on fees. Some investment consultants, for example, are implementing programs in which the consultant provides a range of services, including selection, in a fiduciary capacity, of asset managers to serve as sub-adviser at lower fee rates than the manager’s otherwise applicable rates, with the expectation of a larger amount of assets under management through that consultant. The expansion of those and similar programs could, over time, make it more difficult for us to maintain our fee rates.

Failure by our Affiliates to comply with investment guidelines set by their clients, including the boards of mutual funds that they sub-advise, or limitations imposed by applicable law could result in a loss of assets, potential damage awards or regulatory sanctions, which could adversely impact our results of operations or financial condition.

As investment advisers, our Affiliates (or their registered subsidiaries) have fiduciary duties to their clients. Our Affiliates are required to follow specified investment guidelines established by their clients in the management of client accounts. Our Affiliates that advise or sub-advise registered investment companies are also required to invest fund assets in accordance with guidelines contained in the Investment Company Act and applicable provisions of the Internal Revenue Code of 1986, as amended, or the Code, as well as any guidelines established by the boards of the investment companies. Affiliates that manage accounts subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended, or ERISA, must comply with the requirements of ERISA and regulations of the Department of Labor in their management of those plan accounts. An Affiliate's failure to comply with applicable client and regulatory guidelines could result in losses to a client which, depending on the circumstances, could result in an Affiliate's obligation to reimburse the client in whole for such losses. If an Affiliate believed that the circumstances did not justify a reimbursement, or a client believed the reimbursement offered was insufficient, the client could seek to recover damages from the Affiliate, withdraw assets from management by the Affiliate or terminate its investment advisory agreement with the Affiliate. An Affiliate that fails to follow investment guidelines or other limitations in the management of a client account may be subject to actual and threatened lawsuits, or be subject to investigations and proceedings by governmental and self-regulatory organizations and potential damages, fines or sanctions. Any of these events could harm the reputations of us and our Affiliates and adversely impact our and their results of operations and financial condition.

If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses.

In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to operational, legal and reputational risks. Our risk management methods may prove to be ineffective due to their design or implementation, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our financial condition or results of operations. The potential for some types of operational risks, including, for example, trading errors, may be increased or amplified in periods of increased volatility, which can magnify the cost of an error. Although we have not suffered operational errors, including trading errors, of a material nature in the past, we may experience such errors in the future. Additionally, we could be subject to litigation, particularly from our clients, and investigations and enforcement proceedings by and sanctions or fines from regulators. Our Affiliates' techniques for managing operational, legal and reputational risks in client portfolios may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate.

We or our Affiliates may be exposed to potential liability as a general partner or a controlling person.

Our Affiliates are limited liability companies of which we are, or an entity controlled by us is the majority member, except for ICM in which case we have certain consent and management rights. Certain of our Affiliates may serve as general partners, managing members or their equivalents for investment products that are organized as partnerships or other commingled vehicles. As such, we or an Affiliate may be exposed to liability in the limited liability company, partnership or investment vehicle or required to undertake certain obligations under applicable law that we or they otherwise would not be required to undertake as a holding company or investment adviser. In addition we may be deemed to be a control person of our Affiliates, as that term is defined in various U.S. federal and state statutes and, as such, potentially liable for the acts of our Affiliates or their employees. Consequently, if under such circumstances any of our Affiliates incurs liabilities or expenses that exceed its ability to pay, we may be directly or indirectly liable for its payment to the extent provided in the governing documents of the limited liability company, partnership or investment vehicle or under applicable law. While we and our Affiliates maintain errors and omissions and general liability insurance in amounts believed to be adequate to cover certain potential liabilities, we cannot be certain that claims will not be made against us that exceed the limits of available insurance coverage, that the insurers will remain solvent and will meet their obligations to provide coverage or that an adequate amount of insurance coverage will continue to be available to us and our Affiliates at a reasonable cost. A judgment against any of our Affiliates and/or us in excess of available insurance coverage could have a material adverse impact on our business and financial condition.

Our expenses are subject to fluctuations that could materially impact our results of operations.

Our results of operations are dependent upon the level of our expenses and those of our Affiliates, which can vary from period to period. We and our Affiliates have certain fixed expenses that we incur as going concerns, and some of those expenses are not subject to adjustment. If our revenues decrease, without a corresponding decrease in expenses, our results of operations would be negatively impacted. While we and our Affiliates attempt to project expense levels in advance, there is no guarantee that an unforeseen expense will not arise or that we will be able to adjust our variable expenses quickly enough to match a declining asset base. Consequently, either event could have either a temporary or permanent negative impact on our results of operations.

Losses on our seed and co-investment capital could adversely impact our results of operations or financial condition.

Our support of our Affiliates extends to the commitment of seed and co-investment capital to launch new products and investment capital to financially support new growth initiatives. As of December 31, 2018, we have approximately $130 million committed to seed capital, which is currently invested in 26 products across seven different asset classes. We also provide co-investment capital (currently a $28.7 million portfolio) to support the formation of closed-end, long-term partnerships managed by our Affiliates. These fixed-life partnerships typically require us and/or the Affiliate or its employees to invest 1% to 3% of the product's capital to align interests with those of their clients. The capital utilized in the seed and co-investment portfolios may be subject to liquidity constraints over certain time periods and is subject to market conditions. A decline in the value of our seed and co-investment capital may adversely impact our results of operations or financial condition.

The cost of insuring our business is meaningful and may increase.

Our insurance costs are meaningful and can fluctuate significantly from year to year. In addition, certain insurance coverage may not be available or may only be available at prohibitive costs. As we renew our insurance coverage, we may be subject to additional costs caused by premium increases, higher deductibles, co-insurance liability, changes in the size of our business or nature of our operations, litigation or acquisitions or dispositions. Higher insurance costs and incurred deductibles, as with any expense, would reduce our net income. In addition, we may obtain additional liability insurance for our directors and officers. There have been historical periods in which directors' and officers' liability insurance and errors and omissions insurance have been available only with limited coverage amounts, less favorable terms or at prohibitive cost, and these conditions could recur.

Investments in non-U.S. markets and in securities of non-U.S. companies may involve foreign currency exchange risk, and tax, political, social and economic uncertainties, and a reduction in assets under management associated with investments in non-U.S. equities could have a disproportionately adverse impact on our results of operations.

A significant amount of our Affiliates' assets under management is represented by strategies that invest in securities of non-U.S. companies. Fluctuations in foreign currency exchange rates could negatively impact the account values and the investment returns of clients who are invested in these strategies, with a corresponding reduction in management fee income. In addition, an increase in the value of the U.S. dollar relative to non-U.S. currencies could result in a decrease in the U.S. dollar value of assets under management that are denominated in non-U.S. currencies, which in turn would result in lower revenues.

Many non-U.S. financial markets are not as developed or as efficient as the U.S. financial markets and, as a result, have limited liquidity and greater price volatility and may lack established regulations. Liquidity in such markets also may be adversely impacted by political or economic events, government policies, expropriation, volume trading limits by foreign investors, and social or civil unrest. The ability to dispose of an investment and its market value may be adversely impacted by any of these factors. In addition, non-U.S. legal and regulatory financial accounting standards and practices may be different from those of the U.S., and there may be less publicly available information about non-U.S. companies and non-U.S. markets. Governments of foreign jurisdictions may assert their abilities to tax local gains and/or income of foreign investors, including clients of our Affiliates, which could adversely impact the economics associated with investing in foreign jurisdictions or non-U.S. based companies. These risks also could impact the performance of strategies that invest in such markets and, in particular, strategies that concentrate investments in emerging market companies and countries.

In general, management fees for accounts that invest in non-U.S. equity markets, particularly emerging markets, are higher than those for accounts that invest in the domestic markets. Since 52% of our Affiliates' total assets under management as of December 31, 2018 were invested in global, international and emerging markets equities, a significant reduction in assets under management associated with such investments could have a disproportionately adverse impact on our results of operations.

Our non-U.S. distribution initiatives may be unsuccessful, may expose us to other tax and regulatory risks and may not facilitate the growth of our business.

One of the primary opportunities for growth lies in expanding the geographic regions in which our Affiliates' investment products and services are distributed. To assist our Affiliates in their non-U.S. distribution, we offer the assistance of our Global Distribution team. The success of these non-U.S. initiatives is therefore dependent upon the ability of our and our Affiliates' teams to successfully partner in non-U.S. distribution efforts and to structure products that appeal to the global markets. The inability of the Global Distribution team and our Affiliates to successfully execute on their non-U.S. distribution plans may adversely impact the growth prospects of our Affiliates.

Our non-U.S. distribution initiative has required and will continue to require us to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with the employment of additional support staff and regulatory compliance. Our employees routinely travel outside the U.S. in connection with our distribution efforts and may spend extended periods of time in one or more non-U.S. jurisdictions. Their activities outside the U.S. on our behalf may raise both tax and regulatory issues. If we are incorrect in our analysis of the applicability or the extent of the impact of non-U.S. tax or regulatory requirements, we could incur costs, penalties or be the subject of an enforcement or other action. We also expect that operating our business in non-U.S. markets generally will be more expensive than in the U.S. To the extent that our revenues do not increase as much as our expenses in connection with our distribution initiatives outside the U.S., our profitability could be adversely affected. Expanding our distribution initiatives into non-U.S. markets may also place significant demands on our existing infrastructure and employees.

Our outstanding indebtedness may impact our business and may restrict our growth and results of operations.

As of December 31, 2018, we have $393.3 million of long-term bonds outstanding, $0.0 million of debt outstanding under our revolving credit facility with third-party lenders and $0.0 million outstanding under our non-recourse seed capital facility. For additional information regarding our revolving credit facility, our non-recourse seed capital facility and our long-term bonds, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Working Capital and Long-Term Debt.”

We may incur additional indebtedness in the future for a variety of business reasons, including in relation to our share repurchases, for seed or co-investment capital, or for other strategic reasons. We will be dependent on the cash flow generated from our Affiliates to service any indebtedness that is taken on by us.

The level of our indebtedness has important consequences to investors in our securities. For example, our level of indebtedness may require us to use a substantial portion of our cash flow from operations to pay interest and principal on our debt, which would reduce the funds available to us for working capital, capital expenditures and other general corporate purposes and may limit our ability to pay future dividends. Too much debt may limit our ability to implement our business strategy; heighten our vulnerability to downturns in our business, the financial services industry or in the general economy and limit our flexibility in planning for, or reacting to, changes in our business and the financial services industry; limit our access to additional debt; or prevent us from taking advantage of business opportunities as they arise or successfully carrying out our plans to expand our business and our Affiliates’ product offerings. Any of these consequences could have a material adverse effect on our financial condition or results of operations.

We may be unable to obtain sufficient capital and liquidity to meet the financing requirements of our business.

In October 2014, we established an independent facility with third party lenders to facilitate the growth of our business. In July 2016 we issued an aggregate of $400 million of long-term bonds. Our ability to finance our operations through borrowing from our lenders under the credit facility or through future issuances of long-term bonds, and our ability to repay maturing obligations under our credit facility and long-term bonds, will be dependent in large part on the profitability of our Affiliates and our future operating performance. Any future inability to obtain financing on reasonable terms and with reasonable restrictions on the operation of our business could impair our liquidity, have a negative impact on our growth and that of our Affiliates and negatively impact our financial condition.

Our business involves risks of potential litigation that could harm our business.

We and our Affiliates may be named as defendants or co-defendants in lawsuits, or may be involved in disputes that include the threat of lawsuits seeking substantial damages. Any such legal action, whether threatened or actual, could result in reputational damage, loss of clients and assets, increased costs and expenses in resolving a claim, diversion of employee resources and resulting financial losses.

Our Affiliates make investment decisions on behalf of their clients that could result in substantial losses to those clients. If their clients suffer significant losses or otherwise are dissatisfied with the service of one of our Affiliates, that Affiliate could be subject to the risk of legal liability or actions alleging, among other theories, negligent misconduct, breach of fiduciary duty, breach of contract, unjust enrichment and/or fraud. These risks often are difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time, even after an action has been commenced. Our Affiliates may incur substantial legal expenses in defending against litigation commenced by a client or regulatory authority. Substantial legal liability levied on any one of our Affiliates could have a material adverse effect on our business, financial condition, or results of operations and could cause significant reputational harm.

Any significant limitation on the use of our facilities or the failure or security breach of our software applications or operating systems and networks, including the potential risk of cyber-attacks, could result in the disclosure of confidential client information, damage to our reputation, additional costs, regulatory penalties and financial losses.

We and our Affiliates depend upon our principal business offices and our various centers of operation for the continued operations of our businesses. A disruption in the infrastructure that supports our businesses or prevents our employees from performing their job functions, including communication failures, natural disasters, terrorist attacks and international hostilities, may have a material impact on our ability to continue business operations without interruption. Insurance and other safeguards might not be available or might only partially reimburse us for our losses.

Although we have back-up systems and disaster recovery programs in place and test their uses periodically, there can be no assurance that the recovery programs will be sufficient to mitigate any harm that may result from a disruption or disaster. Additionally, it is possible that any such disruption or disaster could have a significant impact on the general economy, domestic and local financial and capital markets or specific industries, including the financial services industry.

A significant portion of our operations relies heavily on the secure processing, storage and transmission of confidential and other information as well as the monitoring of a large number of complex transactions. With the evolving proliferation of new technologies and the increasing use of the Internet and mobile devices to conduct financial transactions, financial institutions such as us have been, and will continue to be, subject to an increasing risk of cyber incidents from these activities. We and our Affiliates take protective measures to secure information, including through system security technology. However, our technology systems may still be vulnerable to unauthorized access, computer malware or other events that have a security impact, such as an authorized employee or vendor inadvertently causing the release of confidential information or third-party unauthorized access or account takeovers, which could materially damage our operations or cause the disclosure or modification of sensitive or confidential information. Breach of our technology systems through cyber-attacks, or failure to manage and secure our technology environment, could result in interruptions or malfunctions in the operations of our business, loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by a breach, additional costs to mitigate against future incidents and litigation costs resulting from an incident. Moreover, loss of confidential client information could harm our reputation and subject us to liability under the laws that protect personal data, resulting in increased costs or loss of revenues.

Our Affiliates and third parties with which we do business may also be sources of cybersecurity or other technological risks as we outsource certain functions. While we engage in certain actions to reduce the exposure resulting from outsourcing, such as performing onsite security control assessments, limiting third-party access to the least privileged level necessary to perform job functions, and restricting third-party processing to systems stored within our data centers, ongoing threats may result in unauthorized access, loss or destruction of data or other cyber incidents with increased costs and consequences to us such as those discussed above.

We are subject to data protection laws under U.K. legislation, and any breaches of such legislation could adversely affect our business, reputation, results of operations and financial condition.

Our ability to obtain, retain and otherwise manage personal data is governed by data protection and privacy requirements and regulatory rules and guidance. In the U.K., we must comply with the Data Protection Act 1998 in relation to processing certain personal data. The interpretation of data privacy laws can be uncertain, and as business practices are challenged by regulators, private litigants and consumer protection agencies, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data protection practices.

The carrying value of goodwill and other intangible assets on our balance sheet could become impaired, which would adversely affect our financial condition and results of operations.

We have recorded goodwill and intangible asset impairments in the past and could incur such charges in the future as acquisitions occur and we take on more goodwill. We review the carrying value of goodwill and intangible assets not subject to amortization on an annual basis, or more frequently if indications exist suggesting that the fair value of our intangible assets may be below their carrying values. We test the values of intangible assets subject to amortization whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Should such review indicate impairment, a write-down of the carrying value of goodwill or the intangible asset could occur, resulting in a non-cash charge that may, in turn, affect our reported results of operations, financial condition and shareholders' equity.

Claims for indemnification may be substantial and have a negative impact on our financial condition.

We have engaged in a number of transactions involving the sale of businesses to third parties and to members of management of former Affiliates. As is customary in business transactions of these types, we were required to and did provide indemnifications with respect to third-party claims arising out of these transactions for limited periods of time with respect to certain claims, and for unlimited periods of time with respect to other claims. While we currently are not aware of exposure or potential exposure to any claim against us for indemnification, there can be no guarantee that a claim will not arise during the relevant indemnification period and that we will not have to provide the requisite indemnification. In addition, legal challenges to any potential claim for indemnification could result in increased legal expenses.

The failure of a counterparty to meet its obligations could affect our business adversely.

Our Affiliates routinely execute transactions with counterparties in the financial industry and for the provision of services that are important to the business, and we may engage in transactions with counterparties as part of our corporate finance management function and for the provision of services. As a result, we and our Affiliates and clients have exposure to the credit, operational and other risks posed by such counterparties, including the risk of default by or bankruptcy of a counterparty. The failure of a counterparty to meet its obligations or provide the services we depend on for these or other reasons could adversely affect our ability to conduct our businesses and result in loss of client assets and potential liability.

We may be subject to financial criminal activity which could result in financial loss or damage to our reputation.

Instances of financial criminal activity, personal trading violations and other abuses, including misappropriation of assets by internal or external perpetrators, may arise despite our internal control policies and procedures. Instances of such criminal activity by financial firms and their personnel, including those in the investment management industry, have led the U.S. government and regulators to increase enforcement of existing rules relating to such activities, adopt new rules and regulations and enhance oversight of the U.S. financial industry. As we expand our international operations, we will be subject to the rules of other jurisdictions that govern and control financial criminal activities and exposed to financial criminal activities on a more global scale. Compliance with existing and new rules and regulations may have the effect of increasing our expenses. Further, should any of our or our Affiliates' personnel be linked to financial criminal activity, either domestically or internationally, we would suffer material damage to our reputation which could result in a corresponding loss of clients and/or client assets and revenue.

We and our Affiliates are vulnerable to reputational harm because we operate in an industry in which personal relationships, integrity and client confidences are of critical importance. For example, if an employee were to engage in illegal or suspicious activities, we or an Affiliate could be subject to legal or regulatory sanctions and suffer serious harm to our reputations (as a consequence of the negative perception resulting from such activities), and impairment to client relationships and the ability to attract new clients. Our Affiliates' businesses often require that they deal with confidential information. If their employees were to improperly use or disclose this information, even if inadvertently, our Affiliates and we could be subject to legal or regulatory action and suffer serious harm to our reputations and current and future business relationships.

It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. In addition, the SEC has increased its scrutiny of the use of non-public information obtained from corporate insiders by professional investors. Employee misconduct, or even unsubstantiated allegations of misconduct, could adversely impact our reputation, current and future business relationships and our financial condition.

We are subject to the U.K. Bribery Act, the U.S. Foreign Corrupt Practices Act and other anti-corruption laws, as well as export control laws, customs laws, sanctions laws, anti-facilitation of tax evasion laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business, results of operations and financial condition.

Our operations are subject to anti-corruption laws, including the U.K. Bribery Act 2010, or the Bribery Act, the U.S. Foreign Corrupt Practices Act, or the FCPA, and other anti-corruption laws that apply in countries where we do business. The Bribery Act, the FCPA and these other laws generally prohibit us and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We and our commercial partners operate in a number of jurisdictions that may pose a risk of potential Bribery Act or FCPA violations, and we participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the Bribery Act, the FCPA or local anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our internal operations might be subject or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United Kingdom, or U.K., and the U.S., and authorities in the European Union, including applicable export control regulations, economic sanctions on countries or persons, customs requirements and currency exchange regulations, anti-facilitation of tax evasion rules (including the U.K. Criminal Finances Act 2017), or Trade Control Laws.

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the Bribery Act, the FCPA or other legal requirements, including Trade Control Laws. If we are not in compliance with the Bribery Act, the FCPA and other anti-corruption laws or Trade Control Laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the Bribery Act, the FCPA, other anti-corruption laws or Trade Control Laws by U.K., U.S. or other authorities could also have an adverse impact on our reputation, business, results of operations and financial condition.

A U.K. exit from the European Union ("Brexit") could adversely impact our business.

On June 23, 2016, U.K. citizens voted in a referendum to leave the European Union. Thereafter, on March 29, 2017, the U.K. formally notified the EU of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. Under the process for withdrawing from the EU contemplated in the Lisbon Treaty, the U.K. will remain a member state until a withdrawal agreement is entered into or, if later (and no extension is agreed), two years following notification of the U.K.'s intention to withdraw from the EU. On March 29, 2017, the U.K. formally notified the European Council of its intention to leave although there is no certainty that the U.K. government will do so; instead the U.K. government may seek to negotiate a bespoke withdrawal right with the agreement of the remaining EU countries (the "EU 27"). The U.K. will remain a member state subject to EU law with privileges to provide services under the single market directives at least until March 29, 2019, potentially for longer. In late 2018 the U.K. and the EU27 reached an agreement governing the terms of the U.K.'s withdrawal from the EU including a transitional period from March 30, 2019 to December 31, 2020 during which the U.K. would continue to participate in the EU single market as before, U.K. regulated firms and funds would continue to benefit from passporting; obligations, consumer rights and protections derived from EU law would continue to apply. However, the withdrawal agreement must be ratified by the U.K. Parliament which it has to date refused to do.

The exit of the U.K. from the European Union and the uncertainty regarding the form and timing of such exit may have adverse effects on the U.K., European and worldwide economy, market conditions and lead to considerable uncertainty while new treaties are negotiated and contribute to currency exchange fluctuations that may result in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. That said, an immaterial portion of our revenue is impacted by changes in value of the British pound. Any negative impact to overall investor confidence or instability in the global macroeconomic environment could have an adverse economic impact on our results of operations.

Certain of our subsidiaries are domiciled in the U.K. and authorized by the Financial Conduct Authority to carry on certain activity, such as investment management and distribution and currently benefit from non-discriminatory access to EU clients and infrastructure based on EU treaties and EU legislation, including cross-border "passporting" arrangements and specific arrangements for the establishment of EU branches. Depending on the outcome of the Brexit negotiations, companies with operations in the U.K. may face unfavorable business conditions to access the single market. An exit by the U.K. from the European Union could also cause our U.K. entities to lose their European Union financial services passport license, which allows them to operate, on a cross-border and off-shore basis, into all European Union countries without obtaining regulatory approval outside of the U.K., which would increase our legal, compliance and operational costs. We may choose to move some or all of its operations to the E.U. and the related costs and expenses could have a material adverse effect on our business, financial condition and operating results.

The effect of any of these risks, were they to materialize, is difficult to quantify, but could increase our operating and compliance costs and could negatively impact the value of our securities.

Industry Risks

We operate in a competitive environment.

The investment management industry is highly competitive, with competition based on a variety of factors, including investment performance, investment management fee rates, continuity of investment professionals and client relationships, the quality of services provided to clients, reputation and the strategies offered. We and our Affiliates compete against a broad range of domestic and international asset management firms, broker-dealers, hedge funds, investment banking firms and other financial institutions. We directly compete against these organizations with respect to investment products, distribution channels, opportunities to acquire other investment management firms and retention and recruitment of talent. The capital resources, scale, name recognition and geographic footprints of many of these organizations are greater than ours. The recent trend toward consolidation in the investment management industry, and the financial services industry in general, has served to increase the size and strength of a number of our competitors. Some investors may prefer to invest with an investment manager that is not publicly traded based on the perception that a publicly traded asset manager may focus on the manager’s own growth to the detriment of investment performance for clients. Some competitors may operate in a different regulatory environment than we do, which may give them certain competitive advantages in the investment products and portfolio structures that they offer.

In addition, each of our Affiliates competes against other investment managers offering the same or different investment strategies. The competition in our industry results in pressure on fees which may hinder the ability of our Affiliates to compete. All of our Affiliates rely upon their investment performance as a competitive advantage, which may not always position them to compare favorably to their competitors. In certain instances, our Affiliates also may compete against one another for clients. It is likely that new competitors will enter the market as there are low costs and limited barriers to entry.

Our ability to attract assets also is dependent upon the ability of our Affiliates to offer a mix of products and services that meet client demand and their abilities to maintain investment management fees at competitive levels. There are a number of asset classes and product types that currently are not well covered by our Affiliates, such as index funds, passive exchange-traded funds and hedge funds. When these asset classes or products are in favor with either existing or potential clients, our Affiliates will miss the opportunity to attract and manage these assets and face the risk of assets being withdrawn in favor of competitors who manage the asset classes and/or provide these products. If our Affiliates are unable to compete effectively in their markets, our results of operations and potential business growth could be adversely affected.

Our sole business is asset management. As a result, we may be more impacted by trends and issues and more susceptible to negative events impacting the asset management industry than other more diversified financial services companies that provide asset management and other financial services.

We operate in a highly regulated industry, and continually changing federal, state, local and foreign laws and regulations could materially adversely affect our business, financial condition and results of operations.

The investment management business is highly regulated and, as a result, our Affiliates are required to comply with a wide array of domestic and international laws and regulations. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us, and are not designed to protect our shareholders. Accordingly, these regulators often serve to limit our activities, including through client protection and market conduct requirements.

Our Affiliates are subject to extensive regulation in the U.S. through their primary regulator, the SEC, under the Advisers Act. Those of our Affiliates that act as investment advisers or sub-advisers to registered investment companies must comply with the terms of the Investment Company Act and the rules thereunder. The Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary, record keeping, advertising and operational requirements, disclosure obligations, and prohibitions on fraudulent activities. The Investment Company Act regulates the structure and operations of registered investment companies and imposes additional obligations on advisers to registered investment companies, including detailed disclosure and regulatory requirements applicable to the registered investment companies and additional compliance responsibilities which must strictly be adhered to by the funds and their advisers. Certain of our advisory Affiliates also are subject to the rules and regulations adopted by the Commodity Futures Trading Commission, under the Commodity Exchange Act; by the Department of Labor, under ERISA; the Financial Industry Regulatory Authority, Inc., or FINRA; and state regulators.

The domestic regulatory environment in which we operate has seen significantly increased regulation in recent years. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, represents a comprehensive overhaul of the financial services industry in the U.S. and includes, among other things: (i) the creation of a Financial Stability Oversight Council to identify emerging systemic risks posed by financial firms, activities and practices, and to improve cooperation among federal agencies, (ii) the creation of the Consumer Financial Protection Bureau authorized to promulgate and enforce consumer protection regulations relating to financial products and services, and (iii) enhanced regulation of financial markets, including the derivatives and securitization markets. Certain provisions of the Dodd-Frank Act may require our Affiliates to change, or adopt new limitations on, the manner in which they conduct their business. The Dodd-Frank Act and the rules promulgated thereunder have also increased regulatory burdens and related reporting and compliance costs. Certain provisions may have unintended adverse consequences on the liquidity or structure of the financial markets. In addition, the scope and impact of many provisions of the Dodd-Frank Act remain to be determined by implementing regulations, some of which have involved lengthy proposal and promulgation periods and could lead to additional legislation or regulation. The Dodd-Frank Act impacts a broad range of market participants with whom our Affiliates interact or may interact. These changes may also impact the way in which our Affiliates conduct business with their counterparties and many aspects of the regulatory landscape continue to evolve. As a result of these uncertainties, the full impact of the Dodd-Frank Act on the investment management industry and on our and our Affiliates' businesses, in particular, cannot be predicted at this time.

We and our Affiliates also are subject to the regulatory environments of the non-U.S. jurisdictions in which we and they operate, some of which also recently implemented or are in the process of implementing changes in regulations. In the U.K., certain of our Affiliates are subject to regulation by the Financial Conduct Authority, or FCA, which impose a comprehensive system of regulation on investment advisers and the manner in which we and they conduct our businesses. Additionally, as we are no longer included as part of OM plc's group for consolidated supervision by the Prudential Regulation Authority, we are subject to consolidated supervision by the FCA as a result of our regulated Affiliates. Certain other of our Affiliates may be registered in jurisdictions outside of the United States and are subject to applicable regulation in those jurisdictions. We and our Affiliates are additionally subject to regulation relating to the offer and sale of financial products in each of the European Union countries in which we and they operate. The system of financial regulation outside the United States continues to develop and evolve and, as a result, the rules to which we and our Affiliates are subject (including rules relating to the remuneration of staff) are and will continue to be subject to change. As we execute on our growth strategy and continue to expand our distribution efforts into non-U.S. jurisdictions, including other member countries of the European Union, Latin America, the Middle East and Asian countries, our Affiliates may be required to register with additional foreign regulatory authorities or otherwise comply with non-U.S. rules and regulations that currently are not applicable to our businesses and with respect to which we may have limited or no compliance experience. Our lack of experience in complying with any such non-U.S. or non-English laws and regulations may increase our risk of becoming a party to litigation or subject to regulatory actions. Additionally, one or more of the jurisdictions in which we operate may require our shareholders to seek the approval of, or provide notice to, an applicable regulator before acquiring a substantial amount of our outstanding shares.

Developments in the regulatory environment in the U.S. may include heightened and additional examinations and inspections by regulators and the imposition of additional reporting and disclosure obligations. Regulators also may take a more aggressive posture on bringing enforcement proceedings which could result in fines, penalties and additional remedial activities.

Policy and legislative changes in the U.S. and in other countries are affecting many aspects of financial regulation. Our business, results of operations and financial condition may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations in any of the jurisdictions in which we and our Affiliates conduct business. The ability of us and our Affiliates to function in this legislative and regulatory environment will depend on our and our Affiliates' ability to monitor and promptly react and adapt to legislative and regulatory changes, including situations where such changes in regulatory requirements may be driven by internal factors. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we and our Affiliates conduct business.

Failure to comply with applicable laws or regulations could result in fines, suspension or revocation of an Affiliate's registration as an investment adviser, suspensions of individual employees, revocation of licenses to operate in certain jurisdictions or other sanctions, which could materially adversely affect our business, financial condition and results of operations. Even if an investigation or proceeding did not result in a fine or sanction, or the fine or sanction imposed against an Affiliate or us or our respective employees by a regulator were small in monetary amount, the adverse publicity relating to an investigation, proceeding or imposition of a fine or sanction could cause us to suffer financial loss, harm our reputation and cause us to lose business or fail to attract new business which would have a direct adverse impact on our business, financial condition and results of operations.

If we were deemed an investment company under the Investment Company Act, we would become subject to burdensome regulatory requirements and our business activities could be restricted.

We do not believe that we are an "investment company" under the Investment Company Act. Generally, a company is an "investment company" if, absent an applicable exemption, it (i) is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire "investment securities" having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We believe we are primarily engaged in a non-investment company business and that less than 40% of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are comprised of assets that could be considered investment securities.

We and our Affiliates intend to conduct our operations so that we will not be deemed an investment company under the Investment Company Act. However, if we were to be deemed an investment company, restrictions imposed by the Investment Company Act, including limitations on our capital structure and our ability to transact with our Affiliates, could make it impractical for us to continue our business as currently conducted and could have a material adverse effect on our financial performance and operations.

Risks Related to Our Ownership Structure

Any sale of a controlling block of our voting securities could adversely impact our relationship with our Affiliates and their clients.

On November 18, 2018, HNA notified us that it has agreed to sell the substantial majority of its ordinary shares to Paulson & Co., Inc. ("Paulson"), which we refer to as the "Paulson Sale." On February 25, 2019, the Paulson Sale was completed. After completion of the Paulson Sale, Paulson owns 21.7% of our ordinary shares and HNA does not own any of our ordinary shares.

Our Affiliates are (or have subsidiaries who are) U.S. registered investment advisers. Certain of our Affiliates provide investment advisory services to investment companies registered under the Investment Company Act pursuant to the terms of an investment advisory agreement between the Affiliate and the applicable U.S. registered investment company. Certain of our Affiliates have been retained by U.S. registered investment advisers to certain U.S. registered investment companies to provide investment subadvisory services to U.S. registered investment companies pursuant to the terms of an investment subadvisory agreement between the Affiliate and the relevant U.S. registered investment adviser. Each of these investment advisory and subadvisory agreements provides for its automatic termination in the event of its "assignment," as defined in the Investment Company Act. The investment advisory agreements between our Affiliates, (or their subsidiaries) and their non-registered investment company clients provide that there can be no "assignment," as defined under the Advisers Act, of those agreements without the consent of the client. An assignment is generally defined to include direct assignments as well as assignments that may be deemed to occur, under certain circumstances, upon the direct or indirect transfer of a "controlling block" of the voting securities of the respective Affiliate.

If (i) the Paulson Sale, any prior sales by Old Mutual plc, any additional purchases of our ordinary shares by Paulson subsequent to the Paulson Sale or any future acquisition of a block of our voting securities by a third party, separately or together, were deemed an "assignment" of the underlying investment advisory and subadvisory agreements between our Affiliates (or their subsidiaries) and their clients under the Advisers Act and Investment Company Act and (ii) non-registered investment company clients do not consent to the assignment and/or registered investment company clients do not enter into new advisory agreements, our results of operations could be materially and adversely affected. In addition, current clients, prospective clients and consultants may be reluctant to commit to make new or additional investments with our Affiliates, or invest in funds sponsored or sub-advised by our Affiliates, for some period of time following the Paulson Sale, or any other sale, which may adversely affect our results of operations.

Paulson has meaningful ability to influence our business.

As of February 25, 2019, Paulson owns 21.7% of our ordinary shares. This concentration of ownership may have the effect of delaying or preventing a change in control of us or discouraging others from making tender offers for our ordinary shares. It also may make it difficult for other shareholders to replace management and may adversely impact the trading price of our ordinary shares because investors often perceive disadvantages in owning ordinary shares in companies with significant shareholders. Additionally, Paulson has the right to appoint two directors so long as Paulson holds at least 20% of our outstanding ordinary shares and has the right to appoint one director so long as Paulson holds at least 7% of our outstanding ordinary shares. Paulson also has the right to transfer these appointment rights to a transferee that acquires from Paulson the foregoing percentages of our ordinary shares, at which point such unknown third party may have a meaningful ability to influence our business.

Our ability to pay regular dividends to our shareholders is subject to the discretion of our Board of Directors and may be limited by our holding company structure and applicable provisions of the laws of England and Wales.

Any declaration of dividends will be at the discretion of our Board of Directors, and will depend on our financial condition, earnings, cash needs, regulatory constraints, capital requirements and any other factors that our Board of Directors deems relevant in making such a determination. Under the laws of England and Wales, we may only pay dividends out of our accumulated, realized profits, so far as not previously utilized by distribution or capitalization and provided that at the time of payment of the dividend, the amount of our net assets is not less than the total of our called-up share capital and undistributable reserves. In addition, as a holding company, we will be dependent upon the ability of our Affiliates to generate earnings and cash flows and distribute them to us so that we may pay dividends to our shareholders. The ability of our Affiliates to distribute cash to us will be subject to their operating results, cash requirements and financial condition, the applicable provisions of governing law which may limit the amount of funds available for distribution, their compliance with covenants and financial ratios related to existing or future indebtedness, and their other agreements with third parties. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our ordinary shares.

Risks Related to Our Tax Matters

The Internal Revenue Service, or the IRS, may not agree to treat BSIG as a foreign corporation for U.S. federal tax purposes and Section 7874 of the Code could limit our ability to use our U.S. tax attributes.

Although BSIG is incorporated in England and Wales, which are part of the U.K., the IRS may assert that it should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes pursuant to section 7874 of the Code. For U.S. federal tax purposes, a corporation generally is considered a tax resident in the jurisdiction of its organization or incorporation. Because BSIG is a U.K.-incorporated entity, it would generally be classified as a foreign corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 of the Code provides an exception under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes. We have taken and continue to take the position that, following certain restructuring transactions made prior to the Offering, OMGUK should be treated as owning less than 80% of our ordinary shares after the Reorganization and that, therefore, BSIG should be treated as a foreign corporation for U.S. federal income tax purposes, although no assurances can be given in this regard. If BSIG were to be treated as a U.S. corporation, income it earned would become subject to U.S. taxation, and the gross amount of any dividend payments to its non-U.S. shareholders could be subject to 30% U.S. withholding tax, depending on the application of any income tax treaty that might apply to reduce the withholding tax.

Section 7874 of the Code can also limit the ability of the acquired U.S. corporation and its U.S. affiliates to utilize U.S. tax attributes such as net operating losses to offset U.S. taxable income resulting from certain transactions. We have taken and continue to take the position that BSUS should not be subject to the limitations described above, although no assurances can be offered in this regard. If such limitations were to apply, the U.S. consolidated group that includes BSUS would owe potentially more U.S. tax due to the inability to utilize these tax attributes.

Changes to Section 7874 of the Code or the U.S. Treasury regulations promulgated thereunder or future IRS guidance could affect BSIG's status as a foreign corporation for U.S. federal tax purposes, and any such changes or future IRS guidance could have prospective or retroactive application.

If we were treated as a passive foreign investment company for U.S. federal income tax purposes, U.S. investors in our ordinary shares could be subject to adverse U.S. federal income tax consequences.

For U.S. federal income tax purposes, a foreign corporation is classified as a passive foreign investment company, or PFIC, for any taxable year if either (i) 75% or more of its gross income for such taxable year is "passive income" (as defined for such purposes) or (ii) 50% or more of the value of the assets held by such corporation (based on an average of the quarterly values of such assets) during such taxable year is attributable to assets that produce passive income or that are held for the production of passive income.

We do not believe that we are currently a PFIC, and we do not anticipate becoming a PFIC in the foreseeable future; however, no assurances can be offered in this regard. The tests for determining PFIC status are applied annually after the close of the taxable year. It is difficult to accurately predict future income and assets relevant to this determination and no ruling from the IRS or opinion of counsel has been or will be sought with respect to PFIC status. Whether we are a PFIC will depend on our particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets, the treatment of intercompany interest income, etc.) and may also be impacted by the application of the PFIC rules, which are subject to differing interpretations. The fair market value of our assets is expected to depend, in part, upon (a) the market price of our ordinary shares and (b) the composition of our income and assets, which will be impacted by how, and how quickly, we spend any cash that is raised in any financing transaction. Accordingly, we cannot assure U.S. holders that we are not, or will not become, a PFIC. If we should determine that we are a PFIC, we will attempt to notify U.S. holders, although there can be no assurance that we will be able to do so in a timely and complete manner. If we are a PFIC for any taxable year during which a U.S. holder holds our ordinary shares, we generally will continue to be treated as a PFIC with respect to such U.S. holder for all succeeding taxable years during which such holder holds our ordinary shares, although a U.S. holder may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to our ordinary shares after we have ceased being treated as a PFIC.

If we are properly characterized as a PFIC, U.S. holders of our ordinary shares would be subject to adverse U.S. federal income tax consequences, such as ineligibility for any preferred tax rates on capital gains, or on actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional annual reporting requirements under U.S. federal income tax laws and regulations. Whether or not U.S. holders of our ordinary shares make a timely mark-to-market election may impact the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership and disposition of our ordinary shares and any distributions such U.S. holders may receive. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to our ordinary shares.

Failure to comply with the tax laws of the U.S., the U.K. or other jurisdictions, which laws are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis, may result in erroneous filings, negative impact to income and reputational damage.

We and our Affiliates are subject to a range of taxes and tax audits. Tax and other regulatory authorities may disagree with tax positions taken by us and our Affiliates based on our, or their, interpretations of the relevant tax laws, which could result in erroneous filings, retroactive adverse impact on income, the loss of tax benefits and reputational damage. We will regularly assess the likelihood of favorable or unfavorable outcomes resulting from these examinations to determine the adequacy of our provision for income taxes, which will require estimates and judgments. Although we will make these tax estimates on a reasonable basis, there can be no assurance that the tax authorities will agree with such estimates and judgments. From time to time, we may have to engage in litigation to attempt to achieve the results reflected in our estimates, which may be time-consuming and expensive and may have other adverse impacts. There can be no assurance that we will be successful in any such litigation or that any final determination of our tax liability will not be materially different from the historical treatment reflected in our historical income tax provisions and accruals. Any future changes to tax laws or interpretations could have a material impact on our effective tax rate and subsequently our results of operations.

Our global effective tax rate is subject to a variety of different factors, which could create volatility in that rate, expose us to greater than anticipated tax liabilities and cause us to adjust previously recognized tax assets and liabilities.

We are subject to income taxes in the U.K., U.S. and many other jurisdictions. As a result, our global effective tax rate from period to period can be affected by many factors, including our global mix of earnings, the tax characteristics of our income and changes in tax legislation. Significant judgment is required in determining our worldwide provision for income taxes, and our determination of our tax liability is always subject to review by applicable tax authorities.

We cannot provide any assurances as to what our tax rate will be in any period because of, among other things, uncertainty regarding the nature and extent of our business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as changes in U.S. and other tax laws, treaties and regulations. Our actual global tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of the U.K., the U.S. and other jurisdictions could change in the future, and such changes could cause a material change in our tax rate.

We also could be subject to future audits conducted by foreign and domestic tax authorities, and the resolution of such audits could impact our tax rate in future periods, as would any reclassification or other matter (such as changes in applicable accounting rules) that increases the amounts we have provided for income taxes in our Consolidated Financial Statements. There can be no assurance that we would be successful in attempting to mitigate the adverse impacts resulting from any changes in law, audits and other matters. Our inability to mitigate the negative consequences of any changes in the law, audits and other matters could cause our global tax rate to increase, our use of cash to increase and our financial condition and results of operations to suffer.

Risks Related to Investing in our Ordinary Shares

The expected benefits of the planned Redomestication may not be realized.

On November 1, 2018, we announced our expectation to redomicile to the United States in order to streamline our organizational structure, which we expect to be completed in 2019. The redomicile will allow the Company to provide improved clarity to shareholders related to governance, legal and regulatory structures. Implementation of the redomicile will require a shareholder vote. There can be no assurance that the redomicile will be completed. Further, if the redomicile is completed, there can be no assurance that all of the anticipated benefits of the redomicile will be achieved, particularly as the achievement of the benefits are subject to factors that we do not and cannot control.

Our efforts to raise capital could be dilutive to our ordinary shareholders and could cause our share price to decline.

If we raise additional funds by issuing additional ordinary shares, dilution to our shareholders could result. If we raise additional funds by issuing additional debt securities, these additional debt securities may have rights, preferences and privileges senior to those of holders of our ordinary shares, and the terms of the additional debt securities issued could impose significant restrictions on our operations. A failure to obtain adequate funds may affect our ability to accelerate the organic growth of our Affiliates and increase shareholder value, and may have a material adverse effect on our business and financial condition.

Future sales of our ordinary shares by us, Paulson or other shareholders could cause our share price to decline.

If we, Paulson or other shareholders sell, or indicate an intention to sell, or there is a perception that they might sell substantial amounts of our ordinary shares in the public market, the trading price of our ordinary shares could decline below the current trading level.

Sales by Paulson or other shareholders or the possibility that these sales may occur also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate.

We cannot predict the size of future issuances or sales of our ordinary shares or the effect, if any, that future issuances and sales of our ordinary shares may have on the market price of our ordinary shares. Sales or distributions of substantial amounts of our ordinary shares, including shares issued in connection with an acquisition, or the perception that such sales or distributions could occur, may cause the market price of our ordinary shares to decline.

As a public company whose ordinary shares are publicly traded in the U.S., our management devotes substantial time to compliance with our public company legal and reporting obligations.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are required to implement specific corporate governance practices and adhere to a variety of reporting requirements under the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, and the related rules and regulations of the SEC, as well as the rules of the NYSE. The Exchange Act requires us to file annual, quarterly and current reports with respect to our business and financial condition. Our management and other personnel devote substantial time to compliance with our public company obligations. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

In addition, Sarbanes-Oxley requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, commencing with our Annual Report on Form 10-K for fiscal year 2015, we have performed system and process evaluations and we have tested our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley, and obtain an auditor attestation as to the effectiveness of our internal controls.

Testing may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 has required that we incur additional accounting expense and expend additional management time on compliance-related issues. Moreover, if at any time we are not able to comply with the requirements of Section 404 in a timely manner, or if we identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our ordinary shares could decline, and we could be subject to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, which would require additional financial and management resources.

Risks Related to Being an English Company Listing Ordinary Shares

U.S. investors may have difficulty enforcing civil liabilities against the Company, our directors or members of senior management.

We are incorporated under the laws of England and Wales. As a result, it may be difficult for you to serve legal process on us. There is no treaty between the U.S. and England and Wales providing for reciprocal recognition and enforcement of judgments of U.S. courts in civil and commercial matters. The U.S. and the U.K. are both parties to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards: 1958. In civil and commercial matters, a final judgment for payment obtained in a U.S. federal or state court will not automatically be recognized or enforced in England and Wales. In order to enforce any such U.S. judgments, the claimant will be required to initiate English proceedings for the debt created by the foreign judgment before a competent court in England and Wales, or an English Court.

The enforceability of a judgment by an English Court is conditional upon a number of requirements, including but not limited to the following:

(i) the judgment is final and conclusive on the merits in the sense of being final and unalterable in the court that pronounced it and being for a definite sum of money;

(ii) the judgment does not relate to penalties, fines or taxes;

(iii) the relevant US court had jurisdiction to hear the original proceedings according to the English conflict of laws principles;

(iv) the judgment does not contravene English public policy or the Human Rights Act 1998;

(v) the judgment was not procured by fraud;

(vi) the judgment does not conflict with any existing decision of an English court or the court of another jurisdiction on the issues in question between the same parties;

(vii) the English enforcement proceedings were commenced within the limitation period;

(viii) the judgment is not arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained; and

(ix) the judgment does not breach principles of natural or substantive justice.

It is unclear whether courts in England and Wales will enforce a civil penalty predicated solely on securities laws of the U.S. or any state of the U.S. As such, there is no assurance that U.S. judgments in civil and commercial matters will be enforceable in the English Court, including judgments under U.S. federal securities laws

English law and provisions in our articles of association may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our shareholders, and may prevent attempts by our shareholders to replace or remove our current management.

Certain provisions of English law and our articles of association (as currently in effect) may have the effect of delaying or preventing a change in control of us or changes in our management. For example, English law and our articles of association include provisions that:

- require super majority voting for certain business combinations and other material transactions;
- establish an advance notice procedure for shareholder approvals to be brought before our annual general meeting of our shareholders, including proposed nominations of persons for election to our Board of Directors; and
- provide that if the number of directors is reduced below the minimum number fixed in accordance with the articles of association of our Company, the remaining Board of Directors may act for the purpose of filling vacancies in their number or of calling a general meeting of our Company, but for no other purpose

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. In addition, these provisions may adversely affect the market price of our ordinary shares or inhibit fluctuations in the market price of our ordinary shares that could otherwise result from actual or rumored takeover attempts. We expect that, following the redomestication, our certificate of incorporation will contain similar provisions.

The City Code on Takeovers and Mergers, or the Takeover Code, applies, among other things, to an offer for a public company (such as our Company) whose registered office is in the U.K. (or the Channel Islands or the Isle of Man) and whose securities are not admitted to trading on a regulated market in the U.K. (or the Channel Islands or the Isle of Man) if the company is considered by the U.K. Panel on Takeovers and Mergers, or the Takeover Panel, to have its place of central management and control in the U.K. (or the Channel Islands or the Isle of Man). This is known as the “residency test.” Under the Takeover Code, the Takeover Panel will determine whether we have our place of central management and control in the U.K. by looking at various factors, including the structure of our Board of Directors, the functions of the directors and where they are resident.

If at the time of a takeover offer the Takeover Panel determines that we have our place of central management and control in the U.K., we would be subject to a number of rules and restrictions, including but not limited to the following: (i) our ability to enter into deal protection arrangements with a bidder would be extremely limited; (ii) we would not, without the approval of our shareholders, be able to perform certain actions that could have the effect of frustrating an offer, such as issuing shares or carrying out acquisitions or disposals; and (iii) we would be obliged to provide equality of information to all bona fide competing bidders.

Giving regard to the fact that none of our directors are resident in the United Kingdom (or the Channel Islands or the Isle of Man), the structure of our Board of Directors, and the functions of the directors, our understanding is that the Takeover Code does not apply to us, although that position is subject to change if our center of management and control is, at the time of a takeover offer for us and having regard to the then residency of the directors and other factors which it may take into account, determined by the Takeover Panel to be in the U.K. (or the Channel Islands or the Isle of Man).

Pre-emption rights for U.S. and other non-U.K. holders of shares may be unavailable.

In the case of certain increases in our issued share capital, under English law, existing holders of shares are entitled to pre-emption rights to subscribe for such shares, unless shareholders dis-apply such rights by a special resolution at a shareholders' meeting. These pre-emption rights were dis-applied by our shareholder prior to our initial public offering and we shall propose equivalent resolutions in the future once the initial period of dis-application has expired. However, Paulson has pre-emption rights, subject to certain exceptions, until it ceases to own at least 7% of our outstanding ordinary shares. In any event, U.S. holders of ordinary shares in U.K. companies are customarily excluded from exercising any such pre-emption rights they may have, unless a registration statement under the Securities Act of 1933, as amended, or the Securities Act, is effective with respect to those rights, or an exemption from the registration requirements thereunder is available. We cannot assure U.S. investors that any exemption from the registration requirements of the Securities Act or applicable non-U.S. securities laws would be available to enable U.S. or other non-U.K. holders to exercise such pre-emption rights or, if available, that we will utilize any such exemption. We expect that, following the redomestication, our shareholders will no longer have pre-emptive rights.

Item 1B. Unresolved Staff Comments.

There are no unresolved written comments that were received from the Securities and Exchange Commission staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Securities Exchange Act of 1934, as amended.

Item 2. Properties.

Our principal executive offices are located at Ground Floor, Millennium Bridge House, 2 Lambeth Hill, London EC4V 4GG, United Kingdom. Our principal office in the U.S. is located at 200 Clarendon Street, 53rd Floor, Boston, Massachusetts 02116. In Boston, we lease 37,946 square feet under a lease that expires on December 31, 2021. Each Affiliate has its own primary office where core investment management activities take place. Primary Affiliate-leased locations include Boston, MA; Dallas, TX; Baltimore, MD; Portland, OR; and Richmond, VA, as well as an owned property in Simsbury, CT. In addition, both we and several of our Affiliates have leased secondary offices to help support research, distribution and/or client servicing. Key locations for secondary offices include (but are not limited to) Hong Kong and Singapore. We believe existing facilities are appropriate in size, location and functionality to meet current and future business requirements.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Ordinary Shares

Our ordinary shares are traded on the New York Stock Exchange under the symbol "BSIG."

Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets out information regarding purchases of equity securities by the Company for the three months ended December 31, 2018 :

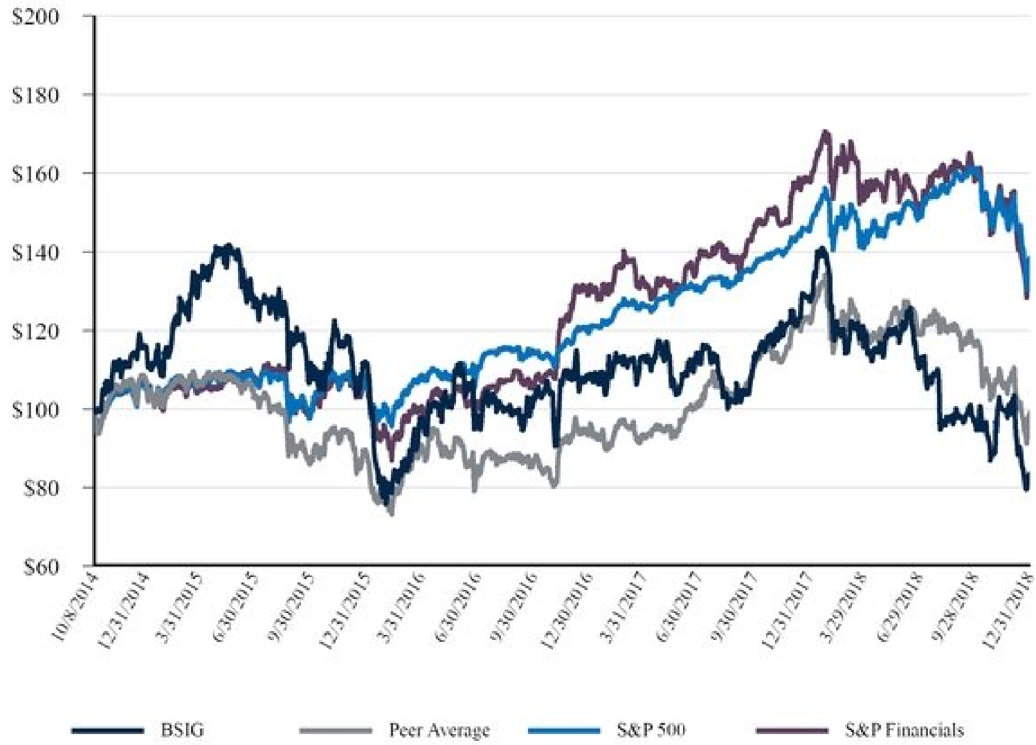
Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value that may yet be purchased under the plans or programs (1) (in millions)
October 1-31, 2018	—	$ —	—	$ 526.1
November 1-30, 2018	—	—	—	526.1
December 1-31, 2018	1,188,200	10.49	1,188,200	513.6
Total	1,188,200	$ 10.49	1,188,200	

(1) On February 3, 2016, our Board of Directors authorized a $150.0 million open market share repurchase program, which was approved by shareholders on March 15, 2016. On April 18, 2018, our Board of Directors approved an amendment to the existing repurchase contract, to permit us to repurchase our ordinary shares, from time to time, up to an aggregate limit of $600.0 million of ordinary shares. This amendment was subsequently approved by our shareholders on June 19, 2018. We repurchased 1,188,200 ordinary shares with an aggregate purchase price of $12.5 million under this program during the three months ended December 31, 2018 . As of December 31, 2018 , $513.6 million remained available to repurchase shares under the open market share repurchase program. The open market share repurchase program expires on June 19, 2023.

Financial performance graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of BSIG under the Securities Act.

The following graph compares the cumulative shareholder return on our ordinary shares from October 8, 2014, the date of our initial public offering, through December 31, 2018 , with the cumulative total return, during the same period, of the Standard & Poor's 500 Index, the Standard & Poor's 500 Financial Sector Index and a peer group comprised of AllianceBernstein Holding L.P., Affiliated Managers Group, Inc., Artisan Partners Asset Management Inc., Cohen & Steers, Inc., Eaton Vance Corp., Federated Investors, Inc., Franklin Resources, Inc., Invesco Ltd., Legg Mason, Inc., T. Rowe Price Group, Inc., and Virtus Investment Partners, Inc.


$200
$180
$160
$140
$120
$100
$80
$60
10/8/2014
12/31/2014
3/31/2015
6/30/2015
9/30/2015
12/31/2015
3/31/2016
6/30/2016
9/30/2016
12/30/2016
3/31/2017
6/30/2017
9/30/2017
12/31/2017
3/29/2018
6/29/2018
9/28/2018
12/31/2018
BSIG
Peer Average
S&P 500
S&P Financials

Item 6. Selected Financial Data.

We present economic net income, or ENI, to help us describe our operating and financial performance. ENI is the key measure our management uses to evaluate the financial performance of, and make operational decisions for, our business. ENI is not audited, and is not a substitute for net income or other performance measures that are derived in accordance with U.S. GAAP. Furthermore, our calculation of ENI may differ from similarly titled measures provided by other companies. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Supplemental Performance Measure—Economic Net Income" for a more thorough discussion of ENI and a reconciliation of ENI to U.S. GAAP net income.

The following table sets forth selected historical consolidated financial data for our Company as of the dates and for the periods indicated. The data for each of the five years presented have been derived from our historical Consolidated Financial Statements audited under U.S. GAAP.

You should read our following selected historical consolidated financial data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical Consolidated Financial Statements and the related notes thereto, included elsewhere in this Annual Report.

	Years ended December 31,				
($ in millions, except per share data as noted)	**2018**	**2017**	**2016**	**2015**	**2014**
U.S. GAAP Statement of Operations Data (1) :					
Management fees (2)	$ 905.0	$ 858.0	$ 659.9	$ 637.2	$ 569.7
Performance fees	9.8	26.5	2.6	61.8	34.3
Other revenues	9.6	1.2	0.9	0.3	1.6
Consolidated Funds' revenue (2)	3.8	1.7	0.1	—	450.7
Total Revenue (2)	**$ 928.2**	**$ 887.4**	**$ 663.5**	**$ 699.3**	**$ 1,056.3**
Net income before tax from continuing operations attributable to controlling interests (3)	$ 141.3	$ 137.1	$ 161.0	$ 201.3	$ 68.1
Net income from continuing operations attributable to controlling interests (2)(3)	136.3	4.3	120.2	154.7	55.3
Net income (loss) from continuing operations (2)	130.2	9.2	120.0	154.7	(45.0)
U.S. GAAP operating margin (2)(4)	9%	8%	23%	27%	(6)%
U.S. GAAP basic earnings per share from continuing operations attributable to controlling interests	$ 1.27	$ 0.04	$ 0.98	$ 1.28	$ 0.46
U.S. GAAP diluted earnings per share from continuing operations attributable to controlling interests	$ 1.26	$ 0.04	$ 0.98	$ 1.28	$ 0.46

($ in millions, unless otherwise noted)	Years ended December 31, 2018	2017	2016	2015	2014
Non-GAAP Data:					
Economic net income (5)(6) :					
Management fees	$ 905.0	$ 858.0	$ 659.9	$ 637.2	$ 589.9
Performance fees	9.8	26.5	2.6	13.7	34.3
Other revenues	4.3	16.2	16.0	13.0	11.2
Total ENI revenue	**$ 919.1**	**$ 900.7**	**$ 678.5**	**$ 663.9**	**$ 635.4**
Pre-tax economic net income	$ 262.5	$ 251.3	$ 190.7	$ 203.5	$ 204.1
Economic net income, excluding non-recurring performance fee (6)	199.8	180.9	145.1	149.7	151.3
ENI operating margin (7)	38%	38%	35%	37%	39%
ENI earnings per share, excluding non-recurring performance fee, diluted (6)	1.86	1.62	1.21	1.24	1.26
Other Operational Information (8) :					
Assets under management at period end (in billions)	$ 206.3	$ 243.0	$ 240.4	$ 212.4	$ 220.0
Net client cash flows (in billions)	(10.5)	(6.0)	(1.6)	(5.1)	9.5
Annualized revenue impact of net flows (in millions) (9)	(3.8)	32.9	11.0	18.9	54.5

($ in millions)	Years ended December 31, 2018	2017	2016	2015	2014
U.S. GAAP Balance Sheet Data:					
Total assets (10)	$ 1,553.7	$ 1,491.7	$ 1,294.3	$ 1,014.1	$ 7,772.9
Total assets attributable to controlling interests	1,467.6	1,386.7	1,283.0	1,014.1	993.2
Total borrowings and debt (10)	393.3	426.3	392.3	90.0	4,309.9
Total borrowings and debt attributable to controlling interests	393.3	426.3	392.3	90.0	214.0
Total liabilities (10)	1,377.6	1,320.4	1,123.8	848.2	5,215.5
Total liabilities attributable to controlling interests	1,362.7	1,309.9	1,118.0	848.2	956.7
Total Equity (10)	$ 176.1	$ 171.3	$ 170.5	$ 165.9	$ 2,557.4
Redeemable non-controlling interests in consolidated Funds (2)	(41.9)	(44.0)	(5.5)	—	(61.9)
Non-controlling interests in consolidated Funds (2)	(29.3)	(50.6)	—	—	(2,459.0)
Non-controlling interests	(1.6)	(1.3)	(1.0)	—	—
Shareholders' equity	$ 103.3	$ 75.4	$ 164.0	$ 165.9	$ 36.5

(1) The U.S. GAAP Statement of Operations Data above has been presented on a continuing operations basis. Please refer to “Management's Discussion and Analysis of Financial Condition and Results of Operations” for further discussion of our results of operations, including discontinued operations, and a reconciliation to the results from continuing operations.

(2) Statement of operations data presented in accordance with U.S. GAAP include the results of consolidated Funds managed by our Affiliates where it has been determined these entities are controlled by our Company. The effects of consolidating these entities include reductions in management fee revenue of $20.2 million for the year ended December 31, 2014, with offsetting increases in the results of consolidated Funds. There was no management fee elimination associated with Funds consolidation in 2015 through 2018. The net income from continuing operations presented as attributable to controlling interests exclude the income or loss directly attributable to third-party Fund investors, and represent the net amounts attributable to our shareholders. In the first quarter of 2015, we adopted Accounting Standard Update 2015-02, Consolidation: *Amendments to the Consolidation Analysis,* or ASU 2015-02, which resulted in the de-consolidation of all Funds previously consolidated as of December 31, 2014. For the years ended December 31, 2016, 2017 and 2018, as a result of the purchase or deployment of seed capital investments, we consolidated certain Funds.

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

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
Net income attributable to controlling interests	**$ 136.4**	**$ 4.2**	**$ 126.4**
Exclude: Loss (profit) on disposal of discontinued operations attributable to controlling interests	(0.1)	0.1	(6.2)
Net income from continuing operations attributable to controlling interests	**136.3**	**4.3**	**120.2**
Add: Income tax expense	5.0	132.8	40.8
Pre-tax income from continuing operations attributable to controlling interests	**$ 141.3**	**$ 137.1**	**$ 161.0**

(4) U.S. GAAP operating margin equals operating income (loss) from continuing operations divided by total revenue. Excluding the effect of Funds consolidation, our U.S. GAAP operating margin would be 9% for the year ended December 31, 2018 , 8% for the year ended December 31, 2017 , 23% for the year ended December 31, 2016 , 27% for the year ended December 31, 2015 and 17% for the year ended December 31, 2014 .

(5) Economic net income, including a reconciliation to U.S. GAAP net income attributable to controlling interests, is discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Supplemental Performance Measure—Economic Net Income." Pre-tax and post-tax ENI are presented after Affiliate key employee distributions. These measures are conceptually equivalent to net income before tax from continuing operations attributable to controlling interests and net income from continuing operations attributable to controlling interests, respectively.

(6) In the second quarter of 2015, we recorded a non-recurring performance fee of $11.4 million, net of associated expenses and taxes. While all performance fees fall within BSIG's definition of economic net income, we believe that the unique characteristics of this fee, including its size and the extraordinary investment performance of the underlying product, make it unrepresentative of our recurring economics. We have therefore presented our economic net income with this non-recurring performance fee excluded from revenue and expenses. This presentation provides a more comparative view across reporting periods of the line items which make up ENI revenue and expense. Unless explicitly noted, the revenue, expense and key metrics herein exclude the impact of the non-recurring performance fee. Including the non-recurring performance fee in 2015, economic net income was $161.1 million and diluted economic net income per share was $1.34.

(7) ENI operating margin is a non-GAAP efficiency measure, calculated based on ENI operating earnings divided by ENI revenue. For a more detailed discussion of the differences between U.S. GAAP net income and economic net income, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Supplemental Performance Measure—Economic Net Income."

(8) On August 2, 2017, we entered into a non-binding term sheet to sell our stake in Heitman LLC to Heitman's management. Pursuant to this term sheet, we entered into a redemption agreement on November 17, 2017. Heitman stopped contributing to our financial results of operations as of November 30, 2017 and the transaction closed on January 5, 2018. We have broken the Heitman AUM and flows out of our AUM reporting as of July 1, 2017, in order to give the reader a better perspective of the ongoing business following the closing of this transaction. Unless specifically noted, flow information includes flows from Heitman for the first half of 2017, but excludes it thereafter, and AUM data at December 31, 2017 and thereafter excludes the Heitman AUM.

(9) Annualized revenue impact of net flows excludes market appreciation or depreciation. Annualized revenue impact of net flows represents the difference between annualized management fees expected to be earned on new accounts and net assets contributed to existing accounts, less the annualized management fees lost on terminated accounts or net assets withdrawn from existing accounts, including equity-accounted Affiliates. The annualized management fees are calculated by multiplying the annual gross fee rate for the relevant account by the net assets gained in the account in the event of a positive flow, excluding any current or future market appreciation or depreciation, or the net assets lost in the account in the event of an outflow, excluding any current or future market appreciation or depreciation. For a further discussion of the uses and limitations of the annualized revenue impact of net flows, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Assets Under Management."

(10) Balance sheet data presented in accordance with U.S. GAAP for the years 2014, 2015, 2016, 2017 and 2018 include the results of Funds managed by our Affiliates where it has been determined these entities are controlled by our Company. Consolidated assets and liabilities of these entities that are attributable to third-party investors, or non-controlling interests, have the effect of increasing our consolidated assets and liabilities. The net assets and liabilities presented as attributable to controlling interests exclude the portions directly attributable to these third-party investors, and represent the net amounts attributable to our shareholders. Similarly, Shareholders' equity represents our net assets after excluding net assets directly attributable to these third-party investors.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and related notes which appear in this Annual Report on Form 10-K in Item 8, Financial Statements and Supplementary Data.

This discussion contains forward-looking statements that involve risks and uncertainties. See “Special Note Regarding Forward-Looking Statements” for more information. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K, particularly under Item 1A, Risk Factors.

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

Our MD&A is presented in five sections:

- **Overview** provides a brief description of our Affiliates, a summary of *The Economics of Our Business* and an explanation of *How We Measure Performance* using a non-GAAP measure which we refer to as economic net income, or ENI. This section also provides a *Summary Results of Operations* and information regarding our *Assets Under Management* by Affiliate and strategy, and net flows by asset class, client type and client location.
- **U.S. GAAP Results of Operations for the years ended December 31, 2018 , 2017 , and 2016** includes an explanation of changes in our U.S. GAAP revenue, expense, and other items over the last three years as well as key U.S. GAAP operating metrics.
- **Non-GAAP Supplemental Performance Measure—Economic Net Income** includes an explanation of the key differences between U.S. GAAP net income and ENI, the key measure management uses to evaluate our performance. This section also provides a reconciliation between U.S. GAAP net income and ENI for the years ended December 31, 2018 , 2017 , and 2016 , as well as a reconciliation of key ENI operating items including ENI revenue and ENI operating expenses. In addition, this section provides key Non-GAAP operating metrics and a calculation of tax on economic net income.
- **Capital Resources and Liquidity** discusses our key balance sheet data. This section discusses *Cash Flows* from the business; *Working Capital and Long-Term Debt; Adjusted EBITDA; Future Capital Needs;* and *Commitments, Contingencies and Off-Balance Sheet Obligations.* The discussion of Adjusted EBITDA includes an explanation of how we calculate Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income attributable to controlling interests.
- **Critical Accounting Policies and Estimates** provides a discussion of the key accounting policies used in the preparation of our U.S. GAAP financial statements.

Overview

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

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

Our current Affiliates and their principal strategies include [1] :

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

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(1) In August 2017, we executed an agreement to sell our stake in Heitman LLC, a real estate manager and former Affiliate, to Heitman's management for cash consideration totaling $110 million. We have therefore presented operational information (including AUM and flow data) excluding Heitman for periods beginning in the third quarter of 2017 (Heitman remains in operational information for the first half of 2017). This transaction closed on January 5, 2018. Under U.S. GAAP, our financial results continued to include Heitman until November 30, 2017. We retained our co-investment interests in Heitman-managed funds as well as any carried interest associated with these investments.

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

The Economics of Our Business

Our profitability is affected by a variety of factors including the level and composition of our average assets under management, or AUM, fee rates charged on AUM and our expense structure. Our Affiliates earn management fees based on assets under management. Approximately 75% of our management fees are calculated based on average AUM (calculated on either a daily or monthly basis) with the remainder of our management fees calculated based on period end AUM or other measuring methods. Changes in the levels of our AUM are driven by our investment performance and net client cash flows. Our Affiliates may also earn performance fees, or adjust management fees, when certain accounts differ in relation to relevant benchmarks or exceed or fail to exceed required returns. Approximately $44.3 billion , or 22% of our AUM in consolidated Affiliates, are in accounts with incentive fee or carried interest features in which BSIG participates in the performance fee. The majority of these incentive fees are calculated based on value added over the relevant benchmarks on a rolling three-year-basis. Carried interests are features of private equity funds, which are calculated based on long-term cumulative returns.

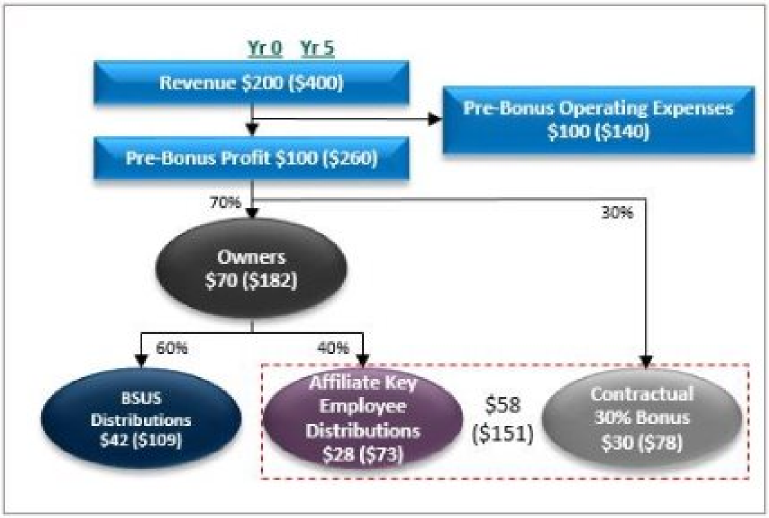
Our largest expense item is compensation and benefits paid to our and our Affiliates' employees, which consists of both fixed and variable components. Fixed compensation and benefits represents base salaries and wages, payroll taxes and the costs of our employee benefit programs. Variable compensation,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

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

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

The diagram below provides an illustrative example of how the profit-sharing model would work initially and over time if the affiliate grew its revenue and profits. In this example, the employees' variable compensation has been contractually set at 30% of earnings before variable compensation, and the earnings after variable compensation are split 60% to BSUS and 40% to the affiliate key employees. Revenue initially equals $200 and operating expenses equal $100. Therefore, earnings before variable compensation equal $100 and the contractual bonus pool (variable compensation) equals $30. The owners split the $70 profit after variable compensation, with BSUS receiving $42, or 60%, and the Affiliate key employees receiving $28, or 40%. Including both the contractual employee bonus pool and the key employees' share of profit, the employees receive $58, or 58% of profit before variable compensation. Employee equity is valued at a fixed multiple of this $28 share of profits, so employees have transparency into both their earning potential in any year from the bonus pool and share of profits, as well as the current value of their equity and the long-term potential to realize value from its growth. In this structure, key employees who are managing their business have incentives to manage for profit, but also to manage the business prudently, in the interest of their clients, and invest for growth, since they will benefit over the long term as both employees and equity holders. In this way, each Affiliate is aligned with BSUS and the public shareholders to generate profits and growth over time.

Illustrative Structure: Profit-Sharing Economics



Figures in parenthesis indicate impact of model after five years if revenue and pre-bonus operating expenses grew 15% and 7% annually, respectively.

The alignment of interests is even clearer if we consider the impact of growth on the profit-sharing model. The numbers in parenthesis in the diagram represent the financial results of the illustrative business in five years, assuming revenue has grown at 15% annually and operating expenses have grown at 7% annually. With revenue of $400 and operating expenses of $140, profit before variable compensation has now increased to $260, representing an annual growth rate of 21%. The 30% contractual bonus pool of $78 has also grown 21% annually, as has BSUS's 60% share of profits, which equals $109, and the affiliate's 40% share of profits, which equals $73. From this example, it is clear that as profit in the affiliate's business grows and the operating margin increases, both of the stakeholders—BSUS and the key employees—are benefiting in a proportionate way. This means that both parties are aligned to invest in the business by hiring new investment professionals, developing new products, or establishing new distribution channels. We believe this investment in turn benefits clients and should generate growth over time.

The alternative structure common in the industry is the revenue share model. In the revenue share model, the affiliate's revenue is typically divided into two fixed percentages—the operating allocation and the owners' allocation. All operating expenses of the business, including employee bonuses, must be covered by the operating allocation. The owners' allocation can be owned entirely by the multi-boutique owner or ownership can be divided between the multi-boutique owner and the affiliate's key employees. In either case, the multi-boutique owner effectively owns a fixed percentage of the affiliates' revenue, which typically does not change as the business grows. While the initial economics of the profit share model and the revenue share model can be similar, over time the economic split and incentive structure can be quite different, leading to less alignment between the affiliate and the multi-boutique owner. The multi-boutique owner's share of profits grows in line with revenue, while any operating leverage in the business is retained entirely by the affiliate's employees. Likewise, new costs and investments to drive growth are borne entirely by the affiliate employees, while the revenue generated by these investments is shared with the multi-boutique owner. While the revenue share structure has been successfully implemented by a number of our peers who have a more autonomous strategy, for BSIG, which emphasizes collaborative engagement and joint investment with our Affiliates, the alignment of the profit-sharing model is mutually reinforcing with our overall growth strategy and operating philosophy.

How We Measure Performance

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

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

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

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

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

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

Summary Results of Operations

The following table summarizes our results of operations for the years ended December 31, 2018 , 2017 , and 2016 :

	Years ended December 31,			Increase (Decrease)	
($ in millions, unless otherwise noted)	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
U.S. GAAP Basis					
Revenue	$ 928.2	$ 887.4	$ 663.5	$ 40.8	$ 223.9
Pre-tax income from continuing operations attributable to controlling interests	141.3	137.1	161.0	4.2	(23.9)
Net income from continuing operations attributable to controlling interests	136.3	4.3	120.2	132.0	(115.9)
Net income attributable to controlling interests	136.4	4.2	126.4	132.2	(122.2)
U.S. GAAP operating margin (1)	9%	8%	23%	103 bps	(1545) bps
Earnings per share, basic ($)	$ 1.27	$ 0.04	$ 1.05	$ 1.23	$ (1.01)
Earnings per share, diluted ($)	1.26	0.04	1.05	$ 1.22	$ (1.01)
Basic shares outstanding (in millions)	107.4	110.7	119.2	(3.3)	(8.5)
Diluted shares outstanding (in millions)	107.6	111.4	119.5	(3.8)	(8.1)
Economic Net Income Basis (2)(3)					
(Non-GAAP measure used by management)					
ENI revenue (4)	$ 919.1	$ 900.7	$ 678.5	$ 18.4	$ 222.2
Pre-tax economic net income (5)	262.5	251.3	190.7	11.2	60.6
ENI operating margin (6)	38%	38%	35%	27 bps	261 bps
Adjusted EBITDA	$ 290.6	$ 281.9	$ 208.5	$ 8.7	$ 73.4
Economic net income (5)	199.8	180.9	145.1	18.9	35.8
ENI diluted EPS ($)	$ 1.86	$ 1.62	$ 1.21	$ 0.24	$ 0.41
Other Operational Information (7)					
Assets under management (AUM) at year end (in billions)	$ 206.3	$ 243.0	$ 240.4	$ (36.7)	$ 2.6
Net client cash flows (in billions)	(10.5)	(6.0)	(1.6)	(4.5)	(4.4)
Annualized revenue impact of net flows (in millions) (8)	(3.8)	32.9	11.0	(36.7)	21.9

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

(2) Economic net income is a non-GAAP measure we use to evaluate the performance of our business. For a reconciliation to U.S. GAAP financial information and a further discussion of economic net income refer to "—Non-GAAP Supplemental Performance Measures—Economic Net Income."

(3) Excludes restructuring charges associated with the 2018 CEO transition amounting to $4.8 million ($3.6 million after taxes) for the year ended December 31, 2018. Excludes restructuring charges associated with the 2017 CEO transition amounting to $9.8 million ($5.7 million after taxes) and $1.0 million related to the Heitman transaction ($0.6 million after taxes) for the year ended December 31, 2017.

(4) ENI revenue is the ENI measure which corresponds to U.S. GAAP revenue.

(5) Pre-tax economic net income is the ENI measure which corresponds to U.S. GAAP pre-tax income from continuing operations attributable to controlling interests.

(6) ENI operating margin is a non-GAAP efficiency measure, calculated based on ENI operating earnings divided by ENI revenue. The ENI operating margin is most comparable to our U.S. GAAP operating margin (excluding the effect of consolidated Funds) of 9% for the year ended December 31, 2018 , 8% for the year ended December 31, 2017 and 23% for the year ended December 31, 2016 .

(7) As previously disclosed, in August 2017 we entered into an agreement to sell our stake in Heitman LLC, a real estate manager and former Affiliate, to Heitman's management for cash consideration totaling $110 million. Operational information (including AUM and flows data) excludes Heitman for periods beginning in the third quarter of 2017 (Heitman remained in operational information for the first half of 2017).

(8) Annualized revenue impact of net flows represents the difference between annualized management fees expected to be earned on new accounts and net assets contributed to existing accounts, less the annualized management fees lost on terminated accounts or net assets withdrawn from existing accounts, including equity-accounted Affiliates. The annualized management fees are calculated by multiplying the annual gross fee rate for the relevant account by the net assets gained in the account in the event of a positive flow, excluding any current or future market appreciation or depreciation, or the net assets lost in the account in the event of an outflow, excluding any current or future market appreciation or depreciation. For a further discussion of the uses and limitations of the annualized revenue impact of net flows, see "Assets Under Management" herein.

Assets Under Management

In August 2017, we entered into an agreement to sell our stake in Heitman LLC, a real estate manager and former Affiliate, to Heitman's management for cash consideration totaling $110 million. Unless specifically noted, flow information includes flows from Heitman for the first half of 2017, but excludes it thereafter, and AUM data at December 31, 2017 and thereafter excludes the Heitman AUM.

Our total assets under management as of December 31, 2018 were $206.3 billion . The following table presents our assets under management by Affiliate as of each of the dates indicated:

($ in billions)	December 31, 2018	December 31, 2017	December 31, 2016
Acadian Asset Management	$ 86.2	$ 97.7	$ 75.0
Barrow, Hanley, Mewhinney & Strauss	72.0	91.7	92.3
Campbell Global	4.6	5.3	5.2
Copper Rock Capital Partners	4.0	6.4	5.1
Investment Counselors of Maryland	1.8	2.1	2.0
Landmark Partners	17.8	14.8	9.7
Thompson, Siegel & Walmsley	19.9	25.0	19.9
Total assets under management of current Affiliates	**206.3**	**243.0**	**209.2**
Heitman	n/a	n/a	31.2
Total assets under management*	**$ 206.3**	**$ 243.0**	**$ 240.4**

* Reported AUM.

n/a Not an Affiliate as of the date indicated

Our primary asset classes include:

i. U.S. equity, which includes small cap through large cap securities and substantially value or blended investment styles;

ii. Global / non-U.S. equity, which includes global and international equities including emerging markets;

iii. Fixed income, which includes government bonds, corporate bonds and other fixed income investments in the United States; and

iv. Alternatives, which consist of real estate, timberland investments, secondary Funds and other alternative investments.

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

($ in billions)	December 31, 2018	December 31, 2017	December 31, 2016
U.S. equity, small/smid cap value	$ 5.1	$ 7.6	$ 7.9
U.S. equity, mid cap value	9.6	13.0	11.3
U.S. equity, large cap value	45.2	57.8	59.2
U.S. equity, core/blend	2.7	2.8	3.6
Total U.S. equity	**62.6**	**81.2**	**82.0**
Global equity	34.4	40.3	32.3
International equity	46.4	55.5	42.5
Emerging markets equity	26.0	30.4	21.6
Total global/non-U.S. equity	**106.8**	**126.2**	**96.4**
Fixed income	13.1	13.5	13.9
Alternatives (1)	23.8	22.1	48.1
Total assets under management	**$ 206.3**	**$ 243.0**	**$ 240.4**

(1) Reflects the removal of Heitman in the third quarter of 2017.

The following table shows assets under management by client type as of each of the dates indicated:

($ in billions)	December 31, 2018		December 31, 2017		December 31, 2016	
	AUM	% of total	AUM	% of total	AUM	% of total
Sub-advisory	$ 61.3	29.7%	$ 80.1	33.0%	$ 75.9	31.6%
Corporate / Union	36.4	17.6%	45.1	18.5%	48.2	20.0%
Public / Government	63.9	31.0%	70.2	28.9%	78.8	32.8%
Endowment / Foundation	4.5	2.2%	4.9	2.0%	4.8	2.0%
OM plc Group	2.1	1.0%	2.6	1.1%	3.5	1.5%
Commingled Trust/UCITS	28.2	13.7%	29.1	12.0%	18.8	7.8%
Mutual Fund	2.0	1.0%	2.0	0.8%	1.8	0.7%
Other	7.9	3.8%	9.0	3.7%	8.6	3.6%
Total assets under management	**$ 206.3**		**$ 243.0**		**$ 240.4**	

The following table shows assets under management by client location as of each of the dates indicated:

($ in billions)	December 31, 2018		December 31, 2017		December 31, 2016	
	AUM	% of total	AUM	% of total	AUM	% of total
U.S.	$ 156.8	76.0%	$ 190.1	78.2%	$ 191.6	79.7%
Europe	17.3	8.4%	19.5	8.0%	16.8	7.0%
Asia	10.4	5.0%	10.4	4.3%	12.5	5.2%
Middle East	0.2	0.1%	0.2	0.1%	0.1	—%
Australia	9.2	4.5%	8.8	3.6%	7.8	3.3%
Other	12.4	6.0%	14.0	5.8%	11.6	4.8%
Total assets under management	**$ 206.3**		**$ 243.0**		**$ 240.4**	

AUM flows and the annualized revenue impact of net flows

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

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

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

($ in billions)	Years ended December 31,		
	2018	2017	2016
U.S. equity			
Beginning balance	$ 81.2	$ 82.0	$ 76.9
Gross inflows	3.7	4.9	7.9
Gross outflows	(15.4)	(16.4)	(14.3)
Net flows	(11.7)	(11.5)	(6.4)
Market appreciation (depreciation)	(6.9)	10.7	11.0
Other [1]	—	—	0.5
Ending balance	**$ 62.6**	**$ 81.2**	**$ 82.0**
Average AUM	$ 75.5	$ 81.1	$ 78.3
Average AUM of consolidated Affiliates	73.4	79.1	76.5
Global / non-U.S. equity			
Beginning balance	$ 126.2	$ 96.4	$ 84.8
Gross inflows	15.9	17.0	14.1
Gross outflows	(18.0)	(16.0)	(9.6)
Net flows	(2.1)	1.0	4.5
Market appreciation (depreciation)	(17.3)	28.8	6.7
Other [1]	—	—	0.4
Ending balance	**$ 106.8**	**$ 126.2**	**$ 96.4**
Average AUM [2]	$ 122.8	$ 113.1	$ 90.0
Fixed income			
Beginning balance	$ 13.5	$ 13.9	$ 13.8
Gross inflows	1.9	1.4	1.2
Gross outflows	(1.9)	(2.7)	(2.1)
Net flows	—	(1.3)	(0.9)
Market appreciation (depreciation)	(0.4)	0.9	1.0
Other	—	—	—
Ending balance	**$ 13.1**	**$ 13.5**	**$ 13.9**
Average AUM [2]	$ 13.5	$ 13.4	$ 14.1
Alternatives [3]			
Beginning balance	$ 22.1	$ 48.1	$ 36.9
Acquisition (removal) of Affiliates	—	(32.4)	8.8
Gross inflows	6.1	7.7	6.7
Gross outflows	(0.9)	(1.1)	(1.6)
Hard asset disposals	(1.9)	(0.8)	(3.9)
Net flows	3.3	5.8	1.2
Market appreciation	—	0.6	2.0
Other [1]	(1.6)	—	(0.8)
Ending balance	**$ 23.8**	**$ 22.1**	**$ 48.1**
Average AUM	$ 23.1	$ 33.7	$ 40.7
Average AUM of consolidated Affiliates	23.1	19.2	10.2
Total [3]			
Beginning balance	$ 243.0	$ 240.4	$ 212.4
Acquisition (removal) of Affiliates	—	(32.4)	8.8
Gross inflows	27.6	31.0	29.9
Gross outflows	(36.2)	(36.2)	(27.6)
Hard asset disposals	(1.9)	(0.8)	(3.9)
Net flows	(10.5)	(6.0)	(1.6)
Market appreciation (depreciation)	(24.6)	41.0	20.7
Other [1]	(1.6)	—	0.1

Ending balance	**$ 206.3**	**$ 243.0**	**$ 240.4**
Average AUM	$ 234.9	$ 241.3	$ 223.1
Average AUM of consolidated Affiliates	232.8	224.8	190.8
Annualized basis points: inflows [3]	47.8	51.3	41.9
Annualized basis points: outflows [3]	35.6	34.1	36.3
Annualized revenue impact of net flows (in millions)	**$ (3.8)**	**$ 32.9**	**$ 11.0**

(1) “Other” in 2018 primarily relates to the declines in billable AUM, as a legacy alternative fund transitioned from billing based on committed AUM to net asset value. “Other” in 2016 reflects the standardization of AUM definitions across Affiliates and mandates and the revaluation of certain hard assets.

(2) Average AUM equals average AUM of consolidated Affiliates.

(3) We have removed Heitman from our AUM and cash flow metrics as of the beginning of the third quarter, 2017. Heitman stopped contributing to the Company's financial results as of November 30, 2017, therefore Heitman's December 31, 2017 AUM is not reflected in the table above. For the year ended December 31, 2016, $8.8 billion of acquisitions represents the investment in Landmark Partners.

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

i. Sub-advisory, which includes assets managed for underlying mutual fund and variable insurance products which are sponsored by insurance companies and mutual fund platforms, where the end client is typically retail;

ii. Institutional, which includes assets managed for public / government pension funds, including U.S. state and local government funds and non-U.S. sovereign wealth, local government and national pension funds; also includes corporate and union-sponsored pension plans; and

iii. Retail / other, which includes assets managed for mutual funds sponsored by our Affiliates, defined contribution plans and accounts managed for high net worth clients.

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

($ in billions)	Years ended December 31,		
	2018	2017(1)	2016
Sub-advisory			
Beginning balance	$ 80.1	$ 75.9	$ 69.0
Acquisition (removal) of Affiliates	—	(3.0)	
Gross inflows	5.8	8.7	11.2
Gross outflows	(17.1)	(14.2)	(12.3)
Net flows	(11.3)	(5.5)	(1.1)
Market appreciation (depreciation)	(7.5)	12.7	7.7
Other (2)	—	—	0.3
Ending balance	**$ 61.3**	**$ 80.1**	**$ 75.9**
Institutional			
Beginning balance	$ 151.9	$ 154.1	$ 133.8
Acquisition (removal) of Affiliates	—	(29.0)	8.6
Gross inflows	20.1	20.6	16.9
Gross outflows	(17.3)	(20.0)	(12.4)
Hard asset disposals	(1.9)	(0.8)	(3.9)
Net flows	0.9	(0.2)	0.6
Market appreciation (depreciation)	(16.1)	27.0	11.7
Other (2)	(1.6)	—	(0.6)
Ending balance	**$ 135.1**	**$ 151.9**	**$ 154.1**
Retail / Other			
Beginning balance	$ 11.0	$ 10.4	$ 9.6
Acquisition (removal) of Affiliates	—	(0.4)	0.2
Gross inflows	1.7	1.7	1.8
Gross outflows	(1.8)	(2.0)	(2.9)
Net flows	(0.1)	(0.3)	(1.1)
Market appreciation (depreciation)	(1.0)	1.3	1.3
Other (2)	—	—	0.4
Ending balance	**$ 9.9**	**$ 11.0**	**$ 10.4**
Total			
Beginning balance	$ 243.0	$ 240.4	$ 212.4
Acquisition (removal) of Affiliates	—	(32.4)	8.8
Gross inflows	27.6	31.0	29.9
Gross outflows	(36.2)	(36.2)	(27.6)
Hard asset disposals	(1.9)	(0.8)	(3.9)
Net flows	(10.5)	(6.0)	(1.6)
Market appreciation (depreciation)	(24.6)	41.0	20.7
Other (2)	(1.6)	—	0.1
Ending balance	**$ 206.3**	**$ 243.0**	**$ 240.4**

(1) Reflects the removal of Heitman beginning in the third quarter of 2017.

(2) “Other” in 2018 primarily relates to the declines in billable AUM, as a legacy alternative fund transitioned from billing based on committed AUM to net asset value. “Other” in 2016 reflects the standardization of AUM definitions across Affiliates and mandates and the revaluation of certain hard assets.

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

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

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

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

($ in billions)	Years ended December 31, 2018	2017(1)	2016
U.S.			
Beginning balance	$ 190.1	$ 191.6	$ 171.8
Acquisition (removal) of Affiliates	—	(25.5)	7.4
Gross inflows	18.8	22.5	21.2
Gross outflows	(29.8)	(29.0)	(23.1)
Hard asset disposals	(1.6)	(0.5)	(2.7)
Net flows	(12.6)	(7.0)	(4.6)
Market appreciation (depreciation)	(19.3)	31.0	16.9
Other (2)	(1.4)	—	0.1
Ending balance	**$ 156.8**	**$ 190.1**	**$ 191.6**
Non-U.S.			
Beginning balance	$ 52.9	$ 48.8	$ 40.6
Acquisition (removal) of Affiliates	—	(6.9)	1.4
Gross inflows	8.8	8.5	8.7
Gross outflows	(6.4)	(7.2)	(4.5)
Hard asset disposals	(0.3)	(0.3)	(1.2)
Net flows	2.1	1.0	3.0
Market appreciation (depreciation)	(5.3)	10.0	3.8
Other (2)	(0.2)	—	—
Ending balance	**$ 49.5**	**$ 52.9**	**$ 48.8**
Total			
Beginning balance	$ 243.0	$ 240.4	$ 212.4
Acquisition (removal) of Affiliates	—	(32.4)	8.8
Gross inflows	27.6	31.0	29.9
Gross outflows	(36.2)	(36.2)	(27.6)
Hard asset disposals	(1.9)	(0.8)	(3.9)
Net flows	(10.5)	(6.0)	(1.6)
Market appreciation (depreciation)	(24.6)	41.0	20.7
Other (2)	(1.6)	—	0.1
Ending balance	**$ 206.3**	**$ 243.0**	**$ 240.4**

(1) Reflects the removal of Heitman beginning in the third quarter of 2017.

(2) "Other" in 2018 primarily relates to the declines in billable AUM, as a legacy alternative fund transitioned from billing based on committed AUM to net asset value. "Other" in 2016 reflects the standardization of AUM definitions across Affiliates and mandates and the revaluation of certain hard assets.

At December 31, 2018 , our total assets under management were $206.3 billion , a decrease of $(36.7) billion or (15.1)% compared to $243.0 billion at December 31, 2017 . The assets under management at December 31, 2017 represented an increase of $2.6 billion or 1.1% compared to $240.4 billion at December 31, 2016 . The change in assets under management during the year ended December 31, 2018 reflects net market depreciation of $(24.6) billion , net outflows of $(10.5) billion and other movements of $(1.6) billion . Other movements in 2018 primarily relates to the declines in billable AUM, as a legacy alternative fund transitioned from billing based on committed AUM to net asset value. In addition to the removal of Heitman, which accounted for a decrease in assets under management of $(32.4) billion, the change in assets under management during the year ended December 31, 2017 reflects net market appreciation of $41.0 billion , and net outflows of $(6.0) billion . The change in assets under management during the year ended December 31, 2016 reflects net market appreciation of $ 20.7 billion , net outflows of $(1.6) billion and other movements of $0.1 billion , plus the acquisition of Landmark, which accounted for an increase in assets under management of $8.8 billion. Other movements in 2016 reflect the standardization of AUM definitions across Affiliates and mandates and the revaluation of certain hard assets. These changes align the definition of AUM with management fees charged to clients.

For the year ended December 31, 2018 , our net outflows were $(10.5) billion compared to net outflows of $(6.0) billion for the year ended December 31, 2017 and net outflows of $(1.6) billion for the year ended December 31, 2016 . Hard asset disposals of $(1.9) billion , $(0.8) billion and $(3.9) billion are reflected in the net flows for the years ended December 31, 2018 , 2017 and 2016 , respectively. For the year ended December 31, 2018 , the annualized revenue impact of the net flows was $(3.8) million , as gross inflows of $27.6 billion during the year were into higher fee asset classes yielding an annualized fee rate of 47.8 bps, versus gross outflows and hard asset disposals in the same period of $(38.1) billion out of asset classes yielding an annualized fee rate of 35.6 bps. This is compared to the annualized revenue impact of net flows of $32.9 million for the year ended December 31, 2017 and $11.0 million for the year ended December 31, 2016 .

U.S. GAAP Results of Operations

For the Years Ended December 31, 2018 , 2017 , and 2016

Our U.S. GAAP results of operations were as follows for the years ended December 31, 2018 , 2017 , and 2016 .

	Years ended December 31,			Increase (Decrease)	
($ in millions unless otherwise noted)	**2018**	**2017**	**2016**	**2018 vs. 2017**	**2017 vs. 2016**
U.S. GAAP Statement of Operations (1)					
Management fees	$ 905.0	$ 858.0	$ 659.9	$ 47.0	$ 198.1
Performance fees	9.8	26.5	2.6	(16.7)	23.9
Other revenue	9.6	1.2	0.9	8.4	0.3
Consolidated Funds' revenue	3.8	1.7	0.1	2.1	1.6
Total revenue	**928.2**	**887.4**	**663.5**	**40.8**	**223.9**
Compensation and benefits	696.4	682.8	397.4	13.6	285.4
General and administrative	126.0	112.9	98.3	13.1	14.6
Amortization of acquired intangibles	6.6	6.6	2.6	—	4.0
Depreciation and amortization	14.5	11.7	9.4	2.8	2.3
Consolidated Funds' expense	0.9	2.4	0.2	(1.5)	2.2
Total expenses	**844.4**	**816.4**	**507.9**	**28.0**	**308.5**
Operating income	**83.8**	**71.0**	**155.6**	**12.8**	**(84.6)**
Investment income	66.5	27.4	17.2	39.1	10.2
Interest income	3.2	0.8	0.4	2.4	0.4
Interest expense	(24.9)	(24.5)	(11.3)	(0.4)	(13.2)
Revaluation of DTA deed	20.0	51.8	—	(31.8)	51.8
Net consolidated Funds' investment gain (loss)	(13.4)	15.5	(1.1)	(28.9)	16.6
Income from continuing operations before taxes	**135.2**	**142.0**	**160.8**	**(6.8)**	**(18.8)**
Income tax expense	5.0	132.8	40.8	(127.8)	92.0
Income from continuing operations	**130.2**	**9.2**	**120.0**	**121.0**	**(110.8)**
Gain (loss) on disposal of discontinued operations, net of tax	0.1	(0.1)	6.2	0.2	(6.3)
Net income (loss)	**130.3**	**9.1**	**126.2**	**121.2**	**(117.1)**
Net income (loss) attributable to non-controlling interests in consolidated Funds	(6.1)	4.9	(0.2)	(11.0)	5.1
Net income attributable to controlling interests	**$ 136.4**	**$ 4.2**	**$ 126.4**	**$ 132.2**	**$ (122.2)**
Basic earnings per share ($)	$ 1.27	$ 0.04	$ 1.05	$ 1.23	$ (1.01)
Diluted earnings per share ($)	1.26	0.04	1.05	1.22	(1.01)
Weighted average basic shares outstanding	107.4	110.7	119.2	(3.3)	(8.5)
Weighted average diluted ordinary shares outstanding	107.6	111.4	119.5	(3.8)	(8.1)
U.S. GAAP operating margin (2)	9%	8%	23%	103 bps	(1545) bps

(1) Certain Funds have been consolidated due to our seed capital or co-investments in the Funds.

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

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

	Years ended December 31,		
($ in millions)	2018	2017	2016
U.S. GAAP Statement of Operations			
Net income attributable to controlling interests	**$ 136.4**	**$ 4.2**	**$ 126.4**
Exclude: (Gain) loss on discontinued operations attributable to controlling interests	(0.1)	0.1	(6.2)
Net income from continuing operations attributable to controlling interests	**136.3**	**4.3**	**120.2**
Add: Income tax expense	5.0	132.8	40.8
Pre-tax income from continuing operations attributable to controlling interests	**$ 141.3**	**$ 137.1**	**$ 161.0**

U.S. GAAP Revenues

Our U.S. GAAP revenues principally consist of:

i. management fees earned based on our overall weighted average fee rate charged to our clients and the level of assets under management;

ii. performance fees earned or management fee adjustments when our Affiliates' investment performance over agreed time periods for certain clients has differed from pre-determined hurdles;

iii. other revenue, consisting primarily of consulting services as well as reimbursement of certain Fund expenses our Affiliates paid on behalf of our Funds; and

iv. revenue from consolidated Funds, a portion of which is attributable to the holders of non-controlling interests in consolidated Funds.

Management Fees

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

Excluding assets managed by our equity-accounted Affiliates, average basis points earned on average assets under management were 38.9 bps for the year ended December 31, 2018 , 38.2 bps for the year ended December 31, 2017 and 34.6 bps for the year ended December 31, 2016 . The greatest driver of increases or decreases in this average fee rate is changes in the mix of our assets under management caused by acquisitions or disposals of Affiliates, net inflows or outflows in certain asset classes, net catch-up fees, or disproportionate market movements.

Our average basis points by asset class (including only consolidated Affiliates that are included in management fee revenue, unless indicated) over each of the periods indicated were:

($ in millions, except AUM data in billions and fee rates in basis points earned on AUM)	**Years ended December 31,**					
	2018		**2017**		**2016**	
	Revenue	**Basis Pts**	**Revenue**	**Basis Pts**	**Revenue**	**Basis Pts**
U.S. equity	$ 179.6	24	$ 192.9	24	$ 187.7	25
Global / non-U.S. equity	490.3	40	465.6	41	374.1	42
Fixed income	26.8	20	27.8	21	29.1	21
Alternatives	208.3	90	171.7	89	69.0	67
U.S. GAAP management fee revenue & weighted average fee rate on average AUM of consolidated Affiliates (1)	**$ 905.0**	**38.9**	**$ 858.0**	**38.2**	**$ 659.9**	**34.6**
Average AUM excluding equity-accounted Affiliates	$ 232.8		$ 224.8		$ 190.8	
Average AUM including equity-accounted Affiliates & weighted average fee rate (2)	$ 234.9	39.0	$ 241.3	38.2	$ 223.1	35.4

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

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

Year ended December 31, 2018 compared to year ended December 31, 2017 : Management fees increased $47.0 million , or 5.5% , from $858.0 million for the year ended December 31, 2017 to $905.0 million for the year ended December 31, 2018 . The increase was due to higher levels of average assets under management excluding equity-accounted Affiliates, net catch-up fees associated with alternative assets earned in 2018 and continued shift to higher fee-rate products. Net catch-up fees represent payment of certain Fund management fees back to the initial closing date for certain products with multiple closings, less placement fees paid to third parties related to these Funds. Average assets under management excluding equity-accounted Affiliates increased 3.6% , from $224.8 billion for the year ended December 31, 2017 to $232.8 billion for the year ended December 31, 2018 .

Overall, the increase in management fee revenue is reflective of the increases in basis point yields of our assets under management. Excluding equity-accounted Affiliates, the weighted average fee rate earned on our average assets under management was 38.9 basis points in 2018 and 38.2 basis points in 2017 , with the increase driven mostly by the mix of flows and market movements in and out of assets with varying fee rates as well as the higher fee-rate assets under management added as a result of Landmark’s fundraising (including catch-up fees). Compared to the twelve months ended December 31, 2017 , the combined share of higher fee global / non-U.S. equity and alternative assets, excluding equity-accounted Affiliates, increased by approximately 4% , to 63% of average assets, while the mix of U.S. equity and fixed income decreased approximately (4)% to 37% of average assets. This shift was driven by flows and the impact of market movements.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Management fees increased $198.1 million , or 30.0% , from $659.9 million for the year ended December 31, 2016 to $858.0 million for the year ended December 31, 2017 . The increase was primarily attributable to higher overall levels of assets under management as a result of positive markets, shifts into higher fee rate products, and incremental revenue from the Landmark transaction including subsequent increases in assets under management. Average assets under management excluding equity-accounted Affiliates increased 17.8% , from $190.8 billion for the year ended December 31, 2016 to $224.8 billion for the year ended December 31, 2017 .

Overall, the increase in management fee revenue is reflective of the increases in basis point yields of our assets under management. Excluding equity-accounted Affiliates, the weighted average fee rate earned on our average assets under management was 38.2 basis points in 2017 and 34.6 basis points in 2016 with the increase driven mostly by the mix of flows and market movements in and out of assets with varying fee rates as well as the higher fee-rate assets under management added as a result of the Landmark transaction. Compared to the twelve months ended December 31, 2016 , the combined share of higher fee global / non-U.S. equity and alternative assets, excluding equity-accounted Affiliates, increased by approximately 6% , to 59% of average assets, while the mix of U.S. equity and fixed income decreased approximately (6)% to 41% of average assets.

Performance Fees

Approximately $44.3 billion , or 22% of our AUM in consolidated Affiliates at December 31, 2018 , are in accounts with incentive fee or carried interest features, where we participate in such a fee. Included below is a breakdown of our AUM from consolidated Affiliates, broken out between AUM subject to performance fees or carried interest and that subject only to management fees. Our alternative products subject to performance fees or carried interest earn these performance fees upon exceeding high-water mark performance thresholds or outperforming a hurdle rate. Conversely, the separate accounts/other products, which primarily earn management fees, are potentially subject to performance adjustments up or down based on investment performance versus benchmark. For each of these categories and in total, we have indicated in the table below the ratio of performance fees or carried interest relative to total management fees and performance fees (together, total fees).

	AUM of consolidated Affiliates at December 31, 2018 ($ in billions)			Management fees for the twelve months ended December 31, 2018 ($ in millions)			Performance fees for the twelve months ended December 31, 2018 ($ in millions)		
Category	**Total**	**AUM of accounts without perfor-mance fees**	**AUM of accounts with perfor-mance fees**	**Total**	**Accounts without perfor-mance fees**	**Accounts with perfor-mance fees**	**Total**	**As a % of total category fees among accounts with perfor-mance fees**	**As a % of total category fees (among all accounts)**
Alternative products	$ 23.8	$ 14.1*	$ 9.7	$ 208.3	$ 139.3	$ 69.0	$ 8.6	11.1%	4.0%
Separate accounts/other products	180.7	146.1	34.6	696.7	599.3	97.4	1.2	1.2%	0.2%
Total	**$ 204.5**	**$ 160.2**	**$ 44.3**	**$ 905.0**	**$ 738.6**	**$ 166.4**	**$ 9.8**	**5.6%**	**1.1%**

* Certain legacy Landmark Funds include a carried interest component in which we do not participate and which is not consolidated in our financial results. A majority of the $14.1 billion shown here includes such Funds managed by Landmark and any carried interest earned by these Funds is not attributable to us.

We recognized $9.8 million in performance fees for the year ended December 31, 2018 . Gross performance fees earned, excluding performance fees at equity-accounted Affiliates, were 1.1% of total fees in 2018 , 3.0% of total fees in 2017 , and 0.4% of total fees in 2016 . Performance fees are typically shared with our Affiliate key employees through various contractual compensation and profit-sharing arrangements, as illustrated in the following table:

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
Gross performance fees	$ 9.8	$ 26.5	$ 2.6
Net performance fees [(1)]	**$ 3.1**	**$ 16.7**	**$ 1.8**
Percentage of performance fees accruing to BSIG [(2)]	31.6%	63.0%	69.2%
Gross performance fees as a percentage of total fees [(3)]	1.1%	3.0%	0.4%

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

(2) Reflects net performance fees as a percentage of gross performance fees.

(3) Total fees, comprised of management fees and performance fees, excluding the effect of consolidated Funds were $914.8 million for the year ended December 31, 2018 , $884.5 million for the year ended December 31, 2017 , and $662.5 million for the year ended December 31, 2016 .

Year ended December 31, 2018 compared to year ended December 31, 2017 : Performance fees decreased $(16.7) million , or (63.0)% , from $26.5 million for the year ended December 31, 2017 to $9.8 million for the year ended December 31, 2018 . Performance fees are variable and are contractually triggered based on investment performance results over agreed upon time periods. The decrease was primarily attributable to a performance fee earned on an alternative product in 2017 that was not repeated in 2018.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Performance fees increased $23.9 million , or 919.2% from $2.6 million for the year ended December 31, 2016 to $26.5 million for the year ended December 31, 2017 . Performance fees are variable and are contractually triggered based on investment performance results over agreed upon time periods. The increase was primarily attributable to a performance fee earned on an alternative product in the second quarter and strong performance from global / non-U.S. equity for the fourth quarter.

The liquidation of an alternative product may result in the recognition of a performance fee. With respect to liquidations likely to occur in the near term, we do not expect to receive any net performance fees that would be material to our operating results. These projections are based on market conditions and investment performance as of December 31, 2018 .

Other Revenue

Year ended December 31, 2018 compared to year ended December 31, 2017 : Other revenue increase d $8.4 million , or 700.0% , from $1.2 million for the year ended December 31, 2017 to $9.6 million for the year ended December 31, 2018 . The increase was primarily attributable to the adoption of new accounting rules effective January 1, 2018 related to revenue recognition that require us to record as separate revenue and expense certain Fund expenses paid by our Affiliates and subsequently reimbursed by the Fund. These reimbursed costs, amounting to $8.0 million for the year ended December 31, 2018 , were recorded on a net basis in prior years.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Other revenue increase d $0.3 million , or 33.3% , from $0.9 million for the year ended December 31, 2016 to $1.2 million for the year ended December 31, 2017 . The increase was primarily due to consulting services offered by an Affiliate in 2017.

U.S. GAAP Expenses

Our U.S. GAAP expenses principally consist of:

i. compensation paid to our investment professionals and other employees, including base salary, benefits, sales-based compensation, variable compensation, Affiliate distributions, revaluation of key employee owned Affiliate equity and profit interests, and the amortization of acquisition-related consideration and pre-acquisition employee equity;

ii. general and administrative expenses;

iii. amortization of acquired intangible assets;

iv. depreciation and amortization charges; and

v. expenses of consolidated Funds, a portion of which is attributable to the holders of non-controlling interests in consolidated Funds.

Compensation and Benefits Expense

Our most significant category of expense is compensation and benefits awarded to our and our Affiliates' employees. The following table presents the components of U.S. GAAP compensation expense for the years ended December 31, 2018 , 2017 and 2016 :

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
Fixed compensation and benefits (1)	$ 188.7	$ 172.9	$ 146.4
Sales-based compensation (2)	17.4	18.6	17.2
Variable compensation (3)	235.9	252.2	172.7
Affiliate key employee distributions (4)	76.6	73.1	41.7
Non-cash Affiliate key employee equity revaluations (5)(6)	107.2	95.4	(7.1)
Acquisition-related consideration and pre-acquisition employee equity (7)	70.6	70.6	26.5
Total U.S. GAAP compensation and benefits expense	**$ 696.4**	**$ 682.8**	**$ 397.4**

(1) Fixed compensation and benefits include base salaries, payroll taxes and the cost of benefit programs provided. For the year ended December 31, 2018 , $181.4 million of fixed compensation and benefits (of the $188.7 million above) is included within economic net income, which excludes Fund expenses initially paid by our Affiliates on the Fund's behalf and subsequently reimbursed and the compensation and benefits associated with the 2018 CEO transition. For the year ended December 31, 2017 , $172.4 million of fixed compensation and benefits (of the $172.9 million above) is included within economic net income, which excludes the compensation and benefits associated with the 2017 CEO transition.

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

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

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
Cash variable compensation	$ 214.9	$ 226.5	$ 147.5
Non-cash equity-based award amortization	21.0	25.7	25.2
Total variable compensation [(a)(b)]	**$ 235.9**	**$ 252.2**	**$ 172.7**

(a) For the year ended December 31, 2018 , $230.7 million of variable compensation expense (of the $235.9 million above) is included within economic net income, which excludes the variable compensation associated with the 2018 CEO transition costs and variable compensation subsequently reimbursed by Funds.

(b) For the year ended December 31, 2017 , $243.4 million of variable compensation expense (of the $252.2 million above) is included within economic net income, which excludes the variable compensation associated with the 2017 CEO transition costs.

(4) Affiliate key employee distributions represent the share of Affiliate profits after variable compensation that is attributable to Affiliate key employee equity and profit interests holders, according to their ownership interests. The Affiliate key employee distribution ratio at each Affiliate is calculated as Affiliate key employee distributions divided by ENI operating earnings at that Affiliate. At certain Affiliates with tiered equity structures, BSUS and other classes of employee equity holders are entitled to an initial proportionate preference over profits after variable compensation, structured such that before a preference threshold is reached, there would be no required key employee distributions to the tiered equity holders, whereas for profits above the threshold the key employee distribution amount to the tiered equity holders would be calculated based on the tiered key employee ownership percentages. Based on current economic arrangements, employee distributions range from approximately 20% to 40% of marginal ENI operating earnings at each of our consolidated Affiliates.

(5) Non-cash Affiliate key employee equity revaluations represent changes in the value of Affiliate equity and profit interests held by Affiliate key employees. These ownership interests may in certain circumstances be repurchased by BSUS at a value based on a pre-determined fixed multiple of twelve-month earnings and as such a liability is carried on our balance sheet based on the expected cash to be paid. However, any equity or profit interests repurchased by BSUS can be used to fund a portion of future variable compensation awards, resulting in savings in cash variable compensation that offset the negative cash effect of repurchasing the equity. Our Affiliate equity and profit interest plans have been designed to ensure BSUS is not required to repurchase more equity than we can reasonably recycle through variable compensation awards in any given twelve month period.

(6) Included in non-cash Affiliate key employee equity revaluations are revaluations as a result of the Landmark transaction related to contingent consideration amounting to $95.3 million for the year ended December 31, 2018 , $24.3 million for the year ended December 31, 2017 and $0.0 million for the year ended December 31, 2016, along with the revaluations of Landmark employee equity owned pre-acquisition amounting to $37.9 million for the year ended December 31, 2018 , $25.9 million for the year ended December 31, 2017 and $(0.5) million for the year ended December 31, 2016.

(7) Acquisition-related consideration and pre-acquisition employee equity represents the amortization of acquisition-related contingent consideration created as a result of the Landmark transaction amounting to $37.1 million for the year ended December 31, 2018 , $37.1 million for the year ended December 31, 2017 and $13.9 million in the year ended December 31, 2016, along with the amortization of employee equity owned pre-acquisition amounting to $33.5 million for the year ended December 31, 2018 , $33.5 million for the year ended December 31, 2017 and $12.6 million for the year ended December 31, 2016. These items have been included in U.S. GAAP compensation expense as a result of ongoing service requirements for employee recipients.

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

Year ended December 31, 2018 compared to year ended December 31, 2017 : Compensation and benefits expense increase d $13.6 million , or 2.0% , from $682.8 million for the year ended December 31, 2017 to $696.4 million for the year ended December 31, 2018 . Fixed compensation and benefits increased $15.8 million , or 9.1% , from $172.9 million for the year ended December 31, 2017 to $188.7 million for the year ended December 31, 2018 . This increase reflects the growth of the investment teams at our Affiliates and cost of living increases. Variable compensation decreased $(16.3) million , or (6.5)% , from $252.2 million for the year ended December 31, 2017 to $235.9 million for the year ended December 31, 2018 due to lower pre-variable compensation earnings in the current period, as well as the impact of higher severance-related payments in the prior year. Sales-based compensation decreased $(1.2) million , or (6.5)% , from $18.6 million for the year ended December 31, 2017 to $17.4 million for the year ended December 31, 2018 , as a result of the structure of sales-based compensation and the timing of asset inflows triggering sales-based compensation in both current and prior periods. Affiliate key employee distributions increased $3.5 million , or 4.8% , from $73.1 million for the year ended December 31, 2017 to $76.6 million for the year ended December 31, 2018 as a result of higher underlying operating earnings and the levered structure of distributions at certain Affiliates. Revaluations of Affiliate equity increased $11.8 million , reflecting the appreciation of key employee ownership interests at certain Affiliates. Acquisition-related consideration and pre-acquisition equity remained unchanged at $70.6 million for the years ended December 31, 2018 and December 31, 2017 , and represents amortization of the value of contingent consideration and employee-owned equity, related to Landmark, recorded as compensation under U.S. GAAP due to certain service requirements associated with the arrangements.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Compensation and benefits expense increased $285.4 million , or 71.8% , from $397.4 million for the year ended December 31, 2016 to $682.8 million for the year ended December 31, 2017 . Fixed compensation and benefits increased $26.5 million , or 18.1% , from $146.4 million for the year ended December 31, 2016 to $172.9 million for the year ended December 31, 2017 . This increase reflects the effect of the Landmark acquisition as well as new hires, CEO succession, and annual cost of living increases. Variable compensation increased $79.5 million , or 46.0% , from $172.7 million for the year ended December 31, 2016 to $252.2 million for the year ended December 31, 2017 due to the higher pre-variable compensation earnings, in part reflecting the effect of the Landmark transaction as well as severance paid to our former CEO and former Head of Global Distribution. Sales-based compensation increased $1.4 million , or 8.1% , from $17.2 million for the year ended December 31, 2016 to $18.6 million for the year ended December 31, 2017 , as a result of the structure of sales-based compensation due to the timing of asset inflows triggering sales-based compensation in both current and prior periods. Affiliate key employee distributions increased $31.4 million , or 75.3% , from $41.7 million for the year ended December 31, 2016 to $73.1 million for the year ended December 31, 2017 as a result of higher underlying operating earnings, the levered structure of distributions at certain Affiliates, and the effect of the Landmark transaction, as Landmark employees own 40% of their business. Revaluations of Affiliate equity increased $102.5 million , reflecting revaluations of key employee ownership interests at certain Affiliates, and Landmark in particular as the value of Affiliate equity decreased $(7.1) million for the year ended December 31, 2016 and increased $95.4 million for the year ended December 31, 2017 . Acquisition-related consideration and pre-acquisition equity was $70.6 million for the year ended December 31, 2017 , an increase of $44.1 million, or 166.4% from $26.5 million for the year ended December 31, 2016 and represents amortization of the value of contingent consideration and employee-owned equity, related to Landmark, recorded as compensation under U.S. GAAP due to certain service requirements associated with the arrangements. The increase in compensation resulting from the amortization of acquisition-related consideration and pre-acquisition employee equity, as well as the non-cash Affiliate key employee equity revaluations and increased variable compensation, all of which were impacted by the Landmark transaction, were the primary reasons for the reduction of our U.S. GAAP operating margin.

General and Administrative Expense

Year ended December 31, 2018 compared to year ended December 31, 2017 : General and administrative expense increased $13.1 million , or 11.6% , from $112.9 million for the year ended December 31, 2017 to $126.0 million for the year ended December 31, 2018 . The increase in general and administrative expenses primarily reflects new initiatives and additional system costs.

Year ended December 31, 2017 compared to year ended December 31, 2016 : General and administrative expense increased $14.6 million , or 14.9% , from $98.3 million for the year ended December 31, 2016 to $112.9 million for the year ended December 31, 2017 . The increase in general and administrative expenses primarily reflects new initiatives and the impact of Landmark, offset by efficiencies of scale.

Amortization of Acquired Intangibles Expense

Year ended December 31, 2018 compared to year ended December 31, 2017 : Amortization of acquired intangibles expense remained unchanged at $6.6 million for the years ended December 31, 2018 and 2017 .

Year ended December 31, 2017 compared to year ended December 31, 2016 : Amortization of acquired intangibles expense increased from $2.6 million for the year ended December 31, 2016 to $6.6 million for the year ended December 31, 2017 . The increase reflects the amortization of intangible assets acquired in the Landmark transaction.

Depreciation and Amortization Expense

Year ended December 31, 2018 compared to year ended December 31, 2017 : Depreciation and amortization expense increase d $2.8 million , or 23.9% , from $11.7 million for the year ended December 31, 2017 to $14.5 million for the year ended December 31, 2018 . The increase was primarily related to additional software and technology investments in the business.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Depreciation and amortization expense increased $2.3 million , or 24.5% , from $9.4 million for the year ended December 31, 2016 to $11.7 million for the year ended December 31, 2017 . The increase was primarily related to additional fixed asset and technology investments in the business.

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

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

i. investment income;

ii. interest income; and

iii. interest expense.

In the years ended December 31, 2018 and 2017 , we recorded $20.0 million and $51.8 million , respectively, of non-operating income associated with the revaluation of our DTA deed with OM plc, discussed further in "—U.S. GAAP Income Tax Expense" below.

Investment Income

Year ended December 31, 2018 compared to year ended December 31, 2017 : Investment income increased $39.1 million , or 142.7% , from $27.4 million for the year ended December 31, 2017 to $66.5 million for the year ended December 31, 2018 , primarily due to a $65.7 million gain from the sale of the Company's stake in Heitman LLC on January 5, 2018, offset by lower earnings from equity-accounted Affiliates as a result of the Heitman sale, and lower returns on co-investments and seed capital investments in 2018.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Investment income increased $10.2 million , or 59.3% , from $17.2 million for the year ended December 31, 2016 to $27.4 million for the year ended December 31, 2017 , primarily due to higher returns on seed capital investments following the purchase of approximately $40 million in seed capital from OM plc in September 2016 and approximately $63 million in July 2017, somewhat offset by lower earnings from our equity-accounted Affiliates which decreased $(0.6) million , or (4.0)% , from $15.1 million for the year ended December 31, 2016 to $14.5 million for the year ended December 31, 2017 . In August, 2017, the Company agreed to sell its stake in Heitman LLC to Heitman's management. Heitman continued to contributed to the Company's financial results of operations through November 30, 2017 and the transaction closed on January 5, 2018. Heitman contributed $12.0 million of our investment income in 2017 and $12.6 million in 2016 .

Interest Income

Year ended December 31, 2018 compared to year ended December 31, 2017 : Interest income increased $2.4 million , or 300.0% , from $0.8 million for the year ended December 31, 2017 to $3.2 million for the year ended December 31, 2018 , principally due to higher average cash balances in 2018.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Interest income increased $0.4 million , or 100.0% from $0.4 million for the year ended December 31, 2016 to $0.8 million for the year ended December 31, 2017 , principally due to higher average cash balances in 2017.

Interest Expense

Year ended December 31, 2018 compared to year ended December 31, 2017 : Interest expense increased $0.4 million , or 1.6% , from $24.5 million for the year ended December 31, 2017 to $24.9 million for the year ended December 31, 2018 , reflecting higher drawdowns on the non-recourse seed capital facility during 2018.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Interest expense increased $13.2 million , or 116.8% , from $11.3 million for the year ended December 31, 2016 to $24.5 million for the year ended December 31, 2017 , reflecting a full year of interest expense in 2017 and a partial year of interest expense in 2016 related to the issuance of $400 million in long-term bonds in July 2016.

U.S. GAAP Income Tax Expense (Benefit)

Our effective tax rate has been impacted by changes in liabilities for uncertain tax positions, tax effects of stock-based compensation, the mix of income earned in the United States versus lower-taxed foreign jurisdictions and benefits from intercompany financing arrangements. Tax law changes in both the U.S. and U.K. during the fourth quarter of 2017 have contributed to the differences in the effective tax rate in 2018 vs 2017. Our effective tax rate could be impacted in the future by these items as well as further changes in tax laws and regulations in jurisdictions in which we operate.

Year ended December 31, 2018 compared to year ended December 31, 2017 : Income tax expense decreased $(127.8) million , or (96.2)% , from $132.8 million for the year ended December 31, 2017 to $5.0 million for the year ended December 31, 2018 . The decrease relates primarily to the impact of U.S. tax law changes recorded in 2017, the lower U.S. corporate tax rate in 2018 and the reduction to liabilities for uncertain tax positions in 2018 due to lapses of statutes of limitation. These decreases were partially offset by a reduction to interest expense in the fourth quarter of 2017 due to U.K. tax law changes. The effective tax rate decreased to 3.7% for the year ended December 31, 2018 from 93.5% for the year ended December 31, 2017 due to the impacts of 2017 U.K, and U.S. tax law changes and adjustments to liabilities for uncertain tax positions in 2018.

In 2018, the Company agreed to terminate the DTA Deed with OM plc. The Company recorded a revaluation gain of $20.0 million in connection with the settlement of the DTA Deed for the year ended December 31, 2018 . This is reflected in income from continuing operations before tax, and is comprised of a $12.6 million discount on the DTA Deed payable and a $7.4 million gain relating to the value of the tax insurance policies transferred to the Company by OM plc. This adjustment to the DTA Deed is not subject to U.K. tax, consequently having the effect of reducing our effective tax rate. In the first quarter of 2019, the final cash payment of $32.7 million will be made to OM plc to settle the outstanding liability under the Deed.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Income tax expense increased $92.0 million , or 225.5% , from $40.8 million for the year ended December 31, 2016 to $132.8 million for the year ended December 31, 2017 . The increase relates primarily to the tax impacts associated with the 2017 enactment of the Tax Act. As a result of the enactment, we have recognized a tax charge of $122.7 million, predominately relating to the revaluation of our deferred tax assets to the reduced federal corporate tax rate of 21% which resulted in a one-time tax charge of $121.1 million. Additionally, the U.K. Finance (No.2) Bill, which was enacted on November 20, 2017, resulted in the loss of interest deductions in the U.K. as of the effective date of July 13, 2017 and had the effect of increasing our effective tax rate in the fourth quarter of 2017. The reduction of our deferred tax asset as a result of the Tax Act also caused a $51.8 million adjustment to our DTA Deed with OM plc, reflected in income from continuing operations before tax. This adjustment to the DTA Deed is not subject to U.K. tax, consequently having the effect of reducing our effective tax rate. The increase in tax expense from the Tax Act was reduced by the tax effect of decreases in income from continuing operations before tax, a favorable effective tax rate on the earnings from our seed capital investments and adjustments to uncertain tax positions. In 2016, the adjustment for uncertain tax positions increased income tax expense and in 2017, the adjustments to uncertain tax positions, primarily reflecting the expiration of the statute of limitations, decreased income tax expense. The effective tax rate increased to 93.5% for the year ended December 31, 2017 from 25.3% for the year ended December 31, 2016 primarily due to the tax charge associated with the Tax Act.

U.S. GAAP Consolidated Funds

The net income or loss of all Consolidated Funds, excluding any income or loss attributable to seed capital or co-investments we make in the Funds, is included in non-controlling interests in our Consolidated Financial Statements and is not included in net income attributable to controlling interests or in management fees.

Year ended December 31, 2018 compared to year ended December 31, 2017 : Consolidated Funds' revenue increased $2.1 million from $1.7 million for the year ended December 31, 2017 to $3.8 million for the year ended December 31, 2018 . Consolidated Funds expense decreased $(1.5) million , from $2.4 million for the year ended December 31, 2017 to $0.9 million for the year ended December 31, 2018 . The increase in consolidated Funds revenue and decrease in Consolidated Funds expense is due to changes in the population of consolidated Funds during the twelve months ended December 31, 2018 . Consolidated Funds' investment gain (loss) decreased $(28.9) million from $15.5 million for the year ended December 31, 2017 to $(13.4) million for the year ended December 31, 2018 .

Year ended December 31, 2017 compared to year ended December 31, 2016 : Consolidated Funds' revenue increased $1.6 million from $0.1 million for the year ended December 31, 2016 to $1.7 million for the year ended December 31, 2017 . Consolidated Funds expense increased $2.2 million , from $0.2 million for the year ended December 31, 2016 to $2.4 million for the year ended December 31, 2017 . Consolidated Funds' investment gain (loss) increased $16.6 million from $(1.1) million for the year ended December 31, 2016 to $15.5 million for the year ended December 31, 2017 . The increases in consolidated Funds revenue, expense and investment gain were all due to a greater number of Funds consolidated in 2017 which in turn was reflective of higher levels of seed and co-investment capital deployed on our balance sheet in 2017 in large part due to the purchase of seed capital from OM plc in September 2016 and July 2017.

U.S. GAAP Discontinued Operations

Gains and losses on disposal of discontinued operations represents our rights or obligations related to contractual residual interests in previously discontinued operations and/or additional proceeds received, net of tax, for previously disposed-of lines of business.

Year ended December 31, 2018 compared to year ended December 31, 2017 : Gain (loss) on disposal, net of tax increased $0.2 million , from a loss on disposal of $(0.1) million for the year ended December 31, 2017 to a gain on disposal of $0.1 million for the year ended December 31, 2018 . The gain on disposal in 2018 related to residual amounts received relating to a previously disposed Affiliate.

Year ended December 31, 2017 compared to year ended December 31, 2016 : Gain (loss) on disposal, net of tax decreased $ (6.3) million , from a gain on disposal of $ 6.2 million for the year ended December 31, 2016 to a loss on disposal of $ (0.1) million for the year ended December 31, 2017 . In 2016, the management team of a previously disposed Affiliate, together with subsidiaries of ours holding interests in that Affiliate, entered into a purchase and sale agreement with a third party, which resulted in a $7.4 million payment to us, or $5.1 million, net of tax. The remaining gain on disposal in 2016 represents residual amounts received from previously discontinued operations.

Key U.S. GAAP Operating Metrics

The following table shows our key U.S. GAAP operating metrics for the years ended December 31, 2018 , 2017 and 2016 . The second, third and fourth metrics below have each been adjusted to eliminate the effect of consolidated Funds to more accurately reflect the economics of our Company.

	Years ended December 31,		
($ in millions)	2018	2017	2016
Numerator: Operating income	$ 83.8	$ 71.0	$ 155.6
Denominator: Total revenue	$ 928.2	$ 887.4	$ 663.5
U.S. GAAP operating margin (1)	**9.0%**	**8.0%**	**23.5%**
Numerator: Total operating expenses (2)	$ 843.5	$ 814.0	$ 507.7
Denominator: Management fee revenue	$ 905.0	$ 858.0	$ 659.9
U.S. GAAP operating expense / management fee revenue (3)	**93.2%**	**94.9%**	**76.9%**
Numerator: Variable compensation	$ 235.9	$ 252.2	$ 172.7
Denominator: Operating income before variable compensation and Affiliate key employee distributions (2)(4)(5)	$ 393.4	$ 397.0	$ 370.1
U.S. GAAP variable compensation ratio (3)	**60.0%**	**63.5%**	**46.7%**
Numerator: Affiliate key employee distributions	$ 76.6	$ 73.1	$ 41.7
Denominator: Operating income before Affiliate key employee distributions (2)(4)(5)	$ 157.5	$ 144.8	$ 197.4
U.S. GAAP Affiliate key employee distributions ratio (3)	**48.6%**	**50.5%**	**21.1%**

(1) Excluding the effect of Funds consolidation in the applicable periods, the U.S. GAAP operating margin would be 8.8% for the year ended December 31, 2018 , 8.1% for the year ended December 31, 2017 and 23.5% for the year ended December 31, 2016 .

(2) Excludes consolidated Funds expense of $0.9 million for the year ended December 31, 2018 , $2.4 million for the year ended December 31, 2017 and $0.2 for the year ended December 31, 2016 .

(3) Excludes the effect of Funds consolidation for the years ended December 31, 2018 , 2017 and 2016 .

(4) Excludes consolidated Funds revenue of $3.8 million for the year ended December 31, 2018 and $1.7 million for the year ended December 31, 2017 and $0.1 million for the year ended December 31, 2016 .

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

	Years ended December 31,		
($ in millions)	2018	2017	2016
Operating income	**$ 83.8**	**$ 71.0**	**$ 155.6**
Affiliate key employee distributions	76.6	73.1	41.7
Operating (income) loss of consolidated Funds	(2.9)	0.7	0.1
Operating income before Affiliate key employee distributions	**$ 157.5**	**$ 144.8**	**$ 197.4**
Variable compensation	235.9	252.2	172.7
Operating income before variable compensation and Affiliate key employee distributions	**$ 393.4**	**$ 397.0**	**$ 370.1**

Effects of Inflation

For the years ended December 31, 2018 , 2017 and 2016 , inflation did not have a material effect on our consolidated results of operations.

Non-GAAP Supplemental Performance Measure—Economic Net Income

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

ENI is an important measure to investors because it is used by the Company to make resource allocation decisions, determine appropriate levels of investment or dividend payout, manage balance sheet leverage, determine Affiliate variable compensation and equity distributions, and incentivize management. It is also an important measure because it assists management in evaluating our operating performance and is presented in a way that most closely reflects the key elements of our profit share operating model with our Affiliates. For a further discussion of how we use ENI and why ENI is useful to investors, see "—Overview—How We Measure Performance."

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

- We exclude the effect of Funds consolidation by removing the portion of Fund revenues, expenses and investment return which were not attributable to our shareholders.
- We include within management fee revenue any fees paid to Affiliates by consolidated Funds, which are viewed as investment income under U.S. GAAP.
- We include our share of earnings from equity-accounted Affiliates within other income in ENI revenue, rather than investment income.
- We treat sales-based compensation as a general and administrative expense, rather than part of fixed compensation and benefits.
- We identify separately from operating expenses variable compensation and Affiliate key employee distributions, which represent Affiliate earnings shared with Affiliate key employees.
- We net the separate revenue and expenses under U.S. GAAP for certain Fund expenses initially paid by our Affiliates on the Funds' behalf and subsequently reimbursed, to better reflect the economics of our business.

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

i. We exclude non-cash expenses representing changes in the value of Affiliate equity and profit interests held by Affiliate key employees. These ownership interests may in certain circumstances be repurchased by BSUS at a value based on a pre-determined fixed multiple of trailing earnings and as such this value is carried on our balance sheet as a liability. Non-cash movements in the value of this liability are treated as compensation expense under U.S. GAAP. However, any equity or profit interests repurchased by BSUS can be used to fund a portion of future variable compensation awards, resulting in savings in cash variable compensation that offset the negative cash effect of repurchasing the equity. Our Affiliate equity and profit interest plans have been designed to ensure BSUS is never required to repurchase more equity than we can reasonably recycle through variable compensation awards in any given twelve month period.

ii. We exclude non-cash amortization or impairment expenses related to acquired goodwill and other intangibles as these are non-cash charges that do not result in an outflow of tangible economic benefits from the business. We also exclude the amortization of acquisition-related contingent consideration, as well as the value of employee equity owned pre-acquisition, as occurred as a result of the Landmark transaction, where such items have been included in compensation expense as a result of ongoing service requirements for certain employees. Please note that the revaluations related to these acquisition-related items are included in (i) above.

iii. We exclude capital transaction costs, including the costs of raising debt or equity, gains or losses realized as a result of redeeming debt or equity and direct incremental costs associated with acquisitions of businesses or assets.

iv. We exclude seed capital and co-investment gains, losses and related financing costs. The net returns on these investments are considered and presented separately from ENI because ENI is primarily a measure of our earnings from managing client assets, which therefore differs from earnings generated by our investments in Affiliate products, which can be variable from period to period.

v. We include cash tax benefits associated with deductions allowed for acquired intangibles and goodwill that may not be recognized or have timing differences compared to U.S. GAAP.

vi. We exclude the results of discontinued operations attributable to controlling interests since they are not part of our ongoing business, and restructuring costs incurred in continuing operations.

vii. We exclude deferred tax resulting from changes in tax law and expiration of statutes, adjustments for uncertain tax positions, deferred tax attributable to intangible assets and other unusual items not related to current operating results to reflect ENI tax normalization.

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

Reconciliation of U.S. GAAP Net Income to Economic Net Income for the Years Ended December 31, 2018 , 2017 and 2016

The following table reconciles net income attributable to controlling interests to economic net income for the years ended December 31, 2018 , 2017 and 2016 :

		Years ended December 31,		
($ in millions)		**2018**	**2017**	**2016**
U.S. GAAP net income attributable to controlling interests		**$ 136.4**	**$ 4.2**	**$ 126.4**
Adjustments to reflect the economic earnings of the Company:				
i.	Non-cash key employee-owned equity and profit interest revaluations (1)	107.2	95.4	(7.1)
ii.	Amortization of acquired intangible assets, acquisition-related consideration and pre-acquisition employee equity (2)	77.2	77.2	29.1
iii.	Capital transaction costs	1.6	—	6.4
iv.	Seed/Co-investment (gains) losses and financings (3)	14.5	(17.3)	1.4
v.	Tax benefit of goodwill and acquired intangibles deductions	5.7	8.7	5.0
vi.	Discontinued operations and restructuring (4)	(79.4)	11.0	(6.2)
vii.	ENI tax normalization (5)	(30.3)	68.6	2.1
Tax effect of above adjustments (6)		(33.1)	(66.9)	(12.0)
Economic net income, excluding the non-recurring performance fee		**$ 199.8**	**$ 180.9**	**$ 145.1**

(1) Included in non-cash key employee-owned equity and profit interest revaluations are revaluations as a result of the Landmark transaction related to contingent consideration amounting to $95.3 million for the year ended December 31, 2018 , $24.3 million for the year ended December 31, 2017 and $0.0 million for the year ended December 31, 2016 , along with revaluations of Landmark employee equity owned pre-acquisition amounting to $37.9 million for the year ended December 31, 2018 , $25.9 million for the year ended December 31, 2017 and $(0.5) million for the year ended December 31, 2016 .

(2) Acquisition-related consideration and pre-acquisition employee equity includes the amortization of acquisition-related contingent consideration created as a result of the Landmark transaction amounting to $37.1 million for the year ended December 31, 2018 , $37.1 million for the year ended December 31, 2017 and $13.9 million for the year ended December 31, 2016 . It also includes the value of employee equity owned pre-acquisition amounting to $33.5 million for the year ended December 31, 2018 , $33.5 million for the year ended December 31, 2017 and $12.6 million for the year ended December 31, 2016 .

The table below summarizes the Landmark-related components included in items (i) and (ii) of the above reconciliation:

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
Landmark contingent consideration	$ 132.3	$ 61.4	$ 13.9
Landmark pre-acquisition employee equity	71.5	59.4	12.1
Landmark-related total	**203.8**	**120.8**	**26.0**
Other Affiliate equity and amortization of intangible assets	(19.4)	51.8	(4.0)
Total	**$ 184.4**	**$ 172.6**	**$ 22.0**

(3) The net return on seed/co-investment (gains) losses and financings for the years ended December 31, 2018 , 2017 , and 2016 are shown in the following table.

($ in millions)	Years ended December 31, 2018	2017	2016
Seed/Co-investment (gains) losses	$ 6.4	$ (22.2)	$ (1.1)
Financing costs:			
Seed/Co-investment average balance	129.5	88.9	64.4
Blended interest rate*	6.3%	5.5%	3.9%
Financing costs	8.1	4.9	2.5
Net seed/co-investment (gains) losses and financing	**$ 14.5**	**$ (17.3)**	**$ 1.4**

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

(4) Included in discontinued operations and restructuring for the year ended December 31, 2018 is the gain on sale of Heitman of $(65.7) million, a gain related to the Company's agreement to terminate its deferred tax asset deed with OM plc of $(20.0) million, CEO transition costs of $4.8 million , comprised of $0.1 million of fixed compensation and benefits, $4.4 million of variable compensation and $0.4 million of other CEO transition costs and restructuring costs associated with its planned redomicile to the U.S. of $1.6 million . Included in discontinued operations and restructuring for the year ended December 31, 2017 is $1.0 million related to the Heitman transaction and $9.8 million related to CEO transition costs, comprised of $0.5 million of fixed compensation and benefits, $8.8 million of variable compensation and $0.5 million of recruiting costs.

(5) Includes an adjustment of $44.0 million in the year ended December 31, 2018 to remove the tax benefit resulting from the reduction in liabilities for uncertain tax positions recorded during the year, partially offset by non-taxable gains resulting from the agreement to terminate the Deferred Tax Asset Deed at a discount. The year ended December 31, 2017 includes $51.8 million related to the revaluation of the Deferred Tax Asset Deed with OM plc offset by the $122.7 million impact of the Tax Act.

(6) Reflects the sum of line items i, ii, iii, iv and the restructuring portion of line item vi taxed at the 27.3% U.S. statutory rate in 2018 (including state tax) and the 40.2% U.S. statutory rate in 2017 and 2016 (including state tax). The restructuring portion of line item vi amounted to $79.3 million for the year ended December 31, 2018 , $10.8 million for the year ended December 31, 2017 and $0.0 million for the year ended December 31, 2016 .

Limitations of Economic Net Income

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

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

ENI Revenues

The following table reconciles U.S. GAAP Revenue to ENI Revenue for the years ended December 31, 2018 , 2017 and 2016 :

($ in millions)	Years ended December 31, 2018	2017	2016
U.S. GAAP Revenue	$ 928.2	$ 887.4	$ 663.5
Include earnings from equity-accounted Affiliates (1)	2.7	14.5	15.1
Exclude revenue from consolidated Funds attributable to non-controlling interests	(3.8)	(1.7)	(0.1)
Exclude Fund expenses reimbursed by customers	(8.0)	—	—
Other reconciling items	—	0.5	—
ENI Revenue	**$ 919.1**	**$ 900.7**	**$ 678.5**

(1) Includes $ 12.0 million and $ 12.6 million related to Heitman for the years ended December 31, 2017 and 2016 , respectively.

The following table identifies the components of ENI revenue:

($ in millions)	Years ended December 31, 2018	2017	2016
Management fees (1)	$ 905.0	$ 858.0	$ 659.9
Performance fees (2)	9.8	26.5	2.6
Other income, including equity-accounted Affiliates (3)	4.3	16.2	16.0
ENI Revenue	**$ 919.1**	**$ 900.7**	**$ 678.5**

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

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

(3) ENI other income is comprised primarily of other revenue under U.S. GAAP, plus our earnings from equity-accounted Affiliates of $2.7 million for the year ended December 31, 2018 , $14.5 million for the year ended December 31, 2017 and $15.1 million for the year ended December 31, 2016 . As further described in “Non-GAAP Supplemental Performance Measure - Economic Net Income,” ENI other income also excludes certain Fund expenses initially paid by our Affiliates on the Funds’ behalf that are subsequently reimbursed.

($ in millions)	Years ended December 31, 2018	2017	2016
U.S. GAAP other revenue	$ 9.6	$ 1.2	$ 0.9
Earnings from equity-accounted Affiliates (a)	2.7	14.5	15.1
Exclude Fund expenses reimbursed by customers	(8.0)	—	—
Other reconciling items	—	0.5	—
ENI other income	**$ 4.3**	**$ 16.2**	**$ 16.0**

(a) Includes $ 12.0 million and $ 12.6 million related to Heitman for the years ended December 31, 2017 and 2016 , respectively.

ENI Operating Expenses

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

The following table reconciles U.S. GAAP operating expense to ENI operating expense for the years ended December 31, 2018 , 2017 and 2016 :

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
U.S. GAAP operating expense	$ 844.4	$ 816.4	$ 507.9
Less: items excluded from economic net income			
Acquisition-related consideration and pre-acquisition employee equity	(70.6)	(70.6)	(26.5)
Non-cash Affiliate key employee equity and profit interest revaluations	(107.2)	(95.4)	7.1
Amortization of acquired intangible assets	(6.6)	(6.6)	(2.6)
Capital transaction costs	(1.6)	—	(6.4)
Restructuring costs (1)	(6.5)	(10.8)	—
Fund expenses reimbursed by customers	(8.0)	—	—
Other items excluded from ENI	—	—	0.1
Funds' operating expenses	(0.9)	(2.4)	(0.2)
Less: items segregated out of U.S. GAAP operating expense			
Variable compensation (2)	(230.7)	(243.4)	(172.7)
Affiliate key employee distributions	(76.6)	(73.1)	(41.7)
ENI operating expense	**$ 335.7**	**$ 314.1**	**$ 265.0**

(1) Included in restructuring for the year ended December 31, 2018 is $ 1.6 million of costs associated with the planned redomicile to the U.S. and 2018 CEO transition costs of $4.8 million . Included in restructuring for the year ended December 31, 2017 is $1.0 million related to the Heitman transaction and 2017 CEO transition costs of $9.8 million .

(2) Excludes variable compensation amounts related to CEO transition included within Restructuring costs of $4.4 million and $8.8 million for the years ended December 31, 2018 and 2017 , respectively and Fund expenses reimbursed by customers of $0.8 million and $0.0 million for the years ended December 31, 2018 and 2017 , respectively.

The following table identifies the components of ENI operating expense:

($ in millions)	Years ended December 31, 2018	2017	2016
Fixed compensation & benefits [(1)]	$ 181.4	$ 172.4	$ 146.4
General and administrative expenses [(2)]	139.8	129.9	109.2
Depreciation and amortization	14.5	11.8	9.4
ENI operating expense	**$ 335.7**	**$ 314.1**	**$ 265.0**

(1) Fixed compensation and benefits include base salaries, payroll taxes and the cost of benefit programs provided. The following table reconciles U.S. GAAP compensation expense for the years ended December 31, 2018 , 2017 and 2016 to ENI fixed compensation and benefits expense:

($ in millions)	Years ended December 31, 2018	2017	2016
Total U.S. GAAP compensation expense	**$ 696.4**	**$ 682.8**	**$ 397.4**
Acquisition-related consideration and pre-acquisition employee equity	(70.6)	(70.6)	(26.5)
Non-cash key employee equity and profit interest revaluations excluded from ENI	(107.2)	(95.4)	7.1
Sales-based compensation reclassified to ENI general & administrative expenses	(17.4)	(18.6)	(17.2)
Affiliate key employee distributions	(76.6)	(73.1)	(41.7)
Compensation related to restructuring expenses [(a)]	(4.5)	(9.3)	—
Variable compensation	(230.7)	(243.4)	(172.7)
Fund expenses reimbursed by customers [(b)]	(8.0)	—	—
ENI fixed compensation and benefits	**$ 181.4**	**$ 172.4**	**$ 146.4**

(a) Compensation related to restructuring for the year ended December 31, 2018 is comprised of $4.5 million of compensation associated with the 2018 CEO transition, which includes $0.1 million of fixed compensation and benefits and $4.4 million of variable compensation. Compensation related to restructuring for the year ended December 31, 2017 is comprised of $9.3 million of compensation associated with the 2017 CEO transition, which includes $0.5 million of fixed compensation and benefits and $8.8 million of variable compensation.

(b) The adoption of new accounting rules in 2018 related to revenue recognition requires us to record as separate revenue and expense certain compensation expense paid by us and subsequently reimbursed by the Fund. These reimbursed costs were recorded on a net basis in prior years. We net the separate revenues and expenses recorded under U.S. GAAP to better reflect the actual economics of our business.

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

($ in millions)	Years ended December 31, 2018	2017	2016
U.S. GAAP general and administrative expense	$ 126.0	$ 112.9	$ 98.3
Sales-based compensation	17.4	18.6	17.2
Capital transaction costs	(1.6)	—	(6.4)
Restructuring costs [(a)]	(2.0)	(1.5)	—
Additional ENI adjustments	—	(0.1)	0.1
ENI general and administrative expense	**$ 139.8**	**$ 129.9**	**$ 109.2**

(a) Reflects $ 1.6 million related to our planned redomicile to the U.S. and $ 0.4 million of CEO transition costs in the year ended December 31, 2018 . The year ended December 31, 2017 reflects $1.0 million related to the Heitman transaction and $0.5 million of CEO recruiting costs.

Key Non-GAAP Operating Metrics

The following table shows our key non-GAAP operating metrics for the years ended December 31, 2018 , 2017 and 2016 . We present these metrics because they are the measures our management uses to evaluate the profitability of our business and are useful to investors because they represent the key drivers and measures of economic performance within our business model. Please see the footnotes below for an explanation of each ratio, its usefulness in measuring the economics and operating performance of our business, and a reference to the most closely related U.S. GAAP measure:

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
Numerator: ENI operating earnings [1]	$ 352.7	$ 343.2	$ 240.8
Denominator: ENI revenue	$ 919.1	$ 900.7	$ 678.5
ENI operating margin [2]	**38.4%**	**38.1%**	**35.5%**
Numerator: ENI operating expense	$ 335.7	$ 314.1	$ 265.0
Denominator: ENI management fee revenue [3]	$ 905.0	$ 858.0	$ 659.9
ENI operating expense ratio [4]	**37.1%**	**36.6%**	**40.2%**
Numerator: ENI variable compensation	$ 230.7	$ 243.4	$ 172.7
Denominator: ENI earnings before variable compensation [1][5]	$ 583.4	$ 586.6	$ 413.5
ENI variable compensation ratio [6]	**39.5%**	**41.5%**	**41.8%**
Numerator: Affiliate key employee distributions	$ 76.6	$ 73.1	$ 41.7
Denominator: ENI operating earnings [1]	$ 352.7	$ 343.2	$ 240.8
ENI Affiliate key employee distributions ratio [7]	**21.7%**	**21.3%**	**17.3%**

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

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

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
U.S. GAAP operating income	**$ 83.8**	**$ 71.0**	**$ 155.6**
Include earnings from equity-accounted Affiliates	2.7	14.5	15.1
Exclude the impact of:			
Affiliate key employee-owned equity and profit interest revaluations	107.2	95.4	(7.1)
Amortization of acquired intangible assets, acquisition-related consideration	77.2	77.2	29.1
Capital transaction costs	1.6	—	6.4
Restructuring costs [(a)]	6.5	10.8	—
Other	—	0.5	(0.1)
Affiliate key employee distributions	76.6	73.1	41.7
Variable compensation	230.7	243.4	172.7
Funds' operating (income) loss	(2.9)	0.7	0.1
ENI earnings before variable compensation	**583.4**	**586.6**	**413.5**
Less: ENI variable compensation	(230.7)	(243.4)	(172.7)
ENI operating earnings	**352.7**	**343.2**	**240.8**
Less: ENI Affiliate key employee distributions	(76.6)	(73.1)	(41.7)
ENI earnings after Affiliate key employee distributions	**$ 276.1**	**$ 270.1**	**$ 199.1**

(a) Included in restructuring for the year ended December 31, 2018 is $4.8 million related to 2018 CEO transition costs; and $ 1.6 million of costs incurred in connection with our planned redomicile to the U.S. Included in restructuring for the year ended December 31, 2017 is $1.0 million related to the Heitman transaction and $9.8 million related to the 2017 CEO transition costs, comprised of $0.5 million of fixed compensation and benefits, $8.8 million of variable compensation and $0.5 million of recruiting costs.

(2) The ENI operating margin, which is calculated before Affiliate key employee distributions, is used by management and is useful to investors to evaluate the overall operating margin of the business without regard to our various ownership levels at each of the Affiliates. The ENI operating margin is most comparable to our U.S. GAAP operating margin (excluding the effect of consolidated Funds) of 8.8% for the year ended December 31, 2018 , 8.1% for the year ended December 31, 2017 and 23.5% for the year ended December 31, 2016 .

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

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

(4) The ENI operating expense ratio is used by management and is useful to investors to evaluate the level of operating expense as measured against our recurring management fee revenue. We have provided this ratio since many operating expenses, including fixed compensation and benefits and general and administrative expense, are generally linked to the overall size of the business. We track this ratio as a key measure of scale economies at BSIG because in our profit sharing economic model, scale benefits both the Affiliate employees and BSIG shareholders. The ENI operating expense ratio is most comparable to the U.S. GAAP operating expense / management fee revenue ratio.

(5) ENI earnings before variable compensation is calculated as ENI revenue, less ENI operating expense.

(6) The ENI variable compensation ratio is used by management and is useful to investors to evaluate consolidated variable compensation as measured against our ENI earnings before variable compensation. Variable compensation is contractually set and calculated individually at each Affiliate, plus Center bonuses. Variable compensation is usually awarded based on a contractual percentage of each Affiliate's ENI earnings before variable compensation and may be paid in the form of cash or non-cash Affiliate equity or profit interests. Center variable compensation includes cash and BSIG equity. Non-cash variable compensation awards typically vest over several years and are recognized as compensation expense over that service period. The variable compensation ratio at each Affiliate, calculated as variable compensation divided by ENI earnings before variable compensation, will typically be between 25% and 35% . The ENI variable compensation ratio is most comparable to the U.S. GAAP variable compensation ratio.

(7) The ENI Affiliate key employee distribution ratio is used by management and is useful to investors to evaluate Affiliate key employee distributions as measured against our ENI operating earnings. Affiliate key employee distributions represent the share of Affiliate profits after variable compensation that is attributable to Affiliate key employee equity and profit interests holders, according to their ownership interests. The Affiliate key employee distribution ratio at each Affiliate is calculated as Affiliate key employee distributions divided by ENI operating earnings at that Affiliate. At certain Affiliates with tiered equity structures, BSUS and other classes of employee equity holders are entitled to an initial proportionate preference over profits after variable compensation, structured such that before a preference threshold is reached, there would be no required key employee distributions to the tiered equity holders, whereas for profits above the threshold the key employee distribution amount to the tiered equity holders would be calculated based on the tiered key employee ownership percentages. Based on current economic arrangements, employee distributions range from approximately 20% to 40% of marginal ENI operating earnings at each of our consolidated Affiliates. The ENI Affiliate key employee distributions ratio is most comparable to the U.S. GAAP Affiliate key employee distributions ratio.

Tax on Economic Net Income

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

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
Pre-tax economic net income [(1)]	$ 262.5	$ 251.3	$ 190.7
Intercompany interest expense deductible for U.S. tax purposes	(75.4)	(78.4)	(74.0)
Taxable economic net income	**187.1**	**172.9**	**116.7**
Taxes at the U.S. federal and state statutory rates [(2)]	(51.1)	(69.5)	(46.9)
Other reconciling tax adjustments	(11.6)	(0.9)	1.3
Tax on economic net income	**(62.7)**	**(70.4)**	**(45.6)**
Add back intercompany and OM plc interest expense previously excluded	75.4	78.4	74.0
Economic net income	**$ 199.8**	**$ 180.9**	**$ 145.1**
Economic net income effective tax rate [(3)]	23.9%	28.0%	23.9%

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

($ in millions)	Years ended December 31, 2018	2017	2016
U.S. GAAP interest income	$ 3.2	$ 0.8	$ 0.4
U.S. GAAP interest expense	(24.9)	(24.5)	(11.3)
U.S. GAAP net interest expense	**(21.7)**	**(23.7)**	**(10.9)**
Other ENI interest expense exclusions [(a)]	8.1	4.9	2.5
ENI net interest income (expense)	**(13.6)**	**(18.8)**	**(8.4)**
ENI earnings after Affiliate key employee distributions [(b)]	276.1	270.1	199.1
Pre-tax economic net income	**$ 262.5**	**$ 251.3**	**$ 190.7**

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

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

(2) Taxed at U.S. Federal and State statutory rate of 27.3% for the year ended December 31, 2018 and 40.2% for the years ended December 31, 2017 and 2016

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

Capital Resources and Liquidity

Cash Flows

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

($ in millions)	Years ended December 31, 2018	2017	2016
Cash provided by (used in) [(1)(2)]			
Operating activities	$ 252.3	$ 224.9	$ 123.9
Investing activities	57.6	(10.8)	(284.3)
Financing activities	(155.6)	(129.8)	112.9

(1) Excludes consolidated Funds.

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

Our most significant uses of cash have included our acquisition of Landmark, third-party interest payments, payments made to OM plc under the Deferred Tax Asset Deed, seed capital purchased from OM plc, repurchases of shares, dividends, and compensation and general and administrative expenses.

Comparison for the Years Ended December 31, 2018 , 2017 and 2016

Net cash provided by operating activities of continuing operations excluding consolidated Funds increased $27.4 million , or 12.2% , from $224.9 million for the year ended December 31, 2017 to $252.3 million for the year ended December 31, 2018 . The increase was primarily driven by year-to-date net income and non-cash charges, offset by gain on the sale of Heitman and changes in operating assets and liabilities.

Net cash provided by operating activities of continuing operations excluding consolidated Funds increased $101.0 million , or 81.5% , from $123.9 million for the year ended December 31, 2016 to $224.9 million for the year ended December 31, 2017 . The increase was primarily due to higher amortization and revaluation of non-cash compensation awards and the net impact of the Tax Act, somewhat offset by higher gains on other investments.

Net cash provided by (used in) investing activities of continuing operations excluding consolidated Funds consist primarily of investments in a new Affiliate in 2016, seed capital purchased from OM plc, proceeds from sale of investment in affiliate, purchases and sales of investment securities as part of our co-investment program and VDP, and purchases of fixed assets for use within our premises. Cash (used in) investing activities was $57.6 million , $(10.8) million and $(284.3) million for the years ended December 31, 2018 , 2017 and 2016 , respectively. Cash (used in) investing activities in 2016 primarily reflects disbursements of $(219.1) million , net of cash acquired, related to the Landmark acquisition. Net cash (used in) received from the (purchase) and sale of investments was $(25.7) million , $4.8 million and $(51.7) million for the years ended December 31, 2018 , 2017 and 2016 , respectively. Fluctuations are principally due to the timing of investments or redemptions of seed capital as well as acquisitions or disposals of real estate and timber assets in which we are co-investing. Net cash (used in) the purchase of fixed assets was $(21.7) million , $(13.7) million and $(13.5) million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

Net cash provided by (used in) financing activities excluding consolidated Funds consists of share repurchases, payments made to OM plc, third-party borrowings and dividends paid. Cash provided by (used in) financing activities was $(155.6) million , $(129.8) million and 112.9 million for the years ended December 31, 2018 , 2017 and 2016 , respectively. We paid down $(33.5) million against third party borrowings in 2018 , we drew net $33.5 million against third party borrowings in 2017 and we borrowed net $ 302.1 million against third party borrowings in 2016. In 2018 we made payments of $(3.9) million against amounts previously owed to OM plc for the co-investment arrangement, funded $(71.2) million for share repurchases, and paid out $(42.5) million in dividends. In 2017 we paid $(50.4) million against amounts previously owed to OM plc (including $(45.6) million for the deferred tax arrangement and $(4.8) million for the co-investment arrangement), funded $(74.1) million for share repurchases, and paid out $(38.8) million in dividends. In 2016 we paid $(148.0) million against third party borrowings, $(52.1) million against amounts previously owed to OM plc (including $(41.4) million for the deferred tax arrangement and $(10.7) million for the co-investment arrangement), funded $ (98.6) million for share repurchases and paid out $(38.5) million in dividends.

Working Capital and Long-Term Debt

The following table summarizes certain key financial data relating to our capital resources and liquid net assets. All amounts presented exclude the non-controlling interest portion of consolidated Funds:

	Years ended December 31,		
($ in millions)	**2018**	**2017**	**2016**
Balance Sheet Data (1)			
Current assets			
Cash and cash equivalents	$ 340.6	$ 186.3	$ 101.9
Investment advisory fees receivable	159.1	208.3	163.7
Investments	125.7	101.9	42.5
Total current assets	625.4	496.5	308.1
Current liabilities			
Accounts payable and accrued expenses	54.3	54.9	45.8
Accrued short-term incentive compensation	171.0	186.1	132.3
Other short-term liabilities (2)	232.8	45.2	95.0
Total current liabilities	458.1	286.2	273.1
Working Capital	**$ 167.3**	**$ 210.3**	**$ 35.0**
Long-term notes payable and other debt	$ 393.3	$ 426.3	$ 392.3

(1) Excludes the non-controlling interest portion of consolidated Funds.

(2) Excluded from other short-term liabilities for each of the years presented is an income tax reserve relating to net operating losses that does not represent a current obligation of the Company. Puts related to Affiliate equity and profits interests are also excluded on a short-term basis because they are funded through recycling. Included within other short-term liabilities are payments due within twelve months to OM plc under the Deferred Tax Asset Deed, as amended, and the earn out payment due in connection with our 2016 acquisition of Landmark Partners, LLC, which was subsequently settled after year-end.

Working capital is defined as current assets less current liabilities, excluding the non-controlling interest portion of consolidated Funds. Our net working capital has been positive over the past several years and was $167.3 million at December 31, 2018 . Our most significant current liabilities have been accounts payable and accrued compensation expense. Total current liabilities at December 31, 2018 also includes amounts payable to OM plc within twelve months under the Deferred Tax Asset Deed, as amended, and the earn out payment due in connection with our 2016 acquisition of Landmark Partners, LLC. Accrued compensation expense has primarily consisted of variable compensation accruals made throughout the year based on contractual arrangements. Our cash management practices generally require that working capital be maintained at each Affiliate at a sufficient level to meet short-term operational needs. Periodic distributions of Affiliate earnings to BSUS and Affiliate key employee equity holders are made according to respective Affiliate distribution policies, with BSUS having the ability to access any surplus cash at each Affiliate as necessary during interim periods.

Long-Term Debt

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

($ in millions)	Amounts outstanding at December 31, 2018	Amounts outstanding at December 31, 2017	Interest rate	Maturity
Long-term debt of BSIG, net of issuance costs				
Third party obligations:				
Revolving credit facility	$ —	$ —	LIBOR + 1.50% plus 0.25% commitment fee	October 15, 2019
Non-recourse seed capital facility	—	33.5	LIBOR + 1.55% plus 0.95% commitment fee	January 17, 2020
Long-term bonds:				
4.80% Senior Notes Due 2026	272.2	271.9	4.80%	July 27, 2026
5.125% Senior Notes Due 2031	121.1	120.9	5.125%	August 1, 2031
Total long-term debt	**$ 393.3**	**$ 426.3**		

Revolving Credit Facility

On October 15, 2014, we entered into a revolving credit facility with Citibank, as administrative agent and issuing bank, and Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint lead arrangers and joint book runners (as amended, the "Credit Facility"). Pursuant to the terms of the Credit Facility, we may obtain loans on a revolving credit basis and procure the issuance of letters of credit in an aggregate amount at any time outstanding not in excess of $350 million . The Credit Facility has a maturity date of October 15, 2019 . We intend to extend the Credit Facility beyond the maturity date. Borrowings under the facility bear interest, at our option, at either the per annum rate equal to (a) the greatest of (i) the prime rate, (ii) the federal funds effective rate plus 0.5% and (iii) the one month Adjusted LIBO Rate plus 1.0% , plus, in each case an additional amount ranging from 0.25% to 1.00% based on our credit rating or (b) the London interbank offered rate for a period, at our election, equal to one, two, three or six months plus an additional amount ranging from 1.25% to 2.00% , with such additional amount based on our credit rating. In addition, we are charged a commitment fee based on the average daily unused portion of the revolving credit facility at a per annum rate ranging from 0.20% to 0.50% , with such amount being based on our credit rating.

Under the Credit Facility, the ratio of third-party borrowings to trailing twelve months Adjusted EBITDA cannot exceed 3.0 x, and the interest coverage ratio must not be less than 4.0 x. At December 31, 2018 , our ratio of debt (includes third-party borrowings and amounts owed under previously agreed acquisition agreement) to trailing twelve months Adjusted EBITDA was 2.1 x and our interest coverage ratio was 11.7 x. We have drawn down $240.0 million on the Credit Facility subsequent to year-end to help fund the Landmark earn-out payment and additional share repurchases. The balance available on the Credit Facility as of February 28, 2019 was $110.0 million .

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

Non-Recourse Seed Capital Facility

In July 2017, we purchased all remaining seed capital investments covered by the Seed Capital Management Agreement from OM plc for $63.4 million. We financed this purchase in part through borrowings under a non-recourse seed capital facility collateralized entirely by our seed capital holdings. We entered into this facility as of July 17, 2017, and could borrow up to $65.0 million, so long as the borrowing does not represent more than 50% of the value of the seed capital collateral. The facility currently has a maturity date of January 17, 2020 and includes a six-month evergreen renewal option. At December 31, 2018 , amounts outstanding under this non-recourse seed capital facility amounted to $0.0 million . Since this facility is non-recourse to us beyond the seed investments themselves, drawdowns under this facility are excluded from our third party debt levels for purposes of calculating our credit ratio covenants under the revolving credit facility.

Long-term Bonds

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

4.80% Senior Notes Due July 2026

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

5.125% Senior Notes Due August 2031

The $125.0 million 2031 Notes incurred debt issuance costs of $(4.3) million , which are being amortized to interest expense over the fifteen -year term. The 2031 Notes can be redeemed at any time, on or after August 1, 2019, at a redemption price equal to 100.0% of the principal amount together with any related accrued and unpaid interest.

Other Long-term Liabilities

Other long-term liabilities principally consist of cash-settled Affiliate equity and profit interests liabilities held by certain Affiliate key employees, and voluntary deferred compensation plans. The following table summarizes our other long-term liabilities:

	Years ended December 31,	
($ in millions)	**2018**	**2017**
Share-based payments liability	$ 386.1	$ 188.8
Affiliate profit interests liability	171.4	195.0
Employee equity	557.5	383.8
Voluntary deferral plan liability	91.7	95.1
Non-current compensation payable	—	0.1
Total	**$ 649.2**	**$ 479.0**

Share-based payments liability represents the value of Affiliate key employee-owned equity that may under certain circumstances be repurchased by us that is considered an equity award under U.S. GAAP based on the terms and conditions attached to these interests. Profit interests represent the value of Affiliate key employee-owned equity that may under certain circumstances be repurchased by us that is not considered an equity award under U.S. GAAP, but rather a form of compensation arrangement, based on the terms and conditions attached to these interests. Our obligation in any given period in respect of funding these potential repurchases of Affiliate equity is limited to only that portion that may be put to us by Affiliate key employees, which is typically capped annually under the terms of these arrangements such that we are not required to repurchase more than we can reasonably recycle by re-granting the interests in lieu of cash variable compensation owed to Affiliate key employees.

Certain of our and our Affiliates' key employees are eligible to participate in our voluntary deferral plan, or VDP, which provides our senior personnel the opportunity to voluntarily defer a portion of their compensation. There is a voluntary deferral plan investment balance included in investments on the Consolidated Balance Sheets that corresponds to this deferral liability.

For additional discussion of our compensation programs, please refer to the compensation discussions contained within our definitive proxy statement for our 2019 annual meeting of shareholders incorporated herein by reference.

Supplemental Liquidity Measure—Adjusted EBITDA

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

The following table reconciles our U.S. GAAP net income attributable to controlling interests to EBITDA to Adjusted EBITDA to economic net income for the years ended December 31, 2018 , 2017 and 2016 :

	Years Ended December 31,		
($ in millions)	2018	2017	2016
Net income attributable to controlling interests	**$ 136.4**	**$ 4.2**	**$ 126.4**
Net interest expense to third parties	21.7	23.7	10.8
Income tax expense (including tax expense related to discontinued operations)	5.0	132.7	44.8
Depreciation and amortization (including intangible assets)	21.1	18.3	12.0
EBITDA	**$ 184.2**	**$ 178.9**	**$ 194.0**
Non-cash compensation costs associated with revaluation of Affiliate key employee-owned equity and profit-sharing interests	107.2	95.4	(7.1)
Amortization of acquisition-related consideration and pre-acquisition employee equity	70.6	70.6	26.5
EBITDA of discontinued operations attributable to controlling interests	(0.1)	0.2	(10.2)
(Gain) loss on seed and co-investments and investment changes attributable to controlling interests	6.4	(22.2)	(1.1)
Deferred tax asset deed revaluation	(20.0)	(51.8)	—
Restructuring costs (1)	(59.3)	10.8	—
Capital transaction costs	1.6	—	6.4
Adjusted EBITDA	**$ 290.6**	**$ 281.9**	**$ 208.5**
ENI net interest expense to third parties	(13.6)	(18.8)	(8.4)
Depreciation and amortization	(14.5)	(11.8)	(9.4)
Tax on economic net income	(62.7)	(70.4)	(45.6)
Economic net income	**$ 199.8**	**$ 180.9**	**$ 145.1**

(1) Included in restructuring for the year ended December 31, 2018 is the gain on the sale of Heitman of $65.7 million, $1.6 million of costs associated with our planned redomicile and $4.8 million related to the 2018 CEO transition. Included in restructuring for the year ended December 31, 2017 is $1.0 million related to the Heitman transaction and $9.8 million related to CEO transition costs, comprised of $0.5 million of fixed compensation and benefits, $8.8 million of variable compensation and $0.5 million of recruiting costs.

For a full discussion regarding the items excluded from Adjusted EBITDA above and the calculation of economic net income, refer to "—Non-GAAP Supplemental Performance Measure—Economic Net Income."

Limitations of Adjusted EBITDA

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

Future Capital Needs

We believe that our available cash and cash equivalents to be generated from operations, supplemented by short-term and long-term financing, as necessary, will be sufficient to fund current operations and capital requirements for at least the next twelve months, including our obligations under the amended Deferred Tax Asset Deed and the Landmark earn-out (which was settled in February, 2019), as well as our day-to-day operations and future investment requirements. Refer to Note 10, Related Party Transactions in our Consolidated Financial Statements included in Item 8 herein, for additional information on the amended agreements with OM plc. Our ability to secure short-term and long-term financing in the future will depend on several factors, including our future profitability, our relative levels of debt and equity and the overall condition of the credit markets.

Commitments, Contingencies and Off-Balance Sheet Obligations

Indemnifications

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

Off-Balance Sheet Obligations

Off-balance sheet arrangements, as defined by the SEC, include certain contractual arrangements pursuant to which a company has an obligation, such as certain contingent obligations, certain guarantee contracts, retained or contingent interests in assets transferred to an unconsolidated entity, certain derivative instruments classified as equity or material variable interests in unconsolidated entities that provide financing, liquidity, market risk or credit risk support. Disclosure is required for any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, results of operations, liquidity or capital resources. We generally do not enter into off-balance sheet arrangements, other than those described in “Contractual Obligations” as well as Note 6 to our Consolidated Financial Statements included in Item 8 herein, “Variable Interest Entities.”

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2018 :

	Payments due by period				
($ in millions)	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Contractual Obligations					
Amounts due to OM plc (1)	$ 33.0	$ 30.6	$ 2.4	$ —	$ —
Other third party borrowings	400.0	—	—	—	400.0
Lease obligations (2)	54.4	14.1	26.5	10.9	2.9
Co-investment obligations	69.5	19.0	42.4	7.7	0.4
Other liabilities (3)	1.3	0.2	0.4	0.4	0.3
Maximum Affiliate equity and profits interests repurchase obligations (4)	557.5	284.1	108.7	49.7	115.0
Total contractual obligations	**$ 1,115.7**	**$ 348.0**	**$ 180.4**	**$ 68.7**	**$ 518.6**

(1) Amounts due to OM plc are comprised of $25.2 million related to the deferred tax asset liability and $7.5 million related to co-investments. We entered into the Deferred Tax Asset Deed with OM plc in October 2014 and amended the agreement in June 2016. Following the passage of the Tax Act, we made adjustments to revalue the Deferred Tax Asset Deed. In 2018, the Company agreed to terminate the DTA Deed with OM plc. The Company recorded a revaluation gain of $20.0 million in connection with the settlement of the DTA Deed for the year ended December 31, 2018 . In the first quarter of 2019, the final cash payment of $32.7 million will be made to OM plc to settle the outstanding liability under the Deed. The continuation of certain protections provided by OM plc related to the realized tax benefit resulting from the Company's use of deferred tax assets remains unaffected.

(2) Amounts are shown net of income from subleases and exclude transferred Affiliates.

(3) Represents the mortgage on a building owned by an Affiliate.

(4) Represents amortized amounts putable by Affiliate key employees. Includes the earn out payment due in connection with our 2016 acquisition of Landmark Partners, LLC, which was subsequently settled after year-end. Our obligation in any given period in respect of funding these potential repurchases of Affiliate equity and profits interests is limited to only that portion that may be put to us by Affiliate key employees, which is typically capped annually under the terms of these arrangements such that we are not required to repurchase more than we can reasonably recycle by re-granting the interests in lieu of cash variable compensation owed to Affiliate key employees. Any equity or profits interests repurchased by us can be used to fund a portion of future variable compensation awards resulting in savings in cash variable compensation that offset the negative cash effect of repurchasing the equity.

Critical Accounting Policies and Estimates

Our accompanying Consolidated Financial Statements were prepared in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates or assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Due to their nature, estimates involve judgment based upon available information. Actual results could differ from these estimates or assumptions and may have a material effect on our Consolidated Financial Statements.

Our significant accounting policies are enumerated in Note 2, “Significant Accounting Policies” of our accompanying Consolidated Financial Statements. Of the significant accounting policies discussed in Note 2, we believe that the policies and estimates below constitute our critical accounting policies, as they involve significant estimates or judgment due to the sensitivity of the methods and assumptions used.

Our critical accounting policies are:

- revenue recognition
- compensation arrangements
- share-based compensation
- consolidation
- fair value measurement
- intangible assets
- goodwill
- earnings per share
- income taxes

Recent Accounting Developments

See discussion of Recent Accounting Developments in Note 2 of the accompanying Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

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

Our model for assessing the impact of market risk on our results uses December 31, 2018 ending AUM and management fee rates as the basis for management fee revenue calculations. With respect to performance fee revenue, we assume that relative investment performance remains the same as it was on December 31, 2018 . Therefore, market-driven changes in performance fees, which are typically based on relative performance versus market indices, reflect changes in the underlying AUM used in the calculation rather than differences in relative performance as a result of a changed market environment. The basis for the analysis is performance fees earned for the twelve months ended December 31, 2018 .

Our profit sharing economic structure, described more fully in "Management's Discussion and Analysis of Financial Condition and Results of Operation—The Economics of Our Business," results in a sharing of market risk between us and our employees. Approximately 50% of our ENI cost structure is variable, representing variable compensation and Affiliate key employee distributions. These variable expenses generally are linked in a formulaic manner to the profitability of the business after covering operating expenses, which include base compensation and benefits, general and administrative expenses, and depreciation and amortization. In modeling the impact of market risk, we assume that these operating expenses remain unchanged, but the resulting impact on profit driven by increases or decreases in revenue will change variable compensation and Affiliate key employee distributions in line with their formulaic calculations. Any change in pre-tax profit is tax-effected at our statutory combined state and federal rate of approximately 27% to calculate profit after tax, factoring the impact of the 2017 Tax Cuts and Jobs Act.

The value of our assets under management was $206.3 billion as of December 31, 2018 . A 10% increase or decrease in the value of our assets under management, if proportionally distributed over all of our investment strategies, asset classes and client relationships, would cause an annualized increase or decrease in our gross management fee revenues of approximately $77.3 million , including equity-accounted Affiliates, based on our current weighted average fee rate of approximately 37 basis points, excluding net catch-up fees, including equity-accounted Affiliates. Approximately $45.0 billion , or 22% , of our AUM, including equity-accounted Affiliates, are in accounts subject to performance fees. Of these assets, approximately 80% are in accounts for which performance fees, or management fee adjustments, are calculated based on investment return that differs from the relative benchmark returns. Assuming the market change does not impact our relative performance and high-water mark status of our alternative assets, a 10% increase or decrease in AUM would have approximately a $1.0 million impact to our gross performance fees based on our trailing twelve month performance fees of $9.8 million as of December 31, 2018 . The combined impact on our management fees and performance fees would have a direct impact on our earnings and result in an annual change of approximately $28.0 million in our post-tax economic net income, given our current cost structure and operating model.

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

- Our equity markets-based AUM includes U.S. equities (including small cap through large cap securities and substantially value or blended investment styles) and global/non-U.S. equities (including global, non-U.S. and emerging markets securities). A 10% increase or decrease in equity markets would cause our $169.4 billion of equity assets under management to increase or decrease by $16.9 billion , resulting in a change in annualized management fee revenue of $57.1 million and an annual change in post-tax economic net income of approximately $21.6 million , given our current cost structure, operating model, and weighted average equity fee rates of 34 basis points at the mix of strategies as of December 31, 2018 . Approximately $34.5 billion , or 20% , of our equity markets-based AUM are in accounts subject to performance fees. Of these assets, approximately 99% are in accounts for which performance fees are calculated based on investment return in excess of the relative benchmark returns. Assuming the market change does not impact our relative performance, a 10% change in equity markets would have no material impact from performance fees on our post-tax economic net income, given our current cost structure and operating model.

- Foreign currency AUM includes equity and alternative instruments denominated in foreign currencies. A 10% increase or decrease in foreign exchange rates against the U.S. dollar would cause our $87.3 billion of foreign currency denominated AUM to increase or decrease by $8.7 billion , resulting in a change in annualized management fee revenue of $36.5 million and an annual change in post-tax economic net income of $14.1 million , based on weighted average fees earned on our foreign currency denominated AUM of 42 basis points at the mix of strategies as of December 31, 2018 . Approximately $11.0 billion , or 12% , of our foreign currency denominated AUM are in accounts subject to performance fees. Of these assets, approximately 90% are in accounts for which performance fees are calculated based on investment return in excess of the relative benchmark returns. Assuming the market change does not impact our relative performance, a 10% change in foreign currency exchange rates would have an approximate incremental $0.6 million impact from performance fees on our post-tax economic net income, given our current cost structure and operating model.
- Fixed income AUM includes instruments in government bonds, corporate bonds and other fixed income investments in the United States. A change in interest rates, resulting in a 10% increase or decrease in the value of our total fixed income AUM of $13.1 billion , would cause AUM to rise or fall by approximately $1.3 billion . Based on our fixed income weighted average fee rates of 20 basis points, annualized management fees would change by $2.6 million and post-tax economic net income would change by $0.9 million annually. There are currently no material fixed income assets earning performance fees as of the year ended December 31, 2018 .

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

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

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

Item 8. Financial Statements and Supplementary Data.

Index to financial statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
BrightSphere Investment Group plc:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of BrightSphere Investment Group plc (formerly OM Asset Management plc) and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three‑year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three‑year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2019, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG

We have served as the Company's auditor since 2014.

Boston, Massachusetts
February 28, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors

BrightSphere Investment Group plc:

Opinion on Internal Control Over Financial Reporting

We have audited BrightSphere Investment Group plc (formerly OM Asset Management plc) and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes, and our report dated February 28, 2019, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Report of Management on Internal Control over Financial Reporting* . Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG

Boston, Massachusetts

February 28, 2019

BrightSphere Investment Group plc

Consolidated Balance Sheets

(in millions, except for share and per share data)

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 340.6	$ 186.3
Investment advisory fees receivable	159.1	208.3
Income taxes receivable	3.9	30.0
Fixed assets, net	49.0	41.7
Investments (includes balances reported at fair value of $196.6 and $182.6)	198.5	244.4
Acquired intangibles, net	71.7	78.3
Goodwill	274.6	274.6
Other assets	41.6	33.6
Deferred tax assets	270.1	240.6
Assets of consolidated Funds:		
Cash and cash equivalents, restricted	4.9	14.1
Investments, at fair value	124.8	136.7
Other assets	14.9	3.1
Total assets	**$ 1,553.7**	**$ 1,491.7**
Liabilities and shareholders' equity		
Accounts payable and accrued expenses	$ 54.3	$ 54.9
Accrued incentive compensation	171.0	186.1
Amounts due to OM plc	33.0	59.1
Other compensation liabilities	649.2	479.0
Accrued income taxes	53.6	96.2
Non-recourse borrowings	—	33.5
Third party borrowings	393.3	392.8
Other liabilities	8.3	8.3
Liabilities of consolidated Funds:		
Accounts payable and accrued expenses	13.1	2.5
Securities sold, not yet purchased, at fair value	1.7	7.9
Other liabilities	0.1	0.1
Total liabilities	**1,377.6**	**1,320.4**
Commitments and contingencies		
Redeemable non-controlling interests in consolidated Funds	41.9	44.0
Equity:		
Ordinary shares (nominal value $0.001; 105,160,021 and 109,720,358 shares, respectively, issued)	0.1	0.1
Shareholders' equity	124.1	96.9
Accumulated other comprehensive loss	(20.9)	(21.6)
Non-controlling interests	1.6	1.3
Non-controlling interests in consolidated Funds	29.3	50.6
Total equity and redeemable non-controlling interests in consolidated Funds	**176.1**	**171.3**
Total liabilities and equity	**$ 1,553.7**	**$ 1,491.7**

See Notes to Consolidated Financial Statements

BrightSphere Investment Group plc

Consolidated Statements of Operations

(in millions except for per share data)

	For the Years Ended December 31, 2018	2017	2016
Revenue:			
Management fees	$ 905.0	$ 858.0	$ 659.9
Performance fees	9.8	26.5	2.6
Other revenue	9.6	1.2	0.9
Consolidated Funds' revenue	3.8	1.7	0.1
Total revenue	**928.2**	**887.4**	**663.5**
Operating expenses:			
Compensation and benefits	696.4	682.8	397.4
General and administrative expense	126.0	112.9	98.3
Amortization of acquired intangibles	6.6	6.6	2.6
Depreciation and amortization	14.5	11.7	9.4
Consolidated Funds' expense	0.9	2.4	0.2
Total operating expenses	**844.4**	**816.4**	**507.9**
Operating income	**83.8**	**71.0**	**155.6**
Non-operating income and (expense):			
Investment income	66.5	27.4	17.2
Interest income	3.2	0.8	0.4
Interest expense	(24.9)	(24.5)	(11.3)
Revaluation of DTA deed	20.0	51.8	—
Net consolidated Funds' investment gains (losses)	(13.4)	15.5	(1.1)
Total non-operating income	**51.4**	**71.0**	**5.2**
Income from continuing operations before taxes	**135.2**	**142.0**	**160.8**
Income tax expense	5.0	132.8	40.8
Income from continuing operations	**130.2**	**9.2**	**120.0**
Gain (loss) on disposal of discontinued operations, net of tax	0.1	(0.1)	6.2
Net income	**130.3**	**9.1**	**126.2**
Net income (loss) attributable to non-controlling interests in consolidated Funds	(6.1)	4.9	(0.2)
Net income attributable to controlling interests	**$ 136.4**	**$ 4.2**	**$ 126.4**
Earnings per share (basic) attributable to controlling interests	$ 1.27	$ 0.04	$ 1.05
Earnings per share (diluted) attributable to controlling interests	1.26	0.04	1.05
Continuing operations earnings per share (basic) attributable to controlling interests	1.27	0.04	0.98
Continuing operations earnings per share (diluted) attributable to controlling interests	1.26	0.04	0.98
Weighted average ordinary shares outstanding	107.4	110.7	119.2
Weighted average diluted ordinary shares outstanding	107.6	111.4	119.5

See Notes to Consolidated Financial Statements

BrightSphere Investment Group plc

Consolidated Statements of Comprehensive Income

(in millions)

	For the Years Ended December 31,		
	2018	**2017**	**2016**
Net income	$ 130.3	$ 9.1	$ 126.2
Other comprehensive income (loss):			
Valuation and amortization related to derivative securities, net of tax	2.4	1.8	(20.3)
Foreign currency translation adjustment	(1.7)	2.9	(3.2)
Total comprehensive income	**131.0**	**13.8**	**102.7**
Comprehensive income (loss) attributable to non-controlling interests in consolidated Funds	(6.1)	4.9	(0.2)
Total comprehensive income attributable to controlling interests	**$ 137.1**	**$ 8.9**	**$ 102.9**

See Notes to Consolidated Financial Statements

BrightSphere Investment Group plc
Consolidated Statements of Changes in Shareholders’ Equity
For the Years Ended December 31, 2018 , 2017 and 2016
($ in millions, except share data)

	Ordinary shares (millions)	Ordinary shares, nominal value	Shareholders’ equity (deficit)	Accumulated other comprehensive income (loss)	Total shareholders’ equity (deficit)	Non-controlling interests	Non-controlling interests in consolidated Funds	Total equity	Redeemable non-controlling interests in consolidated Funds	Total equity and redeemable non-controlling interests in consolidated Funds
December 31, 2015	**120.5**	**$ 0.1**	**$ 168.6**	**$ (2.8)**	**$ 165.9**	**$ —**	**$ —**	**$ 165.9**	**$ —**	**$ 165.9**
Issuance of ordinary shares	0.5	—	—	—	—	—	—	—	—	—
Repurchase of ordinary shares	(6.9)	—	(98.2)	—	(98.2)	—	—	(98.2)	—	(98.2)
Capital contributions (redemptions)	—	—	(0.4)	—	(0.4)	—	—	(0.4)	—	(0.4)
Equity-based compensation	—	—	12.8	—	12.8	—	—	12.8	—	12.8
Foreign currency translation adjustment	—	—	—	(3.2)	(3.2)	—	—	(3.2)	—	(3.2)
Valuation and amortization of derivative securities, net of tax	—	—	—	(20.3)	(20.3)	—	—	(20.3)	—	(20.3)
Amendment of deferred tax asset deed	—	—	19.8	—	19.8	—	—	19.8	—	19.8
Business acquisition	—	—	—	—	—	1.0	—	1.0	—	1.0
Net consolidation (deconsolidation) of Funds	—	—	—	—	—	—	—	—	5.5	5.5
Dividends to shareholders ($0.32 per share)	—	—	(13.4)	—	(13.4)	—	—	(13.4)	—	(13.4)
Dividends to related parties ($0.32 per share)	—	—	(25.4)	—	(25.4)	—	—	(25.4)	—	(25.4)
Net income (loss)	—	—	126.4	—	126.4	—	—	126.4	—	126.4
December 31, 2016	**114.1**	**$ 0.1**	**$ 190.2**	**$ (26.3)**	**$ 164.0**	**$ 1.0**	**$ —**	**$ 165.0**	**$ 5.5**	**$ 170.5**
Issuance of ordinary shares	0.6	$ —	—	—	—	—	—	—	—	—
Repurchase of ordinary shares	(5.0)	—	(73.1)	—	(73.1)	—	—	(73.1)	—	(73.1)
Capital redemptions	—	—	(1.1)	—	(1.1)	—	—	(1.1)	33.4	32.3
Equity-based compensation	—	—	15.7	—	15.7	—	—	15.7	—	15.7
Foreign currency translation adjustment	—	—	—	2.9	2.9	—	—	2.9	—	2.9
Amortization of derivative securities, net of tax	—	—	—	1.8	1.8	—	—	1.8	—	1.8
Business acquisition	—	—	—	—	—	0.3	—	0.3	—	0.3
Net consolidation (deconsolidation) of Funds	—	—	—	—	—	—	50.9	50.9	(0.1)	50.8
Dividends to shareholders ($0.36 per share)	—	—	(27.7)	—	(27.7)	—	—	(27.7)	—	(27.7)
Dividends to related parties ($0.36 per share)	—	—	(11.3)	—	(11.3)	—	—	(11.3)	—	(11.3)
Net income (loss)	—	—	4.2	—	4.2	—	(0.3)	3.9	5.2	9.1
December 31, 2017	**109.7**	**$ 0.1**	**$ 96.9**	**$ (21.6)**	**$ 75.4**	**$ 1.3**	**$ 50.6**	**$ 127.3**	**$ 44.0**	**$ 171.3**
Issuance of ordinary shares	1.0	—	—	—	—	—	—	—	—	—
Repurchase of ordinary shares	(5.5)	—	(74.6)	—	(74.6)	—	—	(74.6)	—	(74.6)
Capital contributions (redemptions)	—	—	—	—	—	—	9.3	9.3	78.9	88.2
Equity-based compensation	—	—	7.7	—	7.7	—	—	7.7	—	7.7
Foreign currency translation adjustment	—	—	—	(1.7)	(1.7)	—	—	(1.7)	—	(1.7)
Amortization of derivative securities, net of tax	—	—	—	2.4	2.4	—	—	2.4	—	2.4
Business acquisition	—	—	—	—	—	0.3	—	0.3	—	0.3
Net deconsolidation of Funds	—	—	—	—	—	—	(28.8)	(28.8)	(76.7)	(105.5)
Dividends ($0.39 per share)	—	—	(42.3)	—	(42.3)	—	—	(42.3)	—	(42.3)
Net income (loss)	—	—	136.4	—	136.4	—	(1.8)	134.6	(4.3)	130.3
December 31, 2018	**105.2**	**$ 0.1**	**$ 124.1**	**$ (20.9)**	**$ 103.3**	**$ 1.6**	**$ 29.3**	**$ 134.2**	**$ 41.9**	**$ 176.1**

See Notes to Consolidated Financial Statements

BrightSphere Investment Group plc

Consolidated Statements of Cash Flows

(in millions)

	For the Years Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	$ 130.3	$ 9.1	$ 126.2
Less: Net (income) loss attributable to non-controlling interests in consolidated Funds	6.1	(4.9)	0.2
Adjustments to reconcile net income to net cash flows from operating activities from continuing operations:			
(Gain) loss from discontinued operations, excluding consolidated Funds	(0.1)	0.1	(6.2)
Amortization of acquired intangibles	6.6	6.6	2.6
Depreciation and amortization	14.5	11.7	9.4
Amortization of debt-related costs	3.3	3.1	1.3
Loss on disposal of fixed assets	—	—	0.1
Amortization and revaluation of non-cash compensation awards	198.8	192.3	45.1
Net earnings from Affiliates accounted for using the equity method	(2.7)	(14.5)	(15.1)
Distributions received from equity method Affiliates	11.9	15.4	13.5
Revaluation of DTA Deed	(20.0)	(51.8)	—
Impact of Tax Act on deferred income taxes	—	121.1	—
Gain on sale of investment in Affiliate	(65.7)	—	—
Deferred income taxes	(24.8)	(30.1)	13.3
(Gains) losses on other investments	6.1	(37.4)	(3.0)
Changes in operating assets and liabilities (excluding discontinued operations):			
(Increase) decrease in investment advisory fees receivable and other amounts due from OM plc	49.5	(44.7)	(3.1)
(Increase) decrease in other receivables, prepayments, deposits and other assets	21.9	(31.6)	(17.6)
Increase (decrease) in accrued incentive compensation and other liabilities and amounts due to OM plc	(37.3)	65.2	(14.0)
Increase (decrease) in accounts payable, accrued expenses and accrued income taxes	(46.1)	15.3	(28.8)
Net cash flows from operating activities of continuing operations, excluding consolidated Funds	**252.3**	**224.9**	**123.9**
Net income (loss) attributable to non-controlling interests in consolidated Funds	(6.1)	4.9	(0.2)
Adjustments to reconcile net income (loss) attributable to non-controlling interests in consolidated Funds to net cash flows from operating activities from continuing operations of consolidated Funds:			
(Gains) losses on other investments	9.0	(5.6)	0.1
(Increase) decrease in receivables and other assets	(14.1)	(0.8)	(0.1)
Increase (decrease) in accounts payable and other liabilities	13.0	2.1	0.5
Net cash flows from operating activities of continuing operations of consolidated Funds	**1.8**	**0.6**	**0.3**
Net cash flows from operating activities of continuing operations	**254.1**	**225.5**	**124.2**
Net cash flows from operating activities of discontinued operations	0.1	—	13.5
Total net cash flows from operating activities	**254.2**	**225.5**	**137.7**

BrightSphere Investment Group plc

Consolidated Statements of Cash Flows (Continued)

(in millions)

	For the Years Ended December 31,		
	2018	**2017**	**2016**
Cash flows from investing activities:			
Purchase of fixed assets, excluding discontinued operations	(21.7)	(13.7)	(13.5)
Proceeds from sale of investment in Affiliate	105.0	—	—
Business acquisitions, net of cash acquired	—	(1.9)	(219.1)
Purchase of investment securities	(103.9)	(84.6)	(65.0)
Sale of investment securities	78.2	89.4	13.3
Cash flows from investing activities of consolidated Funds:			
Purchase of investments	(250.3)	(145.6)	(11.6)
Redemption of investments	191.2	59.8	11.2
Consolidation (de-consolidation) of Funds	(40.2)	65.6	0.5
Net cash flows from investing activities of continuing operations	**(41.7)**	**(31.0)**	**(284.2)**
Net cash flows from investing activities of discontinued operations	—	—	—
Total net cash flows from investing activities	**(41.7)**	**(31.0)**	**(284.2)**
Cash flows from financing activities:			
Proceeds from third party and non-recourse borrowings	15.0	76.0	450.1
Repayment of third party and non-recourse borrowings	(48.5)	(42.5)	(148.0)
Payment to OM plc for promissory notes	(4.5)	—	—
Payment to OM plc for deferred tax arrangement	—	(45.6)	(41.4)
Payment to OM plc for co-investment redemptions	(3.9)	(4.8)	(10.7)
Repurchase of ordinary shares	(71.2)	(74.1)	(98.6)
Dividends paid to shareholders	(31.8)	(27.5)	(13.1)
Dividends paid to related parties	(10.7)	(11.3)	(25.4)
Cash flows from financing activities of consolidated Funds			
Redeemable non-controlling interest capital raised	88.6	33.4	—
Redeemable non-controlling interest capital redeemed	(0.4)	—	—
Net cash flows from financing activities of continuing operations	**(67.4)**	**(96.4)**	**112.9**
Net cash flows from financing activities of discontinued operations	—	—	—
Total net cash flows from financing activities	**(67.4)**	**(96.4)**	**112.9**
Net increase (decrease) in cash and cash equivalents	**145.1**	**98.1**	**(33.6)**
Cash and cash equivalents at beginning of period	200.4	102.3	135.9
Cash and cash equivalents at end of period (including cash at consolidated Funds classified as restricted)	**$ 345.5**	**$ 200.4**	**$ 102.3**
Supplemental disclosure of cash flow information:			
Interest paid (excluding consolidated Funds)	$ 22.2	$ 22.1	$ 3.1
Income taxes paid	$ 45.6	$ 71.2	$ 23.5
Supplemental disclosure of non-cash investing and financing transactions:			
Consolidation (de-consolidation) of Funds	$ (105.5)	$ 50.8	$ 5.5
Payable for securities purchased by a consolidated Fund	$ 10.8	$ —	$ —

See Notes to Consolidated Financial Statements

1) Organization and Description of the Business

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

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

Prior to 2014, the Company was a wholly-owned subsidiary of Old Mutual plc (“OM plc”), an international long-term savings, protection and investment group, listed on the London Stock Exchange. On October 15, 2014, the Company completed the initial public offering (the “Offering”) by OM plc pursuant to the Securities Act of 1933, as amended. Additionally, between the Offering and December 31, 2018 , the Company, OM plc and/or HNA Capital US (“HNA”) completed the following transactions in the Company’s shares, including a two-step transaction announced on March 25, 2017 for a sale by OM plc of a 24.95% shareholding in the Company to HNA and a two-step transaction announced on November 19, 2018 for a sale of the substantial majority of the ordinary shares held by HNA of the Company to Paulson & Co. (“Paulson”). On February 25, 2019, this transaction was completed and Paulson holds approximately 21.7% of the ordinary shares of the Company.

1) Organization and Description of the Business (cont.)

			Ownership percentage following the transactions for:			
Date	**Transaction description**	**Total shares**	**OM plc**	**HNA**	**Paulson**	**Note**
October 15, 2014	IPO of BSIG shares by OM plc	24,231,375	78.8%	—%	—%	(1)
June 22, 2015	Secondary public offering by OM plc	15,295,000	65.8%	—%	—%	(2)
December 16, 2016	Secondary public offering by OM plc	14,950,000	—	—	—%	(3)
December 16, 2016	Repurchase and retirement of shares by BSIG	6,000,000	51.1%	—%	—%	(4)
May 12, 2017	Sale of shares from OM plc to HNA	11,414,676	40.9%	9.95%	—%	(5)
May 19, 2017	Secondary public offering by OM plc	19,895,000	—	—	—%	(6)
May 19, 2017	Repurchase and retirement of shares by BSIG	5,000,000	20.1%	10.4%	—%	(4)
November 10, 2017	Sale of shares from OM plc to HNA	15,960,553	5.51%	24.95%	—%	(7)
November 17, 2017	Secondary public offering by OM plc	6,039,630	—%	24.95%	—%	(8)
November 19, 2018	Sale of shares from HNA to Paulson	4,598,566	—%	21.4%	4.9%	(9)
February 21, 2019	Repurchase and retirement of shares by BSIG	4,100,000	—%	19.4%	5.4%	(4)
February 25, 2019	Repurchase and retirement of shares by BSIG	3,886,625	—%	16.0%	5.7%	(4)
February 25, 2019	Sale of shares from HNA to Paulson	14,790,038	—%	—%	21.7%	(9)

(1) Includes 2,231,375 shares purchased by the underwriters of the offering under their overallotment option.

(2) Includes 1,995,000 shares purchased by the underwriters of the offering under their overallotment option.

(3) Includes 1,950,000 shares purchased by the underwriters of the offering under their overallotment option.

(4) Purchased pursuant to the share repurchase program described below. All shares repurchased by the Company were retired.

(5) Following the May 12, 2017 sale of shares from OM plc to HNA, on May 24, 2017, OM plc appointed Dr. Guang Yang of HNA as an OM plc director.

(6) Includes 2,595,000 shares purchased by the underwriters of the offering under their overallotment option.

(7) Following the November 10, 2017 sale of shares from OM plc to HNA, HNA acquired the right to appoint two directors to the Company's board.

(8) Upon completion of the November 17, 2017 offering, OM plc indirectly owned 1,000 of the Company's outstanding ordinary shares.

(9) In connection with the November 19, 2018 sale of shares from HNA to Paulson, on November 16, 2018, HNA appointed John Paulson and Dr. Guang Yang as HNA directors. The final sale of shares from HNA to Paulson was completed on February 25, 2019.

1) Organization and Description of the Business (cont.)

On March 2, 2018, the Company announced the change of its name from OM Asset Management plc to BrightSphere Investment Group plc.

Share Repurchase Program

On February 3, 2016, the Company's Board of Directors authorized a $150 million share repurchase program, which was approved by shareholders on March 15, 2016. On April 18, 2018, the Company's Board of Directors approved an amendment to the existing share repurchase contract, to permit the repurchase of ordinary shares, from time to time, up to an aggregate limit of $600 million of ordinary shares. This amendment was subsequently approved by shareholders on June 19, 2018. In 2018 , the Company purchased 5,549,861 shares on the open market at a weighted average price of $13.35 /share. In 2017, the Company did not purchase shares on the open market. In 2016 , the Company purchased 921,740 shares on the open market at a weighted average price of $13.22 /share.

On April 29, 2016, at the Company's Annual General Meeting, shareholders (excluding OM plc) authorized a form of contract by which the Company would be permitted to repurchase shares directly from OM plc. The shareholder authorization does not contain a maximum dollar or share amount for such purchases individually or in aggregate from OM plc. On December 16, 2016 in connection with the secondary offering by OM plc, the Company repurchased 6,000,000 shares directly from OM plc at a price of $14.25 /share. On May 19, 2017 in connection with the secondary offering by OM plc, the Company repurchased 5,000,000 shares directly from OM plc at a price of $14.55 /share.

In January and February of 2019, the Company purchased 5,343,669 shares on the open market at a weighted average price of $12.34 /share.

In February 2019, the Company announced and completed a repurchase of shares held by HNA. The Company repurchased 4,100,000 shares at a price of $13.89 /share and 3,886,625 shares at a price of $13.95 /share. This repurchase was conducted under the Company's current share repurchase authorization and was funded with cash on hand and available debt capacity under the Company's $350 million revolving credit facility.

All shares repurchased by the Company were retired.

Segment Information

The Company operates one business segment that provides investment management services and products to predominantly institutional clients. The primary measure used by the Chief Operating Decision Maker ("CODM") in measuring performance and allocating resources is economic net income. As of December 31, 2018 and 2017 , all of the Company's material long-lived assets were domiciled in the United States. For each of the years ended December 31, 2018 , 2017 and 2016 , the Company's revenue from external customers was primarily attributable to the United States.

2) Basis of Presentation and Significant Accounting Policies

The Company's significant accounting policies are as follows:

Basis of presentation

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

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

Revenue recognition

Revenue from contracts with customers

On January 1, 2018, the Company adopted the provisions of Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers," ("ASC 606"), using the modified retrospective method applied to all contracts. Under ASC 606, the Company recognizes revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The Company applied the five step method outlined in ASC 606 to all revenue streams.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Company's contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. The Company's management fee revenue is calculated based upon levels of assets under management multiplied by a fee rate. Management fee revenue is typically calculated on a monthly or quarterly basis, but is earned continuously as performance obligations are fulfilled. The transaction price is variable in contracts which calculate AUM on an average basis over a specified period and this variability is resolved at the end of the period, when the actual average AUM for the contract period may be calculated. The Company is able to resolve the variability and calculate the most likely amount to be recognized for any given period by estimating revenue based upon a daily average AUM.

All of the Company's performance obligations are satisfied ratably over time and there is no distinction in the methodology used to recognize management fee revenue in instances where there is more than one performance obligation. Typically, revenue is recognized over time using a time-based output measure to measure progress.

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

Management fees are recognized monthly as services are rendered. Affiliates that manage tangible property may also earn transaction fees at the time the underlying property is bought and sold. Any fees collected in advance are deferred and recognized as income over the period earned. Dividend income received is recorded on the ex-dividend date.

Performance fees are generally assessed as a percentage of the investment performance realized on a client's account. Additionally, separate accounts or other products which primarily earn management fees are potentially subject to performance adjustments up or down based on investment performance versus benchmark. Performance fees, including those that are subject to clawback, are recognized when they (i) become billable to customers (based on contractual terms of agreements) and (ii) are not subject to contingent repayment.

The Company is required to capitalize certain costs directly related to the acquisition or fulfillment of a contract with a customer. The Company has noted no instances where sales-based compensation or similar costs met the definition of an incremental cost to acquire a contract with a customer under ASC 606. There are no instances where the Company has incurred costs to fulfill a contract with a customer, therefore no intangible assets related to contract acquisition or fulfillment have been recognized.

For each one of its contracts with customers, the Company identifies one or more performance obligations within the contract and then, for each performance obligation, determines if it is a principal (where the nature of its promise is to provide a specified good or service itself) or an agent (where the nature of its promise is to arrange for a good or service to be provided by another party). In instances where a customer reimburses the Company for a cost paid on the customer's behalf, if the Company is acting as a principal, the reimbursement is recorded on a gross basis and if the Company is acting as an agent, the reimbursement is recorded on a net basis.

Certain Funds reimburse the Company's Affiliates for certain expenses where the Affiliate is acting as a principal, primarily for compensation expense for field office personnel at several Timber Funds (as defined below). Revenue from expense reimbursement is accrued at cost as the corresponding reimbursable expenses are incurred and is recorded in other revenue in the Company's Consolidated Statements of Operations.

Revenue from other sources

Other revenue also includes interest income on cash and cash equivalents and revenue from administration and consulting services.

The revenue of consolidated Funds that invest in Timber (the "Timber Funds") is recognized from log and fiber sales upon delivery to the customer. The Company is typically responsible for all logging and hauling costs. However, under pay-as-cut timber contracts, title and risk of loss from stumpage sales transfer to the buyer as the trees are cut. Revenue is recognized as timber is harvested. The buyer is typically responsible for all logging and hauling costs.

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

Compensation arrangements

The Company operates short term variable compensation arrangements where generally, a percentage of each Affiliate's annual pre-variable compensation earnings, as defined in each arrangement, is allocated to a "pool" of each respective Affiliate's key employees and subsequently distributed to individuals subject to recommendation and approval of a remuneration committee comprised of both the Company's and each respective Affiliate's management. Variable compensation expense is accrued and recognized in the Consolidated Statements of Operations as services are provided by individual employees.

The Company operates longer term profit-interest plans whereby certain Affiliate key employees are granted (or have a right to purchase) awards representing a profits interest in their respective Affiliate, as distinct from an equity interest due to the lack of pari passu voting rights. Under these plans, the Company may award a portion of the aforementioned variable compensation arrangement through issuance of a profits interest in the Affiliate. The awards generally have a three - to five -year vesting period from the grant date, and the service period begins at the commencement of the financial period to which the variable compensation relates. Under these plans, Affiliate key employees are eligible to share in the profits of their respective Affiliates based on their respective percentage interest held.

In addition, under certain circumstances, Affiliate key employees are eligible to receive repurchase payments upon exiting the plans based on a multiple of the last twelve months profits of their respective Affiliate, as defined. Profits allocated and movements in the potential repurchase value, determined based on a fixed multiple times trailing twelve month profits, as defined, are recognized as compensation expense. Profit interests compensation liabilities are re-measured at each reporting date at the twelve month earnings multiple, with movements treated as compensation expense in the Company's Consolidated Statements of Operations.

Share-based compensation plans

The Company recognizes the cost of all share-based payments to directors, senior management and employees, including grants of restricted stock and stock options, as compensation expense in the Consolidated Statements of Operations over the respective vesting periods. Awards made previously under OM plc's restricted stock and stock options plans are accounted for as equity settled, and the grant date fair value is recognized as compensation expense over the requisite service period, with a corresponding contribution to capital recorded.

Awards made under the Company's equity plans are accounted for as equity settled, and the grant date fair value is recognized as compensation expense over the requisite service period, with a corresponding contribution to capital recorded. Valuation of restricted stock awards ("RSAs") and restricted stock units ("RSUs") is determined based on the Company's closing share price as quoted on the New York Stock Exchange on the measurement date. For performance-based awards and stock options, a Monte-Carlo simulation model is used to determine the fair value. Key inputs for the model include: assumed reinvestment of dividends, risk-free interest rate and expected volatility. All excess tax benefits and deficiencies on share-based payment awards are recognized as income tax expense or benefit in the Consolidated Statements of Operations. In addition, the tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur and excess tax benefits or deficiencies are classified with other income tax cash flows as an operating activity in the statement of cash flows. The Company recognizes forfeitures as they occur.

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

Awards of equity made to Affiliate key employees are accounted for as cash settled, with the fair value recognized as compensation expense over the requisite service period, with a corresponding liability carried within other compensation liabilities on the Consolidated Balance Sheet until the award is settled by the Company. The fair value of the liability is based on the expected cash to be paid. The liability is revalued at each reporting period, with any movements recorded within compensation expense.

Consolidation

Affiliates

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

Funds

In the normal course of business, the Company's Affiliates sponsor and manage certain investment vehicles (the "Funds"). The Company assesses consolidation requirements with respect to its Funds.

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

In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly by the Company or indirectly through related parties on a proportional basis. The primary beneficiary of the VIE is defined as the variable interest holder that has a controlling financial interest. A controlling financial interest is defined as (i) the power to direct the activities of the VIE that most significantly impacts its economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. If no single party satisfies both criteria, but the Company and its related parties satisfy the criteria on a combined basis, then the primary beneficiary is the entity out of the related party group that is most closely associated to the VIE. The consolidation analysis can generally be performed qualitatively, however, if it is not readily apparent that the Company is not the primary beneficiary, a quantitative analysis may also be performed. The Company generally is not the primary beneficiary of Fund VIEs created to manage assets for clients unless the Company's ownership interest in the fund, including interests of related parties on a proportional basis, is substantial.

The Company consolidates VOEs when it has control over significant operating, financial and investing decisions of the entity or holds the majority voting interest.

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

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

Investments and Investment Transactions

Valuation of investments held at fair value

Valuation of Fund investments, including Timber Funds, is evaluated pursuant to the fair value methodology discussed below. Other investments are categorized as trading and recorded at estimated fair value. Realized and unrealized gains and losses arising from changes in fair value of investments are reported within investment income in the Consolidated Statements of Operations. See Note 5 for a summary of the fair value inputs utilized to determine the fair value of other investments held at fair value.

Security transactions

The Company generally records securities transactions on a trade-date basis. Realized gains and losses on securities transactions are generally determined on the average-cost method (net of foreign capital gain taxes) and for certain transactions determined based on the specific identification method.

Income and expense recognition

The Company records interest income on an accrual basis and includes amortization of premiums and accretion of discounts. Dividend income and expense on dividends sold short are recorded on the ex-dividend date, net of applicable withholding taxes. Expenses are recorded on an accrual basis.

Short sales

Certain Funds may sell a security they do not own in anticipation of a decline in the fair value of that security. When a Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. The short sales are secured by the long portfolio and available cash. The Fund records a gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, upon the termination of a short sale. The amount of the gain or loss will be equal to the proceeds received in entering into the short sale less the cost of buying back the short security to close the short position. While the transaction is open, the Fund will incur an expense for any accrued dividends or interest which is paid to the lender of the securities. These short sales may involve a level of risk in excess of the liability recognized in the accompanying Consolidated Balance Sheets. The extent of such risk cannot be quantified.

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

Funds' Derivatives

Certain Funds may use derivative instruments. The Funds' derivative instruments may include foreign currency exchange contracts, credit default swaps, interest rate swaps, financial futures contracts and warrants. The fair values of derivative instruments are recorded as other assets of consolidated Funds or other liabilities of consolidated Funds on the Company's Consolidated Balance Sheets. The Company has used foreign exchange forwards to hedge the risk of movement in exchange rates on financial assets on a limited basis.

The Company's Funds have not designated any financial instruments for hedge accounting, as defined in the accounting literature, during the periods presented. The gains or losses on Fund's derivative instruments not designated for hedge accounting are included as net consolidated Funds gains or losses in the Company's Consolidated Statements of Operations.

Foreign currency translation and transactions

Assets and liabilities of non-U.S. entities for which the local currency is the functional currency are translated at current exchange rates as of the end of the accounting period. The related revenues and expenses are translated at average exchange rates in effect during the period. Net exchange gains and losses resulting from translation are excluded from income and are recorded as part of accumulated other comprehensive income (loss). Transactions denominated in a foreign currency are revalued at the current exchange rate at the transaction date and any related gains and losses are recognized in earnings.

Equity method investments

The Company uses the equity method of accounting for investments that provide the Company with the ability to exercise significant influence over an entity, but that do not meet the requirements for consolidation. Equity method investments include two Affiliates, Heitman LLC (through November 30, 2017) and Investment Counselors of Maryland, LLC, as well as all unconsolidated Funds over which the Company exercises significant influence. In August 2017, the Company agreed in principle to sell its stake in Heitman LLC to Heitman's management. Pursuant to that term sheet, BSIG entered into a redemption agreement on November 17, 2017. Heitman continued to be recorded as an equity method investment through November 30, 2017, at which point the Company reclassified its investment in Heitman to a cost-method investment. The transaction closed on January 5, 2018.

The Company's share of earnings from equity method investments is included in investment income in the Consolidated Statements of Operations. The carrying amounts of equity method investments are reflected in Investments in the Consolidated Balance Sheets. The Company evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value and its estimated fair value is recognized as impairment when the loss is deemed other than temporary.

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

Fair value measurements

In accordance with the accounting standards for fair value measurement, fair value is the price that the Company expects to be paid upon the sale of an asset or expects to pay upon the transfer of a liability in an orderly transaction between market participants. There is a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the Company's own conclusions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level I—Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by U.S. GAAP, the Company does not adjust the quoted price for these investments.
- Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies utilizing observable market inputs other than quoted prices. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.
- Level III—Pricing inputs are unobservable for the asset or liability and include assets and liabilities where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partner interests in timber funds, corporate private equity, real estate funds, and funds of hedge funds.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. In cases in which the fair value of an investment is established using the net asset value (or its equivalent) as a practical expedient, the investment is not categorized within the fair value hierarchy.

Use of estimates

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

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

Operating segment

The Company operates in one operating segment that provides investment management services and products primarily to institutional clients. The Company's determination that it operates one business segment is based on the fact that the CODM reviews the Company's financial performance on an aggregate level.

Derivatives and Hedging

The Company may utilize derivative financial instruments to hedge the risk of movement of interest rates and foreign currency on financial assets and liabilities. These derivative financial instruments may or may not qualify as hedges for accounting purposes. The Company records all derivative financial instruments as either assets or liabilities on its Consolidated Balance Sheets and measures these instruments at fair value. For a derivative financial instrument that qualifies as a hedge for accounting purposes and is designated as a hedging instrument, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into earnings over the life of the hedge. The ineffective portion of the gain or loss is recognized in earnings immediately.

Cash and cash equivalents

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

Cash held by consolidated Funds is not available to fund general liquidity needs of the Company and is therefore classified as restricted cash.

Investment advisory fees receivable

The Company earns management and performance fees which are billed monthly, quarterly and annually in arrears, according to the terms of the relevant investment management agreement. Management and performance fees that have been earned, but have not yet been collected are presented as investment advisory fees receivable on the Consolidated Balance Sheets. Due to the short-term nature and liquidity of these receivables, the carrying amounts approximate their fair values. The Company typically does not record an allowance for doubtful accounts or bad debt expense, or any amounts recorded have been immaterial.

Fixed assets

Fixed assets are recorded at historical cost and depreciated using the straight-line method over its estimated useful lives. The estimated useful lives of office equipment and furniture and fixtures range from three to five years . Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining term of the lease. Computer software developed or obtained for internal use capitalized during the application development stage is amortized using the straight-line method over the estimated useful life of the software, which is generally five years or less. The estimated useful life of building assets is thirty-nine years . The costs of improvements that extend the life of a fixed asset are capitalized, while the costs of repairs and maintenance are expensed as incurred.

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

Intangible assets

Acquired Affiliates have identifiable intangible assets arising from contractual or other legal rights with their clients. In determining the value of acquired intangibles, the Company analyzes the net present value of each acquired Affiliate's existing client relationships based on a number of factors. The Company analyzes the Affiliate's historical and potential future operating performance, the Affiliate's historical and potential future rates of attrition among existing clients, the stability and longevity of existing client relationships, the Affiliate's recent and long-term investment performance, the characteristics of the firm's products and investment styles, the stability and depth of the Affiliate's management team and the Affiliate's history and perceived franchise or brand value. The Company's acquired intangible assets are predominately definite-life intangible assets and are generally amortized on a straight line basis over their estimated useful lives, ranging from five to sixteen years , reflecting the expected duration of such relationships. The Company also holds an indefinite-life intangible asset related to the trade name associated with the Landmark acquisition.

The Company tests for the possible impairment of definite-life intangibles whenever events or changes in circumstances indicate that the carrying amount of the asset is not recoverable. If such indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the undiscounted cash flows amount, an impairment charge is recorded in the Consolidated Statements of Operations for amounts necessary to reduce the carrying value of the asset to fair value. Indefinite-life intangible assets are tested for impairment annually as of the first business day of the fourth quarter or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Goodwill

The Company records goodwill when the consideration paid in a business acquisition exceeds the fair value of the net total of tangible assets acquired, identifiable intangible assets acquired and liabilities assumed. Goodwill is not amortized, but rather is tested for impairment annually or more frequently if events or circumstances occur that indicate impairment may exist. Factors that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the Company's use of the acquired assets in a business combination or the strategy for the Company's overall business, and significant negative industry or economic trends.

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

The Company performs its assessment for impairment of goodwill annually as of the first business day of the fourth quarter, or as necessary, and the Company has determined that it has six reporting units, consisting of the six consolidated Affiliates. The Company first considers various qualitative factors to determine if it is more likely than not that the fair value of each of the reporting units is greater than its respective carrying amount, including goodwill. If based on the qualitative assessment it is determined that it is more likely than not that the fair value of any reporting unit is below its respective carrying amount, therefore indicating that impairment may exist, the impact would be determined at that point through a quantitative assessment. For purposes of assessing potential impairment, the fair value of the reporting unit is estimated and compared to the carrying value of the reporting unit. The fair value of a reporting unit is based on discounted estimated future cash flows. The assumptions used to estimate fair value include management's estimates of future growth rates, operating cash flows, discount rates and terminal value. These assumptions and estimates can change in future periods based on market movement and factors impacting the expected business performance. Changes in assumptions or estimates could materially affect the determination of the fair value of a reporting unit. If it is determined that the carrying value of the reporting unit exceeds its fair value, an impairment charge is recognized in the amount equal to that excess; not to exceed the total amount of goodwill allocated to that reporting unit. Based on the Company's most recent annual goodwill impairment test, the Company concluded that the fair value of each of its reporting units was more likely than not in excess of their carrying values. At the close of each year, management assessed whether there were any conditions present during the fourth quarter that would indicate impairment subsequent to the initial assessment date and concluded that no such conditions were present.

During 2017, the Company changed the goodwill and indefinite life intangible assets impairment assessment date from the last day of the third quarter to the first business day of the fourth quarter of the fiscal year. The Company believes that changing the annual goodwill impairment assessment date did not result in a material change in the method of applying the accounting requirements.

Leases

The Company and its Affiliates currently lease office space and equipment under various leasing arrangements, classified as operating leases. Some lease agreements contain renewal options, rent escalation clauses or other inducements provided by the landlord. Rent expense is accrued to recognize lease escalation provisions and inducements provided by the landlord, if any, on a straight-line basis over the lease term.

Earnings per share

The Company calculates basic and diluted earnings per share ("EPS") by dividing net income by its shares outstanding as outlined below. Basic EPS attributable to the Company's shareholders is calculated by dividing "Net income attributable to controlling interests" by the weighted-average number of shares outstanding. Diluted EPS is similar to basic EPS, but adjusts for the effect of potential ordinary shares unless they are antidilutive. For periods with a net loss, potential ordinary shares are considered antidilutive.

The Company considers two ways to measure dilution to earnings per share: (a) calculate the net number of shares that would be issued assuming any related proceeds are used to buy back outstanding shares (the treasury stock method), or (b) assume the gross number of shares are issued and calculate any related effects on net income available for shareholders (the if-converted or two-class method). As appropriate, the Company's policy is to apply the more dilutive methodology upon issuance of such instruments.

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

Deferred financing costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly associated with in-process equity financings as other assets until such financings are consummated. After consummation of the equity financing, these costs are recorded in total equity as a reduction of Shareholders' equity generated as a result of the offering. At the time in which the equity financing is no longer considered probable of being consummated, the deferred financing costs are expensed immediately as a charge to operating expenses in the Consolidated Statements of Operations.

The Company records debt issuance costs of term loans as a direct deduction from the carrying amount of the associated debt liability. For debt issuance costs of revolving credit loans, the Company presents debt issuance costs as an asset and subsequently amortizes the deferred costs ratably over the term of the agreement.

Income taxes

The Company uses the asset and liability method of accounting for income taxes on a "separate return" basis. Under this method, a subsidiary is assumed to file a separate return with the taxing authority, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from the subsidiary's parent. The rules followed by the subsidiary in computing its tax or refund should be the same as those followed by a taxpayer filing directly with the taxing authority.

The Company files tax returns directly with the U.K., U.S. and state tax authorities and therefore, the computations under the separate return method follow the Company's filings.

Deferred income taxes are recognized for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the Consolidated Financial Statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The Company's deferred tax assets have been attributable to federal and state loss carry forwards, interest deductions, and accrued liabilities.

Deferred income tax assets are subject to a valuation allowance if, in management's opinion, it is not more-likely-than-not that these benefits will be realized. In evaluating the Company's ability to recover its deferred tax assets, the Company considers all available positive and negative evidence including its past operating results, the existence of cumulative earnings or losses in the most recent years and its forecast of future taxable income. In estimating future taxable income, the Company develops assumptions including the amount of future pre-tax operating income and the reversal of temporary differences. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage the underlying businesses.

The Company's accounting policy is to treat the global intangible low-taxed income taxes which became effective January 1, 2018 as a result of the Tax Cuts and Jobs Act as period costs in the accounting and tax periods in which they are incurred.

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

A tax benefit should only be recognized if it is more-likely-than-not that the position will be sustained based on its technical merits. The Company recognizes the financial statement benefit of a tax position only after considering the probability that a tax authority would uphold the position in an examination. For tax positions meeting a “more-likely-than-not” threshold, the amount recognized in the financial statements is the largest amount of benefit greater than 50% likely of being sustained. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of the benefit. Unrecognized tax benefits and related interest and penalties, are adjusted periodically to reflect changing facts and circumstances. The Company’s accounting policy is to classify interest and related charges as a component of income tax expense.

Non-controlling interests

For certain entities that are consolidated, but not 100% owned, the Company reports non-controlling interests as equity on its Consolidated Balance Sheets. The Company's consolidated net income on the Consolidated Statements of Operations includes the income (loss) attributable to non-controlling interest holders of the Company's consolidated Affiliates and Funds. Ownership interests held by Affiliate key employees are categorized as liabilities on the Consolidated Balance Sheets and are revalued each reporting date, with movements treated as compensation expense in the Consolidated Statements of Operations.

Non-controlling interests in consolidated Funds on the Consolidated Balance Sheets include undistributed income owned by the investors in the respective Funds. The Company’s consolidated net income on the Consolidated Statements of Operations includes the income (loss) attributable to non-controlling interest holders of these consolidated entities.

Redeemable non-controlling interests

The Company includes redeemable non-controlling interests related to certain consolidated Funds as temporary equity on the Consolidated Balance Sheets. Non-controlling interests in certain consolidated Funds are subject to monthly or quarterly redemption by the investors. When redeemable amounts become legally payable to investors, they are classified as a liability and included in total liabilities of consolidated Funds on the Consolidated Balance Sheets.

Other comprehensive income (loss)

Other comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For the Company’s purposes, comprehensive income (loss) represents net income (loss), as presented in the accompanying Consolidated Statements of Operations, adjusted for net foreign currency translation adjustments and adjustments to the valuation and amortization of certain derivative securities, net of tax.

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

Restructuring costs

A liability for restructuring is recognized only after management has developed a formal plan, approved by the Board of Directors, to which it has committed. The costs included in a restructuring liability are those costs that are either incremental or incurred as a direct result of the plan, or are the result of a continuing contractual obligation with no continuing economic benefit to the Company, or a penalty incurred to cancel the contractual obligation. Refer to Note 23 for details of the Company's restructuring activities.

Recently adopted accounting standards

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), which revised revenue accounting rules through the creation of ASC 606 and expanded the disclosure requirements. The Company adopted ASU 2014-09 using the modified retrospective method. Results for periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting. The implementation of the new standard had no material impact on the measurement or timing of revenue recognition in prior periods and therefore no cumulative impact adjustment was necessary to the Company's opening retained earnings as of January 1, 2018. The most significant impact in implementing the standard has been related to the accounting for certain pass-through costs on a gross basis. Refer to Note 17 for details of accounting for pass-through costs.

On January 1, 2018, the Company adopted the provisions of ASU2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," ("ASU 2016-01"). In adopting ASU 2016-01, the Company changed the methodology in how it records investments in unconsolidated Timber Funds, from historical cost less depletion to fair value, based upon the Company's proportionate share of the underlying net asset value. See Note 5 for the re-categorization of unconsolidated investments in Timber Funds within the fair value measurements table. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.

On April 1, 2018, the Company adopted ASU 2017-04, "Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). Under ASU 2017-04, a goodwill impairment is calculated as the amount by which a reporting unit's carrying value exceeds its fair value. Pursuant to the standard, the Company applied ASU 2017-04 for the annual goodwill impairment test performed during the fourth quarter. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.

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

Accounting standards not yet adopted

In January 2016, the FASB issued ASU 2016-02, *Leases* . ASU 2016-02 changes existing U.S. GAAP by requiring the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases under previous U.S. GAAP. The lease asset would reflect a right-of-use asset and the lease liability would reflect the present value of the future lease payments. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018 and the Company plans to elect a modified retrospective transition approach utilizing the transition option provided by ASU 2018-11, to apply ASU 2016-02 as of the adoption date, January 1, 2019 without restating prior comparative periods. The Company will also adopt certain available practical expedients that will alleviate complexities related to the implementation. The Company expects the total balance sheet impact resulting from the recognition of the right-of-use asset and lease liability to be approximately $46 - $51 million . The adoption will not have a material impact on our results of operations. The Company is implementing a lease accounting software tool to assist in the accounting for lease arrangements under the new accounting rules and has abstracted lease contract data as inputs into the lease accounting tool. As of the date of this report, the Company is completing its data validation and detailed testing of the outputs of the software tool.

3) Acquisitions

On August 18, 2016, the Company acquired a majority of the equity interests in Landmark Partners, LLC, ("Landmark") a leading global secondary private equity, real estate and real asset investment firm. The Company acquired a 60% interest in Landmark in exchange for $242.7 million . An additional payment of $207.6 million was earned based on the growth of Landmark's business and was paid in February 2019. The equity interests of Landmark purchased by the Company entitle the Company to participate in the earnings of Landmark. Certain key members of the management team of Landmark retained the remaining 40% interest in Landmark, subject to certain vesting conditions. The Company financed the acquisition through proceeds from multiple note offerings, including $275.0 million of 4.80% senior notes due July 27, 2026 and $125.0 million of 5.125% senior notes due August 1, 2031. (see Note 13)

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

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

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

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

3) Acquisitions (cont.)

return required on other assets that contribute to the generation of the forecast cash flows of the intangible asset. The fair value of the trade name intangible asset was determined utilizing a relief-from-royalty method. The principle behind this method is that the value of the intangible asset is equal to the present value of the after-tax royalty savings attributable to owning the intangible asset.

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

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

During the year ended December 31, 2016, the Company incurred $6.1 million of transaction costs related to the acquisition of Landmark. These costs are recognized within general and administrative expense in the Consolidated Statements of Operations.

In conjunction with the acquisition, the Company entered into compensation arrangements with employees of Landmark where pre-acquisition equity units held by Landmark employees became subject to a service condition. These units are accounted for as stock-based compensation, were fair valued as of the closing date of the acquisition and vest over varying increments from December 31, 2018 through December 31, 2024. These units contain put rights that provide liquidity to the employees upon vesting and are remeasured at the end of each reporting period.

The financial results of Landmark included in the Company’s consolidated financial results for the year ended December 31, 2016 include revenues of $28.4 million , with $(13.5) million of net loss included in net income (loss) attributable to the Company, which includes amortization of intangible assets recorded in purchase accounting and compensation expense for the arrangements with employees of Landmark noted above.

3) Acquisitions (cont.)

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information presents the combined financial results of BSIG and Landmark, as though the acquisition had occurred as of January 1, 2016. The unaudited pro forma financial information reflects certain adjustments for amortization expense related to the fair value of acquired intangible assets, interest expense related to debt incurred to finance the acquisition, amortization related to stock-based compensation arrangements entered into in conjunction with the acquisition, and the income tax impact of the pro forma adjustments. The unaudited pro forma financial information is for informational purposes only and is not necessarily indicative of the financial results that would have been achieved had the acquisition actually occurred as of January 1, 2016 (in millions, except per-share amounts):

	For the year ended December 31, 2016
Revenues	$ 713.5
Total operating expenses	594.7
Income from continuing operations before taxes	109.2
Net income attributable to BSIG	91.7
Net income per share attributable to BSIG shareholders:	
Basic	$0.77
Diluted	$0.77

4) Investments

Investments are comprised of the following at December 31 (in millions):

	2018	2017
Investments of consolidated Funds held at fair value	$ 124.8	$ 136.7
Other investments held at fair value (1)	104.8	87.4
Investments related to long-term incentive compensation plans held at fair value	91.8	95.2
Total investments held at fair value	$ 321.4	$ 319.3
Equity-accounted investments in Affiliates (Note 7)	1.9	1.6
Investments in Affiliates carried at cost	—	53.8
Other investments carried at cost (1)	—	6.4
Total investments per Consolidated Balance Sheets	**$ 323.3**	**$ 381.1**

(1) At December 31, 2017 , $6.4 million of investments made by one of our Affiliates in timber and timberlands were recorded at cost. In 2018, the Company transitioned to fair value recognition and presentation and investments formerly carried at cost were reclassified from "other investments carried at cost" in this table as of December 31, 2017 to "other investments held at fair value" in this table as of December 31, 2018. Also see Note 2.

In August 2017, the Company executed a non-binding term sheet to sell its stake in Heitman LLC to Heitman's management for cash consideration totaling $110 million . Pursuant to this term sheet, BSIG entered into a redemption agreement on November 17, 2017 and the Company reclassified its investment in Heitman to a cost-method investment. This transaction closed on January 5, 2018. The carrying value of BSIG's interest in Heitman as of December 31, 2017 was $53.8 million and is included in "Investments in Affiliates carried at cost" in the table above. BSIG has retained its co-investment interests in Heitman-managed funds as well as any carried interest associated with these investments.

Investment income is comprised of the following for the years ended December 31 (in millions):

	2018	2017	2016
Realized and unrealized gains (losses) on other investments held at fair value	(1.9)	11.2	2.0
Investment return of held for sale investments	—	1.7	0.1
Total return on BSIG investments	(1.9)	12.9	2.1
Investment return of equity-accounted investments in Affiliates (Note 7)*	2.7	14.5	15.1
Gain on sale of Affiliate carried at cost	65.7	—	—
Total investment income per Consolidated Statements of Operations	**$ 66.5**	**$ 27.4**	**$ 17.2**

* As previously noted, the Company reclassified its investment in Heitman to a cost-method investment as of November 30, 2017, therefore earnings from Heitman as an equity-accounted investment are included in the table above for the first eleven months of 2017.

5) Fair Value Measurements

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2018 (in millions):

	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II)	Significant unobservable inputs (Level III)	Uncategorized	Total value, December 31, 2018
Assets of BSIG and consolidated Funds [1]					
Common and preferred stock	$ 13.8	$ —	$ —	$ —	$ 13.8
Short-term investment funds	2.2	—	—	—	2.2
Bank loans	—	63.9	—	—	63.9
Other investments	3.7		—	38.8	42.5
Derivatives	2.2	0.2	—	—	2.4
Consolidated Funds total	**21.9**	**64.1**	**—**	**38.8**	**124.8**
Investments in separate accounts [2]	35.0	8.2	—	—	43.2
Investments related to long-term incentive compensation plans [3]	91.8	—	—	—	91.8
Investments in unconsolidated Funds [4]	—	—	3.0	58.6	61.6
BSIG total	**126.8**	**8.2**	**3.0**	**58.6**	**196.6**
Total fair value assets	**$ 148.7**	**$ 72.3**	**$ 3.0**	**$ 97.4**	**$ 321.4**
Liabilities of consolidated Funds [1]					
Common stock	$ (0.8)	$ —	$ —	$ —	$ (0.8)
Derivatives	(0.8)	(0.1)	—	—	(0.9)
Consolidated Funds total	**(1.6)**	**(0.1)**	**—**	**—**	**(1.7)**
Total fair value liabilities	**$ (1.6)**	**$ (0.1)**	**$ —**	**$ —**	**$ (1.7)**

5) Fair Value Measurements (cont.)

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2017 (in millions):

	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II)	Significant unobservable inputs (Level III)	Uncategorized	Total value, December 31, 2017
Assets of BSIG and consolidated Funds [1]					
Common and preferred stock	$ 83.8	$ —	$ —	$ —	$ 83.8
Short-term investment funds	0.5	—	—	—	0.5
Other investments	0.4	—	—	51.5	51.9
Derivatives	0.3	0.2	—	—	0.5
Consolidated Funds total	**85.0**	**0.2**	**—**	**51.5**	**136.7**
Investments in separate accounts [2]	46.1	—	—	—	46.1
Investments related to long-term incentive compensation plans [3]	95.2	—	—	—	95.2
Investments in unconsolidated Funds [4]	—	—	—	41.3	41.3
BSIG total	**141.3**	**—**	**—**	**41.3**	**182.6**
Total fair value assets	**$ 226.3**	**$ 0.2**	**$ —**	**$ 92.8**	**$ 319.3**
Liabilities of BSIG and consolidated Funds [1]					
Common stock	$ (7.2)	$ —	$ —	$ —	$ (7.2)
Derivative securities	(0.5)	(0.2)	—	—	(0.7)
Consolidated Funds total	**(7.7)**	**(0.2)**	**—**	**—**	**(7.9)**
Total fair value liabilities	**$ (7.7)**	**$ (0.2)**	**$ —**	**$ —**	**$ (7.9)**

(1) Assets and liabilities measured at fair value are comprised of financial investments managed by the Company's Affiliates.

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

5) Fair Value Measurements (cont.)

The Company obtains prices from independent pricing services that may utilize broker quotes, but generally the independent pricing services will use various other pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data. The Company has not made adjustments to the prices provided. Assets of consolidated Funds also include investments in bank loans. Interests in senior floating-rate loans for which reliable market participant quotations are readily available are valued at the average mid-point of bid and ask quotations obtained from a third-party pricing service. These assets are classified as Level II.

If the pricing services are only able to (a) obtain a single broker quote or (b) utilize a pricing model, such securities are classified as Level III. If the pricing services are unable to provide prices, the Company attempts to obtain one or more broker quotes directly from a dealer or values such securities at the last bid price obtained. In either case, such securities are classified as Level III. The Company performs due diligence procedures over third party pricing vendors to understand their methodology and controls to support their use in the valuation process to ensure compliance with required accounting disclosures.

The uncategorized amount of $38.8 million at December 31, 2018 represents investments made by consolidated Funds and are valued using NAV which the Company relies on to determine their fair value as a practical expedient and has therefore not classified these investments in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheets. These consolidated Funds consist of real estate and private equity investment Funds. The NAVs that have been provided by investees have been derived from the fair values of the underlying investments as of the measurement dates.

(2) Investments in separate accounts of $43.2 million at December 31, 2018 consist of approximately 11% of cash equivalents and 89% of equity securities, fixed income securities, and other investments. Investments in separate accounts of $46.1 million at December 31, 2017 , consist of approximately 1% of cash equivalents and 99% of equity securities. The Company values these using the published price of the underlying securities (classified as Level I) or quoted price supported by observable inputs as of the measurement date (classified as Level II).

(3) Investments related to long-term compensation plans of $91.8 million and $95.2 million at December 31, 2018 and 2017 , respectively, are investments in publicly registered daily redeemable funds (some managed by Affiliates), which the Company has classified as trading securities and valued using the published price as of the measurement dates. Accordingly, the Company has classified these investments as Level I.

(4) The uncategorized amounts of $58.6 million and $41.3 million at December 31, 2018 and December 31, 2017 , respectively, relate to investments in unconsolidated Funds which consist primarily of investments in Funds advised by Affiliates and are valued using NAV which the Company relies on to determine their fair value as a practical expedient and has therefore not classified these investments in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to amounts presented in the Consolidated Balance Sheets. These unconsolidated Funds consist primarily of real estate investments Funds, UCITS and other investment vehicles. The NAVs that have been provided by investees have been derived from the fair values of the underlying investments as of the measurement dates.

These investments are subject to longer than monthly or quarterly redemption restrictions, and due to their nature, distributions are received only as cash flows are generated from underlying assets over the life of

5) Fair Value Measurements (cont.)

the Funds. The range of time over which the underlying assets are expected to be liquidated by the investees is approximately one to twelve years from December 31, 2018 . The valuation process for the underlying real estate investments held by the real estate investment Funds begins with each property or loan being valued by the investment teams. The valuations are then reviewed and approved by the valuation committee, which consists of senior members of the portfolio management, acquisitions, and research teams. For certain properties and loans, the valuation process may also include a valuation by independent appraisers. In connection with this process, changes in fair-value measurements from period to period are evaluated for reasonableness, considering items such as market rents, capitalization and discount rates, and general economic and market conditions.

Investments in unconsolidated Funds categorized as Level III of $3.0 million at December 31, 2018 related to investments in Timber Funds advised by Affiliates and are valued by the general partner of those Funds. Determination of estimated fair value involves subjective judgment because the actual fair value can be determined only through negotiation between parties in a sale transaction and amounts ultimately realized may vary significantly from the fair value presented.

Not included in the above is $60.2 million at December 31, 2017 , of investments carried at cost, including the Company’s investment in Heitman at December 31, 2017. In January 2018, the Heitman sale transaction was completed and the Company recognized a pre-tax gain of $65.7 million during 2018 in the Consolidated Statement of Operations.

On January 1, 2018, the Company adopted the provisions of ASU 2016-01, discussed further in Note 2, resulting in a re-categorization of certain unconsolidated investments in Timber Funds from historical cost less depletion to fair value.

The following table reconciles the opening balances of Level III financial assets to closing balances at the end of the year (in millions):

	Investments in unconsolidated Funds	Consolidated Funds other investments
	Year Ended December 31, 2018	Year Ended December 31, 2018
Level III financial assets		
At beginning of the period	$ —	$ —
Change in recognition based on adoption of ASU 2016-01	6.4	—
Transfers into Level III	—	26.5
Additions (redemptions)	(2.0)	—
Funds deconsolidation	—	(26.5)
Total net fair value losses recognized in net income	(1.4)	—
Total Level III financial assets	**$ 3.0**	**$ —**

During the year ended December 31, 2018 , the Company transferred $26.5 million of consolidated Funds other assets into Level III. These investments were not previously classified on the fair value hierarchy. The Fund was

5) Fair Value Measurements (cont.)

subsequently de-consolidated in 2018. There were no other significant transfers of financial assets or liabilities among Levels I, II or III during the year ended December 31, 2018 .

6) Variable Interest Entities

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

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

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

	2018	2017
Assets		
Investments at fair value	$ 124.8	$ 106.7
Other assets of consolidated Funds	19.8	16.8
Total Assets	**$ 144.6**	**$ 123.5**
Liabilities		
Liabilities of consolidated Funds	$ 14.9	$ 3.3
Total Liabilities	**$ 14.9**	**$ 3.3**

“Investments at fair value” consist of investments in timber or securities. To the extent the Company also has consolidated Funds that are not VIEs, the assets and liabilities of those Funds are not included in the table above.

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

The Company’s involvement with Funds that are VIEs and not consolidated by the Company is generally limited to that of an investment manager and its investment in the unconsolidated VIE, if any. The Company’s investment in any unconsolidated VIE generally represents an insignificant interest of the Fund’s net assets and assets under management, such that the majority of the VIE’s results are attributable to third parties. The Company’s exposure to

6) Variable Interest Entities (cont.)

risk in these entities is generally limited to any capital contribution it has made or is required to make and any earned but uncollected management fees. The Company has not issued any investment performance guarantees to these VIEs or their investors.

The following information pertains to unconsolidated VIEs for which the Company holds a variable interest at December 31 (in millions):

	2018	2017
Unconsolidated VIE assets	$ 4,814.9	$ 6,001.1
Unconsolidated VIE liabilities	$ 2,115.1	$ 3,843.7
Equity interests on the Consolidated Balance Sheets	$ 22.5	$ 54.4
Maximum risk of loss (1)	$ 31.0	$ 58.5

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

In addition to the multiple unconsolidated VIE Funds, the Company determined that Heitman LLC, an Affiliate of the Company at December 31, 2017, was a VIE. The Company concluded that it was not the primary beneficiary of Heitman LLC because it did not hold the power to direct its most economically significant activities. The Company aggregated Heitman LLC with the Company's other unconsolidated VIE Funds due to their similar risk profiles given that the risks and rewards are driven by changes in investment values and the Affiliates' ability to manage those assets.

On January 5, 2018, the Company closed a transaction to sell its stake in Heitman LLC to Heitman's management for cash consideration totaling $110 million . At December 31, 2018, the Company no longer has a variable interest in Heitman.

7) Equity Accounted Investees

The following tables present summarized financial information for Affiliates and Funds accounted for under the equity method (in millions):

	For the year ended December 31,		
Statements of Income	**2018**	**2017**	**2016**
Net revenues [1]	$ 12.9	$ 318.9	$ 340.9
Operating income	4.5	94.1	98.4
Other income, net	—	197.4	161.9
Income before income taxes	4.5	291.5	260.3
Less income tax expense	—	5.5	8.2
Exclude: non-controlling interests income	1.8	247.6	213.7
Net income attributable to controlling interests	**$ 2.7**	**$ 38.4**	**$ 38.4**
BSIG equity in net income of equity method investees [2]	**$ 2.7**	**$ 16.3**	**$ 16.3**

	As of December 31,	
Balance Sheets	**2018**	**2017**
Total assets	$ 3.8	$ 3.5
Total liabilities	1.7	1.6
Non-controlling interests in subsidiaries	0.2	0.3
Members' equity	**$ 1.9**	**$ 1.6**
BSIG equity investment and undistributed earnings of affiliated companies, before consolidating and reconciling adjustments	$ 1.9	$ 1.6
Consolidating and reconciling adjustments:		
Goodwill attributable to equity method investment	—	—
BSIG investment in equity method investees	**$ 1.9**	**$ 1.6**

(1) Net revenues include advisory fees for asset management services and investment income, including interest and dividends from consolidated investment partnerships.

(2) ICM, an equity-accounted Affiliate, uses a revenue share model.

As disclosed in Note 4, as of November 30, 2017, the Company reclassified its investment in Heitman to a cost-method investment. Heitman contributed to the Company's financial results of operations for the eleven-month period from January 1, 2017 through November 30, 2017. The financial results of operations from Heitman for this eleven-month period are therefore included in the summarized statements of income table above.

8) Fixed Assets and Lease Commitments

Fixed assets consisted of the following at December 31 (in millions):

	2018	2017
Leasehold improvements	$ 38.0	$ 32.4
Office equipment	30.1	28.2
Furniture and fixtures	8.9	7.2
Building	2.9	2.9
Software and web development	50.8	38.7
Fixed assets, at cost	**130.7**	**109.4**
Accumulated depreciation and amortization	(81.7)	(67.7)
Fixed assets, net	**$ 49.0**	**$ 41.7**

Depreciation and amortization expense for continuing operations was $14.5 million , $11.7 million and $9.4 million for the years ended December 31, 2018 , 2017 and 2016 , respectively.

The Company and its Affiliates lease office space for their operations. At December 31, 2018 , the Company's aggregate future minimum payments for operating leases having initial or non-cancelable lease terms greater than one year are (in millions):

	Future minimum rentals
2019	$ 14.1
2020	13.6
2021	12.9
2022	7.4
2023	3.5
Thereafter	2.9
Total	**$ 54.4**

The Company is responsible for other expenses under these leases as well. Such expenses include operating costs, insurance, taxes and broker fees. Consolidated rent and occupancy expenses for 2018 , 2017 and 2016 were $13.1 million , $12.0 million and $11.6 million respectively.

9) Goodwill and Intangible Assets

The following table presents the changes in goodwill in 2018 and 2017 (in millions):

	Gross Book Value	Accumulated Impairment	Net Book Value
December 31, 2016	**$ 306.6**	**$ (33.9)**	**$ 272.7**
Additions	1.9	—	1.9
Impairments	—	—	—
Disposals	—	—	—
December 31, 2017	**$ 308.5**	**$ (33.9)**	**$ 274.6**
Additions	—	—	—
Impairments	—	—	—
Disposals	—	—	—
December 31, 2018	**$ 308.5**	**$ (33.9)**	**$ 274.6**

Certain measurement period adjustments were recorded in 2017 that resulted in a $1.9 million increase in goodwill. Refer to Note 3 for additional information.

The following table presents the change in definite-lived acquired intangible assets in 2018 and 2017 , comprised of client relationships (in millions):

	Gross Book Value	Accumulated Amortization & Impairment	Net Book Value
December 31, 2016	**$ 108.3**	**$ (24.4)**	**$ 83.9**
Additions	—	—	—
Amortization	—	(6.6)	(6.6)
Disposals	—	—	—
December 31, 2017	**$ 108.3**	**$ (31.0)**	**$ 77.3**
Additions	—	—	—
Amortization	—	(6.6)	(6.6)
Disposals	—	—	—
December 31, 2018	**$ 108.3**	**$ (37.6)**	**$ 70.7**

The Company’s definite-lived acquired intangibles are amortized over their expected useful lives. As of December 31, 2018 , these assets were being amortized over remaining useful lives of five to eleven years. The Company recorded amortization expense of $6.6 million , $6.6 million and $2.6 million , respectively, for the years ended December 31, 2018 , 2017 and 2016 .

The Company also acquired a $1.0 million indefinite-lived intangible trade name in the acquisition of Landmark, included in acquired intangibles, net, on the Company’s Consolidated Balance Sheet at December 31, 2018 and 2017 .

9) Goodwill and Intangible Assets (cont.)

The Company estimates that its consolidated annual amortization expense, assuming no useful life changes or additional investments in new or existing Affiliates, for each of the next five fiscal years is as follows (in millions):

2019	$	6.6
2020		6.6
2021		6.6
2022		6.4
2023		6.4
Thereafter		38.1
Total	**$**	**70.7**

10) Related Party Transactions

Amounts due from related parties were comprised of the following at December 31 (in millions):

	2018		2017	
Fees receivable from unconsolidated Funds (2)	$	25.3	$	59.0
Total amounts due from related parties	**$**	**25.3**	**$**	**59.0**

Investments in related parties consisted of the following at December 31 (in millions):

	2018		2017	
Investments in equity-accounted investees (Note 7)		1.9		1.6
Total related party investments	**$**	**1.9**	**$**	**1.6**

Related party transactions included in the Company's Consolidated Statements of Operations for the years ended December 31 consisted of (in millions):

Revenues:	2018		2017		2016	
Management fees collected from OM plc business units (1)	$	—	$	8.5	$	7.8
Management fees collected from unconsolidated Funds (2)		266.4		274.9		131.0
Performance fees collected from unconsolidated Funds (2)		2.2		0.1		4.2
Total related party revenues (including discontinued operations)	**$**	**268.6**	**$**	**283.5**	**$**	**143.0**
Expenses:						
Rent and administrative costs recharged by OM plc business units (3)		—		0.2		1.0
Restricted stock grants of OM plc equity to BSIG employees (Note 19)		—		—		0.1
Recharged OM plc operational costs (4)		—		0.4		0.9
Total related party expenses (including discontinued operations)	**$**	**—**	**$**	**0.6**	**$**	**2.0**

10) Related Party Transactions (cont.)

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(1) OM plc was considered a related party through November 17, 2017, at which point OM plc sold all but a deminimus amount of the Company's ordinary shares (see Note 1). Therefore, revenue and expenses reported in the table above reflect OM plc as a related party through November 17, 2017. OM plc was not considered a related party at December 31, 2017 or December 31, 2018 .

(2) Transactions with unconsolidated Affiliate-sponsored Funds are considered related party items on the basis of the Company's significant influence over the activities of such entities in its capacity as investment advisor thereto. These transactions are comprised of fees for advisory services and investments in unconsolidated funds.

(3) The Company conducts a portion of its distribution activities out of Asia and the United Kingdom, and had entered into contractual arrangements with Related Business Units domiciled there to share their premises and leverage certain of their administrative functions. With respect to premises in Asia, such arrangements ended in the first half of 2016.

(4) OM plc has historically provided the Company with various oversight services, including governance, which includes compensation for board and executive committees, investor relations, procurement of insurance coverage, human resources, financial reporting, internal audit, treasury, systems, risk and tax services. All of these services have been transitioned to the Company and therefore the cost charged by OM plc has decreased. That portion of the above costs which (i) were directly attributable to the Company, (ii) have been charged to the Company by OM plc and (iii) have been paid to OM plc by the Company, have been recorded in the Company's Consolidated Financial Statements and were $0.4 million , and $0.9 million for the years ended December 31, 2017 and 2016 , respectively.

During 2016, the Company and OM plc agreed to amend the Deferred Tax Asset Deed (the "DTA Deed"). Under the terms of the DTA Deed, as amended, the Company agreed to make a payment of the net present value of the future tax benefits due to OM plc valued as of December 31, 2016. This payment, originally valued at $142.6 million , was to be made over three installments, on June 30, 2017, December 31, 2017 and June 30, 2018. The initial payment of $45.5 million was paid to OM plc on June 30, 2017. The reduction of the corporate tax rate and other provisions of the Tax Act resulted in a decrease to the value of the DTA Deed of approximately $51.8 million for the year ended December 31, 2017 . In 2018, the Company agreed to terminate the DTA Deed with OM plc. The Company recorded a revaluation gain of $20.0 million in connection with the settlement of the DTA Deed for the year ended December 31, 2018 .

During 2014, the Company entered into a Seed Capital Management Agreement and a Co-Investment Deed with OM plc and/or OM plc's subsidiaries. During 2016, the Company and OM plc agreed to amend the Seed Capital Management Agreement. As a result of the amendment, the Company purchased approximately $39.6 million of seed investments from OM plc in September 2016. The Company purchased the remaining seed capital investments covered by the Seed Capital Management Agreement valued at $63.4 million in July 2017, financed in part by borrowings under a non-recourse loan facility (see Note 13) and two promissory notes paid in the first quarter of 2018 in the amount of $4.5 million . Amounts owed to OM plc associated with the Co-investment Deed were $4.1 million at December 31, 2018 , net of tax. As of December 31, 2018 , the Company had recorded $5.5 million for redemptions and estimated taxes due under the Co-investment Deed. Amounts withheld in excess of the future tax liability will be payable to OM plc upon settlement.

10) Related Party Transactions (cont.)

Other related party arrangements

During 2016, the Company made a loan to an equity-method Affiliate that was used to make co-investments in Affiliate Funds. Amounts due to the Company in connection with this loan are included in other assets on the Company's Consolidated Balance Sheet and was $3.6 million at December 31, 2017 . On January 5, 2018, the Company closed a transaction to sell its stake in this Affiliate.

The Company uses the equity-method to account for its interests in Affiliates where it exercises significant influence over their operations, but does not hold a controlling interest. During 2018 , 2017 and 2016 , the Company recorded earnings in respect of these investees of $2.7 million , $14.5 million and $15.1 million , respectively. The Company also exercises significant influence over unconsolidated Funds; however in order to report in a manner consistent with consolidated Funds, it has elected to apply the fair value option for its investments therein. Additional information with respect to equity-accounted investees is disclosed in Note 7.

During the years ended December 31, 2017 and 2016 , the Company paid dividends to OM plc of $8.8 million and $25.4 million , respectively. During the years ended December 31, 2018 and 2017 , the Company paid dividends to HNA of $10.2 million and $2.5 million , respectively. During the year ended December 31, 2018 , the Company paid dividends to Paulson of $0.5 million .

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

11) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following at December 31 (in millions):

	2018	2017
Accounts payable	9.0	5.2
Accrued expenses	36.8	39.9
Accrued interest payable	6.8	7.6
Other	1.7	2.2
Total accounts payable and accrued expenses	**$ 54.3**	**$ 54.9**

12) Other Compensation Liabilities

Other compensation liabilities consisted of the following at December 31 (in millions):

	2018	2017
Share-based payments liability (Note 19)	$ 386.1	$ 188.8
Long-term compensation payable	—	0.1
Profit interests compensation liability	171.4	195.0
Voluntary deferral plan liability (Note 18)	91.7	95.1
Total other compensation liabilities	**$ 649.2**	**$ 479.0**

Profit interests compensation expense amounted to $(7.5) million in 2018 , $41.5 million in 2017 , and $16.2 million in 2016 . Issuances of additional profit sharing interests to Affiliate key employees for cash amounted to $0.0 million in 2018 , $0.0 million in 2017 , and $0.4 million in 2016 . Redemption of profit sharing interests by BSIG from Affiliate key employees for cash were $16.1 million in 2018 , $5.7 million in 2017 , and $12.7 million in 2016 .

The share-based payments liability includes the Landmark compensation arrangements and additional payment disclosed in Note 3 which combined amounted to $350.6 million at December 31, 2018 and $146.8 million at December 31, 2017 .

13) Borrowings and Debt

The Company’s long-term debt at December 31, 2018 was comprised of a revolving credit facility, non-recourse seed capital financing and long-term bonds.

Revolving credit facility

On October 15, 2014, the Company entered into a revolving credit facility with Citibank, as administrative agent and issuing bank, and Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated as joint lead arrangers and joint book runners (as amended, the “Credit Facility”). Pursuant to the terms of the Credit Facility, the Company may obtain loans on a revolving credit basis and procure the issuance of letters of credit in an aggregate amount at any time outstanding not in excess of $350 million . The Credit Facility has a maturity date of October 15, 2019 . The Company intends to extend the Credit Facility beyond the maturity date. Borrowings under the Credit Facility bear interest, at BSIG’s option, at either the per annum rate equal to (a) the greatest of (i) the prime rate, (ii) the federal funds effective rate plus 0.5% and (iii) the one month Adjusted LIBO Rate plus 1.0% , plus, in each case an additional amount ranging from 0.25% to 1.00% , based on its credit rating or (b) the London interbank offered rate for a period, at the Company’s election, equal to one, two, three or six months plus an additional amount ranging from 1.25% to 2.00% , with such additional amount based on its credit rating. In addition, the Company is charged a commitment fee based on the average daily unused portion of the Credit Facility at a per annum rate ranging from 0.20% to 0.50% , with such amount based on the Company’s credit rating.

Moody’s Investor Service, Inc. and Standard & Poor’s have each assigned an investment-grade rating to the Company’s senior, unsecured long-term indebtedness. As a result of the assignment of the credit ratings, the Company’s interest rate on outstanding borrowings was set at LIBOR + 1.50% and the commitment fee on the unused portion of the revolving credit facility was set at 0.25% . Under the Credit Facility, the ratio of third-party borrowings to trailing twelve months Adjusted EBITDA cannot exceed 3.0 x, and the interest coverage ratio must not be less than 4.0 x.

At December 31, 2018 , the outstanding balance of the facility was $0.0 million ($350.0 million of undrawn revolving credit facility capacity). Per the terms of the revolving credit facility the Company’s ratio of debt (includes third-party borrowings and amounts owed under previously agreed acquisition agreement, see Note 3) to trailing twelve months Adjusted EBITDA was 2.1 x, and interest coverage ratio was 11.7 x. The fair value of borrowings on the revolving credit facility approximated the net cost basis as of December 31, 2018 . The Company has drawn down $240.0 million on the Credit Facility subsequent to year-end to help fund the payment of the previously agreed acquisition agreement and additional share repurchases ($110.0 million of undrawn revolving credit facility capacity).

At December 31, 2017 the outstanding balance of the facility was $0.0 million ($350.0 million of undrawn revolving credit facility capacity). The Company’s ratio of third-party borrowings to trailing twelve months Adjusted EBITDA was 1.4 x and interest coverage ratio was 11.5 x.

13) Borrowings and Debt (cont.)

Non-recourse seed capital facility

In July 2017, the Company purchased all remaining seed capital investments covered by the Seed Capital Management Agreement from OM plc for $63.4 million . BSIG financed this purchase in part through borrowings under a non-recourse seed capital facility collateralized by its seed capital holdings. The Company entered into this facility as of July 17, 2017, and could borrow up to $65.0 million , so long as the borrowing does not represent more than 50% of the value of the permitted seed capital collateral. The non-recourse seed facility bears interest at LIBOR + 1.55% with a commitment fee on the unused portion of this facility of 0.95% . The facility currently has a maturity date of January 17, 2020 and includes a six-month evergreen renewal option. At December 31, 2018 , amounts outstanding under this non-recourse seed capital facility amounted to $0.0 million . Per the terms of the Company's Credit Facility, drawdowns under this facility are excluded from the Company's third party debt levels for purposes of calculating the Company's credit ratio covenants. The fair value of borrowings on the non-recourse seed capital facility approximated the net cost basis as of December 31, 2018 .

Long-term bonds

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

	December 31, 2018				December 31, 2017	
(in millions)	**Maturity amount**	**Discount and debt issuance costs**	**Carrying value**	**Fair Value**	**Carrying value**	**Fair Value**
Long-term bonds:						
4.80% Senior Notes Due 2026	$ 275.0	$ (2.8)	$ 272.2	$ 266.0	$ 271.9	$ 285.7
5.125% Senior Notes Due 2031	125.0	(3.9)	121.1	102.3	120.9	124.6
Total long-term bonds	**$ 400.0**	**$ (6.7)**	**$ 393.3**	**$ 368.3**	**$ 392.8**	**$ 410.3**

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

4.80% Senior Notes Due July 2026

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

13) Borrowings and Debt (cont.)

5.125% Senior Notes Due August 2031

The Company incurred debt issuance costs of $(4.3) million in connection with the issuance of the $125.0 million 2031 Notes, which are being amortized to interest expense over the fifteen -year term. The 2031 Notes can be redeemed at any time, on or after August 1, 2019 at a redemption price equal to 100.0% of the principal amount together with any related accrued and unpaid interest.

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

Interest expense

Interest expense incurred amounted to $24.9 million , $24.5 million and $11.3 million for the years ended December 31, 2018 , 2017 and 2016 respectively. Interest expense consists of interest accrued on the long-term debt and lines of credit, commitment fees and amortization of debt-related costs. The weighted average interest rate on all debt obligations, excluding consolidated Funds, was 6.08% , 6.02% and 5.16% in each of 2018 , 2017 and 2016 , respectively.

As of December 31, 2018 , the aggregate maturities of debt commitments, based on their contractual terms, are as follows:

	Future minimum debt commitments
2019	$ —
2020	—
2021	—
2022	—
2023	—
Thereafter	400.0
Total	**$ 400.0**

The Company was in compliance with the required covenants related to borrowings and debt facilities as of December 31, 2018 .

14) Income Taxes

Income (loss) from continuing operations before income taxes consisted of the following for the years ended December 31 (in millions):

	2018	2017	2016
Domestic	$ 113.8	$ 103.9	$ 170.7
Foreign	21.4	38.1	(9.9)
Total	**$ 135.2**	**$ 142.0**	**$ 160.8**

The components of income tax expense from continuing operations for the years ended December 31 are as follows (in millions):

	2018	2017	2016
Current:			
Federal	$ 3.3	$ 30.0	$ 17.3
State	19.9	5.9	2.6
Foreign	11.0	3.6	1.4
Total current expense (benefit)	34.2	39.5	21.3
Deferred:			
Federal	(24.7)	102.7	19.6
State	(4.7)	(9.3)	(0.2)
Foreign	0.2	(0.1)	0.1
Total deferred expense (benefit)	(29.2)	93.3	19.5
Total tax expense (benefit)	**$ 5.0**	**$ 132.8**	**$ 40.8**

The Company has recognized income tax expense (benefit) related to derivative securities within other comprehensive income of $0.4 million , $0.8 million and $(4.3) million in the years ended December 31, 2018 , 2017 and 2016 , respectively.

Included in gain (loss) on disposal of discontinued operations is income tax expense (benefit) of $0.0 million , $(0.1) million and $4.0 million in the years ended December 31, 2018 , 2017 and 2016 , respectively.

The provision for income taxes in 2018 , 2017 and 2016 included benefits of $0.4 million , $1.2 million and $4.7 million , respectively, related to the utilization of net operating loss carryforwards.

14) Income Taxes (cont.)

The reconciliation of the difference between the Company's U.S. Federal statutory income tax rate and the effective income tax rate for continuing operations for the years ended December 31 is as follows:

	2018	2017	2016
Tax at U.S. federal statutory income tax rate	21.0 %	35.0 %	35.0 %
State income taxes, net of federal benefit	8.1 %	1.7 %	3.0 %
Non-deductible expenses	0.3 %	0.2 %	— %
DTA Deed liability revaluation adjustment	1.2 %	(12.8)%	— %
Interest expense	— %	(10.2)%	(12.1)%
Adjustment to liabilities for uncertain tax positions	(32.5)%	(1.2)%	0.9 %
Change in valuation allowance	(6.3)%	1.1 %	(0.6)%
Write-off of state net operating loss carryforwards	6.3 %	— %	— %
Effect of foreign operations	2.7 %	(4.0)%	(0.7)%
Effect of changes in tax law	(1.4)%	86.4 %	— %
Effect of disposal of affiliate	2.9 %	— %	— %
Effect of income from non-controlling interest	0.9 %	(1.3)%	— %
Other	0.5 %	(1.4)%	(0.2)%
Effective income tax rate for continuing operations	**3.7 %**	**93.5 %**	**25.3 %**

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted and became effective January 1, 2018. The Tax Act enacted various measures of domestic and international corporate tax reform that were impactful to the Company including reduction of the federal statutory corporate tax rate from 35% to 21%, new limitations on executive compensation and the deductibility of interest expense, a one-time tax on mandatory deemed repatriation of non-U.S. earnings, and new taxes assessed on foreign earnings. In accordance with SEC issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), the Company was permitted to provide provisional amounts for recording the tax effects of the enacted tax law during a specified measurement period, ending one year after the enactment date. The Company's accounting for the effect of the Tax Act is now complete under SAB 118 and accordingly, the Company has recorded a $1.0 million income tax benefit during the year ended December 31, 2018 related to refinement of the Section 965 toll charge tax liability on the mandatory deemed repatriation of foreign earnings.

Additionally, the Company analyzed the impact of the international corporate tax reform measures which became effective January 1, 2018, including the new taxes on foreign earnings known as the global intangible low-taxed income ("GILTI"). The Company has elected to treat GILTI taxes as period costs in the accounting and tax periods in which they are incurred. The Company has recognized tax expense of $0.7 million during 2018 related to the GILTI tax.

In 2018, the Deferred Tax Asset Deed was terminated resulting in a tax net impact of $1.6 million . In 2017 the deed was revalued due to the enactment of the Tax Act resulting in a tax impact of $18.1 million .

14) Income Taxes (cont.)

On November 16, 2017, the U.K. Finance (No.2) Bill 2017 (the “Finance Bill”) received Royal Assent and enacted amendments to the hybrid mismatch rules which are effective from July 13, 2017. Accordingly, the Company’s benefits from its intercompany financing arrangements were reduced as of the effective date.

The Company reduced its liability for uncertain tax positions by $47.9 million during the year ended December 31, 2018 as a result of a lapse of statute of limitations.

During 2018, the Company wrote-off its $8.6 million deferred tax asset for state net operating loss carryforwards and released the corresponding $8.6 million valuation allowance, as management has concluded that the tax benefits associated with the state net operating loss carryforwards will not be recognized.

Due to Pennsylvania legislation enacted during 2017 which limits the Company’s annual usage of net operating losses within the state, the Company recorded an additional $3.1 million valuation allowance in 2017 against its state net operating loss carryforwards as management concluded it is unlikely the tax benefits will be realized.

In general, it is the practice and intention of the Company to reinvest earnings of its non-U.S. subsidiaries in those operations. Management has no intention of repatriating earnings of its non-U.S. subsidiaries in the foreseeable future. At December 31, 2018 , the Company has not recorded any deferred tax liabilities relating to additional taxes such as foreign withholding and state taxes which could arise on the repatriation of unremitted earnings of its non-U.S. subsidiaries. It is not practical for the Company to determine the potential unrecognized deferred tax liability related to unremitted earnings due to numerous assumptions associated with the determination.

14) Income Taxes (cont.)

Deferred tax assets and liabilities reflect the expected future tax consequences of temporary differences between the book carrying amounts and tax bases of the Company’s assets and liabilities.

The significant components of deferred tax assets and deferred tax liabilities for the years ended December 31 are as follows (in millions):

	2018	2017
Deferred tax assets:		
Interest expense	$ 73.6	$ 80.9
Federal net operating loss	1.4	1.8
State net operating loss carry forwards	—	8.6
Investment in partnerships	182.0	140.3
Intangible assets	0.5	0.9
Employee compensation	6.2	8.9
Other	2.0	2.6
Cash flow hedge	4.7	5.1
Investments	—	0.1
Total deferred tax assets	270.4	249.2
Valuation allowance	—	(8.6)
Deferred tax assets, net of valuation allowance	270.4	240.6
Deferred tax liabilities:		
Investments	0.3	—
Net deferred tax assets	**$ 270.1**	**$ 240.6**

At December 31, 2018 , the Company has tax attributes that carry forward for varying periods. The Company’s federal net operating loss carryforward of $6.4 million originated during 2004 and 2006 and will expire over a six to eight -year period. In evaluating the Company’s ability to recover its deferred tax assets, the Company considers all available positive and negative evidence including the existence of cumulative income in the most recent fiscal years, changes in the business in which the Company operates, and the Company’s ability to forecast future taxable income. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence that is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed. The Company has three years of cumulative earnings as of December 31, 2018 , 2017 and 2016 . As of December 31, 2018 , management believes it is more likely than not that the balance of the deferred tax asset will be realized based on forecasted taxable income.

14) Income Taxes (cont.)

A reconciliation of the change in gross unrecognized tax benefits for the years ended December 31 is as follows (in millions):

	2018	2017	2016
Balance as of January 1	**$ 88.7**	**$ 91.3**	**$ 93.5**
Additions based on current year tax positions	0.1	0.9	—
Reductions for tax provisions of prior years	(0.9)	—	—
Reductions related to lapses of statutes of limitations	(41.0)	(3.5)	(2.2)
Balance as of December 31	**$ 46.9**	**$ 88.7**	**$ 91.3**

The Company's liability for uncertain tax positions includes unrecognized benefits of $46.7 million and $88.3 million at December 31, 2018 and 2017 , respectively, that if recognized would affect the effective tax rate on income from continuing operations.

The Company recognized $(1.9) million , $2.5 million , and $3.6 million in interest and penalties in its income tax provision for the years ended December 31, 2018 , 2017 , and 2016 , respectively. The Company recognizes accrued interest and penalties relating to unrecognized tax benefits as income tax expense. The Company's liability for uncertain tax benefits at December 31, 2018 , 2017 , and 2016 includes accrued interest and penalties of $6.7 million , $8.6 million and $6.1 million , respectively.

The Company believes that it is reasonably possible that a decrease of up to $41.2 million in unrecognized tax benefits may be necessary within the next twelve months, as the result of a lapse of statute of limitations.

The Company is periodically under examination by various taxing authorities. Examinations are inherently uncertain, may result in payment of additional taxes or the recognition of tax benefits and may be in process for extended periods of time. At December 31, 2018 , there were no open examinations in process.

The Company and its subsidiaries file tax returns in U.K., U.S. federal, state, local and other foreign jurisdictions. As of December 31, 2018 , the Company is generally no longer subject to income tax examinations by U.K., U.S. federal, state, local, or foreign tax authorities for calendar years prior to 2008.

15) Commitments and Contingencies

Operational commitments

The Company had unfunded commitments to invest up to approximately $69 million in co-investments as of December 31, 2018 . These commitments will be funded as required through the end of the respective investment periods ranging through fiscal 2024.

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

Litigation

The Company and its Affiliates are subject to claims, legal proceedings and other contingencies in the ordinary course of their business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved in a manner unfavorable to the Company or its Affiliates. The Company and its Affiliates establish accruals for matters for which the outcome is probable and can be reasonably estimated. If an insurance claim or other indemnification for a litigation accrual is available to the Company, the associated gain will not be recognized until all contingencies related to the gain have been resolved. As of December 31, 2018 , there were no material accruals for claims, legal proceedings or other contingencies.

Indemnifications

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

Foreign tax contingency

The Company has clients in non-U.S. jurisdictions which require entities that are conducting certain business activities in such jurisdictions to collect and remit tax assessed on certain fees paid for goods and services provided. The Company does not believe this requirement is applicable based on its limited business activities in these jurisdictions. However, given the fact that uncertainty exists around the requirement, the Company has chosen to evaluate its potential exposure related to non-collection and remittance of these taxes. At December 31, 2018 , management of the Company has estimated the potential maximum exposure and concluded that it is not material. No accrual for the potential exposure has been recorded as the probability of incurring any potential liability relating to this exposure is not probable at December 31, 2018 .

Considerations of credit risk

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

16) Earnings Per Share

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

The calculation of basic and diluted earnings per ordinary share for the years ended December 31, 2018 , 2017 and 2016 is as follows (dollars in millions, except per share data):

	2018	2017	2016
Numerator:			
Net income attributable to controlling interests	$ 136.4	$ 4.2	$ 126.4
Less: Total income available to participating unvested securities [1]	(0.4)	(0.2)	(0.9)
Total net income attributable to ordinary shares	$ 136.0	$ 4.0	$ 125.5
Denominator:			
Weighted-average ordinary shares outstanding—basic	107,431,821	110,708,598	119,236,370
Potential ordinary shares			
Restricted stock units	191,371	672,544	283,743
Weighted-average ordinary shares outstanding—diluted	107,623,192	111,381,142	119,520,113
Earnings per ordinary share attributable to controlling interests:			
Basic	$ 1.27	$ 0.04	$ 1.05
Diluted	$ 1.26	$ 0.04	$ 1.05

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

Employee options to purchase 6,900,000 shares were not included in the computation of diluted EPS for the year ended December 31, 2018 because the assumed proceeds from exercising such options exceed the average price of the common shares for the period and, therefore, the options are deemed antidilutive.

17) Revenue

Management fees

The Company’s management fees are a function of the fee rates the Affiliates charge to their clients, which are typically expressed in basis points, and the levels of the Company’s assets under management. The greatest driver of increases or decreases in this average fee rate is changes in the mix of the Company’s assets under management caused by net inflows or outflows in certain asset classes or disproportionate market movements.

Performance fees

The Company’s alternative products subject to performance fees or carried interest earn these performance fees upon exceeding high-water mark performance thresholds or outperforming a hurdle rate. Conversely, the separate accounts / other products, which primarily earn management fees, are potentially subject to performance adjustments up or down based on investment performance versus benchmarks.

Other revenue

Included in other revenue are certain payroll and benefits costs and expenses paid on behalf of Funds by the Company’s Affiliates. In instances where a customer reimburses the Company for a cost paid on the customer’s behalf, the Company is acting as a principal and the reimbursement is accrued on a gross basis at cost as the corresponding reimbursable expenses are incurred. Revenue from expense reimbursement amounted to $8.0 million , $0.0 million , and $0.0 million for the years ended December 31, 2018 , 2017 , and 2016 , respectively, and is recorded in other revenue in the Company’s Consolidated Statements of Operations. Other revenue may also consist of other miscellaneous revenue, consisting primarily of administration and consulting services.

17) Revenue (cont)

Disaggregation of management fee revenue

The Company classifies its revenue (including only consolidated Affiliates that are included in management fee revenue) among the following asset classes:

i. U.S. equity, which includes small cap through large cap securities and substantially value or blended investment styles;

ii. Global / non-U.S. equity, which includes global and international equities including emerging markets;

iii. Fixed income, which includes government bonds, corporate bonds and other fixed income investments in the United States; and

iv. Alternatives, which consist of timberland investments, secondary Funds focused in real estate and private equity, and other alternative investments.

Revenue by asset class for the years ended December 31, 2018 , 2017 , and 2016 were (in millions):

	For the year ended December 31,		
	2018	2017	2016
U.S. equity	$ 179.6	$ 192.9	$ 187.7
Global / non-U.S. equity	490.3	465.6	374.1
Fixed income	26.8	27.8	29.1
Alternatives	208.3	171.7	69.0
Management fee revenue	**$ 905.0**	**$ 858.0**	**$ 659.9**

18) Employee Benefits

The Company has various defined contribution plans covering substantially all of its full-time employees and several of its Affiliates. In addition to pre-tax contributions made by employees, the Company also makes contributions to the qualified plans annually.

The Company also has non-qualified defined contribution plans covering certain senior employees. The Company has established a Deferred Compensation Plan under which the Board of Directors makes awards that may be invested by the recipient in investments deemed available under the plan. Vesting of awards under the Deferred Compensation Plan is based on the number of years of service already provided by the employee at the date of the grant. In addition, the Company has established a Voluntary Deferral Plan that provides officers of the Company the opportunity to voluntarily defer a portion of their compensation. The compensation deferred is deemed to be invested in one or more investment options available under the plan. These non-qualified plans are unfunded, although the Company does make contributions to a Rabbi Trust to hedge its risks in terms of providing returns to employees on their deemed investments held in the plan.

As of December 31, 2018 and 2017 , a total of $91.7 million and $95.1 million , respectively, had been recorded as long-term compensation liabilities and a total of $91.8 million and $95.2 million had been invested under the Deferred Compensation and Voluntary Deferral plans, respectively. The change in the fair value of long-term compensation liabilities and the change in fair value of the assets invested under the Deferred Compensation and Voluntary Deferral plans was $0.1 million and $0.2 million , respectively, for the year ended December 31, 2018 , $9.0 million and $9.0 million , respectively, for the year ended December 31, 2017 , and $2.4 million , and $2.4 million , respectively, for the year ended December 31, 2016 . The Company recorded total expenses in relation to its qualified and non-qualified plans within compensation and benefits in its Consolidated Statements of Operations for the years ended December 31, 2018 , 2017 and 2016 of $14.4 million , $14.8 million and $12.3 million , respectively.

19) Equity-based Compensation

Cash-settled Affiliate awards

The Company has entered into compensation arrangements with certain of its Affiliates whereby in exchange for continued service, Affiliate equity is either purchased by or granted to Affiliate key employees subject to a limit imposed by the Company, and may be repurchased either by Affiliate key employees or by the Company at a future date at the then applicable fair value, subject to service requirements having been met. Compensation expense is recognized over the requisite service period equal to the cumulative vested fair value of the award at the end of each period up to vesting date.

The Company accounts for these arrangements as “cash settled” share based payments, and accordingly a corresponding share-based payment liability is recorded. Vested share-based payment liabilities are revalued at each period end until settlement date, with changes in the liabilities included within compensation expense.

19) Equity-based Compensation (cont.)

As described within Note 3, in conjunction with the Landmark acquisition, BSIG entered into compensation arrangements with employees of Landmark where pre-acquisition equity units held by Landmark employees became subject to a service condition. These units are accounted for as stock-based compensation, were fair valued as of the closing date of the acquisition and vest over varying increments from December 31, 2018 through December 31, 2024. These units contain put rights that provide liquidity to the employees upon vesting and are remeasured at the end of each reporting period. An additional acquisition related payment of $207.6 million was earned based on the growth of Landmark's business and was paid in February 2019. This arrangement was also accounted for as equity-based compensation, fair valued as of the closing date of the acquisition, and vested on December 31, 2018.

The following table presents the changes in the share-based payments liability for the years ended December 31 (in millions):

	2018	2017	2016
Balance, beginning of period	**$ 188.8**	**$ 53.7**	**$ 38.5**
Amortization and revaluation of granted awards	199.9	135.8	15.6
Reclassification to profit interests award	—	—	—
Repurchases (cash settled)	(2.6)	(0.7)	(0.4)
Balance, end of period	**$ 386.1**	**$ 188.8**	**$ 53.7**

Equity-settled corporate awards

BrightSphere Investment Group equity incentive plan

The Company has established various plans under which it is authorized to grant restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance based restricted stock awards ("Performance-based RSAs"), performance based restricted stock units ("Performance-based RSUs") and stock option awards. These plans are maintained to provide equity based compensation arrangements to employees and non-executive directors. Equity ownership encourages employees and directors to act in the best long-term interests of the Company. A total of 18.9 million ordinary shares have been reserved for issuance under the various plans.

Compensation expense recognized by the Company for the year ended December 31, 2018 , 2017 , and 2016 in relation to these awards was $7.1 million , $14.6 million , and $13.1 million respectively. The related income tax benefit recognized for years ended December 31, 2018 , 2017 and 2016 was $1.3 million , $5.7 million and $5.1 million respectively. Unamortized compensation expense related to unvested RSAs, RSUs, Performance-based RSAs, Performance-based RSUs and stock options at December 31, 2018 of $12.5 million is expected to be recognized over a weighted-average period of 2.3 years . The service inception date for annual awards granted in 2018 is deemed to be January 1, 2017 . It is anticipated that annual awards for 2018 with a fair value of $1.1 million will be granted during 2019 with a service inception date of January 1, 2018 .

19) Equity-based Compensation (cont.)

The following summarizes the grant date fair value of the instruments granted by the Company during the year ended December 31:

	2018		2017		2016	
BrightSphere Investment Group plc awards	**Shares granted**	**Weighted average fair value**	**Shares granted**	**Weighted average fair value**	**Shares granted**	**Weighted average fair value**
RSAs	304,389	$ 15.84	342,637	$ 15.13	506,640	$ 10.89
RSUs	48,930	14.98	51,779	14.45	54,556	11.25
Performance-based RSAs	83,092	9.78	175,586	10.26	—	—
Performance-based RSUs	—	—	—	—	189,335	10.92
Stock options	6,900,000	1.69	—	—	—	—

Grants of restricted shares in BrightSphere Investment Group plc

The following table summarizes the activity related to restricted share awards:

	2018		2017		2016	
BrightSphere Investment Group plc RSAs	**Number of shares**	**Weighted average grant date fair value per share**	**Number of shares**	**Weighted average grant date fair value per share**	**Number of shares**	**Weighted average grant date fair value per share**
Outstanding at beginning of the year	**422,927**	**$ 14.26**	**1,375,201**	**$ 13.77**	**1,566,647**	**$ 15.28**
Granted during the year	304,389	15.84	342,637	15.13	506,640	10.89
Forfeited during the year	(14,136)	14.97	(802)	17.65	(7,288)	13.65
Exercised during the year	(387,204)	15.00	(1,294,109)	13.97	(680,573)	15.10
Other transfers	—	—	—	—	(10,225)	14.00
Outstanding at end of the year	**325,976**	**$ 14.83**	**422,927**	**$ 14.26**	**1,375,201**	**$ 13.77**

The grant date fair value per share, calculated based on the closing price as quoted on the New York Stock Exchange on the measurement date, is used to determine the fair value of restricted shares granted to employees. Restricted shares under the plan generally have a vesting period of one to three years.

19) Equity-based Compensation (cont.)

Grants of restricted stock units in BrightSphere Investment Group plc

The following table summarizes the activity related to restricted stock units:

	2018		2017		2016	
BrightSphere Investment Group plc RSUs	**Number of shares**	**Weighted average grant date fair value per share**	**Number of shares**	**Weighted average grant date fair value per share**	**Number of shares**	**Weighted average grant date fair value per share**
Outstanding at beginning of the year	**76,223**	**$ 14.70**	**85,923**	**$ 13.59**	**47,055**	**$ 17.65**
Granted during the year	48,930	14.98	51,779	14.45	54,556	11.25
Forfeited during the year	—	—	—	—	—	—
Exercised during the year	(77,962)	15.02	(61,479)	12.93	(15,688)	17.65
Outstanding at end of the year	**47,191**	**$ 14.46**	**76,223**	**$ 14.70**	**85,923**	**$ 13.59**

The grant date fair value per share, calculated based on the closing price as quoted on the New York Stock Exchange on the measurement date, is used to determine the fair value of restricted shares granted to employees. Restricted stock units under the plan generally have a vesting period of one to three years.

Grants of Performance-based restricted stock awards in BrightSphere Investment Group plc

The following table summarizes the activity related to performance-based restricted stock awards:

	2018		2017		2016	
BrightSphere Investment Group plc Performance-based RSAs	**Number of shares**	**Weighted average grant date fair value per share**	**Number of shares**	**Weighted average grant date fair value per share**	**Number of shares**	**Weighted average grant date fair value per share**
Outstanding at beginning of the year	175,586	$ 10.26	—	$ —	—	$ —
Granted during the year	83,092	9.78	175,586	10.26	—	—
Forfeited during the year	—	—	—	—	—	—
Exercised during the year	—	—	—	—	—	—
Outstanding at end of the year	258,678	$ 10.11	175.586	$ 10.26	—	$ —

The Performance-based RSAs granted by the Company have a market vesting condition; therefore a Monte-Carlo simulation model was used to determine the fair value of the restricted units granted to employees. Significant assumptions utilized in the Monte-Carlo simulation model include assumed reinvestment of dividends, a risk-free interest rate of 2.39% , and an expected volatility of 26.57% . Performance-based RSAs under the plan have a vesting period of three years.

19) Equity-based Compensation (cont.)

Grants of Performance-based restricted stock units in BrightSphere Investment Group plc

The following table summarizes the activity related to performance-based restricted stock units:

	2018		2017		2016	
BrightSphere Investment Group plc Performance-based RSUs	**Number of shares**	**Weighted average grant date fair value per share**	**Number of shares**	**Weighted average grant date fair value per share**	**Number of shares**	**Weighted average grant date fair value per share**
Outstanding at beginning of the year	**640,992**	**$ 20.59**	**640,992**	**$ 20.59**	**451,657**	**24.65**
Granted during the year	—	—	—	—	189,335	10.92
Forfeited during the year	—	—	—	—	—	—
Exercised during the year	(532,956)	23.21	—	—	—	—
Other movements	81,299	15.21	—	—	—	—
Outstanding at end of the year	**189,335**	**$ 10.92**	**640,992**	**$ 20.59**	**640,992**	**$ 20.59**

There were no performance-based RSUs granted by the Company during the year. Performance-based RSUs under the plan have a vesting period of three years.

19) Equity-based Compensation (cont.)

Grants of Stock Options in BrightSphere Investment Group plc

The following table summarizes the activity related to the Company’s stock option awards:

	Stock Options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at beginning of the year	—	—		
Granted during the year	6,900,000	$ 12.00	5	
Forfeited during the year	—	—		
Exercised during the year	—	—		
Outstanding at end of the year	**6,900,000**	**12.00**	**5**	**$ —**
Exercisable at end of the year	**1,380,000**	**$ 12.00**	**5**	**$ —**

The Company granted stock options with a fair value of $11.7 million during 2018. The total fair value of options vested during the year ended December 31, 2018 was $2.3 million .

The fair value of the stock options grant was estimated on the grant date using a Monte-Carlo simulation valuation model. The weighted average fair value of stock options granted during the year ended December 31, 2018 was $1.69 per option, based on the grant date assumptions stated below.

	2018
Weighted-average grant date fair value per option	$ 1.69
Assumptions:	
Dividend yield (1)	3.8%
Expected volatility (2)	28.3%
Risk-free interest rate (3)	2.5%
Expected life of options (4)	5 years

(1) Dividend yield assumption represents the Company’s expected dividend yield based on its historical dividend payouts and the stock price at the date of grant.

(2) Expected volatility is based upon historical BSIG stock price volatility.

(3) The risk-free rate for period within the contractual life of the option is based on the U.S. Treasury yield curve at the time of grant.

(4) Expected life of options is based on the contractual term and the expected exercise behavior.

19) Equity-based Compensation (cont.)

OM plc equity compensation plans

OM plc maintained various equity-based compensation arrangements, including stock options and restricted stock awards, in which the Company's employees participated in the periods presented. The cost of these equity-based programs is not material, and has been included in the Company's financial results where applicable.

The following table summarizes the activity related to the various equity compensation arrangements maintained by OM plc in which the Company's employees participated.

	2018			2017			2016		
	Number of shares	Weighted average grant date fair value per share GBP	Weighted average grant date fair value per share USD	Number of shares	Weighted average grant date fair value per share GBP	Weighted average grant date fair value per share USD	Number of shares	Weighted average grant date fair value per share GBP	Weighted average grant date fair value per share USD
Outstanding at the beginning of the year	—	£ —	$ —	155,132	£ 2.03	$ 2.53	209,801	£ 2.00	$ 3.00
Granted during the year	—	—	—	—	—	—	—	—	—
Forfeited during the year	—	—	—	—	—	—	(8,885)	2.03	2.53
Exercised during the year	—	—	—	(155,132)	2.03	2.72	(113,559)	1.98	2.47
Other transfers	—	n/a	n/a	—	n/a	n/a	67,775	n/a	n/a
Outstanding at the end of the year	—	£ —	$ —	—	£ —	$ —	155,132	£ 2.03	$ 2.53

20) Accumulated Other Comprehensive Income

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

	For the year ended December 31, 2018		
	Pre-Tax	Tax Benefit (Expense)	Net of Tax
Foreign currency translation	$ (1.7)	$ —	$ (1.7)
Amortization related to derivative securities	2.8	(0.4)	2.4
Other comprehensive income (loss)	**$ 1.1**	**$ (0.4)**	**$ 0.7**

	For the year ended December 31, 2017		
	Pre-Tax	Tax Benefit (Expense)	Net of Tax
Foreign currency translation adjustment	$ 2.9	$ —	$ 2.9
Amortization related to derivative securities	2.6	(0.8)	1.8
Other comprehensive income (loss)	**$ 5.5**	**$ (0.8)**	**$ 4.7**

	For the year ended December 31, 2016		
	Pre-Tax	Tax Benefit (Expense)	Net of Tax
Foreign currency translation adjustment	$ (3.2)	$ —	$ (3.2)
Valuation and amortization related to derivative securities	(24.6)	4.3	(20.3)
Other comprehensive income (loss)	**$ (27.8)**	**$ 4.3**	**$ (23.5)**

The components of accumulated other comprehensive income (loss) for the years ended December 31, 2018 , 2017 and 2016 were as follows (in millions) including proportions attributable to non-controlling interests:

	Foreign currency translation adjustment	Valuation and amortization of derivative securities	Total
Balance, as of December 31, 2015	**$ 3.8**	**$ (6.6)**	**$ (2.8)**
Other comprehensive income	(3.2)	(20.3)	(23.5)
Balance, as of December 31, 2016	**$ 0.6**	**$ (26.9)**	**$ (26.3)**
Other comprehensive income	2.9	1.8	4.7
Balance, as of December 31, 2017	**$ 3.5**	**(25.1)**	**$ (21.6)**
Other comprehensive income (loss)	(1.7)	2.4	0.7
Balance, as of December 31, 2018	**$ 1.8**	**$ (22.7)**	**$ (20.9)**

20) Accumulated Other Comprehensive Income (cont.)

The Company reclassified $2.8 million , $2.6 million , and $1.1 million from accumulated other comprehensive income (loss) to interest expense on the Consolidated Statements of Operations for the twelve months ended December 31, 2018 , 2017 and 2016 respectively.

21) Non-controlling interests

Non-controlling interests on the Consolidated Balance Sheets include capital and undistributed profits of certain entities that are consolidated, but not 100% owned, which amounted to $1.6 million at December 31, 2018 and $1.3 million at December 31, 2017 .

Non-controlling interests in consolidated Funds

Net income (loss) attributable to non-controlling interests in consolidated Funds in the Consolidated Statements of Operations is comprised of the net income or loss and net gains and losses allocated to equity-holders, other than BSIG, of consolidated Funds. For the years ended December 31, 2018 , 2017 and 2016 this net income (loss) was $(6.1) million , $4.9 million , and $(0.2) million , respectively. Non-controlling interests in consolidated Funds on the Consolidated Balance Sheets represents the share of net assets of the Funds attributable to those equity holders who are restricted in their ability to redeem their interests, which amounted to $29.3 million at December 31, 2018 , and $50.6 million at December 31, 2017 .

Redeemable non-controlling interests in consolidated Funds on the Consolidated Balance Sheets represents the share of net assets of the Funds attributable to those equity holders who are not restricted in their ability to redeem their interests, which amounted to $41.9 million at December 31, 2018 , and $44.0 million at December 31, 2017 .

22) Derivatives and Hedging

Cash flow hedge

In July 2015, the Company entered into a series of $300.0 million notional Treasury rate lock contracts which was designated and qualified as cash flow hedges. The Company documented its hedging strategy and risk management objective for this contract in anticipation of a future debt issuance. The Treasury rate lock contract eliminated the impact of fluctuations in the underlying benchmark interest rate for future forecasted debt issuances. The Company assessed the effectiveness of the hedging contract at inception and on a quarterly basis thereafter. The forecasted debt issuances occurred in July 2016 and the Treasury rate lock, which had an accumulated fair value of $(34.4) million , was settled. Refer to Note 13, Borrowings and Debt, for additional information on the debt issuances.

Amounts recorded in accumulated other comprehensive income in connection with the settled Treasury rate lock were $2.8 million , net of tax of $(0.4) million for the year ended December 31, 2018 . As of December 31, 2018 , the balance in accumulated other comprehensive income (loss) in connection with the Treasury rate lock contract amounted to $(22.7) million , net of tax. This balance will be reclassified to earnings through interest expense over the life of the issued debt. Amounts of $2.8 million , $2.6 million and $1.1 million have been reclassified for the years ended December 31, 2018 , 2017 and 2016 , respectively. During the next twelve months the Company expects to reclassify approximately $3.0 million to interest expense.

22) Derivatives and Hedging (cont.)

Derivatives of consolidated Funds

In the normal course of business, the Company's consolidated Funds may enter into transactions involving derivative financial instruments in connection with Funds' investing activities. Derivative instruments may be used as substitutes for securities in which the Funds can invest; to hedge portfolio investments or to generate income or gain to the Funds. The Funds may also use derivatives to manage duration; sector and yield curve exposures and credit and spread volatility. Derivative financial instruments base their value upon an underlying asset, index or reference rate. These instruments are subject to various risks, including leverage, market, credit, liquidity and operational risks. The Funds manage the risks associated with derivatives on an aggregate basis, along with the risks associated with its trading and as part of its overall risk management policies.

23) Discontinued Operations and Restructuring

The Company recognized a gain (loss) on disposal, net of taxes, of $0.1 million , $(0.1) million , and $6.2 million , with basic and diluted discontinued operations earnings per share of $0.00 , $0.00 , and $0.07 for the years ended December 31, 2018 , 2017 and 2016 , respectively. Gains and losses on disposal of discontinued operations represent the Company's rights or obligations related to contractual residual interests in previously discontinued operations.

Liabilities associated with discontinued operations and restructuring included in other liabilities on the Company's Consolidated Balance Sheets are summarized as follows as of December 31 (in millions):

	2018	2017
Beginning balance at January 1	$ 0.4	$ 1.1
Abandoned lease liability principal payments	(0.4)	(0.8)
Adjustment to sub-lease arrangement on abandoned lease	—	0.1
Ending balance at December 31	**$ —**	**$ 0.4**

No additional costs are expected to be incurred in connection with discontinued operations for the events described above.

24) Selected Quarterly Financial Data (unaudited)

The following is a summary of the quarterly results of operations of the Company for the years ended December 31, 2018 and 2017 ($ in millions, unless otherwise noted):

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 249.7	$ 233.9	$ 230.1	$ 214.5
Operating income	25.6	15.3	13.3	29.6
Income from continuing operations before income taxes	83.5	6.1	10.7	34.9
Net income	54.8	2.5	54.2	18.8
Net income attributable to controlling interests	57.3	2.1	54.0	23.0
Basic earnings per share ($)	$ 0.52	$ 0.02	$ 0.51	$ 0.22
Diluted earnings per share ($)	$ 0.52	$ 0.02	$ 0.51	$ 0.22
Basic shares outstanding (in millions)	109.4	108.4	106.4	105.6
Diluted shares outstanding (in millions)	109.6	108.6	106.5	105.8

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 196.2	$ 218.8	$ 223.2	$ 249.2
Operating income	23.5	12.9	8.3	26.3
Income from continuing operations before income taxes	28.0	14.6	14.8	84.6
Net income (loss)	22.3	13.6	19.9	(46.7)
Net income (loss) attributable to controlling interests	21.4	12.9	18.7	(48.8)
Basic earnings (loss) per share ($)	$ 0.19	$ 0.12	$ 0.17	$ (0.45)
Diluted earnings (loss) per share ($)	$ 0.19	$ 0.11	$ 0.17	$ (0.45)
Basic shares outstanding (in millions)	113.5	111.3	109.0	109.0
Diluted shares outstanding (in millions)	114.4	111.8	109.7	109.0 (1)

(1) During periods of net loss, diluted shares are the same as basic shares.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) at December 31, 2018 . Disclosure controls and procedures are designed to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rule and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure. Our CEO and CFO participated in this evaluation and concluded that, as of December 31, 2018 , our disclosure controls and procedures were effective.

Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2018 based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2018 .

KPMG LLP, an independent registered public accounting firm, has audited the financial statements that are included in this Annual Report on Form 10-K and expressed an opinion thereon. KPMG LLP has also expressed an opinion on the effectiveness of internal control over financial reporting as of December 31, 2018 , which is included herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fourth quarter of our fiscal year ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item will be set forth in our definitive proxy statement required to be filed pursuant to Regulation 14A for the 2019 annual meeting of shareholders.

Item 11. Executive Compensation.

The information required by this Item will be set forth in our definitive proxy statement required to be filed pursuant to Regulation 14A for the 2019 annual meeting of shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item will be set forth in our definitive proxy statement required to be filed pursuant to Regulation 14A for the 2019 annual meeting of shareholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item will be set forth in our definitive proxy statement required to be filed pursuant to Regulation 14A for the 2019 annual meeting of shareholders.

Item 14. Principal Accountant Fees and Services.

The information required by this Item will be set forth in our definitive proxy statement required to be filed pursuant to Regulation 14A for the 2019 annual meeting of shareholders.

PART IV

Item 15. Exhibits, Financial Statements Schedules.

(1) Financial Statements: The information required by this Item is contained in Item 8 of Part II of this report.

(2) Financial Statement Schedules: None

(3) Exhibits:

Exhibit No.	Description
2.1	Purchase Agreement, dated June 13, 2016, by and among OMAM Inc.; OMAM (2016 Newco) LLC; Landmark Partners LLC; LMRK Intermediary, Inc. and the sellers named therein, incorporated herein by reference to Exhibit 2.1 to Current Report on Form 8-K filed on July 20, 2016.
3.1	Memorandum of Association, incorporated herein by reference to Exhibit 3.1 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.
3.2	Articles of Association, incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 5, 2015.
4.1	Specimen Ordinary Share Certificate, incorporated herein by reference to Exhibit 4.1 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.
4.2	Form of Senior or Subordinated Indenture, incorporated herein by reference to Exhibit 4.2 to the Registration Statement No. 333-207781 on Form S-3 filed on November 4, 2015.
4.3	Base Indenture, dated as of July 25, 2016, among OM Asset Management plc, as Issuer, Wilmington Trust, National Association, as Trustee, and Citibank, N.A., as Securities Administrator, incorporated herein by reference to Exhibit 4.1 to Current Report on Form 8-K filed on July 25, 2016.
4.4	Supplemental Indenture, dated as of July 25, 2016, among OM Asset Management plc, as Issuer, Wilmington Trust, National Association, as Trustee, and Citibank, N.A., as Securities Administrator, incorporated herein by reference to Exhibit 4.2 to Current Report on Form 8-K filed on July 25, 2016.
4.5	Form of 4.800% Note due 2026 incorporated herein by reference and included in the Supplemental Indenture filed as Exhibit 4.2 to Current Report on Form 8-K filed on July 25, 2016.
4.6	Second Supplemental Indenture, dated as of August 1, 2016, among OM Asset Management plc, as Issuer, Wilmington Trust, National Association, as Trustee, and Citibank, N.A. as Securities Administrator, incorporated herein by reference to Exhibit 4.2 to Current Report on Form 8-K filed on August 1, 2016.
4.7	Form of 5.125% Note due 2031 incorporated herein by reference and included in the Supplemental Indenture filed as Exhibit 4.2 to Current Report on Form 8-K filed on August 1, 2016.
10.1	Revolving Credit Agreement, dated October 15, 2014, by and among OM Asset Management plc, certain lenders, and Citibank N.A., as administrative agent, with Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint book runners and joint lead arrangers, incorporated herein by reference to Exhibit 10.7 to Current Report on Form 8-K filed on October 20, 2014.

Exhibit No.	Description
10.2	OM Asset Management plc Equity Incentive Plan, incorporated herein by reference to Exhibit 10.4 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.
10.3	Co-Investment Deed, dated October 8, 2014, by and between OM Asset Management plc and OM Group (UK) Limited, incorporated herein by reference to Exhibit 10.2 to Current Report on Form 8-K filed on October 20, 2014.
10.4	Intellectual Property License Agreement, dated October 8, 2014, by and among OM Asset Management plc, Old Mutual plc, and Old Mutual Life Assurance Company (South Africa) Ltd., incorporated herein by reference to Exhibit 10.3 to Current Report on Form 8-K filed on October 20, 2014.
10.5	Deferred Tax Asset Deed, dated October 8, 2014, by and between OM Asset Management plc and OM Group (UK) Limited, incorporated herein by reference to Exhibit 10.4 to Current Report on Form 8-K filed on October 20, 2014.
10.6	Registration Rights Agreement, dated October 8, 2014, by and among OM Asset Management plc, Old Mutual plc, and OM Group (UK) Limited, incorporated herein by reference to Exhibit 10.5 to Current Report on Form 8-K filed on October 20, 2014 (as assigned to HNA Capital (U.S.) Holding LLC.
10.7	Shareholder Agreement, dated October 8, 2014, by and between OM Asset Management plc and Old Mutual plc, incorporated herein by reference to Exhibit 10.6 to Current Report on Form 8-K filed on October 20, 2014 (certain provisions of which were assigned to HNA Capital (U.S.) Holding LLC).
10.8	Form of Deed of Indemnity for Directors, incorporated herein by reference to Exhibit 10.11 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.
10.9	Amended and Restated Limited Liability Company Agreement of Barrow, Hanley, Mewhinney & Strauss, LLC, effective February 26, 2018, incorporated herein by reference to Exhibit 10.9 to Annual Report on Form 10-K filed on February 28, 2018.
10.10	Seventh Amended and Restated Limited Liability Company Agreement of Acadian Asset Management LLC, effective July 1, 2017, incorporated herein by reference to Exhibit 10.10 to Annual Report on Form10-K filed on February 28, 2018.
10.11	OM Asset Management plc Non-Employee Directors' Equity Incentive Plan, as Amended and Restated effective April 26, 2017, incorporated herein by reference to Appendix C to the Company's Proxy Statement on Form 14A filed on April 3, 2017.
10.12	Form of Management Registration Rights Agreement, incorporated herein by reference to Exhibit 10.15 to Registration Statement No. 333-197106 on Form S-1 filed on September 10, 2014.
10.13	Form of Restricted Stock Unit Award Agreement for Employees, incorporated herein by reference to Exhibit 10.17 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.
10.14	Form of Restricted Stock Award Agreement for Employees, incorporated herein by reference to Exhibit 10.16 to Registration Statement No. 333-197106 on Form S-1 filed on September 8, 2014.
10.15	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors, incorporated herein by reference to Exhibit 10.18 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.

Exhibit No.		Description
10.16		Form of Restricted Stock Unit Award Agreement for Canadian Employees, incorporated herein by reference to Exhibit 10.19 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.
10.17		Form of Restricted Stock Unit Award Agreement for Hong Kong Employees, incorporated herein by reference to Exhibit 10.20 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.
10.18		Form of Restricted Stock Unit Award Agreement for U.K. Employees, incorporated herein by reference to Exhibit 10.21 to Registration Statement No. 333-197106 on Form S-1 filed on September 18, 2014.
10.19		Form of Deed poll Instrument, incorporated herein by reference to Exhibit 10.22 to Registration Statement No. 333-197106 on Form S-1 filed on October 6, 2014.
10.20		Heads of Agreement, dated as of June 13, 2016, among OM Asset Management plc and OM Group (UK) Limited, amending the Deferred Tax Asset Deed, dated September 29, 2014, incorporated herein by reference to Exhibit 10.2 to Current Report on Form 8-K filed on June 14, 2016.
10.21		First Amendment dated September 1, 2015 to the Revolving Credit Agreement dated as of October 15, 2014 by and among OM Asset Management plc and Citibank, N.A., incorporated herein by reference to Exhibit 10.26 to Quarterly Report on Form 10-Q filed on August 9, 2016.
10.22		Second Amendment dated March 1, 2016 to the Revolving Credit Agreement, as amended, dated as of October 15, 2014 by and among OM Asset Management plc and Citibank, N.A., incorporated herein by reference to Quarterly Report on Exhibit 10.27 to Form 10-Q filed on August 9, 2016.
10.23		Third Amendment dated August 3, 2016 to the Revolving Credit Agreement, as amended, dated as of October 15, 2014 by and among OM Asset Management plc and Citibank, N.A., incorporated herein by reference to Exhibit 10.28 to Quarterly Report on Form 10-Q filed on August 9, 2016.
10.24		Form of Transition Severance Agreement, incorporated herein by reference to Exhibit 10.28 to Quarterly Report on Form 10-Q, filed on November 9, 2017
10.25		Employment Agreement with Stephen H. Belgrad, incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on February 1, 2018
10.26	*	Employment Agreement, dated December 30, 2018, by and between BrightSphere Inc. and Guang Yang
10.27	*	Employment Agreement, dated January 20, 2019, by and between BrightSphere Inc. and Suren Rana
10.28		Option Award Agreement, effective December 30, 2018 by and between BrightSphere Investment Group plc and Guang Yang, incorporated by reference to Exhibit 4.1 to the Form S-8, filed on January 2, 2019
10.29	*	Option Award Agreement, effective January 22, 2019 by and between BrightSphere Investment Group plc and Suren Rana
21.1	*	Subsidiaries of BrightSphere Investment Group plc

Exhibit No.		Description
23.1	*	Consent of KPMG LLP
31.1	*	Certification of the Company's Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*	Certification of the Company's Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	*	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	*	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017; (ii) the Consolidated Statement of Operations for the years ended December 31, 2018, 2017 and 2016; (iii) the Consolidated Statement of Comprehensive Income (Loss) for the years ended December 31, 2018, 2017 and 2016; (iv) the Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2018, 2017 and 2016; (v) the Consolidated Statement of Cash Flows for the years ended December 31, 2018, 2017 and 2016; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BrightSphere Investment Group plc

Dated: February 28, 2019

By: /s/ Guang Yang

Guang Yang
President, Chief Executive Officer and Executive Chairman
(principal executive officer)

/s/ Suren Rana

Suren Rana
Chief Financial Officer
(principal financial officer)

/s/ Daniel K. Mahoney

Daniel K. Mahoney
Head of Finance
(principal accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ GUANG YANG Guang Yang	President, Chief Executive Officer and Executive Chairman	February 28, 2019
/s/ ROBERT J. CHERSI Robert J. Chersi	Lead Independent Director	February 28, 2019
/s/ MARY ELIZABETH BEAMS Mary Elizabeth Beams	Director	February 28, 2019
/s/ REGINALD LOVE Reginald Love	Director	February 28, 2019
/s/ JOHN PAULSON John Paulson	Director	February 28, 2019
/s/ BARBARA TREBBI Barbara Trebbi	Director	February 28, 2019

QuickLinks

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “Agreement”) is made this 30th day of December, 2018 by and between BrightSphere Inc., a Delaware corporation with an address at 200 Clarendon Street, 53rd Floor, Boston, Massachusetts 02116 (“BrightSphere”), and Guang Yang (the “Executive”).

1. **DEFINITIONS**

In this Agreement, unless the context otherwise requires:

(i) The following terms shall have the following meanings:

“Basic Termination Payments” means (i) the Base Salary payable to Executive under Section 4.1(A) through the termination of employment, (ii) any expense reimbursements under Section 4.3 for expenses reasonably incurred in the performance of the Executive’s duties prior to termination, and (iii) the value of any unused vacation accrued to the date of termination of employment;

“Board” means the Board of Directors of the Company or any entity controlling the Company, including without limitation BrightSphere Investment Group plc;

“Cause” means (i) the Executive’s willful or reckless misconduct, or gross, continuing or repeated negligence in the performance of the Executive’s duties and responsibilities with respect to the Company, or his material failure to carry out directions which are reasonable in light of the Executive’s primary duties and responsibilities, or any other conduct that results in substantial injury (monetary or otherwise) to the Company or its officers, directors, employees or other agents; (ii) the Executive’s conviction of a felony (including but not limited to any felony conviction occurring prior to the Commencement Date), which has or could have a material adverse effect (monetary or otherwise) on the Company or its officers, directors, employees or other agents; (iii) the Executive’s embezzlement or misappropriation of funds, commission of any material act of dishonesty, fraud or deceit, or violation of any federal or state law applicable to the securities industry (including but not limited to any instances of such misconduct occurring prior to the Commencement Date); (iv) the Executive’s material breach of a legal or fiduciary duty owed to the Company or its officers, directors, employees or other agents; or (v) the Executive’s material breach of any provision of any agreement between the Executive and the Company and its officers, directors, employees or other agents, any Company policy or practice, or any applicable law. Notwithstanding anything in the paragraph to the contrary, this paragraph is not intended to prohibit the Executive from regular and customary critique, evaluation, discipline, or as applicable, termination of the employment or engagement of any officers, employees or agents in the course of the Executive’s duties for the Company.

“COBRA” means Section 601 *et seq.* of the Employee Retirement Income Security Act of 1974, as amended, and Section 4980B of the Code.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commencement Date” means December 15, 2018;

“Company” means BrightSphere, any company that is a subsidiary or holding company (up to and including the ultimate holding company) of the Company and any subsidiary of any such holding company, and any person or entity directly or indirectly controlling, being controlled by, or under common control with BrightSphere.

"Compensation Committee" means the Compensation Committee of the Board of Directors of the Company, if any; provided, however, if there should be no Compensation Committee, then such reference to the Compensation Committee shall be to the Board of Directors or other authorized body or officer of the Company performing the described function;

"Confidential Information" means any confidential information concerning the business or affairs of the Company or concerning the Company's customers, clients, vendors, suppliers, business partners, advisors, consultants or employees, including but not limited to the following: any financial information or valuation information concerning the Company, and any other proprietary information of the Company, including that relating to the demonstrably anticipated business of the Company that the Executive obtains, develops or learns in the course of the Executive's employment by the Company and any and all memoranda, notes, reports, documents, emails and other media containing the foregoing. Confidential Information specifically includes: any inventions (whether or not patentable), works of authorship, designs, know-how, ideas and information made or conceived or reduced to practice, in whole or in part, by the Executive during the term of the Executive's employment, all business, technical and financial information, including trade secrets, information about clients, including their names, addresses and investment history; information about employees or applicants for employment, their compensation, qualifications and performance levels; all information regarding fees, commissions and compensation; all investment, advisory, technical or research data, and financial models developed by the Company and its employees; methods of operation; manuals, books and notes regarding the Company's products and services; all drawings, designs, patterns, devices, methods, techniques, compilations, processes, product specifications and guidelines, future plans, cost and pricing information, computer programs, formulas, and equations; the cost to the Company of supplying its products and services; written business records, files, documents, specifications, plans and compilations of information concerning the business of the Company; and reports, correspondence, records account lists, price lists, budgets, indices, invoices and telephone records that the Executive obtains, develops, or learns in the course of the Executive's employment by BrightSphere. "Confidential Information" shall include the Confidential Information of any third party disclosed to the Company under confidentiality obligations and any information which a reasonable person would consider confidential due to the circumstances surrounding disclosure or due to the nature of the information. Confidential Information shall not apply to information that has been independently developed by others or has become generally known through no wrongful act on the part of the Executive or any other person having an obligation of confidentiality to the Company;

"Disability" means that the Executive has, for 90 consecutive days or 180 days in any 12-month period, been disabled as a result of any mental or physical illness in a manner which prevents him from performing the essential functions of his job, with or without reasonable accommodation determined by an independent qualified medical doctor selected by BrightSphere. In such circumstances, the Executive hereby agrees to submit to a medical examination by a qualified medical practitioner appointed by the Company and reasonably acceptable to the Executive;

"Good Reason" means the occurrence of one or more of the following without the Executive's consent, other than on account of Executive's inability to perform his duties on account of mental or physical disability: (i) a material reduction of the Executive's Base Salary, if such reduction is not related to either individual or corporate performance; (ii) a material, adverse change to the Executive's current title of Chief Executive Officer of the Company; (iii) a material change in the geographic location at which the Executive must regularly perform services for the Company (which, for purposes of this Agreement, means a change in Executive's principal place of employment by 50 or more miles, provided that such relocation materially increases the time of the Executive's commute); (iv) the Company's material breach of any provision of this Agreement; or (v) the failure to nominate the Executive to the Board of the Company or the removal of the Executive from the Board of the Company. The Executive must provide written notice of termination for Good Reason to the Company within thirty (30) days after the event constituting Good Reason. The Company shall have a period of thirty (30) days in which it may correct the act or failure to act that constitutes the grounds for Good Reason as set forth in the Executive's notice of termination. If the Company does not correct the act or failure to act, the Executive may terminate his employment for Good Reason not later than (30) days following the end of the Company's thirty (30)-day cure period. If the event constituting Good Reason is a material reduction in Base Salary described in subsection (i) above, the Executive's Base Salary for purposes of the severance calculations shall be determined without regard to the material reduction described in subsection (i);

"Notice Period" means the period ending sixty (60) days from the date of written notice to terminate the Agreement;

"Term" means the period beginning on the Commencement Date and continuing through the earlier of the fifth (5th) anniversary of the Commencement Date and the Termination Date;

"Termination Date" means the date when the Executive ceases to be employed by the Company;

"Trade Secrets" means proprietary data and information relating to the business of the Company including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; and

(ii) References to Sections are, unless otherwise stated, to sections of this Agreement; and

(iii) Headings to Sections are for convenience only and shall not affect the construction or interpretation of this Agreement.

2. EMPLOYMENT

2.1 BrightSphere hereby agrees to employ the Executive and the Executive hereby agrees to accept employment with BrightSphere, on the terms and conditions more fully set forth herein.

2.2 The Executive's employment will continue from the Commencement Date until the fifth (5th) anniversary of the Commencement Date, unless earlier terminated in accordance with the provisions of Section 5 below. Provided, however, that the Executive's employment is at all times on an at-will basis, and either the Executive or BrightSphere may terminate this Agreement with or without Cause, for any reason or no reason, consistent with the provisions of Section 5 herein.

2.3 The Executive's title shall be President and Chief Executive Officer, and the Executive's responsibilities shall include such duties and responsibilities that may be assigned by the Board or its designee, consistent with the title of President and Chief Executive Officer of a company in the asset management business. The Executive was most recently appointed to serve as a member of the Board on November 16, 2018 and was appointed as Executive Chair of the Board effective November 30, 2018; his appointment will be subject to re-election in accordance with then prevailing corporate governance procedures.

2.4 The Executive will use reasonable best efforts to faithfully, diligently and efficiently perform such duties on behalf of the Company consistent with such office as may be assigned to the Executive from time to time by the Company. The Executive agrees to abide by the reasonable rules, regulations, instructions, personnel practices and policies of the Company, including without limitation BrightSphere's Code of Ethics as well as its Insider Trading Policy, and any changes therein which may be adopted from time to time, all of which the Executive was first notified in writing. The Executive's actions as an employee of BrightSphere shall at all times be consistent with the interests of the Company. Under no circumstances will the Executive knowingly take any action contrary to the best interests of the Company.

2.5 The Executive may manage his investments and engage in charitable or civic activities. All outside activities remain subject to BrightSphere's Insider Trading and other applicable policies. Executive must give his duties to the Company first priority and such activities must not interfere with the performance of his duties for the Company. Notwithstanding the foregoing, other than with regard to the Executive's duties to the Company, the Executive will not accept any other employment, perform any consulting services, or serve on the board of directors or governing body of any other for-profit business throughout the Executive's employment hereunder, except with the prior written consent of the Board. Notwithstanding the foregoing, the Executive may continue to provide services to H Plus Capital, LLC or any other investment included on the CEO statement included in the Executive's D&O Questionnaire during the first three (3) months following the Commencement Date, following which time any such involvement will divest or become passive.

2.6 The Executive warrants that in entering into this Agreement and performing the obligations hereunder, the Executive has not and will not be in breach of any terms or obligations of any other employment or agreement. The Executive further represents that the performance of all the terms of this Agreement and as an employee of the Company has not, does not and will not breach any pre-existing agreement (i) to refrain from competing, directly or indirectly, with the business of such previous employer or any other party or (ii) to keep in confidence proprietary information, knowledge or data acquired by the Executive prior to employment with the Company.

3. **PLACE OF WORK**

The Executive shall primarily perform the duties assigned hereunder at BrightSphere's office presently located in Boston, Massachusetts, and is expected to travel to and work at other Company offices and other appropriate places within or outside the United States for reasonable periods of time.

During the first twelve (12) months of the Term, the Company will provide Executive with a monthly housing and travel allowance of up to Twenty Five Thousand Dollars ($25,000).

4. **COMPENSATION AND BENEFITS**

In consideration of the services performed by the Executive, and subject to performance of the Executive's duties and responsibilities to the Company, BrightSphere shall provide the Executive with the compensation and benefits described below:

4.1 Compensation : The Executive's compensation package shall consist of the following:

(A) *Base Salary* : BrightSphere will pay the Executive a base salary of $1,000,000.00 per annum (the "Base Salary"), such Base Salary to be paid in accordance with BrightSphere's normal payroll procedures and subject to applicable tax deductions and withholdings. The salary shall be reviewed annually and any modification and the amount of any modification shall be in the Compensation Committee's absolute discretion and notified to the Executive in writing.

(B) *Equity Compensation:* Within a reasonable time following the Commencement Date, the Executive shall be offered a nonqualified stock option to purchase 6,900,000 ordinary shares of BrightSphere Investment Group plc (the "Inducement Award") at an exercise price per share equal to the greater of $12.00 or the price of one ordinary share as reported on the New York Stock Exchange (or on any other national securities exchange on which the Stock is then listed) on the date of grant or, if the closing price has not been reported for that date when issued, the closing price on the day preceding the date of grant for which a closing price is reported. Twenty percent (20%) of the Inducement Award shall be vested on the date of grant (the "Initial Vesting Date"), with the remaining eighty percent (80%) vesting in equal twenty percent (20%) annual installments over a four-year period beginning on the first anniversary of the Initial Vesting Date, subject to the Executive's continued employment with the Company through to such vesting date. Upon the Executive's involuntary termination without Cause, or the Executive's resignation for Good Reason, within two (2) years following a "change of control," the next twenty percent (20%) tranche of the Inducement Award shall vest upon the Termination Date, and the remaining unvested portion of the Inducement Award shall be forfeited. For this purpose, "change of control" shall have the meaning given it in the BrightSphere Investment Group plc 2017 Equity Incentive Plan. The Inducement Award shall have a term of five (5) years from the date of grant and will be subject to the Company's Clawback Policy, as in effect from time to time, which includes the ability of the Company to clawback upon a termination of employment for Cause. The Inducement Award is being offered (1) as a material inducement to the Executive in connection with the Company's hiring of the Executive as its President and Chief Executive Officer, and as an "employment inducement" award under New York Stock Exchange Rule 303A.08, (2) in consideration for the post-termination noncompetition provisions of Section 6.2(B) and (3) as an inducement grant and outside of the BrightSphere Investment Group plc 2017 Equity Incentive Plan. The Inducement Award shall be evidenced in writing by a stock option agreement, which will include such other terms as the Board deems appropriate.

(C) *Other Incentive Compensation.* The Executive may be eligible to receive one or more cash bonus awards if the Compensation Committee, in its sole discretion, determines that the Executive has provided exceptional performance. Notwithstanding the foregoing, the Executive shall not be entitled to participate in any equity compensation, annual bonus or long-term incentive plan that is made available to other executives of the Company. Without limiting the generality of the foregoing, during the Term, the Executive shall not be eligible to receive any award under the BrightSphere Investment Group plc 2017 Equity Incentive Plan, or any other restricted stock, restricted stock unit, option, phantom stock or any other equity or equity-based award with respect to any securities of BrightSphere Investment Group plc or any of its affiliates.

4.2 Benefits : Except as provided herein, the Executive shall be eligible to receive the various benefits offered by BrightSphere to its executive employees, including holidays, vacation, medical, dental, disability and life insurance, and such other benefits as may be determined from time to time. These benefits may be modified or eliminated from time to time at the sole discretion of BrightSphere. Where a particular benefit is subject to a formal plan, eligibility to participate in and receive the particular benefit shall be governed solely by the applicable plan document. Provided, however, should BrightSphere have a severance plan in effect as of Executive's termination date, Executive will not be eligible for any payments under the plan unless otherwise approved by the Compensation Committee in its sole discretion.

4.3 Expenses : The Executive shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred for the Company's business (including travel and entertainment) in accordance with the policies, practices and procedures of BrightSphere. The Executive shall comply with all Company policies, practices and procedures, and all codes of ethics or business conduct applicable to the Executive's position, as may be in effect from time to time.

5. **TERMINATION OF AGREEMENT/EMPLOYMENT**

5.1 Payments Upon Termination . Either party may terminate the Executive's employment prior to the fifth (5th) anniversary of the Commencement Date in accordance with the provisions of this Agreement. In such event, this Section 5.1 shall set forth and govern BrightSphere's obligations to make any post-termination payments to the Executive on account of such termination. For the avoidance of doubt, if the Executive continues in employment with the Company through the fifth (5th) anniversary of this Agreement, the Agreement shall terminate and the Executive shall have no entitlement to any payments under this Section 5.1, other than, if the Executive's employment is terminated, the Basic Termination Payments.

(A) *Termination for Cause* : BrightSphere may terminate this Agreement and the Executive's employment for Cause immediately upon written notice. Upon termination of the Executive's employment with BrightSphere in accordance with this Section 5.1(A), BrightSphere only shall be obligated to pay the Executive the Basic Termination Payments. Executive shall not be entitled to receive any other compensation or benefit, contingent or otherwise, except as otherwise required by applicable law.

(B) *Termination with Notice* : Either party may terminate this Agreement and the Executive's employment for any reason by giving the other party not less than sixty (60) days' advance notice in writing. If such notice is served by either party, BrightSphere shall be entitled, in its sole and absolute discretion, to terminate the Executive's employment at any time during the Notice Period and to provide payment in lieu of notice.

(C) *Termination by the Executive with Notice* :

i. Upon termination, BrightSphere shall pay the Executive the Basic Termination Payments; and

ii. In the event that BrightSphere terminates this Agreement prior to the end of the Notice Period (without Cause), it shall pay the Executive an amount equivalent to his Base Salary and a taxable cash lump sum amount equivalent to BrightSphere's share of the cost of medical and dental benefits with respect to similarly situated active employees of the Company for the remainder of the Notice Period.

(D) *By BrightSphere with Notice or by Executive for Good Reason:* In the event that BrightSphere terminates this Agreement without Cause (including in such event that the Executive dies or is terminated as a result of Disability during the Notice Period relating to a termination by the Company without Cause), or if the Executive terminates this Agreement for Good Reason, BrightSphere will pay the Executive the following:

i. The Basic Termination Payments;

ii. In the event that BrightSphere terminates this Agreement prior to the end of the Notice Period (without Cause), it shall pay the Executive an amount equivalent to his Base Salary and a taxable cash lump sum amount equivalent to BrightSphere's share of the cost of medical and dental benefits with respect to similarly situated active employees of BrightSphere, for the remainder of the Notice Period;

iii. An amount equal to twelve (12) months of the Executive's Base Salary at the rate in effect immediately before the Termination Date, which shall be payable to the Executive, subject to applicable withholdings, in equal installments in accordance with the Company's customary payroll schedule following the Termination Date, commencing with the first regular payroll falling on or following the sixtieth day after the Termination Date, with any installments that would otherwise have been paid between the Termination Date and the date of the first payment being paid with the first payment;

iv. Provided that the Executive timely elects continued coverage pursuant to COBRA under the Company's group medical plan, the Company shall reimburse the Executive for (or make direct payment to the carrier of) that portion of the cost of COBRA coverage incurred by the Executive equal to the premium costs incurred by the Company for similarly-situated active participants in the applicable group medical plan of the Company, for the lesser of twelve (12) months following the Termination Date and the period during which the Executive continues to be covered by COBRA coverage. Notwithstanding the foregoing, the benefits payable under this Section 5.1(D)(iv) shall be subject to and paid only if and to the extent permitted by the Patient Protection and Affordable Care Act of 2010 and other applicable law, and provided further that, at the Company's election, such health care continuation may be paid or reimbursed on a taxable basis; and

v. The Executive's Inducement Award shall continue to vest during the Notice Period. Continued "vesting" means that the portion of the Inducement Award that would vest during the Notice Period were the Executive to continue in employment through the end of the Notice Period will no longer be subject to the requirement of continued service, but (i) except to the extent withheld to pay related employment taxes, the shares subject to the Inducement Award may not be transferred until the specified vesting dates in the applicable award agreement, and (ii) the Inducement Award will be subject to forfeiture pursuant to the Company's Clawback Policy or in the event of a breach by the Executive of any restrictive covenants under this Agreement or under any other agreement with the Company. For the avoidance of doubt, the portion of the Inducement Award that has not vested shall be forfeited upon the Termination Date.

(E) *Resignation by the Executive Prior to Expiration of the Notice Period* : Should the Executive voluntarily resign prior to the expiration of a Notice Period (regardless of the party providing the notice), BrightSphere shall pay the Executive the Basic Termination Payments and the Executive shall not be entitled to receive any other compensation or benefit, contingent or otherwise, except as otherwise required by applicable law.

(F) *Termination upon the Executive's death or Disability.* In the event that the Executive dies during the Term or BrightSphere terminates his employment as a result of Disability (other than during the Notice Period as set forth in Section 5.1 (D) above), BrightSphere shall pay the Executive or his estate the following:

1. The Basic Termination Payments; and
2. With respect to a termination due to the Executive's Disability, the benefit described in Section 5.1(D)(iv); and

(G) *Release/Post-Termination Payments* : The receipt of the compensation and benefits provided in this Section 5.1 to the Executive shall be in full and final satisfaction of the Executive's rights and claims under this Agreement (or otherwise). Payment of any post-termination compensation or benefits to the Executive in excess of the Basic Termination Payments shall be in lieu of severance. Notwithstanding anything in this Section 5, if the Executive wishes to receive any portion of the compensation and benefits provided in this Section 5.1 in excess of the Basic Termination Benefits, the Executive (or his estate, in the event of his death) will be required to timely execute and deliver to the Company, and not revoke, a separation agreement substantially in the form provided by the Company (the "Separation Agreement"). The Separation Agreement shall include a complete customary release of claims against the Company and its directors, officers, employees and agents (the "Release"), and noncompetition obligations in form substantially similar to those set forth in Section 6.2(B). The Executive shall execute the Separation Agreement and deliver it to the Company within forty-seven (47) days following the Termination Date, and the Release must have become effective by its terms on or before the sixtieth (60th) day following the Termination Date, provided, however, that the Executive shall have at least seven (7) business days to rescind acceptance of the Separation Agreement. To the extent applicable, the Separation Agreement is intended to constitute an agreement made in connection with the Executive's cessation of or separation from employment that is exempt from the definition of "noncompetition agreement," within the meaning of Section 24L(a) of Chapter 149 of the General Laws of the Commonwealth of Massachusetts.

(H) *Equity* : Unless otherwise provided herein or at the discretion of the Compensation Committee, the Executive's rights and entitlements to any equity compensation, including the Inducement Award, shall be governed by the terms of the applicable plan and award documents, subject to any Clawback Policy of the Company, which includes the ability of the Company to clawback upon a termination of employment for Cause.

5.2 Resignations : Upon termination of the Executive's employment, the Executive will also automatically resign, and will automatically be deemed to have resigned, from all positions with the Company (including any Board membership positions), unless otherwise provided by the Board. The Executive hereby grants the Company an irrevocable power of attorney (with right of substitution) to take actions in the Executive's name to effectuate such resignations.

5.3 Upon termination (or suspension) of the Executive's employment or this Agreement, regardless of the reason, the Executive shall deliver to the Company all books, documents, materials described in Section 6, and all credit cards, keys and other property of the business of the Company which may be in the Executive's possession, custody or control.

6. **RESTRICTIVE COVENANTS**

6.1 Company Confidential Information, Trade Secrets and Intellectual Property .

(A) The Executive acknowledges and agrees that during employment with the Company, the Executive will acquire Confidential Information and Trade Secrets in relation to the Company and that through dealing closely with customers and clients the Executive will form close connections with and influence over those customers and clients. The Executive acknowledges and agrees that the Confidential Information, Trade Secrets and business relationships of the Company are necessary for the Company to continue to operate its business. The Executive further acknowledges and agrees that the Company has a reasonable, necessary and legitimate business interest in protecting its Confidential Information, Trade Secrets and business relationships and that the following covenants are reasonable and necessary to protect such business interests and are given for good and valuable consideration. Accordingly, the Executive will comply with the policies and procedures of the Company for protecting Confidential Information, Trade Secrets and not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information and Trade Secrets or any physical embodiments thereof other than as required by applicable law or for the proper performance of his duties and responsibilities to the Company, and may in no event take any action causing, or fail to take the action necessary in order to prevent, his disclosure of any Confidential Information and Trade Secrets disclosed to or developed by the Executive to lose its character or cease to qualify as Confidential Information or Trade Secrets.

(B) Nothing in this Agreement prohibits or limits the Executive from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before, the Securities and Exchange Commission, the Department of Justice, FINRA, any other self-regulatory organization or any other governmental, law enforcement, or regulatory authority, regarding this agreement and its underlying facts and circumstances, or any reporting of, investigation into, or proceeding regarding suspected violations of law, and that the Executive is not required to advise or seek permission from the Company before engaging in any such activity; provided, however, in connection with any such activity, the Executive must inform such authority that the information the Executive is providing is confidential.

(C) BrightSphere shall not seek to hold the Executive criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. In addition, BrightSphere shall not seek to hold the

Executive criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Finally, if the Executive files a lawsuit for retaliation for reporting a suspected violation of law, the Executive may disclose the Trade Secret to his attorney and use the trade secret information in the court proceeding so long as the Executive files any document containing the Trade Secret under seal and does not disclose the Trade Secret, except pursuant to court order.

(D) The Executive hereby assigns and transfers to the Company any and all rights, title and interest in and to all intellectual property existing now or in the future, including, without limitation, patent rights, copyrights, the right to prepare derivative works, trade secret rights, *sui generis* database rights, moral and artist rights, and all other intellectual and industrial property rights of any sort in the United States and throughout the world now or hereafter known relating to any and all research, information, client lists, and all other investment, technical and research data any and all inventions (whether or not patentable), works of authorship, designs, trademarks, tradenames, domain names, processes, business plans, financial models, methods, know-how, ideas and information made, conceived, developed or reduced to practice, in whole or in part, by the Executive or on the Executive's behalf for the benefit of the Company ("Company Intellectual Property"). With regards to any rights, title or interest that cannot be assigned pursuant to the foregoing provision, the Executive agrees to assign and transfer without further consideration any and all such rights, title and interest to the Company and to take any and all such further actions as are appropriate or necessary to accomplish the foregoing and hereby irrevocably appoints the Company to act as the Executive's attorney for purposes of perfecting the Company's interest in such Company Intellectual Property.

6.2 <u>Noncompetition</u> .

(A) *Restrictions During the Term* . The Executive hereby agrees that all times during the Term, the Executive shall not whether alone or jointly, or as a partner, manager, member, director, officer, employee, consultant, representative, agent or joint venturer of any other party, directly or indirectly join, finance, invest in, lend to, be employed by, consult for, or otherwise participate in, or be connected with, any business that competes with the Company anywhere the Company does business and/or render services; <u>provided however</u> , that this limitation shall not apply to (1) any equity interest that Executive has in a company whose stock is publicly traded so long as Executive does not own more than 5% of such equity, and (2) the Executive's ownership interest in the companies listed on the attached **Exhibit 1** (which shall be delivered to the Company no later than 7 days following execution of this Agreement) so long as, subject to the three-month transition period in Section 2.5, Executive's ownership is a passive interest for which Executive does not make investment decisions and does not actively manage and does not actively manage and for which Executive has delivered the CEO Statement included in Executive's D&O Questionnaire.

(B) *Post-Termination Restrictions* . The Executive hereby agrees that for one year following the Term (and as further extended by applicable law), the Executive shall not whether alone or jointly, or as a partner, manager, member, director, officer, employee, consultant, representative, agent or joint venturer of any other party, directly or indirectly engage or participate in any business that competes with or is substantially similar to the business of the Company, by engaging in any activities or services in the Covered Region that (i) are similar to the activities and services the Executive performed or managed for the Company at any time during the last two years of the Executive's employment, or (ii) may reasonably require the Executive to use or disclose Confidential Information. For purposes of this section, the "Covered Region" includes any area in which the Executive provided services or had a material presence or influence on behalf of the Company during any time within the two years immediately preceding the termination of the Executive's employment with the Company; provided however , that this limitation shall not apply to (1) any equity interest that Executive has in a company whose stock is publicly traded so long as Executive does not own more than 5% of such equity, and (2) the Executive's ownership interest in the companies listed on the attached **Exhibit 1** (which shall be delivered to the Company no later than 7 days following execution of this Agreement) so long as, subject to the three-month transition period in Section 2.5, Executive's ownership is a passive interest for which Executive does not make investment decisions and does not actively manage and for which Executive has delivered the CEO Statement included in Executive's D&O Questionnaire. The Executive and the Company mutually agree that the Inducement Award is provided in consideration for, among other things, the Executive's post-termination noncompete obligations herein. This Section 6.2(B) shall not be effective until after 10 (ten) business days from the date the Executive received notice of this provision. As fair and reasonable consideration for the Executive's signing of this Agreement at this time, the Company shall pay him an additional $1,000.00.

6.3 Non-Solicitation . The Executive hereby agrees that all times during the Term, the Notice Period, and for a period of twelve (12) months after expiration of the later of the Notice Period or the Termination Date, the Executive shall not whether alone or jointly, or as a partner, manager, member, director, officer, employee, consultant, representative, agent or joint venturer of any other party, directly or indirectly:

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

(B) Employ or attempt to employ or negotiate or arrange the employment or engagement by any other person, of any person who to the Executive's knowledge was within six months prior to the Notice Period, a director or senior employee of the Company who was personally known to the Executive; or

(C) Solicit, interfere with, disrupt or attempt to disrupt any relationship, contractual or otherwise, between the Company and any of its reasonably known respective clients, customers, partners or joint venturers.

6.4 The Executive agrees that the duration and geographic scope of the restrictive provisions set forth in Section 6 herein are reasonable. In the event that any court determines that the duration or geographic scope, or both, are unreasonable and that such provision is to that extent unenforceable, the Executive agrees that the provision shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The Executive also agrees that damages are an inadequate remedy for any breach of the restrictive provisions in this Agreement and that the Company shall, whether or not it is pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions without bond or other security upon any actual or threatened breach of the restrictive covenants herein.

6.5 The Executive shall comply as is reasonable with (a) every applicable rule of law in the United States of which Executive knows or reasonably should have known and (b) the rules and regulations of the regulatory authorities of the United States insofar as the same are applicable to employment hereunder and of which Executive knows or reasonably should have known, and (c) every regulation of the Company with respect to insider trading, of which the Executive is first notified in writing.

6.6 The Executive shall not during the Term, the Notice Period and at all times following the Termination Date:

(A) Divulge or communicate to any person or persons any Confidential Information (except to employees of, or to attorneys, accountants or other professionals engaged by, the Company with a need to know such information);

(B) Use any Confidential Information for the Executive's own purposes or for any purposes other than those of the Company; or

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

6.7 All notes, memoranda, records, lists of customers and suppliers and employees, correspondence, documents, computer and other discs and tapes, data listing, codes, designs and drawings and other documents and material whatsoever (whether made or created by the Executive or otherwise) belonging to the business of the Company (and any copies of the same) (a) shall be and remain the property of the Company, and (b) shall be delivered by the Executive to the Company from time to time on demand and in any event on the termination of this Agreement.

6.8 The Executive shall not at any time during the Term, Notice Period, and all times following the Termination Date make any untrue, misleading or disparaging statement with respect to the Company (or any of its directors, officers, employees or agents). Nor shall the Executive attribute to himself the investment performance of any single investment or group of investments managed by the Company or claim responsibility for having sourced, recommended, or made any such investment or group of investments. The Company shall use its commercially reasonable best efforts not to make, shall not authorize, and shall instruct its directors and executive officers not to make, any untrue, misleading or disparaging statements about the Executive at any time during the Term, Notice Period, and at all times following the Termination Date. Notwithstanding anything in the paragraph to the contrary, this paragraph is not intended to prohibit the Executive from regular and customary critique, evaluation, or discipline of any officers, directors, employees or agents in the course of the Executive's duties for the Company.

6.9 At no time after the Termination Date shall the Executive directly or indirectly represent himself as being interested in or employed by or in any way connected with the Company, other than as a former employee or officer of the Company. After the Termination Date, Executive shall not in the course of carrying on any trade or business claim, represent or otherwise indicate any present association with the Company for the purpose of carrying on or retaining any business, represent or otherwise indicate any past association with the Company, other than as a former employee or officer of the Company.

6.10 From and after the Termination Date, the Executive agrees to cooperate in the transition of his duties and in the business affairs of the Company as may be reasonably requested by the Company. From and after the Termination Date, the Executive shall cooperate reasonably with the Company in the defense or prosecution of any claims or actions then in existence or that may be brought or threatened in the future against or on behalf of the Company, including any claims or actions against its officers, directors, agents and employees. The Executive's cooperation in connection with such matters, actions, and claims shall include, without limitation, being available (at mutually agreeable times and locations, which agreement shall not be unreasonably withheld by the Executive, and without unreasonably interfering with his other professional obligations) to meet with the Company and its legal or other designated advisors, regarding any matters in which he has been involved; to prepare for any proceeding (including, without limitation, depositions, consultation, discovery, or trial); to provide truthful affidavits; to assist with any audit, inspection, proceeding, or other inquiry; and to act as a witness to provide truthful testimony in connection with any litigation or other legal proceeding affecting the Company. The Company shall reimburse the Executive's reasonable expenses incurred under this Section 6.10, including without limitation, any attorneys' fees incurred in connection with such cooperation.

6.11 The obligations of the Executive under this Section 6 shall survive termination of this Agreement to the extent provided in each sub-section. Further, the provisions of this Section 6 shall continue to apply with full force and effect should the Executive transfer to or otherwise become employed by any Company entity, or be promoted or reassigned to positions other than that held by the Executive as of the Effective Date of this Agreement. The Company shall have the right to communicate the Executive's ongoing obligations hereunder to any entity or individual with whom the Executive becomes employed by or otherwise engaged following termination of employment with BrightSphere.

7. **GENERAL**

7.1 This Agreement shall be deemed to have been made in the Commonwealth of Massachusetts, shall take effect as an instrument under seal, and the validity, interpretation and performance of this Agreement shall be governed by, and construed in accordance with, the internal law of Commonwealth of Massachusetts, without giving effect to conflict of law principles. Both parties also agree that any action, demand, claim or counterclaim relating to the Executive's employment, any termination of employment and/or the terms and provisions of this Agreement or to its alleged breach by either party, shall be commenced in Massachusetts as set forth in Section 8 below. Both parties further acknowledge that venue shall exclusively lie in Massachusetts and that material witnesses and documents may be located in Massachusetts.

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

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

If to the Executive: Guang Yang

At the notice address most recently maintained on file with the Company's Human Resource department

If to the Company: BrightSphere Inc.

200 Clarendon Street, 53 rd Floor
Boston, Massachusetts 02116
Attn: General Counsel

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

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

7.5 All payments under this Agreement shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement all federal, state and local taxes as the Company is required to withhold pursuant to any law or governmental rule or regulation. The Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement.

7.6 In the event of a change in ownership or control of the Company under Section 280G of the Code, if it shall be determined that any payment or distribution in the nature of compensation (within the meaning of section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate present value of the Payments under this Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below) if and only if the Accounting Firm (described below) determines that the reduction will provide the Executive with a greater net after-tax benefit than would no reduction. No reduction shall be made unless the reduction would provide the Executive with a greater net after-tax benefit. The determinations under this Section 7.6 shall be made as follows:

(A) The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined in accordance with Section 280G(d)(4) of the Code. The term "Excise Tax" means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(B) Payments under this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to the Executive. Where more than one Payment has the same value for this purpose and they are payable at different times, they will be reduced on a pro rata basis. Only amounts payable under this Agreement shall be reduced pursuant to this Section 7.6.

(C) All determinations to be made under this Section 7.6 shall be made by an independent certified public accounting firm selected by the Company and agreed to by the

Executive immediately prior to the change-in-ownership or -control transaction (the “Accounting Firm”). The Accounting Firm shall provide its determinations and any supporting calculations both to the Company and the Executive within ten (10) days of the transaction. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 7.6 shall be borne solely by the Company.

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

8. **ARBITRATION**

(A) Except as provided herein, any and all disputes that arise out of or relate to the terms of this Agreement shall be resolved through final and binding arbitration. SUCH ARBITRATION SHALL BE IN LIEU OF ANY TRIAL BEFORE A JUDGE AND/OR JURY, AND THE EXECUTIVE AND THE COMPANY EXPRESSLY WAIVE ALL RIGHTS TO HAVE SUCH DISPUTES RESOLVED VIA TRIAL BEFORE A JUDGE AND/OR JURY. Such disputes shall include, without limitation, claims for breach of contract or of the covenant of good faith and fair dealing, claims of discrimination, and claims under any federal, state or local law or regulation now in existence or hereinafter enacted and as amended from time to time concerning in any way the Executive’s employment with the Company or its termination. The only claims not covered by this requirement to arbitrate disputes, which shall instead be resolved pursuant to applicable law in a court of competent jurisdiction based in Massachusetts, are: (i) claims for benefits under the unemployment insurance benefits; (ii) claims for workers’ compensation benefits under any of the Company’s workers’ compensation insurance policy or fund; (iii) claims under the National Labor Relations Act; (iv) claims brought by the Company for alleged violations of Section 6 of this Agreement; and (v) claims that may not be arbitrated as a matter of law.

(B) Arbitration will be conducted by and before JAMS in Boston, Massachusetts in accordance with the JAMS Employment Arbitration Rules and Procedures (the “JAMS Rules”). To the extent that anything in this arbitration section conflicts with any arbitration procedures required by applicable law, the arbitration procedures required by applicable law shall govern.

(C) During the course of arbitration, the Company will bear the cost of the arbitrator’s fee. The arbitrator will not have authority to award attorneys’ fees unless a statute or contract at issue in the dispute authorizes the award of attorneys’ fees to the prevailing party. In such case, the arbitrator shall have the authority to make an award of attorneys’ fees as required or permitted by the applicable statute or contract.

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

9. **SECTION 409A COMPLIANCE**

9.1 It is intended that compensation paid or delivered to the Executive pursuant to this Agreement is either paid in compliance with, or is exempt from, Section 409A of the Code and the regulations promulgated thereunder (“Section 409A”). If the Executive notifies the Company (with specificity as to the reason therefor) that he believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause him to incur any additional tax or interest under Section 409A and the Company concurs with such belief or the Company independently makes such determination, the Company shall, after consultation with the Executive, to the extent legally permitted and to the extent it is possible to timely reform the provision to avoid taxation under Section 409A, reform such provision to attempt to comply with Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to both the Executive and the Company of the applicable provision without violating the provisions of Section 409A but in any case Executive hereby agrees that all personal income taxes on his compensation under this Agreement and all penalties and interest with respect to such personal income taxes, if any, are his own responsibility. In no event shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A, or any similar Treasury regulations or IRS rules or regulations that replace or supersede Treasury Regulation Section 1.409A after the Effective Date and that relate to the same or similar subject matter as Treasury Regulation Section 1.409A.

(i) *Amounts Payable On Account of Termination:* To the extent necessary to comply with Section 409A, for the purposes of determining when amounts subject to Section 409A that are payable upon Executive’s termination of employment under this Agreement will be paid, “termination of employment” or words of similar import, as used in this Agreement, shall be construed as the date that Executive first incurs a “separation from service” within the meaning of Section 409A.

(ii) *Reimbursement:* Any taxable reimbursement of business or other expenses as specified under this Agreement shall be subject to the following conditions: (A) the expenses eligible for reimbursement in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year; (B) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; (C) the right to reimbursement shall not be subject to liquidation or exchange for another benefit; and (D) in accordance with the policies, practices and procedures of the Company.

(iii) *Specified Employees:* If the Executive is deemed on the date of termination to be a “specified employee” within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment that is considered deferred compensation subject to Section 409A payable on account of a “separation from service,” such payment or benefit shall be made, or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such “separation from service”, and (ii) the date of the Executive’s death (the “Delay Period”). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, with interest thereon calculated at the long-term applicable federal rate (annual compounding) under Section 1274(d) of the Code in effect on the date of termination of employment, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(iv) *Interpretative Rules:* In applying Section 409A to amounts paid pursuant to this Agreement, any right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

10. ACKNOWLEDGMENTS

The Executive acknowledges that: (i) the Executive received this Agreement at least ten (10) business days prior to the date on which Section 6.2(B) is to be effective; (ii) the Executive has the right to consult with counsel prior to signing this Agreement; and (iii) the Executive has had a full and adequate opportunity to read, understand and discuss with the Executive's advisors, including legal counsel, the

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

EXECUTIVE

By: /s/ Guang Yang

Guang Yang
President, Chief Executive Officer and Executive Chairman

BRIGHTSPHERE INC

By: /s/ Chris Hadley

Chris Hadley
Executive Vice President and Chief Talent Officer

Exhibit 1

Investments

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “Agreement”) is effective as of the 20th day of January, 2019 by and between BrightSphere Inc., a Delaware corporation with an address at 200 Clarendon Street, 53rd Floor, Boston, Massachusetts 02116 (“BrightSphere”), and Suren Rana (the “Executive”).

1. **DEFINITIONS**
In this Agreement, unless the context otherwise requires:

(i) The following terms shall have the following meanings:

“Basic Termination Payments” means (i) the Base Salary payable to Executive under Section 4.1(A) through the termination of employment, (ii) any expense reimbursements under Section 4.3 for expenses reasonably incurred in the performance of the Executive’s duties prior to termination, and (iii) the value of any unused vacation accrued to the date of termination of employment;

“Board” means the Board of Directors of the Company or any entity controlling the Company, including without limitation BrightSphere Investment Group plc;

“Cause” means (i) the Executive’s willful or reckless misconduct, or gross, continuing or repeated negligence in the performance of the Executive’s duties and responsibilities with respect to the Company, or his material failure to carry out directions which are reasonable in light of the Executive’s primary duties and responsibilities, or any other conduct that results in substantial injury (monetary or otherwise) to the Company or its officers, directors, employees or other agents; (ii) the Executive’s conviction of a felony (including but not limited to any felony conviction occurring prior to the Commencement Date), which has or could have a material adverse effect (monetary or otherwise) on the Company or its officers, directors, employees or other agents; (iii) the Executive’s embezzlement or misappropriation of funds, commission of any material act of dishonesty, fraud or deceit, or violation of any federal or state law applicable to the securities industry (including but not limited to any instances of such misconduct occurring prior to the Commencement Date); (iv) the Executive’s material breach of a legal or fiduciary duty owed to the Company or its officers, directors, employees or other agents; or (v) the Executive’s material breach of any provision of any agreement between the Executive and the Company and its officers, directors, employees or other agents, any Company policy or practice, or any applicable law. Notwithstanding anything in the paragraph to the contrary, this paragraph is not intended to prohibit the Executive from regular and customary critique, evaluation, discipline, or as applicable, termination of the employment or engagement of any officers, employees or agents in the course of the Executive’s duties for the Company.

“COBRA” means Section 601 *et seq.* of the Employee Retirement Income Security Act of 1974, as amended, and Section 4980B of the Code.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commencement Date” means January 20, 2019;

“Company” means BrightSphere, any company that is a subsidiary or holding company (up to and including the ultimate holding company) of the Company and any subsidiary of any such holding company, and any person or entity directly or indirectly controlling, being controlled by, or under common control with BrightSphere.

“Compensation Committee” means the Compensation Committee of the Board of Directors of the Company, if any; provided, however, if there should be no Compensation Committee, then such reference to the Compensation Committee shall be to the Board of Directors or other authorized body or officer of the Company performing the described function;

“Confidential Information” means any confidential information concerning the business or affairs of the Company or concerning the Company’s customers, clients, vendors, suppliers, business partners, advisors, consultants or employees, including but not limited to the following: any financial information or valuation information concerning the Company, and any other proprietary information of the Company, including that relating to the demonstrably anticipated business of the Company that the Executive obtains, develops or learns in the course of the Executive’s employment by the Company and any and all memoranda, notes, reports, documents, emails and other media containing the foregoing. Confidential Information specifically includes: any inventions (whether or not patentable), works of authorship, designs, know-how, ideas and information made or conceived or reduced to practice, in whole or in part, by the Executive during the term of the Executive’s employment, all business, technical and financial information, including trade secrets, information about clients, including their names, addresses and investment history; information about employees or applicants for employment, their compensation, qualifications and performance levels; all information regarding fees, commissions and compensation; all investment, advisory, technical or research data, and financial models developed by the Company and its employees; methods of operation; manuals, books and notes regarding the Company’s products and services; all drawings, designs, patterns, devices, methods, techniques, compilations, processes, product specifications and guidelines, future plans, cost and pricing information, computer programs, formulas, and equations; the cost to the Company of supplying its products and services; written business records, files, documents, specifications, plans and compilations of information concerning the business of the Company; and reports, correspondence, records account lists, price lists, budgets, indices, invoices and telephone records that the Executive obtains, develops, or learns in the course of the Executive’s employment by BrightSphere. “Confidential Information” shall include the Confidential Information of any third party disclosed to the Company under confidentiality obligations and any information which a reasonable person would consider confidential due to the circumstances surrounding disclosure or due to the nature of the information. Confidential Information shall not apply to information that has been independently developed by others or has become generally known through no wrongful act on the part of the Executive or any other person having an obligation of confidentiality to the Company;

“Disability” means that the Executive has, for 90 consecutive days or 180 days in any 12-month period, been disabled as a result of any mental or physical illness in a manner which prevents him from performing the essential functions of his job, with or without reasonable accommodation determined by an independent qualified medical doctor selected by BrightSphere. In such circumstances, the Executive hereby agrees to submit to a medical examination by a qualified medical practitioner appointed by the Company and reasonably acceptable to the Executive;

"Good Reason" means the occurrence of one or more of the following without the Executive's consent, other than on account of Executive's inability to perform his duties on account of mental or physical disability: (i) a material reduction of the Executive's Base Salary, if such reduction is not related to either individual or corporate performance; (ii) a material, adverse change to the Executive's current title of Chief Financial Officer of the Company; (iii) a material change in the geographic location at which the Executive must regularly perform services for the Company (which, for purposes of this Agreement, means a change in Executive's principal place of employment by 50 or more miles, provided that such relocation materially increases the time of the Executive's commute); or (iv) the Company's material breach of any provision of this Agreement. The Executive must provide written notice of termination for Good Reason to the Company within thirty (30) days after the event constituting Good Reason. The Company shall have a period of thirty (30) days in which it may correct the act or failure to act that constitutes the grounds for Good Reason as set forth in the Executive's notice of termination. If the Company does not correct the act or failure to act, the Executive may terminate his employment for Good Reason not later than (30) days following the end of the Company's thirty (30)-day cure period. If the event constituting Good Reason is a material reduction in Base Salary described in subsection (i) above, the Executive's Base Salary for purposes of the severance calculations shall be determined without regard to the material reduction described in subsection (i);

"Notice Period" means the period ending sixty (60) days from the date of written notice to terminate the Agreement;

"Term" means the period beginning on the Commencement Date and continuing through the earlier of the fifth (5th) anniversary of the Commencement Date and the Termination Date;

"Termination Date" means the date when the Executive ceases to be employed by the Company;

"Trade Secrets" means proprietary data and information relating to the business of the Company including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy; and

(ii) References to Sections are, unless otherwise stated, to sections of this Agreement; and

(iii) Headings to Sections are for convenience only and shall not affect the construction or interpretation of this Agreement.

2. **EMPLOYMENT**

2.1 BrightSphere hereby agrees to employ the Executive and the Executive hereby agrees to accept employment with BrightSphere, on the terms and conditions more fully set forth herein.

2.2 The Executive's employment will continue from the Commencement Date until the fifth (5th) anniversary of the Commencement Date, unless earlier terminated in accordance with the provisions of Section 5 below. Provided, however, that the Executive's employment is at all times on an at-will basis, and either the Executive or BrightSphere may terminate this Agreement with or without Cause, for any reason or no reason, consistent with the provisions of Section 5 herein.

2.3 The Executive's title shall be Chief Financial Officer, and the Executive's responsibilities shall include such duties and responsibilities that may be assigned by the President and Chief Executive Officer of BrightSphere Inc.

2.4 The Executive will use reasonable best efforts to faithfully, diligently and efficiently perform such duties on behalf of the Company consistent with such office as may be assigned to the Executive from time to time by the Company. The Executive agrees to abide by the reasonable rules, regulations, instructions, personnel practices and policies of the Company, including without limitation BrightSphere's Code of Ethics as well as its Insider Trading Policy, and any changes therein which may be adopted from time to time, all of which the Executive was first notified in writing. The Executive's actions as an employee of BrightSphere shall at all times be consistent with the interests of the Company. Under no circumstances will the Executive knowingly take any action contrary to the best interests of the Company.

2.5 The Executive may manage his investments and engage in charitable or civic activities. All outside activities remain subject to BrightSphere's Insider Trading and other applicable policies. Executive must give his duties to the Company first priority and such activities must not interfere with the performance of his duties for the Company. Notwithstanding the foregoing, other than with regard to the Executive's duties to the Company, the Executive will not accept any other employment, perform any consulting services, or serve on the board of directors or governing body of any other for-profit business throughout the Executive's employment hereunder, except with the prior written consent of the Board. Notwithstanding the foregoing, the Executive may continue to provide services to any other investment included on the attached Exhibit 1 during the first three (3) months following the Commencement Date, following which time any such involvement will divest or become passive.

2.6 The Executive warrants that in entering into this Agreement and performing the obligations hereunder, the Executive has not and will not be in breach of any terms or obligations of any other employment or agreement. The Executive further represents that the performance of all the terms of this Agreement and as an employee of the Company has not, does not and will not breach any pre-existing agreement (i) to refrain from competing, directly or indirectly, with the business of such previous employer or any other party or (ii) to keep in confidence proprietary information, knowledge or data acquired by the Executive prior to employment with the Company.

3. PLACE OF WORK

The Executive shall primarily perform the duties assigned hereunder at BrightSphere's office presently located in Boston, Massachusetts, and is expected to travel to and work at other Company offices and other appropriate places within or outside the United States for reasonable periods of time. During a period of twelve (12) consecutive months during the first eighteen (18) months of the Term, the Company will provide Executive with a monthly housing and travel allowance of up to $15,000.

4. COMPENSATION AND BENEFITS

In consideration of the services performed by the Executive, and subject to performance of the Executive's duties and responsibilities to the Company, BrightSphere shall provide the Executive with the compensation and benefits described below:

4.1 Compensation : The Executive's compensation package shall consist of the following:

(A) *Base Salary* : BrightSphere will pay the Executive a base salary of Six Hundred and Fifty Thousand Dollars ($650,000) per annum (the "Base Salary"), such Base Salary to be paid in accordance with BrightSphere's normal payroll procedures and subject to applicable tax deductions and withholdings. The salary shall be reviewed annually and any modification and the amount of any modification shall be in the Compensation Committee's absolute discretion and notified to the Executive in writing.

(B) *Equity Compensation:* Within a reasonable time following the Commencement Date, the Executive shall be offered a nonqualified stock option to purchase 2,070,000 ordinary shares of BrightSphere Investment Group plc (the "Option Award") at an exercise price per share equal to the greater of $12.00 or the price of one ordinary share as reported on the New York Stock Exchange (or on any other national securities exchange on which the Stock is then listed) on the date of grant or, if the closing price has not been reported for that date when issued, the closing price on the day preceding the date of grant for which a closing price is reported. The Option Award shall be granted under, and be subject to the terms of, the BrightSphere Investment Group plc 2017 Equity Incentive Plan (the "Equity Incentive Plan"). Twenty percent (20%) of the Option Award shall be vested on the date of grant (the "Initial Vesting Date"), with the remaining eighty percent (80%) vesting in equal twenty percent (20%) annual installments over a four-year period beginning on the first anniversary of the Initial Vesting Date, subject to the Executive's continued employment with the Company through to such vesting date. Upon the Executive's involuntary termination without Cause, or the Executive's resignation for Good Reason, within two (2) years following a "Change of Control," as defined in the Equity Incentive Plan, the next twenty percent (20%) tranche of the Option Award shall vest upon the Termination Date, and the remaining unvested portion of the Option Award shall be forfeited. The Option Award shall have a term of five (5) years from the date of grant and will be subject to the Company's Clawback Policy, as in effect from time to time, which includes the ability of the Company to clawback upon a termination of employment for Cause. The Option Award is being offered as an inducement to the Executive in connection with the Company's hiring of the Executive as its Chief Financial Officer and in consideration for the post-termination noncompetition provisions of Section 6.2(B). The Option Award shall be evidenced in writing by a stock option agreement, which will include such other terms as the Board deems appropriate.

(C) *Other Incentive Compensation.* The Executive may be eligible to receive one or more cash bonus awards if the Compensation Committee, in its sole discretion, determines that the Executive has provided exceptional performance. Notwithstanding the foregoing, the Executive shall not be entitled to participate in any equity compensation, annual bonus or long-term incentive plan that is made available to other executives of the Company. Without limiting the generality of the foregoing, during the Term, the Executive shall not be eligible to receive any additional award under the Equity Incentive Plan, or any other restricted stock, restricted stock unit, option, phantom stock or any other equity or equity-based award with respect to any securities of BrightSphere Investment Group plc or any of its affiliates.

4.2 Benefits : Except as provided herein, the Executive shall be eligible to receive the various benefits offered by BrightSphere to its executive employees, including holidays, vacation, medical, dental, disability and life insurance, and such other benefits as may be determined from time to time. These benefits may be modified or eliminated from time to time at the sole discretion of BrightSphere. Where a particular benefit is subject to a formal plan, eligibility to participate in and receive the particular benefit shall be governed solely by the applicable plan document. Provided, however, should BrightSphere have a severance plan in effect as of Executive's termination date, Executive will not be eligible for any payments under the plan unless otherwise approved by the Compensation Committee in its sole discretion.

4.3 Expenses : The Executive shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred for the Company's business (including travel and entertainment) in accordance with the policies, practices and procedures of BrightSphere. The Executive shall comply with all Company policies, practices and procedures, and all codes of ethics or business conduct applicable to the Executive's position, as may be in effect from time to time.

4.4 Consulting Agreement : The compensation and benefits described in this Section 4 shall be the sole compensation and benefits received by the Executive with respect to his duties and responsibilities on behalf of the Company and this Agreement shall supersede any prior agreement with the Company, including that certain Consulting Agreement, effective as of December 1, 2008, between BrightSphere Investment Group plc and the Executive. As of the Commencement Date, the Consulting Agreement shall be terminated and the Executive shall no longer receive any compensation pursuant to the Consulting Agreement.

5. **TERMINATION OF AGREEMENT/EMPLOYMENT**

5.1 Payments Upon Termination . Either party may terminate the Executive's employment prior to the fifth (5th) anniversary of the Commencement Date in accordance with the provisions of this Agreement. In such event, this Section 5.1 shall set forth and govern BrightSphere's obligations to make any post-termination payments to the Executive on account of such termination. For the avoidance of doubt, if the Executive continues in employment with the Company through the fifth (5th) anniversary of this Agreement, the Agreement shall terminate and the Executive shall have no entitlement to any payments under this Section 5.1, other than, if the Executive's employment is terminated, the Basic Termination Payments.

(A) *Termination for Cause* : BrightSphere may terminate this Agreement and the Executive's employment for Cause immediately upon written notice. Upon termination of the Executive's employment with BrightSphere in accordance with this Section 5.1(A), BrightSphere only shall be obligated to pay the Executive the Basic Termination Payments. Executive shall not be entitled to receive any other compensation or benefit, contingent or otherwise, except as otherwise required by applicable law.

(B) *Termination with Notice* : Either party may terminate this Agreement and the Executive's employment for any reason by giving the other party not less than sixty (60) days' advance notice in writing. If such notice is served by either party, BrightSphere shall be entitled, in its sole and absolute discretion, to terminate the Executive's employment at any time during the Notice Period and to provide payment in lieu of notice.

(C) *Termination by the Executive with Notice* :

i. Upon termination, BrightSphere shall pay the Executive the Basic Termination Payments; and

ii. In the event that BrightSphere terminates this Agreement prior to the end of the Notice Period (without Cause), it shall pay the Executive an amount equivalent to his Base Salary and a taxable cash lump sum amount equivalent to BrightSphere's share of the cost of medical and dental benefits with respect to similarly situated active employees of the Company for the remainder of the Notice Period.

(D) *By BrightSphere with Notice or by Executive for Good Reason:* In the event that BrightSphere terminates this Agreement without Cause (including in such event that the Executive dies or is terminated as a result of Disability during the Notice Period relating to a termination by the Company without Cause), or if the Executive terminates this Agreement for Good Reason, BrightSphere will pay the Executive the following:

i. The Basic Termination Payments;

ii. In the event that BrightSphere terminates this Agreement prior to the end of the Notice Period (without Cause), it shall pay the Executive an amount equivalent to his Base Salary and a taxable cash lump sum amount equivalent to BrightSphere's share of the cost of medical and dental benefits with respect to similarly situated active employees of BrightSphere, for the remainder of the Notice Period;

iii. An amount equal to twelve (12) months of the Executive's Base Salary at the rate in effect immediately before the Termination Date, which shall be payable to the Executive, subject to applicable withholdings, in equal installments in accordance with the Company's customary payroll schedule following the Termination Date, commencing with the first regular payroll falling on or following the sixtieth day after the Termination Date, with any installments that would otherwise have been paid between the Termination Date and the date of the first payment being paid with the first payment;

iv. Provided that the Executive timely elects continued coverage pursuant to COBRA under the Company's group medical plan, the Company shall reimburse the Executive for (or make direct payment to the carrier of) that portion of the cost of COBRA coverage incurred by the Executive equal to the premium costs incurred by the Company for similarly-situated active participants in the applicable group medical plan of the Company, for the lesser of twelve (12) months following the Termination Date and the period during which the Executive continues to be covered by COBRA coverage. Notwithstanding the foregoing, the benefits payable under this Section 5.1(D)(iv) shall be subject to and paid only if and to the extent permitted by the Patient Protection and Affordable Care Act of 2010 and other applicable law, and provided further that, at the Company's election, such health care continuation may be paid or reimbursed on a taxable basis; and

v. The Executive's Option Award shall continue to vest during the Notice Period. Continued "vesting" means that the portion of the Option Award that would vest during the Notice Period were the Executive to continue in employment through the end of the Notice Period will no longer be subject to the requirement of continued service, but (i) except to the extent withheld to pay related employment taxes, the shares subject to the Option Award may not be transferred until the specified vesting dates in the applicable award agreement, and (ii) the Option Award will be subject to forfeiture pursuant to the Company's Clawback Policy or in the event of a breach by the Executive of any restrictive covenants under this Agreement or under any other agreement with the Company. For the avoidance of doubt, the portion of the Option Award that has not vested shall be forfeited upon the Termination Date.

(E) *Resignation by the Executive Prior to Expiration of the Notice Period* : Should the Executive voluntarily resign prior to the expiration of a Notice Period (regardless of the party providing the notice), BrightSphere shall pay the Executive the Basic Termination Payments and the Executive shall not be entitled to receive any other compensation or benefit, contingent or otherwise, except as otherwise required by applicable law.

(F) *Termination upon the Executive's Death or Disability.* In the event that the Executive dies during the Term or BrightSphere terminates his employment as a result of Disability (other than during the Notice Period as set forth in Section 5.1 (D) above), BrightSphere shall pay the Executive or his estate the following:

1. The Basic Termination Payments; and

2. With respect to a termination due to the Executive's Disability, the benefit described in Section 5.1(D) (iv); and

(G) *Release/Post-Termination Payments* : The receipt of the compensation and benefits provided in this Section 5.1 to the Executive shall be in full and final satisfaction of the Executive's rights and claims under this Agreement (or otherwise). Payment of any post-termination compensation or benefits to the Executive in excess of the Basic Termination Payments shall be in lieu of severance. Notwithstanding anything in this Section 5, if the Executive wishes to receive any portion of the compensation and benefits provided in this Section 5.1 in excess of the Basic Termination Benefits, the Executive (or his estate, in the event of his death) will be required to timely execute and deliver to the Company, and not revoke, a separation agreement substantially in the form provided by the Company (the "Separation Agreement"). The Separation Agreement shall include a complete customary release of claims against the Company and its directors, officers, employees and agents (the "Release"), and noncompetition obligations in form substantially similar to those set forth in Section 6.2(B). The Executive shall execute the Separation Agreement and deliver it to the Company within forty-seven (47) days following the Termination Date, and the Release must have become effective by its terms on or before the sixtieth (60th) day following the Termination Date, provided, however, that the Executive shall have at least seven (7) business days to rescind acceptance of the Separation Agreement. To the extent applicable, the Separation Agreement is intended to constitute an agreement made in connection with the Executive's cessation of or separation from employment that is exempt from the definition of "noncompetition agreement," within the meaning of Section 24L(a) of Chapter 149 of the General Laws of the Commonwealth of Massachusetts.

(H) *Equity* : Unless otherwise provided herein or at the discretion of the Compensation Committee, the Executive's rights and entitlements to any equity compensation, including the Option Award, shall be governed by the terms of the applicable plan and award documents, subject to any Clawback Policy of the Company, which includes the ability of the Company to clawback upon a termination of employment for Cause.

5.2 Resignations : Upon termination of the Executive's employment, the Executive will also automatically resign, and will automatically be deemed to have resigned, from all positions with the Company (including any board membership positions), unless otherwise provided by the Board. The Executive hereby grants the Company an irrevocable power of attorney (with right of substitution) to take actions in the Executive's name to effectuate such resignations.

5.3 Upon termination (or suspension) of the Executive's employment or this Agreement, regardless of the reason, the Executive shall deliver to the Company all books, documents, materials described in Section 6, and all credit cards, keys and other property of the business of the Company which may be in the Executive's possession, custody or control.

6. RESTRICTIVE COVENANTS

6.1 Company Confidential Information, Trade Secrets and Intellectual Property .

(A) The Executive acknowledges and agrees that during employment with the Company, the Executive will acquire Confidential Information and Trade Secrets in relation to the Company and that through dealing closely with customers and clients the Executive will form close connections with and influence over those customers and clients. The Executive acknowledges and agrees that the Confidential Information, Trade Secrets and business relationships of the Company are necessary for the Company to continue to operate its business. The Executive further acknowledges and agrees that the Company has a reasonable, necessary and legitimate business interest in protecting its Confidential Information, Trade Secrets and business relationships and that the following covenants are reasonable and necessary to protect such business interests and are given for good and valuable consideration. Accordingly, the Executive will comply with the policies and procedures of the Company for protecting Confidential Information and Trade Secrets and not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information and Trade Secrets or any physical embodiments thereof other than as required by applicable law or for the proper performance of his duties and responsibilities to the Company, and may in no event take any action causing, or fail to take the action necessary in order to prevent, his disclosure of any Confidential Information and Trade Secrets disclosed to or developed by the Executive to lose its character or cease to qualify as Confidential Information or Trade Secrets.

(B) Nothing in this Agreement prohibits or limits the Executive from initiating communications directly with, responding to any inquiry from, volunteering information to, or providing testimony before, the Securities and Exchange Commission, the Department of Justice, FINRA, any other self-regulatory organization or any other governmental, law enforcement, or regulatory authority, regarding this agreement and its underlying facts and circumstances, or any reporting of, investigation into, or proceeding regarding suspected violations of law, and that the Executive is not required to advise or seek permission from the Company before engaging in any such activity; provided, however, in connection with any such activity, the Executive must inform such authority that the information the Executive is providing is confidential.

(C) BrightSphere shall not seek to hold the Executive criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. In addition, BrightSphere shall not seek to hold the Executive criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Finally, if the Executive files a lawsuit for retaliation for reporting a suspected violation of law, the Executive may disclose the Trade Secret to his attorney and use the trade secret information in the court proceeding so long as the Executive files any document containing the Trade Secret under seal and does not disclose the Trade Secret, except pursuant to court order.

(D) The Executive hereby assigns and transfers to the Company any and all rights, title and interest in and to all intellectual property existing now or in the future, including, without limitation, patent rights, copyrights, the right to prepare derivative works, trade secret rights, *sui generis* database rights, moral and artist rights, and all other intellectual and industrial property rights of any sort in the United States and throughout the world now or hereafter known relating to any and all research, information, client lists, and all other investment, technical and research data any and all inventions (whether or not patentable), works of authorship, designs, trademarks, tradenames, domain names, processes, business plans, financial models, methods, know-how, ideas and information made, conceived, developed or reduced to practice, in whole or in part, by the Executive or on the Executive's behalf for the benefit of the Company ("Company Intellectual Property"). With regards to any rights, title or interest that cannot be assigned pursuant to the foregoing provision, the Executive agrees to assign and transfer without further consideration any and all such rights, title and interest to the Company and to take any and all such further actions as are appropriate or necessary to accomplish the foregoing and hereby irrevocably appoints the Company to act as the Executive's attorney for purposes of perfecting the Company's interest in such Company Intellectual Property.

6.2 Noncompetition .

(A) *Restrictions During the Term* . The Executive hereby agrees that all times during the Term, the Executive shall not whether alone or jointly, or as a partner, manager, member, director, officer, employee, consultant, representative, agent or joint venturer of any other party, directly or indirectly join, finance, invest in, lend to, be employed by, consult for, or otherwise participate in, or be connected with, any business that competes with the Company anywhere the Company does business and/or render services; provided however , that this limitation shall not apply to (1) any equity interest that Executive has in a company whose stock is publicly traded so long as Executive does not own more than 5% of such equity, and (2) the Executive's ownership interest in the companies listed on the attached **Exhibit 1** (which shall be delivered to the Company no later than 7 days following execution of this Agreement) so long as, subject to the three-month transition period in Section 2.5, Executive's ownership is a passive interest for which Executive does not make investment decisions and does not actively manage and does not actively manage and for which Executive has delivered the Statement included in Executive's D&O Questionnaire, if required .

(B) *Post-Termination Restrictions* . The Executive hereby agrees that for one year following the Term (and as further extended by applicable law), the Executive shall not whether alone or jointly, or as a partner, manager, member, director, officer, employee, consultant, representative, agent or joint venturer of any other party, directly or indirectly engage or participate in any business that competes with or is substantially similar to the business of the Company, by engaging in any activities or services in the Covered Region that (i) are similar to the activities and services the Executive performed or managed for the Company at any time during the last two years of the Executive's employment, or (ii) may reasonably require the Executive to use or disclose Confidential Information. For purposes of this section, the "Covered Region" includes any area in which the Executive provided services or had a material presence or influence on behalf of the Company during any time within the two years immediately preceding the termination of the Executive's employment with the Company; <u>provided however</u>, that this limitation shall not apply to (1) any equity interest that Executive has in a company whose stock is publicly traded so long as Executive does not own more than 5% of such equity, and (2) the Executive's ownership interest in the companies listed on the attached **Exhibit 1** (which shall be delivered to the Company no later than 7 days following execution of this Agreement) so long as, subject to the three-month transition period in Section 2.5, Executive's ownership is a passive interest for which Executive does not make investment decisions and does not actively manage and for which Executive has delivered the Statement included in Executive's D&O Questionnaire, if required. The Executive and the Company mutually agree that the Option Award is provided in consideration for, among other things, the Executive's post-termination noncompete obligations herein. This Section 6.2(B) shall not be effective until after 10 (ten) business days from the date the Executive received notice of this provision. As fair and reasonable consideration for the Executive's signing of this Agreement at this time, the Company shall pay him an additional $1,000.00.

6.3 <u>Non-Solicitation</u>. The Executive hereby agrees that all times during the Term, the Notice Period, and for a period of twelve (12) months after expiration of the later of the Notice Period or the Termination Date, the Executive shall not whether alone or jointly, or as a partner, manager, member, director, officer, employee, consultant, representative, agent or joint venturer of any other party, directly or indirectly:

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

(B) Employ or attempt to employ or negotiate or arrange the employment or engagement by any other person, of any person who to the Executive's knowledge was within six months prior to the Notice Period, a director or senior employee of the Company who was personally known to the Executive; or

(C) Solicit, interfere with, disrupt or attempt to disrupt any relationship, contractual or otherwise, between the Company and any of its reasonably known respective clients, customers, partners or joint venturers.

6.4 The Executive agrees that the duration and geographic scope of the restrictive provisions set forth in Section 6 herein are reasonable. In the event that any court determines that the duration or geographic scope, or both, are unreasonable and that such provision is to that extent unenforceable, the Executive agrees that the provision shall remain in full force and effect for the greatest time period and in the greatest area that would not render it unenforceable. The Executive also agrees that damages are an inadequate remedy for any breach of the restrictive provisions in this Agreement and that the Company shall, whether or not it is pursuing any potential remedies at law, be entitled to equitable relief in the form of preliminary and permanent injunctions without bond or other security upon any actual or threatened breach of the restrictive covenants herein.

6.5 The Executive shall comply as is reasonable with (a) every applicable rule of law in the United States of which Executive knows or reasonably should have known and (b) the rules and regulations of the regulatory authorities of the United States insofar as the same are applicable to employment hereunder and of which Executive knows or reasonably should have known, and (c) every regulation of the Company with respect to insider trading, of which the Executive is first notified in writing.

6.6 The Executive shall not during the Term, the Notice Period and at all times following the Termination Date:

(A) Divulge or communicate to any person or persons any Confidential Information (except to employees of, or to attorneys, accountants or other professionals engaged by, the Company with a need to know such information);

(B) Use any Confidential Information for the Executive's own purposes or for any purposes other than those of the Company; or

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

6.7 All notes, memoranda, records, lists of customers and suppliers and employees, correspondence, documents, computer and other discs and tapes, data listing, codes, designs and drawings and other documents and material whatsoever (whether made or created by the Executive or otherwise) belonging to the business of the Company (and any copies of the same) (a) shall be and remain the property of the Company, and (b) shall be delivered by the Executive to the Company from time to time on demand and in any event on the termination of this Agreement.

6.8 The Executive shall not at any time during the Term, Notice Period, and all times following the Termination Date make any untrue, misleading or disparaging statement with respect to the Company (or any of its directors, officers, employees or agents). Nor shall the Executive attribute to himself the investment performance of any single investment or group of investments managed by the Company or claim responsibility for having sourced, recommended, or made any such investment or group of investments. The Company shall use its commercially reasonable best efforts not to make, shall not authorize, and shall instruct its directors and executive officers not to make, any untrue, misleading or disparaging statements about the Executive at any time during the Term, Notice Period, and at all times following the Termination Date. Notwithstanding anything in the paragraph to the contrary, this paragraph is not intended to prohibit the Executive from regular and customary critique, evaluation, or discipline of any officers, directors, employees or agents in the course of the Executive's duties for the Company.

6.9 At no time after the Termination Date shall the Executive directly or indirectly represent himself as being interested in or employed by or in any way connected with the Company, other than as a former employee or officer of the Company. After the Termination Date, Executive shall not in the course of carrying on any trade or business claim, represent or otherwise indicate any present association with the Company for the purpose of carrying on or retaining any business, represent or otherwise indicate any past association with the Company, other than as a former employee or officer of the Company.

6.10 From and after the Termination Date, the Executive agrees to cooperate in the transition of his duties and in the business affairs of the Company as may be reasonably requested by the Company. From and after the Termination Date, the Executive shall cooperate reasonably with the Company in the defense or prosecution of any claims or actions then in existence or that may be brought or threatened in the future against or on behalf of the Company, including any claims or actions against its officers, directors, agents and employees. The Executive's cooperation in connection with such matters, actions, and claims shall include, without limitation, being available (at mutually agreeable times and locations, which agreement shall not be unreasonably withheld by the Executive, and without unreasonably interfering with his other professional obligations) to meet with the Company and its legal or other designated advisors, regarding any matters in which he has been involved; to prepare for any proceeding (including, without limitation, depositions, consultation, discovery, or trial); to provide truthful affidavits; to assist with any audit, inspection, proceeding, or other inquiry; and to act as a witness to provide truthful testimony in connection with any litigation or other legal proceeding affecting the Company. The Company shall reimburse the Executive's reasonable expenses incurred under this Section 6.10, including without limitation, any attorneys' fees incurred in connection with such cooperation.

6.11 The obligations of the Executive under this Section 6 shall survive termination of this Agreement to the extent provided in each sub-section. Further, the provisions of this Section 6 shall continue to apply with full force and effect should the Executive transfer to or otherwise become employed by any Company entity, or be promoted or reassigned to positions other than that held by the Executive as of the Effective Date of this Agreement. The Company shall have the right to communicate the Executive's ongoing obligations hereunder to any entity or individual with whom the Executive becomes employed by or otherwise engaged following termination of employment with BrightSphere.

7. **GENERAL**

7.1 This Agreement shall be deemed to have been made in the Commonwealth of Massachusetts, shall take effect as an instrument under seal, and the validity, interpretation and performance of this Agreement shall be governed by, and construed in accordance with, the internal law of Commonwealth of Massachusetts, without giving effect to conflict of law principles. Both parties also agree that any action, demand, claim or counterclaim relating to the Executive's employment, any termination of employment and/or the terms and provisions of this Agreement or to its alleged breach by either party, shall be commenced in Massachusetts as set forth in Section 8 below. Both parties further acknowledge that venue shall exclusively lie in Massachusetts and that material witnesses and documents may be located in Massachusetts.

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

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

If to the Executive: Suren Rana

At the notice address most recently maintained on file with the Company's Human Resource department

If to the Company: BrightSphere Inc.
200 Clarendon Street, 53 rd Floor
Boston, Massachusetts 02116
Attn: General Counsel

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

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

7.5 All payments under this Agreement shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement all federal, state and local taxes as the Company is required to withhold pursuant to any law or governmental rule or regulation. The Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment received under this Agreement.

7.6 In the event of a change in ownership or control of the Company under Section 280G of the Code, if it shall be determined that any payment or distribution in the nature of compensation (within the meaning of section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate present value of the Payments under this Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below) if and only if the Accounting Firm (described below) determines that the reduction will provide the Executive with a greater net after-tax benefit than would no reduction. No reduction shall be made unless the reduction would provide the Executive with a greater net after-tax benefit. The determinations under this Section 7.6 shall be made as follows:

(A) The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined in accordance with Section 280G(d)(4) of the Code. The term "Excise Tax" means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(B) Payments under this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to the Executive. Where more than one Payment has the same value for this purpose and they are payable at different times, they will be reduced on a pro rata basis. Only amounts payable under this Agreement shall be reduced pursuant to this Section 7.6.

(C) All determinations to be made under this Section 7.6 shall be made by an independent certified public accounting firm selected by the Company and agreed to by the Executive immediately prior to the change-in-ownership or -control transaction (the "Accounting Firm"). The Accounting Firm shall provide its determinations and any supporting calculations both to the Company and the Executive within ten (10) days of the transaction. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section 7.6 shall be borne solely by the Company.

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

8. **ARBITRATION**

(A) Except as provided herein, any and all disputes that arise out of or relate to the terms of this Agreement shall be resolved through final and binding arbitration. SUCH ARBITRATION SHALL BE IN LIEU OF ANY TRIAL BEFORE A JUDGE AND/OR JURY, AND THE EXECUTIVE AND THE COMPANY EXPRESSLY WAIVE ALL RIGHTS TO HAVE SUCH DISPUTES RESOLVED VIA TRIAL BEFORE A JUDGE AND/OR JURY. Such disputes shall include, without limitation, claims for breach of contract or of the covenant of good faith and fair dealing, claims of discrimination, and claims under any federal, state or local law or regulation now in existence or hereinafter enacted and as amended from time to time concerning in any way the Executive's employment with the Company or its termination. The only claims not covered by this requirement to arbitrate disputes, which shall instead be resolved pursuant to applicable law in a court of competent jurisdiction based in Massachusetts, are: (i) claims for benefits under the unemployment insurance benefits; (ii) claims for workers' compensation benefits under any of the Company's workers' compensation insurance policy or fund; (iii) claims under the National Labor Relations Act; (iv) claims brought by the Company for alleged violations of Section 6 of this Agreement; and (v) claims that may not be arbitrated as a matter of law.

(B) Arbitration will be conducted by and before JAMS in Boston, Massachusetts in accordance with the JAMS Employment Arbitration Rules and Procedures (the "JAMS Rules"). To the extent that anything in this arbitration section conflicts with any arbitration procedures required by applicable law, the arbitration procedures required by applicable law shall govern.

(C) During the course of arbitration, the Company will bear the cost of the arbitrator's fee. The arbitrator will not have authority to award attorneys' fees unless a statute or contract at issue in the dispute authorizes the award of attorneys' fees to the prevailing party. In such case, the arbitrator shall have the authority to make an award of attorneys' fees as required or permitted by the applicable statute or contract.

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

9. **SECTION 409A COMPLIANCE**

(A) *General.* It is intended that compensation paid or delivered to the Executive pursuant to this Agreement is either paid in compliance with, or is exempt from, Section 409A of the Code and the regulations promulgated thereunder ("Section 409A"). If the Executive notifies the Company (with specificity as to the reason therefor) that he believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause him to incur any additional tax or interest under Section 409A and the Company concurs with such belief or the Company independently makes such determination, the Company shall, after consultation with the Executive, to the extent legally permitted and to the extent it is possible to timely reform the provision to avoid taxation under Section 409A, reform such provision to attempt to comply with Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to both the Executive and the Company of the applicable provision without violating the provisions of Section 409A but in any case Executive hereby agrees that all personal income taxes on his compensation under this Agreement and all penalties and interest with respect to such personal income taxes, if any, are his own responsibility. In no event shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A, or any similar Treasury regulations or IRS rules or regulations that replace or supersede Treasury Regulation Section 1.409A after the Effective Date and that relate to the same or similar subject matter as Treasury Regulation Section 1.409A.

(B) *Amounts Payable On Account of Termination:* To the extent necessary to comply with Section 409A, for the purposes of determining when amounts subject to Section 409A that are payable upon Executive's termination of employment under this Agreement will be paid, "termination of employment" or words of similar import, as used in this Agreement, shall be construed as the date that Executive first incurs a "separation from service" within the meaning of Section 409A.

(C) *Reimbursement* : Any taxable reimbursement of business or other expenses as specified under this Agreement shall be subject to the following conditions: (A) the expenses eligible for reimbursement in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year; (B) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; (C) the right to reimbursement shall not be subject to liquidation or exchange for another benefit; and (D) in accordance with the policies, practices and procedures of the Company.

(D) *Specified Employees:* If the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment that is considered deferred compensation subject to Section 409A payable on account of a "separation from service," such payment or benefit shall be made, or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such "separation from service", and (ii) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, with interest thereon calculated at the long-term applicable federal rate (annual compounding) under Section 1274(d) of the Code in effect on the date of termination of employment, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(E) Interpretative Rules: In applying Section 409A to amounts paid pursuant to this Agreement, any right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

10. **ACKNOWLEDGMENTS**

The Executive acknowledges that: (i) the Executive received this Agreement at least ten (10) business days prior to the date on which Section 6.2(B) is to be effective; (ii) the Executive has the right to consult with counsel prior to signing this Agreement; and (iii) the Executive has had a full and adequate opportunity to read, understand and discuss with the Executive's advisors, including legal counsel, the terms and conditions contained in this Agreement prior to signing hereunder.

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

EXECUTIVE

By: /s/ Suren Rana
Suren Rana
Chief Financial Officer

BRIGHTSPHERE INC

By: /s/ Guang Yang
Guang Yang
President, Chief Executive Officer and Executive Chairman

Exhibit 1

Investments

H Plus LLC

BRIGHTSPHERE INVESTMENT GROUP PLC

OPTION AWARD AGREEMENT

THIS OPTION AWARD AGREEMENT (this " Agreement "), is entered into as of January 22, 2019, by and between BrightSphere Investment Group plc, a public company limited by shares and incorporated under the laws of England and Wales, with registered number 09062478 (the " Company "), and Suren Rana (the " Participant ").

WHEREAS, pursuant to the terms of the Employment Agreement dated January 22, 2019 between BrightSphere Inc. ("BrightSphere") and the Participant (as it may be amended from time to time, the " Employment Agreement "), BrightSphere agreed to provide for the grant of the option to acquire shares of Stock (the " Option ") provided for herein to the Participant on the terms and subject to the conditions set forth herein;

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the " Committee ") has determined that it is in the best interests of the Company and its stockholders to grant the award provided for herein to the Participant on the terms and subject to the conditions set forth herein and approved the grant of the Option on January 20, 2019 (the " Grant Date ");

WHEREAS, the Option is being granted for purposes of (i) inducing the Participant to become, and to retain him as, Chief Financial Officer of the Company and (ii) aligning the Participant's interests with those of the Company's stockholders;

WHEREAS, the grant of the Option provided for herein is issued under BrightSphere Investment Group plc 2017 Equity Incentive Plan, as amended from time to time (the " Plan ");

WHEREAS, the grant of the Option is also made in consideration for the post-termination noncompetition agreements of the Participant set forth in the Employment Agreement; and

WHEREAS, capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the Plan.

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Option

(a) Grant . The Company hereby grants to the Participant a Nonstatutory Option to purchase 2,070,000 shares of Stock (such shares, the " Option Shares "), on the terms and subject to the conditions set forth in this Agreement and as otherwise provided in the Plan. The Option is not intended to qualify as an Incentive Option. The Options shall vest in accordance with Section 2. The exercise price shall be $12.00 per Option Share.

(b) Inducement . The Participant acknowledges that the grant of the Option hereunder is intended to be in consideration for, in part, the post-termination noncompetition provisions of Section 6.2(B) of the Employment Agreement.

2. Vesting

(a) Except as may otherwise be set forth in Section 2(b) or (c) below, twenty percent (20%) of the Option shall be vested on the date hereof, with the remaining eighty percent (80%) vesting in equal twenty percent (20%) annual installments on the first, second, third and fourth anniversaries of the Grant Date (each, a " Vesting Date "), subject to the Participant's continued employment with the Company or an Affiliate through such Vesting Date.

(b) If, within two (2) years following a Change of Control, the Participant's employment with the Company and its Affiliates is terminated by the Company or an Affiliate without Cause or by the Participant for Good Reason, then that portion of the Option that would have vested on the next Vesting Date to occur shall become vested and nonforfeitable as of the date of the Participant's termination of employment. For purposes of this Agreement, "Cause" and "Good Reason" shall have the meanings set forth in the Employment Agreement. For purposes of this Agreement, "Change of Control" shall have the meaning set forth in the Plan.

(c) If the Participant's employment with the Company and its Affiliates is involuntarily terminated without Cause, or the Participant resigns for Good Reason, any portion of the Option that would have vested during the Notice Period, as defined in the Employment Agreement, will be immediately vested upon the date of the Participant's termination of employment; provided, however , that any Option Shares acquired pursuant to the Option vesting in accordance with this Section 2(b) may not be transferred until the specified Vesting Date.

3. Termination of Employment or Services. Except as set forth in Section 2(b) and (c) above, if the Participant's employment with the Company and its Affiliates terminates for any reason, the unvested portion of the Option shall be canceled immediately and the Participant shall immediately forfeit without any consideration any rights to the Option Shares subject to such unvested portion.

4. Expiration

(a) In no event shall all or any portion of the Option be exercisable after the fifth anniversary of the Grant Date (such five-year period, the " Option Period ").

(b) Except as set forth in Section 4(c) below, if, prior to the end of the Option Period, the Participant's employment with the Company and all Affiliates is terminated for any reason, then the Option shall expire on the last day of the Option Period; provided, however , that the Option shall remain exercisable following such termination only to the extent that the Option was exercisable by the Participant on the date of termination.

(c) If the Participant ceases employment with the Company and its Affiliates due to a termination for Cause, the Option (whether vested or unvested) shall expire immediately upon such termination.

5. Method of Exercise and Form of Payment. The Option shall be exercisable in accordance with the terms of the Plan. Without limiting the generality of the foregoing, if the Stock is traded on an established market, payment of any exercise price may also be made through and under the terms and conditions of any formal cashless exercise program authorized by the Company entailing the sale of the Stock subject to an Option in a brokered transaction. To the fullest extent permitted by the Plan, the Company shall permit the Participant to elect to satisfy tax requirements by directing the Company to withhold shares of Stock (up to the minimum statutory rate) otherwise deliverable in connection with the Award.

6. Rights as a Stockholder. The Participant shall not be deemed for any purpose to be the owner of any Option Shares unless, until and to the extent that (i) this Option shall have been exercised pursuant to its terms, (ii) the Company shall have issued and delivered to the Participant the Option Shares and (iii) the Participant's name shall have been entered as a stockholder of record with respect to such Option Shares on the books of the Company. The Company shall cause the actions described in clauses (ii) and (iii) of the preceding sentence to occur promptly following settlement as contemplated by this Agreement, subject to compliance with applicable laws.

7. Compliance with Legal Requirements

(a) Generally. The granting and exercising of the Option, and any other obligations of the Company under this Agreement, shall be subject to all applicable U.S. federal, state and local laws, rules and regulations, all applicable non-U.S. laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Participant agrees to take all steps that the Committee or the Company determines are reasonably necessary to comply with all applicable provisions of U.S. federal and state securities law and non-U.S. securities law in exercising the Participant's rights under this Agreement.

(b) Tax Withholding. The Participant shall be subject to the tax withholding terms of the Plan with respect to the Option. Without limiting the foregoing, whenever Option Shares are issued pursuant to the exercise of the Option, the Company and its Affiliates shall have the right to require the Participant to remit to the Company or an Affiliate an amount sufficient to satisfy federal, state, local, foreign or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates, held in book-entry position through the direct registration system of the Company's transfer agent, for such shares.

8. Claw-Back Policy. Notwithstanding anything in this Agreement to the contrary, the Participant's right to receive and retain this Option, to receive or retain any Option Shares and to retain any profit or gain realized by the Participant in connection with the sale or holding of the Option Shares, is subject to forfeiture, cancellation, recoupment, rescission, payback, setoff or other similar action in accordance with the Company's Claw-Back Policy, which includes the ability of the Company to clawback upon a termination of employment for Cause. The Participant's receipt of this Option shall be deemed to constitute the Participant's acknowledgment of and consent to the Company's application, implementation and enforcement of the Claw-back Policy and any provision of applicable law relating to cancellation, rescission, payback or recoupment of compensation, without further consideration or action.

9. Restrictive Covenants. Without limiting any other non-competition, non-solicitation, non-disparagement or non-disclosure or other similar agreement to which the Participant may be a party, Section 6 of the Employment Agreement (including any similar covenants in any successor employment agreement) are incorporated herein by reference and shall apply mutatis mutandis to this Agreement, and the Participant acknowledges and agrees that the grant of the Option is good and valuable consideration for continued compliance with the covenants set forth therein.

10. Miscellaneous

(a) Transferability. Notwithstanding anything to the contrary herein, the Option shall be subject to the non-transferability provisions of the Plan.

(b) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(c) Section 409A. The Option is not intended to be subject to Section 409A of the Code. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause the Participant to incur any tax, interest or penalties under Section 409A of the Code, the Committee may, in its sole discretion and without the Participant's consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A of the Code. This Section 9(c) does not create an obligation on the part of the Company to modify the Plan or this Agreement and does not guarantee that the Option or the Option Shares will not be subject to interest and penalties under Section 409A.

(d) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(e) No Rights to Employment, Directorship or Service. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the rights of the Company or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever.

(f) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation.

(g) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(h) Plan Terms. The terms of the Plan are hereby incorporated herein by reference. In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of the Plan, the terms and conditions of the Plan shall prevail.

(i) Entire Agreement. This Agreement (including those sections of the Employment Agreement that are incorporated herein by reference) together with the terms of the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto.

(j) Termination and Amendment. This Option as evidenced by this Agreement may be amended by the Committee without the approval of the Participant, subject however to the limitations set out in the Plan, or may be amended by written agreement of the Participant and the Company. The Company reserves the rights to amend the Plan at any time, subject to any limitations set out in the Plan.

(k) Governing Law and Venue. This Agreement shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware without regard to the conflict of laws principles thereof.

(l) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(m) Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

(n) Electronic Signature and Delivery. This Agreement may be accepted by return signature or by electronic confirmation. By accepting this Agreement, the Participant consents to the electronic delivery of prospectuses, annual reports and other information required to be delivered by U.S. Securities and Exchange Commission rules (which consent may be revoked in writing by the Participant at any time upon three business days' notice to the Company, in which case subsequent prospectuses, annual reports and other information will be delivered in hard copy to the Participant).

(o) Electronic Participation. The Company may, in its sole discretion, decide to deliver any documents related to this Agreement by electronic means. The Participant hereby consents to receive such documents by electronic delivery, including through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

(p) Participant Acknowledgment. By accepting this Award electronically, the Participant hereby acknowledges that he or she has received and read the Plan and this Agreement and that he or she agrees to be bound by all of the terms and conditions of the Option Award as set forth in this Agreement, subject to the terms and conditions of the Plan. The Participant hereby further acknowledges and agrees that his or her right to receive or retain this Award, any amount received pursuant to this Award (in cash or shares of Stock), and any profit or gain realized in connection with this Award, is subject to cancellation and recoupment in accordance with the Company's Claw-back Policy, as in force from time to time. The Participant understands that the Participant (and not the Company or any of its Affiliates) shall be responsible for the federal, state, local or foreign tax liability and any other tax consequences to the Participant that may arise as a result of the transactions contemplated by this Agreement. The Participant acknowledges that he or she has consulted with any tax advisors he or she thinks advisable in connection with the Option Award, and is not relying, and will not rely, on the Company or any Affiliate for any tax advice.

[Remainder of page intentionally blank]

[Signature page to Option Agreement]

IN WITNESS WHEREOF, this Option Award Agreement has been executed by the Company and the Participant as of the day first written above.

PARTICIPANT

By: /s/ Suren Rana
Suren Rana
Chief Financial Officer

BRIGHTSPHERE INVESTMENT GROUP PLC

By: /s/ Guang Yang
President and CEO

Exhibit 21.1

SUBSIDIARIES

BrightSphere Investment Group plc, a company incorporated and registered in England and Wales with company number 09062478, had the domestic and international subsidiaries shown below as of December 31, 2018 .

Subsidiary	**Jurisdiction**
BrightSphere US, Inc.	Delaware
BrightSphere Inc.	Delaware
BrightSphere International, Ltd.	United Kingdom
BrightSphere Capital LLC	Delaware
Acadian Asset Management LLC	Delaware
Barrow Hanley Mewhinney & Strauss, LLC	Delaware
Campbell Global, LLC	Delaware
(d/b/a Campbell Timberland Management, LLC in California)	
Copper Rock Capital Partners LLC	Delaware
Investment Counselors of Maryland, LLC	Delaware
Landmark Partners, LLC	Delaware
SCO Investment Holdings Ltd.	United Kingdom
Thompson, Siegel & Walmsley LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
BrightSphere Investment Group plc:

We consent to the incorporation by reference in the registration statement (No. 333-229113) on Form S-8 and the registration statement (No. 333-199253) on Form S-8 of BrightSphere Investment Group plc and subsidiaries of our reports dated February 28, 2019, with respect to the consolidated balance sheets of BrightSphere Investment Group plc and subsidiaries (the Company) as of December 31, 2018 and 2017 , the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three‑year period ended December 31, 2018 , and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2018 , which reports appear in the December 31, 2018 annual report on Form 10-K of BrightSphere Investment Group plc and subsidiaries.

/s/ KPMG LLP
Boston, MA
February 28, 2019

Exhibit 31.1

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

I, Guang Yang, certify that:

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

Date: February 28, 2019

/s/ Guang Yang

Guang Yang
President, Chief Executive Officer and Executive Chairman

Exhibit 31.2

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

I, Suren Rana, certify that:

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

Date: February 28, 2019

/s/ Suren Rana

Suren Rana
Chief Financial Officer

Exhibit 32.1

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

I, Guang Yang, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of BrightSphere Investment Group plc for the annual period ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents in all material respects the financial condition and results of operations of BrightSphere Investment Group plc for the periods covered by the Report. The foregoing certification is being furnished to the Securities and Exchange Commission as part of the Report. A signed original of this statement has been provided to BrightSphere Investment Group plc and will be retained by BrightSphere Investment Group plc and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 28, 2019

/s/ Guang Yang

Name: Guang Yang

Title: President, Chief Executive Officer and Executive Chairman

Exhibit 32.2

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

I, Suren Rana, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report on Form 10-K of BrightSphere Investment Group plc for the annual period ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents in all material respects the financial condition and results of operations of BrightSphere Investment Group plc for the periods covered by the Report. The foregoing certification is being furnished to the Securities and Exchange Commission as part of the Report. A signed original of this statement has been provided to BrightSphere Investment Group plc and will be retained by BrightSphere Investment Group plc and furnished to the Securities and Exchange Commission or its staff upon request.

Date:	February 28, 2019	/s/ Suren Rana
		Name: Suren Rana
		Title: Chief Financial Officer