

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

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 25, 2019

FEDERATED INVESTORS, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction
of incorporation)

001-14818
(Commission File Number)

25-1111467
(I.R.S. Employer
Identification No.)

Federated Investors Tower
Pittsburgh, Pennsylvania 15222-3779
(Address of principal executive offices, including zip code)

(412) 288-1900
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|------------------------------------|-------------------|---|
| Class B common stock, no par value | FII | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On July 25, 2019, Federated Investors, Inc. issued the earnings press release attached hereto as Exhibit 99.1 to report second quarter 2019 results.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits:

Exhibit 99.1 - Earnings press release issued by Federated Investors, Inc. dated July 25, 2019

SIGNATURES

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

FEDERATED INVESTORS, INC.
(REGISTRANT)

Date July 25, 2019

By: /s/ Thomas R. Donahue
Thomas R. Donahue
Chief Financial Officer

Federated Investors, Inc. Reports Second Quarter 2019 Earnings; Managed Assets Reach Record \$502.2 billion

- **Q2 2019 EPS of \$0.62 compared to \$0.38 for Q2 2018**
- **Money market assets up \$77.9 billion or 31% from Q2 2018**
- **Board declares \$0.27 per share quarterly dividend**

(PITTSBURGH, Pa., July 25, 2019) — Federated Investors, Inc. (NYSE: FII), one of the world's largest investment managers, today reported earnings per diluted share (EPS) of \$0.62 for Q2 2019, compared to \$0.38 for the same quarter last year, on net income of \$62.7 million for Q2 2019, compared to \$38.8 million for Q2 2018. Federated reported YTD 2019 EPS of \$1.16, compared to \$0.98 for the same period in 2018, on YTD 2019 net income of \$117.3 million, compared to \$99.2 million for the same period in 2018. Federated's Q2 2018 and YTD 2018 results included a \$27.2 million pre-tax net expense, representing \$0.21 per diluted share net of tax, primarily related to two foreign currency forward derivative instruments (FX Forward Loss) entered into in connection with Federated's Q3 2018 acquisition of a majority interest in Hermes Fund Managers Limited (Hermes).

Federated's total managed assets were a record \$502.2 billion at June 30, 2019, up \$122.5 billion or 32% from \$379.7 billion at June 30, 2018 and up \$17.3 billion or 4% from \$484.9 billion at March 31, 2019. Total average managed assets for Q2 2019 were \$493.3 billion, up \$107.3 billion or 28% from \$386.0 billion reported for Q2 2018 and up \$17.9 billion or 4% from \$475.4 billion reported for Q1 2019.

"Federated saw an uptick in interest in equity products during the second quarter, including the growth-focused Federated Kaufmann Small Cap Fund, the fundamentally driven MDT products and a range of Hermes strategies," said J. Christopher Donahue, president and chief executive officer. "Investors also continued to choose money market strategies for liquidity solutions, especially our prime money market products."

Federated's board of directors declared a quarterly dividend of \$0.27 per share. The dividend is payable on Aug. 15, 2019 to shareholders of record as of Aug. 8, 2019. During Q2 2019, Federated purchased 52,600 shares of Federated class B common stock for \$0.7 million.

Federated's equity assets were \$82.0 billion at June 30, 2019, up \$24.0 billion or 41% from \$58.0 billion at June 30, 2018 and up \$1.8 billion or 2% from \$80.2 billion at March 31, 2019. Top-selling equity funds during Q2 2019 on a net basis were Federated Kaufmann Small Cap Fund; Hermes Global Emerging Markets Fund; Federated MDT Small Cap Growth Fund; Hermes Global Equity ESG Fund; and Hermes SDG Engagement Equity Fund.

Federated's fixed-income assets were \$65.1 billion at June 30, 2019, up \$3.7 billion or 6% from \$61.4 billion at June 30, 2018 and up \$1.0 billion or 2% from \$64.1 billion at March 31, 2019. Top-selling fixed-income funds during Q2 2019 on a net basis were Federated Total Return Bond Fund; Federated Sterling Cash Plus Fund; Federated Institutional High Yield Bond Fund; Federated U.S. Government Securities Fund:1-3 Years; and Federated Government Ultrashort Duration Fund.

MEDIA:

Ed Costello 412-288-7538

MEDIA:

Meghan McAndrew 412-288-8103

ANALYSTS:

Ray Hanley 412-288-1920

Money market assets were \$333.1 billion at June 30, 2019, up \$77.9 billion or 31% from \$255.2 billion at June 30, 2018 and up \$14.7 billion or 5% from \$318.4 billion at March 31, 2019. Money market fund assets were \$231.3 billion at June 30, 2019, up \$58.6 billion or 34% from \$172.7 billion at June 30, 2018 and up \$16.5 billion or 8% from \$214.8 billion at March 31, 2019. Federated's money market separate account assets were \$101.7 billion at June 30, 2019, up \$19.1 billion or 23% from \$82.6 billion at June 30, 2018 and down \$1.9 billion or 2% from \$103.6 billion at March 31, 2019.

Financial Summary

Q2 2019 vs. Q2 2018

Revenue increased \$65.5 million or 26% primarily due to the consolidation of Hermes' revenue and higher average domestic money market assets. These increases in revenue were partially offset by a decrease in revenue from lower average domestic equity assets.

During Q2 2019, Federated derived 61% of its revenue from long-term assets (42% from equity assets, 14% from fixed-income assets and 5% from multi-asset and alternative/private markets assets), 38% from money market assets, and 1% from sources other than managed assets.

Operating expenses increased \$61.3 million or 35% primarily due to the consolidation of Hermes' expenses and an increase in distribution expenses associated with higher average money market fund assets.

Nonoperating income (expenses), net decreased \$28.4 million primarily due to the Q2 2018 FX Forward Loss.

Q2 2019 vs. Q1 2019

Revenue increased \$14.4 million or 5% primarily due to higher average equity and money market assets.

Amortization of intangibles related to the Hermes acquisition recorded in other operating expenses decreased \$2.6 million due primarily to a one-time reversal of \$1.9 million related to the finalization of the purchase price allocation. Assuming no change to foreign exchange rates, amortization of intangibles recorded in operating expenses is expected to be approximately \$8 million on an annual basis.

Nonoperating amortization of intangibles related to the Hermes acquisition increased \$0.6 million due primarily to a one-time increase of \$0.4 million related to the finalization of the purchase price allocation. Assuming no change to foreign exchange rates, amortization of intangibles recorded in nonoperating expenses is expected to be approximately \$2 million on an annual basis.

YTD 2019 vs. YTD 2018

Revenue increased \$108.7 million or 21% primarily due to the consolidation of Hermes' revenue, which included performance fees of \$2.8 million, and higher average domestic money market assets. These increases in revenue were partially offset by a decrease in revenue from lower average domestic equity and multi-asset assets and a change in the mix of average domestic fixed-income assets.

For the first half of 2019, Federated derived 61% of its revenue from long-term assets (41% from equity assets, 14% from fixed-income assets and 6% from multi-asset and alternative/private markets assets), 38% from money market assets, and 1% from sources other than managed assets.

Operating expenses increased \$113.3 million or 32% due to the consolidation of Hermes' expenses and an increase in distribution expenses associated with higher average money market fund assets.

Nonoperating income (expenses), net decreased \$30.8 million primarily due to the Q2 2018 FX Forward Loss.

Federated's level of business activity and financial results are dependent upon many factors, including market conditions, investment performance and investor behavior. These factors and others, including asset levels and mix, product sales and redemptions, market appreciation or depreciation, revenues, fee waivers, expenses and regulatory changes, can significantly impact Federated's business activity levels and financial results. Risk factors and uncertainties that can influence Federated's financial results are discussed in the company's annual and quarterly reports as filed with the Securities and Exchange Commission (SEC).

Federated will host an earnings conference call at 9 a.m. Eastern on July 26, 2019. Investors are invited to listen to Federated's earnings teleconference by calling 877-407-0782 (domestic) or 201-689-8567 (international) prior to the 9 a.m. start time. The call may also be accessed online in real time via the **About** section of FederatedInvestors.com. A replay will be available from approximately 12:30 p.m. Eastern on July 26, 2019 until Aug. 2, 2019 by calling 877-481-4010 (domestic) or 919-882-2331 (international) and entering access code 49711. An online replay will be available via FederatedInvestors.com for one year.

Federated Investors, Inc. is a leading global investment manager with \$502.2 billion in assets under management as of June 30, 2019. Our investment solutions span 130 equity, fixed-income, alternative/private markets, multi-asset and money market funds and a range of separately managed account strategies. Providing comprehensive investment management to more than 10,000 institutions and intermediaries, our clients include corporations, government entities, insurance companies, foundations and endowments, banks and broker/dealers. Headquartered in Pittsburgh, Federated's more than 1,900 employees include those in New York, Boston, London and several other offices worldwide. In 2018, Federated acquired a majority interest in Hermes Investment Management, which provides world-class active management and stewardship services.

Federated ranks in the top 6% of equity fund managers in the industry, the top 7% of money market fund managers and the top 11% of fixed-income fund managers¹. Federated also ranks as the 10th-largest SMA manager². Information regarding Hermes is available at Hermes-Investment.com. An analyst presentation that includes information about Hermes also is available. For more information, visit **FederatedInvestors.com**.

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1) Strategic Insight, June 30, 2019. Based on assets under management in open-end funds.

2) Money Management Institute/Cerulli, Q1 2019.

Federated Securities Corp. is distributor of the Federated funds.

Separately managed accounts are made available through Federated Global Investment Management Corp., Federated Investment Counseling, Federated MDTA LLC, Hermes Investment Management Limited and Hermes European Equities Limited, each a registered investment adviser.

Certain statements in this press release, such as those related to performance, investor preferences and demand, and asset flows and mix, constitute or may constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the company, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Other risks and uncertainties include the ability of the company to predict the level of fee waivers and expenses in future quarters, predict whether performance fees or carried interest will be earned and retained, sustain product demand, and asset flows and mix, which could vary significantly depending on various factors, such as market conditions, investment performance and investor behavior. Other risks and uncertainties include the risk factors discussed in the company's annual and quarterly reports as filed with the SEC. As a result, no assurance can be given as to future results, levels of activity, performance or achievements, and neither the company nor any other person assumes responsibility for the accuracy and completeness of such statements in the future.

Unaudited Condensed Consolidated Statements of Income*(in thousands, except per share data)*

| | Quarter Ended | | % Change Q2 2018 to Q2 2019 | Quarter Ended | | |
|--|---------------|---------------|-----------------------------------|----------------|-----------------------------------|--|
| | June 30, 2019 | June 30, 2018 | | March 31, 2019 | % Change Q1 2019 to Q2 2019 | |
| Revenue | | | | | | |
| Investment advisory fees, net | \$ 220,669 | \$ 168,127 | 31% | \$ 211,199 | 4 % | |
| Administrative service fees, net—affiliates | 57,968 | 48,370 | 20 | 54,135 | 7 | |
| Other service fees, net | 42,842 | 39,496 | 8 | 41,716 | 3 | |
| <i>Total Revenue</i> | 321,479 | 255,993 | 26 | 307,050 | 5 | |
| Operating Expenses | | | | | | |
| Compensation and related | 107,248 | 74,147 | 45 | 111,216 | (4) | |
| Distribution | 82,000 | 69,446 | 18 | 77,632 | 6 | |
| Systems and communications | 12,111 | 7,751 | 56 | 12,794 | (5) | |
| Office and occupancy | 11,066 | 7,365 | 50 | 11,362 | (3) | |
| Professional service fees | 10,281 | 9,278 | 11 | 10,486 | (2) | |
| Advertising and promotional | 4,697 | 3,237 | 45 | 4,190 | 12 | |
| Travel and related | 4,459 | 3,523 | 27 | 3,848 | 16 | |
| Other | 4,677 | 489 | NM | 4,633 | 1 | |
| <i>Total Operating Expenses</i> | 236,539 | 175,236 | 35 | 236,161 | 0 | |
| Operating Income | 84,940 | 80,757 | 5 | 70,889 | 20 | |
| Nonoperating Income (Expenses) | | | | | | |
| Investment income (loss), net | 1,526 | 1,377 | 11 | 2,709 | (44) | |
| Debt expense | (1,332) | (1,431) | (7) | (1,400) | (5) | |
| Other, net | (832) | (28,974) | (97) | 324 | (357) | |
| <i>Total Nonoperating Income (Expenses), net</i> | (638) | (29,028) | (98) | 1,633 | (139) | |
| Income before income taxes | 84,302 | 51,729 | 63 | 72,522 | 16 | |
| Income tax provision | 20,462 | 13,062 | 57 | 17,911 | 14 | |
| Net income including the noncontrolling interests in subsidiaries | 63,840 | 38,667 | 65 | 54,611 | 17 | |
| Less: Net income (loss) attributable to the noncontrolling interests in subsidiaries | 1,116 | (155) | NM | 65 | NM | |
| Net Income | \$ 62,724 | \$ 38,822 | 62% | \$ 54,546 | 15 % | |
| Amounts Attributable to Federated Investors, Inc. | | | | | | |
| Earnings Per Share¹ | | | | | | |
| Basic and diluted | \$ 0.62 | \$ 0.38 | 63% | \$ 0.54 | 15 % | |
| Weighted-Average Shares Outstanding | | | | | | |
| Basic | 97,330 | 97,193 | | 96,994 | | |
| Diluted | 97,330 | 97,194 | | 96,995 | | |
| Dividends Declared Per Share | \$ 0.27 | \$ 0.27 | | \$ 0.27 | | |

1) Unvested share-based awards that receive non-forfeitable dividend rights are deemed participating securities and are required to be considered in the computation of basic earnings per share under the "two-class method." As such, total net income of \$2.4 million, \$1.5 million and \$2.1 million available to unvested restricted Federated shareholders for the quarterly periods ended June 30, 2019, June 30, 2018 and March 31, 2019, respectively, was excluded from the computation of basic earnings per share. In addition to the amounts excluded from the basic earnings per share calculation, the computation of diluted earnings per share excludes net income available to unvested shareholders of a nonpublic consolidated subsidiary for the quarterly periods ended June 30, 2019 and March 31, 2019.

Unaudited Condensed Consolidated Statements of Income*(in thousands, except per share data)*

| | Six Months Ended | | |
|--|-------------------------|----------------------|-----------------|
| | June 30, 2019 | June 30, 2018 | % Change |
| Revenue | | | |
| Investment advisory fees, net | \$ 431,868 | \$ 342,393 | 26% |
| Administrative service fees, net—affiliates | 112,103 | 97,393 | 15 |
| Other service fees, net | 84,558 | 80,059 | 6 |
| <i>Total Revenue</i> | 628,529 | 519,845 | 21 |
| Operating Expenses | | | |
| Compensation and related | 218,464 | 152,521 | 43 |
| Distribution | 159,632 | 141,945 | 12 |
| Professional service fees | 20,767 | 18,908 | 10 |
| Systems and communications | 24,905 | 16,184 | 54 |
| Office and occupancy | 22,428 | 14,906 | 50 |
| Advertising and promotional | 8,886 | 6,465 | 37 |
| Travel and related | 8,307 | 6,344 | 31 |
| Other | 9,311 | 2,144 | 334 |
| <i>Total Operating Expenses</i> | 472,700 | 359,417 | 32 |
| Operating Income | 155,829 | 160,428 | (3) |
| Nonoperating Income (Expenses) | | | |
| Investment income (loss), net | 4,235 | 2,095 | 102 |
| Debt expense | (2,732) | (2,761) | (1) |
| Other, net | (508) | (29,117) | (98) |
| <i>Total Nonoperating Income (Expenses), net</i> | 995 | (29,783) | (103) |
| Income before income taxes | 156,824 | 130,645 | 20 |
| Income tax provision | 38,373 | 31,972 | 20 |
| Net income including the noncontrolling interests in subsidiaries | 118,451 | 98,673 | 20 |
| Less: Net income (loss) attributable to the noncontrolling interests in subsidiaries | 1,181 | (480) | (346) |
| Net Income | \$ 117,270 | \$ 99,153 | 18% |
| Amounts Attributable to Federated Investors, Inc. | | | |
| Earnings Per Share¹ | | | |
| Basic and diluted | \$ 1.16 | \$ 0.98 | 18% |
| Weighted-Average Shares Outstanding | | | |
| Basic | 97,163 | 97,191 | |
| Diluted | 97,163 | 97,192 | |
| Dividends Declared Per Share | \$ 0.54 | \$ 0.52 | |

1) Unvested share-based awards that receive non-forfeitable dividend rights are deemed participating securities and are required to be considered in the computation of basic earnings per share under the "two-class method." As such, total net income of \$4.5 million and \$3.9 million available to unvested restricted Federated shareholders for the six months ended June 30, 2019 and June 30, 2018, respectively, was excluded from the computation of basic earnings per share. In addition to the amounts excluded from the basic earnings per share calculation, the computation of diluted earnings per share excludes net income available to unvested shareholders of a nonpublic consolidated subsidiary for the six-month period ended June 30, 2019.

Unaudited Condensed Consolidated Balance Sheets*(in thousands)*

| | June 30, 2019 | Dec. 31, 2018 |
|--|---------------|---------------|
| Assets | | |
| Cash and other investments | \$ 227,010 | \$ 190,490 |
| Other current assets | 111,362 | 113,611 |
| Intangible assets, net, including goodwill | 1,148,063 | 1,149,247 |
| Other long-term assets | 201,615 | 90,335 |
| <i>Total Assets</i> | \$ 1,688,050 | \$ 1,543,683 |
| Liabilities, Redeemable Noncontrolling Interests and Equity | | |
| Current liabilities | \$ 151,809 | \$ 181,180 |
| Long-term debt | 125,000 | 135,000 |
| Other long-term liabilities | 296,725 | 187,869 |
| Redeemable noncontrolling interests | 201,988 | 182,513 |
| Equity excluding treasury stock | 1,190,161 | 1,144,458 |
| Treasury stock | (277,633) | (287,337) |
| <i>Total Liabilities, Redeemable Noncontrolling Interests and Equity</i> | \$ 1,688,050 | \$ 1,543,683 |

Unaudited Changes in Long-Term Assets - By Asset Class*(in millions)*

| | Quarter Ended | | | Six Months Ended | |
|--|---------------|----------------|---------------|------------------|---------------|
| | June 30, 2019 | March 31, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Equity | | | | | |
| Beginning assets | \$ 80,245 | \$ 72,497 | \$ 58,830 | \$ 72,497 | \$ 62,816 |
| Sales ¹ | 4,812 | 5,136 | 2,731 | 9,948 | 5,924 |
| Redemptions ¹ | (4,404) | (5,926) | (5,078) | (10,330) | (10,336) |
| Net sales (redemptions) ¹ | 408 | (790) | (2,347) | (382) | (4,412) |
| Net exchanges | 191 | 13 | 202 | 204 | 75 |
| Impact of foreign exchange ² | 4 | (122) | 0 | (118) | 0 |
| Market gains and losses ³ | 1,151 | 8,647 | 1,288 | 9,798 | (506) |
| Ending assets | \$ 81,999 | \$ 80,245 | \$ 57,973 | \$ 81,999 | \$ 57,973 |
| Fixed Income | | | | | |
| Beginning assets | \$ 64,107 | \$ 63,158 | \$ 62,205 | \$ 63,158 | \$ 64,160 |
| Sales ¹ | 5,193 | 5,416 | 4,755 | 10,609 | 9,663 |
| Redemptions ¹ | (5,181) | (6,341) | (4,934) | (11,522) | (11,528) |
| Net sales (redemptions) ¹ | 12 | (925) | (179) | (913) | (1,865) |
| Net exchanges | (191) | (33) | (207) | (224) | (80) |
| Impact of foreign exchange ² | (25) | 8 | 0 | (17) | 0 |
| Market gains and losses ³ | 1,149 | 1,899 | (384) | 3,048 | (780) |
| Ending assets | \$ 65,052 | \$ 64,107 | \$ 61,435 | \$ 65,052 | \$ 61,435 |
| Alternative/Private Markets⁴ | | | | | |
| Beginning assets | \$ 17,854 | \$ 18,318 | \$ 343 | \$ 18,318 | \$ 366 |
| Sales ¹ | 320 | 313 | 15 | 633 | 56 |
| Redemptions ¹ | (302) | (858) | (44) | (1,160) | (111) |
| Net sales (redemptions) ¹ | 18 | (545) | (29) | (527) | (55) |
| Net exchanges | (1) | (2) | (2) | (3) | (1) |
| Impact of foreign exchange ² | (435) | 387 | 0 | (48) | 0 |
| Market gains and losses ³ | 481 | (304) | (20) | 177 | (18) |
| Ending assets | \$ 17,917 | \$ 17,854 | \$ 292 | \$ 17,917 | \$ 292 |
| Multi-asset | | | | | |
| Beginning assets | \$ 4,259 | \$ 4,093 | \$ 4,843 | \$ 4,093 | \$ 5,014 |
| Sales ¹ | 78 | 104 | 126 | 182 | 254 |
| Redemptions ¹ | (228) | (241) | (229) | (469) | (464) |
| Net sales (redemptions) ¹ | (150) | (137) | (103) | (287) | (210) |
| Net exchanges | 0 | 2 | (2) | 2 | (2) |
| Market gains and losses ³ | 104 | 301 | (8) | 405 | (72) |
| Ending assets | \$ 4,213 | \$ 4,259 | \$ 4,730 | \$ 4,213 | \$ 4,730 |
| Total Long-term Assets⁴ | | | | | |
| Beginning assets | \$ 166,465 | \$ 158,066 | \$ 126,221 | \$ 158,066 | \$ 132,356 |
| Sales ¹ | 10,403 | 10,969 | 7,627 | 21,372 | 15,897 |
| Redemptions ¹ | (10,115) | (13,366) | (10,285) | (23,481) | (22,439) |
| Net sales (redemptions) ¹ | 288 | (2,397) | (2,658) | (2,109) | (6,542) |
| Net exchanges | (1) | (20) | (9) | (21) | (8) |
| Impact of foreign exchange ² | (456) | 273 | 0 | (183) | 0 |
| Market gains and losses ³ | 2,885 | 10,543 | 876 | 13,428 | (1,376) |
| Ending assets | \$ 169,181 | \$ 166,465 | \$ 124,430 | \$ 169,181 | \$ 124,430 |

1) For certain accounts, Sales and Redemptions are calculated as the remaining difference between beginning and ending assets after the calculation of total investment return.

2) Reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes. Reporting only contains foreign exchange separately beginning with Q1 2019 (previously included in Market gains and losses).

3) Reflects the approximate changes in the fair value of the securities held by the portfolios and, to a lesser extent, reinvested dividends, distributions, net investment income and the impact of changes in foreign exchange rates for periods prior to Q1 2019.

4) Ending assets includes \$8.4 billion and \$8.1 billion at June 30, 2019 and March 31, 2019, respectively, of assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.

Unaudited Changes in Long-Term Assets - By Asset Class and Product Type

(in millions)

| | Quarter Ended | | | | | | | | | |
|---|---------------|--------------------------------|--------------|--------------------------------|-------------------------------|--------------------------------|-------------|--------------------------------|--------------------|--------------------------------|
| | June 30, 2019 | | | | | | | | | |
| | Equity | | Fixed Income | | Alternative / Private Markets | | Multi-asset | | Total | |
| | Funds | Separate Accounts ¹ | Funds | Separate Accounts ¹ | Funds ² | Separate Accounts ¹ | Funds | Separate Accounts ¹ | Funds ² | Separate Accounts ¹ |
| Beginning assets | \$ 42,057 | \$ 38,188 | \$ 41,189 | \$ 22,918 | \$ 11,164 | \$ 6,690 | \$ 4,072 | \$ 187 | \$ 98,482 | \$ 67,983 |
| Sales | 3,047 | 1,765 | 4,141 | 1,052 | 241 | 79 | 73 | 5 | 7,502 | 2,901 |
| Redemptions | (2,740) | (1,664) | (3,845) | (1,336) | (213) | (89) | (222) | (6) | (7,020) | (3,095) |
| Net sales (redemptions) | 307 | 101 | 296 | (284) | 28 | (10) | (149) | (1) | 482 | (194) |
| Net exchanges | 191 | 0 | (191) | 0 | (1) | 0 | 0 | 0 | (1) | 0 |
| Impact of foreign exchange ³ | (27) | 31 | (37) | 12 | (267) | (168) | 0 | 0 | (331) | (125) |
| Market gains and losses ⁴ | 915 | 236 | 827 | 322 | 476 | 5 | 96 | 8 | 2,314 | 571 |
| Ending assets | \$ 43,443 | \$ 38,556 | \$ 42,084 | \$ 22,968 | \$ 11,400 | \$ 6,517 | \$ 4,019 | \$ 194 | \$ 100,946 | \$ 68,235 |

| | Six Months Ended | | | | | | | | | |
|---|------------------|--------------------------------|--------------|--------------------------------|-------------------------------|--------------------------------|-------------|--------------------------------|--------------------|--------------------------------|
| | June 30, 2019 | | | | | | | | | |
| | Equity | | Fixed Income | | Alternative / Private Markets | | Multi-asset | | Total | |
| | Funds | Separate Accounts ¹ | Funds | Separate Accounts ¹ | Funds ² | Separate Accounts ¹ | Funds | Separate Accounts ¹ | Funds ² | Separate Accounts ¹ |
| Beginning assets | \$ 36,584 | \$ 35,913 | \$ 40,490 | \$ 22,668 | \$ 11,365 | \$ 6,953 | \$ 3,920 | \$ 173 | \$ 92,359 | \$ 65,707 |
| Sales | 6,459 | 3,489 | 8,295 | 2,314 | 495 | 138 | 175 | 7 | 15,424 | 5,948 |
| Redemptions | (5,743) | (4,587) | (8,571) | (2,951) | (600) | (560) | (457) | (12) | (15,371) | (8,110) |
| Net sales (redemptions) | 716 | (1,098) | (276) | (637) | (105) | (422) | (282) | (5) | 53 | (2,162) |
| Net exchanges | 204 | 0 | (199) | (25) | (3) | 0 | 2 | 0 | 4 | (25) |
| Impact of foreign exchange ³ | (42) | (76) | (14) | (3) | (27) | (21) | 0 | 0 | (83) | (100) |
| Market gains and losses ⁴ | 5,981 | 3,817 | 2,083 | 965 | 170 | 7 | 379 | 26 | 8,613 | 4,815 |
| Ending assets | \$ 43,443 | \$ 38,556 | \$ 42,084 | \$ 22,968 | \$ 11,400 | \$ 6,517 | \$ 4,019 | \$ 194 | \$ 100,946 | \$ 68,235 |

1) Includes separately managed accounts, institutional accounts, sub-advised funds and other managed products. For certain accounts, Sales and Redemptions are calculated as the remaining difference between beginning and ending assets after the calculation of total investment return.

2) Ending assets includes \$8.4 billion of assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.

3) Reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes.

4) Reflects the approximate changes in the fair value of the securities held by the portfolios and, to a lesser extent, reinvested dividends, distributions and net investment income.

Unaudited Changes in Long-Term Assets - By Product Type*(in millions)*

| | Quarter Ended | | | Six Months Ended | |
|--|---------------|----------------|---------------|------------------|---------------|
| | June 30, 2019 | March 31, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Total Fund Assets¹ | | | | | |
| Beginning assets | \$ 98,482 | \$ 92,359 | \$ 76,999 | \$ 92,359 | \$ 79,301 |
| Sales | 7,502 | 7,922 | 5,609 | 15,424 | 11,565 |
| Redemptions | (7,020) | (8,351) | (6,947) | (15,371) | (14,581) |
| Net sales (redemptions) | 482 | (429) | (1,338) | 53 | (3,016) |
| Net exchanges | (1) | 5 | (7) | 4 | (9) |
| Impact of foreign exchange ² | (331) | 248 | 0 | (83) | 0 |
| Market gains and losses ³ | 2,314 | 6,299 | 735 | 8,613 | 113 |
| Ending assets | \$ 100,946 | \$ 98,482 | \$ 76,389 | \$ 100,946 | \$ 76,389 |
| Total Separate Account Assets⁴ | | | | | |
| Beginning assets | \$ 67,983 | \$ 65,707 | \$ 49,222 | \$ 65,707 | \$ 53,055 |
| Sales ⁵ | 2,901 | 3,047 | 2,018 | 5,948 | 4,332 |
| Redemptions ⁵ | (3,095) | (5,015) | (3,338) | (8,110) | (7,858) |
| Net sales (redemptions) ⁵ | (194) | (1,968) | (1,320) | (2,162) | (3,526) |
| Net exchanges | 0 | (25) | (2) | (25) | 1 |
| Impact of foreign exchange ² | (125) | 25 | 0 | (100) | 0 |
| Market gains and losses ³ | 571 | 4,244 | 141 | 4,815 | (1,489) |
| Ending assets | \$ 68,235 | \$ 67,983 | \$ 48,041 | \$ 68,235 | \$ 48,041 |
| Total Long-term Assets^{1,4} | | | | | |
| Beginning assets | \$ 166,465 | \$ 158,066 | \$ 126,221 | \$ 158,066 | \$ 132,356 |
| Sales ⁵ | 10,403 | 10,969 | 7,627 | 21,372 | 15,897 |
| Redemptions ⁵ | (10,115) | (13,366) | (10,285) | (23,481) | (22,439) |
| Net sales (redemptions) ⁵ | 288 | (2,397) | (2,658) | (2,109) | (6,542) |
| Net exchanges | (1) | (20) | (9) | (21) | (8) |
| Impact of foreign exchange ² | (456) | 273 | 0 | (183) | 0 |
| Market gains and losses ³ | 2,885 | 10,543 | 876 | 13,428 | (1,376) |
| Ending assets | \$ 169,181 | \$ 166,465 | \$ 124,430 | \$ 169,181 | \$ 124,430 |

1) Includes \$8.4 billion and \$8.1 billion at June 30, 2019 and March 31, 2019, respectively, of assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.

2) Reflects the impact of translating non-U.S. dollar denominated AUM into U.S. dollars for reporting purposes. Reporting only contains foreign exchange separately beginning with Q1 2019 (previously included in Market gains and losses).

3) Reflects the approximate changes in the fair value of the securities held by the portfolios and, to a lesser extent, reinvested dividends, distributions, net investment income and the impact of changes in foreign exchange rates for periods prior to Q1 2019.

4) Includes separately managed accounts, institutional accounts, sub-advised funds and other managed products.

5) For certain accounts, Sales and Redemptions are calculated as the remaining difference between beginning and ending assets after the calculation of total investment return.

Unaudited Managed Assets*(in millions)*

| | June 30, 2019 | March 31, 2019 | Dec. 31, 2018 | Sept. 30, 2018 | June 30, 2018 |
|--|---------------|----------------|---------------|----------------|---------------|
| By Asset Class | | | | | |
| Equity | \$ 81,999 | \$ 80,245 | \$ 72,497 | \$ 84,143 | \$ 57,973 |
| Fixed-income | 65,052 | 64,107 | 63,158 | 65,369 | 61,435 |
| Alternative / private markets ¹ | 17,917 | 17,854 | 18,318 | 18,621 | 292 |
| Multi-asset | 4,213 | 4,259 | 4,093 | 4,790 | 4,730 |
| Total long-term assets | 169,181 | 166,465 | 158,066 | 172,923 | 124,430 |
| Money market | 333,066 | 318,413 | 301,794 | 264,233 | 255,247 |
| <i>Total Managed Assets</i> | \$ 502,247 | \$ 484,878 | \$ 459,860 | \$ 437,156 | \$ 379,677 |

By Product Type**Funds:**

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Equity | \$ 43,443 | \$ 42,057 | \$ 36,584 | \$ 43,578 | \$ 31,699 |
| Fixed-income | 42,084 | 41,189 | 40,490 | 41,817 | 39,877 |
| Alternative / private markets ¹ | 11,400 | 11,164 | 11,365 | 11,457 | 292 |
| Multi-asset | 4,019 | 4,072 | 3,920 | 4,585 | 4,521 |
| Total long-term assets | 100,946 | 98,482 | 92,359 | 101,437 | 76,389 |
| Money market | 231,321 | 214,764 | 208,480 | 182,966 | 172,671 |
| <i>Total Fund Assets</i> | \$ 332,267 | \$ 313,246 | \$ 300,839 | \$ 284,403 | \$ 249,060 |

Separate Accounts:

| | | | | | |
|--------------------------------------|------------|------------|------------|------------|------------|
| Equity | \$ 38,556 | \$ 38,188 | \$ 35,913 | \$ 40,565 | \$ 26,274 |
| Fixed-income | 22,968 | 22,918 | 22,668 | 23,552 | 21,558 |
| Alternative / private markets | 6,517 | 6,690 | 6,953 | 7,164 | 0 |
| Multi-asset | 194 | 187 | 173 | 205 | 209 |
| Total long-term assets | 68,235 | 67,983 | 65,707 | 71,486 | 48,041 |
| Money market | 101,745 | 103,649 | 93,314 | 81,267 | 82,576 |
| <i>Total Separate Account Assets</i> | \$ 169,980 | \$ 171,632 | \$ 159,021 | \$ 152,753 | \$ 130,617 |
| <i>Total Managed Assets</i> | \$ 502,247 | \$ 484,878 | \$ 459,860 | \$ 437,156 | \$ 379,677 |

1) Includes \$8.4 billion, \$8.1 billion, \$8.3 billion and \$8.4 billion at June 30, 2019, March 31, 2019, Dec. 31, 2018 and Sept. 30, 2018, respectively, of assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.

| <i>Unaudited Average Managed Assets</i> <i>(in millions)</i> | Quarter Ended | | | | |
|---|---------------|----------------|---------------|----------------|---------------|
| | June 30, 2019 | March 31, 2019 | Dec. 31, 2018 | Sept. 30, 2018 | June 30, 2018 |
| By Asset Class | | | | | |
| Equity | \$ 80,819 | \$ 77,554 | \$ 78,084 | \$ 84,262 | \$ 58,818 |
| Fixed-income | 64,913 | 64,167 | 63,881 | 64,750 | 61,648 |
| Alternative / private markets ¹ | 17,772 | 18,311 | 18,410 | 18,504 | 319 |
| Multi-asset | 4,225 | 4,225 | 4,449 | 4,805 | 4,824 |
| Total long-term assets | 167,729 | 164,257 | 164,824 | 172,321 | 125,609 |
| Money market | 325,527 | 311,150 | 278,885 | 261,571 | 260,371 |
| <i>Total Avg. Managed Assets</i> | \$ 493,256 | \$ 475,407 | \$ 443,709 | \$ 433,892 | \$ 385,980 |
| By Product Type | | | | | |
| Funds: | | | | | |
| Equity | \$ 42,571 | \$ 40,217 | \$ 39,871 | \$ 43,473 | \$ 31,911 |
| Fixed-income | 41,652 | 41,095 | 41,088 | 41,501 | 40,199 |
| Alternative / private markets ¹ | 11,146 | 11,545 | 11,351 | 11,109 | 319 |
| Multi-asset | 4,034 | 4,042 | 4,268 | 4,598 | 4,604 |
| Total long-term assets | 99,403 | 96,899 | 96,578 | 100,681 | 77,033 |
| Money market | 222,282 | 209,260 | 194,009 | 179,562 | 175,885 |
| <i>Total Avg. Fund Assets</i> | \$ 321,685 | \$ 306,159 | \$ 290,587 | \$ 280,243 | \$ 252,918 |
| Separate Accounts: | | | | | |
| Equity | \$ 38,248 | \$ 37,337 | \$ 38,213 | \$ 40,789 | \$ 26,907 |
| Fixed-income | 23,261 | 23,072 | 22,793 | 23,249 | 21,449 |
| Alternative / private markets | 6,626 | 6,766 | 7,059 | 7,395 | 0 |
| Multi-asset | 191 | 183 | 181 | 207 | 220 |
| Total long-term assets | 68,326 | 67,358 | 68,246 | 71,640 | 48,576 |
| Money market | 103,245 | 101,890 | 84,876 | 82,009 | 84,486 |
| <i>Total Avg. Separate Account Assets</i> | \$ 171,571 | \$ 169,248 | \$ 153,122 | \$ 153,649 | \$ 133,062 |
| <i>Total Avg. Managed Assets</i> | \$ 493,256 | \$ 475,407 | \$ 443,709 | \$ 433,892 | \$ 385,980 |

1) The average balance includes \$8.1 billion, \$8.4 billion, \$8.3 billion and \$8.2 billion for the quarters ended June 30, 2019, March 31, 2019, Dec. 31, 2018 and Sept. 30, 2018, respectively, of assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.

| <i>Unaudited Average Managed Assets</i> (in millions) | Six Months Ended | |
|--|------------------|---------------|
| | June 30, 2019 | June 30, 2018 |
| By Asset Class | | |
| Equity | \$ 79,187 | \$ 60,186 |
| Fixed-income | 64,540 | 62,593 |
| Alternative / private markets ¹ | 18,041 | 337 |
| Multi-asset | 4,225 | 4,902 |
| Total long-term assets | 165,993 | 128,018 |
| Money market | 318,339 | 263,958 |
| <i>Total Avg. Managed Assets</i> | \$ 484,332 | \$ 391,976 |
| By Product Type | | |
| Funds: | | |
| Equity | \$ 41,394 | \$ 32,296 |
| Fixed-income | 41,373 | 40,610 |
| Alternative / private markets ¹ | 11,346 | 337 |
| Multi-asset | 4,038 | 4,677 |
| Total long-term assets | 98,151 | 77,920 |
| Money market | 215,771 | 178,870 |
| <i>Total Avg. Fund Assets</i> | \$ 313,922 | \$ 256,790 |
| Separate Accounts: | | |
| Equity | \$ 37,793 | \$ 27,890 |
| Fixed-income | 23,167 | 21,983 |
| Alternative / private markets | 6,695 | 0 |
| Multi-asset | 187 | 225 |
| Total long-term assets | 67,842 | 50,098 |
| Money market | 102,568 | 85,088 |
| <i>Total Avg. Separate Account Assets</i> | \$ 170,410 | \$ 135,186 |
| <i>Total Avg. Managed Assets</i> | \$ 484,332 | \$ 391,976 |

1) The average balance includes \$8.3 billion for the six months ended June 30, 2019 of assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.