

Federated Investors, Inc. Reports Third Quarter 2018 Earnings

- **Q3 2018 EPS of \$0.59 up 5 percent from \$0.56 in Q3 2017**
- **Managed assets reach a record \$437 billion with completion of Hermes acquisition**
- **Board declares \$0.27 per share quarterly dividend**

(PITTSBURGH, Pa., Oct. 25, 2018) — Federated Investors, Inc. (NYSE: FII), one of the nation's largest investment managers, today reported earnings per diluted share (EPS) of \$0.59 for Q3 2018, compared to \$0.56 for the same quarter last year on net income of \$59.6 million for Q3 2018 compared to \$56.4 million for Q3 2017. Federated reported EPS of \$1.57 for both YTD 2018 and 2017 on YTD 2018 net income of \$158.8 million compared to \$159.5 million of net income for the same period last year. The results in this press release include the acquisition of Hermes Fund Managers Limited (Hermes), beginning July 1, 2018.

Federated's YTD 2018 results include a \$27.2 million pre-tax net expense, representing \$0.21 per diluted share net of tax, primarily from entering into two foreign exchange derivative instruments used to eliminate exposure to fluctuations in the British pound sterling in preparation for the Q3 2018 Hermes acquisition payment. In addition, Federated has incurred \$9.9 million and \$12.7 million for Q3 2018 and YTD 2018, respectively, in transaction-related costs directly attributable to the Hermes acquisition.

Federated's total managed assets were a record \$437.2 billion at Sept. 30, 2018 with the completion of the Hermes acquisition, up \$73.5 billion or 20 percent from \$363.7 billion at Sept. 30, 2017 and up \$57.5 billion or 15 percent from \$379.7 billion at June 30, 2018. Total average managed assets for Q3 2018 were \$433.9 billion, up \$73.4 billion or 20 percent from \$360.5 billion reported for Q3 2017 and up \$47.9 billion or 12 percent from \$386.0 billion reported for Q2 2018.

"Hermes incorporates environmental, social and governance factors into a wide range of actively managed strategies and stewardship services," said J. Christopher Donahue, president and chief executive officer. "Hermes and Federated are off to an exciting and promising start together. With demand for ESG investing on the rise, we look forward to Hermes' continued growth as we begin to offer Hermes' strategies to U.S. investors."

Federated's board of directors declared a dividend of \$0.27 per share. The dividend is payable on Nov. 15, 2018 to shareholders of record as of Nov. 8, 2018. During Q3 2018, Federated purchased 276,982 shares of Federated class B common stock for \$5.9 million.

Federated's equity assets were a record \$84.1 billion at Sept. 30, 2018, primarily due to the inclusion of \$25.7 billion of Hermes' assets. Equity assets were up \$22.4 billion or 36 percent from \$61.7 billion at Sept. 30, 2017 and up \$26.1 billion or 45 percent from \$58.0 billion at June 30, 2018. Top-selling equity funds during Q3 2018 on a net basis were Federated MDT Small Cap Core Fund, Federated Kaufmann Small Cap Fund, Federated MDT Small Cap Growth Fund, Federated MDT Mid Cap Growth Fund and Hermes SDG Engagement Equity Fund.

Federated's fixed-income assets were a record \$65.4 billion at Sept. 30, 2018, primarily resulting from the inclusion of \$2.8 billion of Hermes' assets. Fixed-income assets were up \$12.7 billion or 24 percent from \$52.7 billion at Sept. 30, 2017 and up

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\$4.0 billion or 7 percent from \$61.4 billion at June 30, 2018. Top-selling fixed-income funds during Q3 2018 on a net basis were Federated Ultrashort Bond Fund, Federated Institutional High Yield Bond Fund, Federated Short-Term Income Fund, Federated Floating Rate Strategic Income Fund and Federated Total Return Bond Fund.

Money market assets were \$264.2 billion at Sept. 30, 2018, up \$20.4 billion or 8 percent from \$243.8 billion at Sept. 30, 2017 and up \$9.0 billion or 4 percent from \$255.2 billion at June 30, 2018. Money market fund assets were \$183.0 billion at Sept. 30, 2018, up \$5.1 billion or 3 percent from \$177.9 billion at Sept. 30, 2017 and up \$10.3 billion or 6 percent from \$172.7 billion at June 30, 2018. Federated's money market separate account assets were \$81.3 billion at Sept. 30, 2018, up \$15.3 billion or 23 percent from \$66.0 billion at Sept. 30, 2017 and down \$1.3 billion or 2 percent from \$82.6 billion at June 30, 2018.

Financial Summary

Q3 2018 vs. Q3 2017

Revenue increased \$30.3 million or 11 percent primarily due to the consolidation of Hermes' revenue. This increase was partially offset by a decrease in revenue due to the adoption of the new revenue recognition accounting standard and higher voluntary fee waivers for certain money market funds for competitive purposes.

During Q3 2018, Federated derived 66 percent of its revenue from long-term assets (45 percent from equity assets, 15 percent from fixed-income assets, and 6 percent from alternative/private markets and multi-asset), 33 percent from money market assets, and 1 percent from sources other than managed assets.

Operating expenses increased \$37.1 million or 20 percent primarily due to the consolidation of Hermes' expenses. This increase was partially offset by a decrease in distribution expense due to the adoption of the new revenue recognition accounting standard and a change in the mix of average money market fund assets.

Q3 2018 vs. Q2 2018

Revenue increased \$52.6 million or 21 percent and operating expenses increased \$51.5 million or 29 percent primarily due to the consolidation of Hermes.

Nonoperating income (expenses), net increased \$30.9 million primarily due to a loss recorded in Q2 2018 from two foreign currency forward derivative instruments entered into in connection with the Hermes acquisition (FX Forward Loss).

YTD 2018 vs. YTD 2017

Revenue increased \$3.8 million primarily due to the consolidation of Hermes revenue. This increase was significantly offset by a decrease in revenue due to the adoption of the new revenue recognition accounting standard, a change in the mix of average money market assets and a previously disclosed Q1 2017 change in a customer relationship.

For the first nine months of 2018, Federated derived 63 percent of its revenue from long-term assets (42 percent from equity assets, 16 percent from fixed-income assets, and 5 percent from alternative/private markets and multi-asset), and 37 percent from money market assets.

Operating expenses increased by \$12.2 million or 2 percent primarily due to the consolidation of Hermes' expenses. This increase was partially offset by a decrease in expense due to the adoption of the new revenue recognition accounting standard and a change in the mix of average money market fund assets.

Nonoperating (expenses) income, net decreased \$36.1 million due primarily to the FX Forward Loss. In addition, investment income, net decreased due to a decrease in the market value of investments, primarily from securities held by consolidated

investment companies, and fewer gains realized from the redemption of investments in the nine-month period ended Sept. 30, 2018 as compared to the same period in 2017.

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, currency fluctuations, fee waivers, acquisitions, 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 Oct. 26, 2018. 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 Federated** section of FederatedInvestors.com. A replay will be available from approximately 12:30 p.m. Eastern Oct. 26, 2018 until Nov. 2, 2018 by calling 877-481-4010 (domestic) or 919-882-2331 (international) and entering access code 37820. An online replay will be available via FederatedInvestors.com for one year.

Federated Investors, Inc. is one of the largest investment managers in the United States, managing \$437.2 billion in assets as of Sept. 30, 2018. With 129 funds and a variety of separately managed account options, Federated provides comprehensive investment management to more than 9,600 institutions and intermediaries including corporations, government entities, insurance companies, foundations and endowments, banks and broker/dealers. Federated ranks in the top 6 percent of equity fund managers in the industry, the top 8 percent of money market fund managers and the top 11 percent of fixed-income fund managers¹. Federated also ranks as the seventh-largest separately managed accounts 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, Sept. 30, 2018. Based on assets under management in open-end funds.

2) Money Management Institute/Dover Financial Research, Q2 2018.

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 growth expectations, anticipated product or strategy offerings, the level of fee waivers and expenses incurred by the company, performance, investor preferences and demand, asset flows and mix, customer relationships, acquisitions, integration and expenses 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 anticipate when products or strategies will be ready to be offered, predict the level of fee waivers and expenses in future quarters, 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 Q3 2017 to Q3 2018 | Quarter Ended | | |
|--|----------------|----------------|-----------------------------------|---------------|-----------------------------------|--|
| | Sept. 30, 2018 | Sept. 30, 2017 | | June 30, 2018 | % Change Q2 2018 to Q3 2018 | |
| Revenue | | | | | | |
| Investment advisory fees, net | \$ 217,036 | \$ 184,886 | 17% | \$ 168,127 | 29 % | |
| Administrative service fees, net—affiliates | 49,855 | 47,461 | 5 | 48,370 | 3 | |
| Other service fees, net | 41,725 | 45,968 | (9) | 39,496 | 6 | |
| <i>Total Revenue</i> | 308,616 | 278,315 | 11 | 255,993 | 21 | |
| Operating Expenses | | | | | | |
| Compensation and related | 103,092 | 72,454 | 42 | 74,147 | 39 | |
| Distribution | 72,153 | 84,838 | (15) | 69,446 | 4 | |
| Professional service fees | 13,535 | 6,948 | 95 | 9,278 | 46 | |
| Systems and communications | 12,213 | 7,992 | 53 | 7,751 | 58 | |
| Office and occupancy | 9,332 | 7,293 | 28 | 7,365 | 27 | |
| Travel and related | 4,622 | 3,258 | 42 | 3,523 | 31 | |
| Advertising and promotional | 4,502 | 2,345 | 92 | 3,237 | 39 | |
| Other | 7,269 | 4,497 | 62 | 489 | NM | |
| <i>Total Operating Expenses</i> | 226,718 | 189,625 | 20 | 175,236 | 29 | |
| Operating Income | 81,898 | 88,690 | (8) | 80,757 | 1 | |
| Nonoperating Income (Expenses) | | | | | | |
| Investment income, net | 1,199 | 3,556 | (66) | 1,377 | (13) | |
| Debt expense | (1,602) | (1,250) | 28 | (1,431) | 12 | |
| Other, net | 2,240 | 1 | NM | (28,974) | (108) | |
| <i>Total Nonoperating Income (Expenses), net</i> | 1,837 | 2,307 | (20) | (29,028) | (106) | |
| Income before income taxes | 83,735 | 90,997 | (8) | 51,729 | 62 | |
| Income tax provision ¹ | 21,741 | 33,756 | (36) | 13,062 | 66 | |
| Net income including the noncontrolling interests in subsidiaries | 61,994 | 57,241 | 8 | 38,667 | 60 | |
| Less: Net income (loss) attributable to the noncontrolling interests in subsidiaries | 2,386 | 802 | 198 | (155) | NM | |
| Net Income | \$ 59,608 | \$ 56,439 | 6% | \$ 38,822 | 54 % | |
| Amounts Attributable to Federated Investors, Inc. | | | | | | |
| Earnings Per Share² | | | | | | |
| Basic and diluted | \$ 0.59 | \$ 0.56 | 5% | \$ 0.38 | 55 % | |
| Weighted-average shares outstanding | | | | | | |
| Basic | 96,664 | 97,128 | | 97,193 | | |
| Diluted | 96,664 | 97,129 | | 97,194 | | |
| Dividends declared per share | \$ 0.27 | \$ 0.25 | | \$ 0.27 | | |

1) Sept. 30, 2018 and June 30, 2018 reflect a lower effective tax rate primarily due to the enactment of the Tax Cuts and Jobs Act of 2017 (Tax Act).

2) Unvested share-based awards that receive non-forfeitable dividend rights are deemed participating securities and are required to be considered in the computation of earnings per share under the "two-class method." As such, total net income of \$2.8 million, \$2.2 million and \$1.5 million available to unvested restricted Federated shareholders and, to a lesser extent, unvested shareholders of a nonpublic consolidated subsidiary for the quarterly periods ended Sept. 30, 2018, Sept. 30, 2017 and June 30, 2018, respectively, was excluded from the computation of earnings per share.

Unaudited Condensed Consolidated Statements of Income

(in thousands, except per share data)

| | Nine Months Ended | | |
|---|-------------------|----------------|----------|
| | Sept. 30, 2018 | Sept. 30, 2017 | % Change |
| Revenue | | | |
| Investment advisory fees, net | \$ 559,429 | \$ 545,525 | 3 % |
| Administrative service fees, net—affiliates | 147,248 | 139,763 | 5 |
| Other service fees, net | 121,784 | 139,324 | (13) |
| <i>Total Revenue</i> | 828,461 | 824,612 | 0 |
| Operating Expenses | | | |
| Compensation and related | 255,613 | 217,226 | 18 |
| Distribution | 214,098 | 262,371 | (18) |
| Professional service fees | 32,443 | 20,141 | 61 |
| Systems and communications | 28,397 | 24,258 | 17 |
| Office and occupancy | 24,238 | 21,805 | 11 |
| Advertising and promotional | 10,967 | 8,396 | 31 |
| Travel and related | 10,967 | 9,150 | 20 |
| Other | 9,412 | 10,591 | (11) |
| <i>Total Operating Expenses</i> | 586,135 | 573,938 | 2 |
| Operating Income | 242,326 | 250,674 | (3) |
| Nonoperating (Expenses) Income | | | |
| Investment income, net | 3,294 | 11,707 | (72) |
| Debt expense | (4,363) | (3,534) | 23 |
| Other, net | (26,877) | (32) | NM |
| <i>Total Nonoperating (Expenses) Income, net</i> | (27,946) | 8,141 | (443) |
| Income before income taxes | 214,380 | 258,815 | (17) |
| Income tax provision ¹ | 53,713 | 95,888 | (44) |
| Net income including the noncontrolling interests in subsidiaries | 160,667 | 162,927 | (1) |
| Less: Net income attributable to the noncontrolling interests in subsidiaries | 1,906 | 3,396 | (44) |
| Net Income | \$ 158,761 | \$ 159,531 | 0 % |
| Amounts Attributable to Federated Investors, Inc. | | | |
| Earnings Per Share² | | | |
| Basic and diluted | \$ 1.57 | \$ 1.57 | 0 % |
| Weighted-average shares outstanding | | | |
| Basic | 97,013 | 97,521 | |
| Diluted | 97,014 | 97,522 | |
| Dividends declared per share | \$ 0.79 | \$ 0.75 | |

1) Sept. 30, 2018 reflects a lower effective tax rate primarily due to the enactment of the Tax Act.

2) Unvested share-based awards that receive non-forfeitable dividend rights are deemed participating securities and are required to be considered in the computation of earnings per share under the "two-class method." As such, total net income of \$6.7 million and \$6.3 million available to unvested restricted Federated shareholders and, to a lesser extent, unvested shareholders of a nonpublic consolidated subsidiary for the nine months ended Sept. 30, 2018 and Sept. 30, 2017, respectively, was excluded from the computation of earnings per share.

Unaudited Condensed Consolidated Balance Sheets*(in thousands)*

| | Sept. 30, 2018 | Dec. 31, 2017 |
|--|-----------------------|----------------------|
| Assets | | |
| Cash and other investments | \$ 157,059 | \$ 369,538 |
| Other current assets | 114,563 | 67,736 |
| Intangible assets, net, including goodwill | 1,160,824 | 736,915 |
| Other long-term assets | 91,211 | 57,221 |
| <i>Total Assets</i> | \$ 1,523,657 | \$ 1,231,410 |
| Liabilities, Redeemable Noncontrolling Interests and Equity | | |
| Current liabilities | \$ 164,301 | \$ 128,849 |
| Long-term debt | 160,000 | 170,000 |
| Other long-term liabilities | 179,248 | 141,183 |
| Redeemable noncontrolling interests | 192,744 | 30,163 |
| Equity excluding treasury stock | 1,121,518 | 1,039,947 |
| Treasury stock | (294,154) | (278,732) |
| <i>Total Liabilities, Redeemable Noncontrolling Interests and Equity</i> | \$ 1,523,657 | \$ 1,231,410 |

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

| | Quarter Ended | | | Nine Months Ended | |
|--------------------------------------|----------------|---------------|----------------|-------------------|----------------|
| | Sept. 30, 2018 | June 30, 2018 | Sept. 30, 2017 | Sept. 30, 2018 | Sept. 30, 2017 |
| Equity | | | | | |
| Beginning assets | \$ 57,973 | \$ 58,830 | \$ 60,404 | \$ 62,816 | \$ 56,759 |
| Sales ¹ | 3,757 | 2,731 | 2,570 | 9,681 | 9,131 |
| Redemptions ¹ | (5,288) | (5,078) | (3,078) | (15,624) | (11,586) |
| Net redemptions ¹ | (1,531) | (2,347) | (508) | (5,943) | (2,455) |
| Net exchanges | (11) | 202 | (52) | 64 | (53) |
| Acquisition-related | 24,700 | 0 | 0 | 24,700 | 287 |
| Market gains and losses ² | 3,012 | 1,288 | 1,877 | 2,506 | 7,183 |
| Ending assets | \$ 84,143 | \$ 57,973 | \$ 61,721 | \$ 84,143 | \$ 61,721 |
| Fixed Income | | | | | |
| Beginning assets | \$ 61,435 | \$ 62,205 | \$ 52,436 | \$ 64,160 | \$ 51,314 |
| Sales ¹ | 5,163 | 4,755 | 3,587 | 14,826 | 11,778 |
| Redemptions ¹ | (4,418) | (4,934) | (3,897) | (15,946) | (12,415) |
| Net sales (redemptions) ¹ | 745 | (179) | (310) | (1,120) | (637) |
| Net exchanges | 2 | (207) | 53 | (78) | (73) |
| Acquisition-related | 2,732 | 0 | 0 | 2,732 | 148 |
| Market gains and losses ² | 455 | (384) | 522 | (325) | 1,949 |
| Ending assets | \$ 65,369 | \$ 61,435 | \$ 52,701 | \$ 65,369 | \$ 52,701 |
| Alternative / Private Markets | | | | | |
| Beginning assets | \$ 292 | \$ 343 | \$ 443 | \$ 366 | \$ 458 |
| Sales ¹ | 757 | 15 | 22 | 813 | 94 |
| Redemptions ¹ | (674) | (44) | (49) | (785) | (177) |
| Net sales (redemptions) ¹ | 83 | (29) | (27) | 28 | (83) |
| Net exchanges | (2) | (2) | 1 | (3) | 58 |
| Acquisition-related ³ | 18,509 | 0 | 0 | 18,509 | 0 |
| Market gains and losses ² | (261) | (20) | (10) | (279) | (26) |
| Ending assets | \$ 18,621 | \$ 292 | \$ 407 | \$ 18,621 | \$ 407 |
| Multi-asset | | | | | |
| Beginning assets | \$ 4,730 | \$ 4,843 | \$ 5,011 | \$ 5,014 | \$ 5,164 |
| Sales ¹ | 120 | 126 | 110 | 374 | 371 |
| Redemptions ¹ | (211) | (229) | (274) | (675) | (909) |
| Net redemptions ¹ | (91) | (103) | (164) | (301) | (538) |
| Net exchanges | 4 | (2) | (8) | 2 | (21) |
| Acquisition-related | 45 | 0 | 0 | 45 | 0 |
| Market gains and losses ² | 102 | (8) | 159 | 30 | 393 |
| Ending assets | \$ 4,790 | \$ 4,730 | \$ 4,998 | \$ 4,790 | \$ 4,998 |
| Total Long-term Assets | | | | | |
| Beginning assets | \$ 124,430 | \$ 126,221 | \$ 118,294 | \$ 132,356 | \$ 113,695 |
| Sales ¹ | 9,797 | 7,627 | 6,289 | 25,694 | 21,374 |
| Redemptions ¹ | (10,591) | (10,285) | (7,298) | (33,030) | (25,087) |
| Net redemptions ¹ | (794) | (2,658) | (1,009) | (7,336) | (3,713) |
| Net exchanges | (7) | (9) | (6) | (15) | (89) |
| Acquisition-related ³ | 45,986 | 0 | 0 | 45,986 | 435 |
| Market gains and losses ² | 3,308 | 876 | 2,548 | 1,932 | 9,499 |
| Ending assets | \$ 172,923 | \$ 124,430 | \$ 119,827 | \$ 172,923 | \$ 119,827 |

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 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.

3) Acquisition-related includes \$8.4 billion 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 | | | | | | | | | |
|--------------------------------------|----------------|--------------------------------|--------------|--------------------------------|-------------------------------|--------------------------------|-------------|--------------------------------|--------------------|--------------------------------|
| | Sept. 30, 2018 | | | | | | | | | |
| | 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 | \$ 31,699 | \$ 26,274 | \$ 39,877 | \$ 21,558 | \$ 292 | \$ 0 | \$ 4,521 | \$ 209 | \$ 76,389 | \$ 48,041 |
| Sales | 2,447 | 1,310 | 3,878 | 1,285 | 723 | 34 | 120 | 0 | 7,168 | 2,629 |
| Redemptions | (3,047) | (2,241) | (3,883) | (535) | (270) | (404) | (205) | (6) | (7,405) | (3,186) |
| Net (redemptions) sales | (600) | (931) | (5) | 750 | 453 | (370) | (85) | (6) | (237) | (557) |
| Net exchanges | (9) | (2) | 3 | (1) | (2) | 0 | 4 | 0 | (4) | (3) |
| Acquisition-related | 11,131 | 13,569 | 1,565 | 1,167 | 10,823 | 7,686 | 45 | 0 | 23,564 | 22,422 |
| Market gains and losses ³ | 1,357 | 1,655 | 377 | 78 | (109) | (152) | 100 | 2 | 1,725 | 1,583 |
| Ending assets | \$ 43,578 | \$ 40,565 | \$ 41,817 | \$ 23,552 | \$ 11,457 | \$ 7,164 | \$ 4,585 | \$ 205 | \$ 101,437 | \$ 71,486 |

| | Nine Months Ended | | | | | | | | | |
|--------------------------------------|-------------------|--------------------------------|--------------|--------------------------------|-------------------------------|--------------------------------|-------------|--------------------------------|--------------------|--------------------------------|
| | Sept. 30, 2018 | | | | | | | | | |
| | 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 | \$ 33,008 | \$ 29,808 | \$ 41,144 | \$ 23,016 | \$ 366 | \$ 0 | \$ 4,783 | \$ 231 | \$ 79,301 | \$ 53,055 |
| Sales | 5,763 | 3,918 | 11,817 | 3,009 | 779 | 34 | 374 | 0 | 18,733 | 6,961 |
| Redemptions | (8,283) | (7,341) | (12,668) | (3,278) | (381) | (404) | (654) | (21) | (21,986) | (11,044) |
| Net (redemptions) sales | (2,520) | (3,423) | (851) | (269) | 398 | (370) | (280) | (21) | (3,253) | (4,083) |
| Net exchanges | 65 | (1) | (77) | (1) | (3) | 0 | 2 | 0 | (13) | (2) |
| Acquisition-related | 11,131 | 13,569 | 1,565 | 1,167 | 10,823 | 7,686 | 45 | 0 | 23,564 | 22,422 |
| Market gains and losses ³ | 1,894 | 612 | 36 | (361) | (127) | (152) | 35 | (5) | 1,838 | 94 |
| Ending assets | \$ 43,578 | \$ 40,565 | \$ 41,817 | \$ 23,552 | \$ 11,457 | \$ 7,164 | \$ 4,585 | \$ 205 | \$ 101,437 | \$ 71,486 |

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) Acquisition-related 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 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.

Unaudited Changes in Long-Term Assets - By Product Type

(in millions)

| | Quarter Ended | | | Nine Months Ended | |
|---|----------------|---------------|----------------|-------------------|----------------|
| | Sept. 30, 2018 | June 30, 2018 | Sept. 30, 2017 | Sept. 30, 2018 | Sept. 30, 2017 |
| Total Fund Assets | | | | | |
| Beginning assets | \$ 76,389 | \$ 76,999 | \$ 78,105 | \$ 79,301 | \$ 75,665 |
| Sales | 7,168 | 5,609 | 4,699 | 18,733 | 15,529 |
| Redemptions | (7,405) | (6,947) | (5,566) | (21,986) | (18,430) |
| Net redemptions | (237) | (1,338) | (867) | (3,253) | (2,901) |
| Net exchanges | (4) | (7) | (6) | (13) | (33) |
| Acquisition-related ¹ | 23,564 | 0 | 0 | 23,564 | 435 |
| Market gains and losses ² | 1,725 | 735 | 1,723 | 1,838 | 5,789 |
| Ending assets | \$ 101,437 | \$ 76,389 | \$ 78,955 | \$ 101,437 | \$ 78,955 |
| Total Separate Accounts Assets³ | | | | | |
| Beginning assets | \$ 48,041 | \$ 49,222 | \$ 40,189 | \$ 53,055 | \$ 38,030 |
| Sales ⁴ | 2,629 | 2,018 | 1,590 | 6,961 | 5,845 |
| Redemptions ⁴ | (3,186) | (3,338) | (1,732) | (11,044) | (6,657) |
| Net redemptions ⁴ | (557) | (1,320) | (142) | (4,083) | (812) |
| Net exchanges | (3) | (2) | 0 | (2) | (56) |
| Acquisition-related | 22,422 | 0 | 0 | 22,422 | 0 |
| Market gains and losses ² | 1,583 | 141 | 825 | 94 | 3,710 |
| Ending assets | \$ 71,486 | \$ 48,041 | \$ 40,872 | \$ 71,486 | \$ 40,872 |
| Total Long-term Assets³ | | | | | |
| Beginning assets | \$ 124,430 | \$ 126,221 | \$ 118,294 | \$ 132,356 | \$ 113,695 |
| Sales ⁴ | 9,797 | 7,627 | 6,289 | 25,694 | 21,374 |
| Redemptions ⁴ | (10,591) | (10,285) | (7,298) | (33,030) | (25,087) |
| Net redemptions ⁴ | (794) | (2,658) | (1,009) | (7,336) | (3,713) |
| Net exchanges | (7) | (9) | (6) | (15) | (89) |
| Acquisition-related ¹ | 45,986 | 0 | 0 | 45,986 | 435 |
| Market gains and losses ² | 3,308 | 876 | 2,548 | 1,932 | 9,499 |
| Ending assets | \$ 172,923 | \$ 124,430 | \$ 119,827 | \$ 172,923 | \$ 119,827 |

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

2) 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.

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

4) 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)*

| | Sept. 30, 2018 | June 30, 2018 | March 31, 2018 | Dec. 31, 2017 | Sept. 30, 2017 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| By Asset Class | | | | | |
| Equity | \$ 84,143 | \$ 57,973 | \$ 58,830 | \$ 62,816 | \$ 61,721 |
| Fixed-income | 65,369 | 61,435 | 62,205 | 64,160 | 52,701 |
| Alternative / private markets ¹ | 18,621 | 292 | 343 | 366 | 407 |
| Multi-asset | 4,790 | 4,730 | 4,843 | 5,014 | 4,998 |
| Total long-term assets | 172,923 | 124,430 | 126,221 | 132,356 | 119,827 |
| Money market | 264,233 | 255,247 | 265,944 | 265,214 | 243,840 |
| Total Managed Assets | \$ 437,156 | \$ 379,677 | \$ 392,165 | \$ 397,570 | \$ 363,667 |

By Product Type**Funds:**

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Equity | \$ 43,578 | \$ 31,699 | \$ 31,507 | \$ 33,008 | \$ 32,637 |
| Fixed-income | 41,817 | 39,877 | 40,529 | 41,144 | 41,142 |
| Alternative / private markets ¹ | 11,457 | 292 | 343 | 366 | 407 |
| Multi-asset | 4,585 | 4,521 | 4,620 | 4,783 | 4,769 |
| Total long-term assets | 101,437 | 76,389 | 76,999 | 79,301 | 78,955 |
| Money market | 182,966 | 172,671 | 182,437 | 185,536 | 177,865 |
| Total Fund Assets | \$ 284,403 | \$ 249,060 | \$ 259,436 | \$ 264,837 | \$ 256,820 |

Separate Accounts:

| | | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Equity | \$ 40,565 | \$ 26,274 | \$ 27,323 | \$ 29,808 | \$ 29,084 |
| Fixed-income | 23,552 | 21,558 | 21,676 | 23,016 | 11,559 |
| Alternative / private markets | 7,164 | 0 | 0 | 0 | 0 |
| Multi-asset | 205 | 209 | 223 | 231 | 229 |
| Total long-term assets | 71,486 | 48,041 | 49,222 | 53,055 | 40,872 |
| Money market | 81,267 | 82,576 | 83,507 | 79,678 | 65,975 |
| Total Separate Account Assets | \$ 152,753 | \$ 130,617 | \$ 132,729 | \$ 132,733 | \$ 106,847 |
| Total Managed Assets | \$ 437,156 | \$ 379,677 | \$ 392,165 | \$ 397,570 | \$ 363,667 |

1) Alternative/private markets at Sept. 30, 2018 includes \$8.4 billion of fund assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.

Unaudited Average Managed Assets*(in millions)***Quarter Ended**

| | Sept. 30, 2018 | June 30, 2018 | March 31, 2018 | Dec. 31, 2017 | Sept. 30, 2017 |
|--|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| By Asset Class | | | | | |
| Equity | \$ 84,262 | \$ 58,818 | \$ 61,555 | \$ 62,140 | \$ 60,782 |
| Fixed-income | 64,750 | 61,648 | 63,538 | 64,280 | 52,559 |
| Alternative / private markets ¹ | 18,504 | 319 | 355 | 397 | 425 |
| Multi-asset | 4,805 | 4,824 | 4,979 | 5,000 | 4,992 |
| Total long-term assets | 172,321 | 125,609 | 130,427 | 131,817 | 118,758 |
| Money market | 261,571 | 260,371 | 267,546 | 250,197 | 241,749 |
| <i>Total Avg. Managed Assets</i> | <i>\$ 433,892</i> | <i>\$ 385,980</i> | <i>\$ 397,973</i> | <i>\$ 382,014</i> | <i>\$ 360,507</i> |
| By Product Type | | | | | |
| Funds: | | | | | |
| Equity | \$ 43,473 | \$ 31,911 | \$ 32,680 | \$ 32,829 | \$ 32,179 |
| Fixed-income | 41,501 | 40,199 | 41,022 | 41,169 | 40,896 |
| Alternative / private markets ¹ | 11,109 | 319 | 355 | 397 | 425 |
| Multi-asset | 4,598 | 4,604 | 4,749 | 4,771 | 4,768 |
| Total long-term assets | 100,681 | 77,033 | 78,806 | 79,166 | 78,268 |
| Money market | 179,562 | 175,885 | 181,856 | 176,918 | 174,358 |
| <i>Total Avg. Fund Assets</i> | <i>\$ 280,243</i> | <i>\$ 252,918</i> | <i>\$ 260,662</i> | <i>\$ 256,084</i> | <i>\$ 252,626</i> |
| Separate Accounts: | | | | | |
| Equity | \$ 40,789 | \$ 26,907 | \$ 28,875 | \$ 29,311 | \$ 28,603 |
| Fixed-income | 23,249 | 21,449 | 22,516 | 23,111 | 11,663 |
| Alternative / private markets | 7,395 | 0 | 0 | 0 | 0 |
| Multi-asset | 207 | 220 | 230 | 229 | 224 |
| Total long-term assets | 71,640 | 48,576 | 51,621 | 52,651 | 40,490 |
| Money market | 82,009 | 84,486 | 85,690 | 73,279 | 67,391 |
| <i>Total Avg. Separate Account Assets</i> | <i>\$ 153,649</i> | <i>\$ 133,062</i> | <i>\$ 137,311</i> | <i>\$ 125,930</i> | <i>\$ 107,881</i> |
| <i>Total Avg. Managed Assets</i> | <i>\$ 433,892</i> | <i>\$ 385,980</i> | <i>\$ 397,973</i> | <i>\$ 382,014</i> | <i>\$ 360,507</i> |

1) Alternative/private markets for the quarter ended Sept. 30, 2018 includes \$8.2 billion of fund assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.

Unaudited Average Managed Assets*(in millions)***Nine Months Ended****Sept. 30, 2018****Sept. 30, 2017****By Asset Class**

| | | | | |
|--|----|---------|----|---------|
| Equity | \$ | 68,212 | \$ | 59,627 |
| Fixed-income | | 63,312 | | 52,178 |
| Alternative / private markets ¹ | | 6,393 | | 456 |
| Multi-asset | | 4,869 | | 5,083 |
| Total long-term assets | | 142,786 | | 117,344 |
| Money market | | 263,162 | | 243,879 |
| <i>Total Avg. Managed Assets</i> | \$ | 405,948 | \$ | 361,223 |

By Product Type**Funds:**

| | | | | |
|--|----|---------|----|---------|
| Equity | \$ | 36,022 | \$ | 31,938 |
| Fixed-income | | 40,907 | | 40,511 |
| Alternative / private markets ¹ | | 3,928 | | 456 |
| Multi-asset | | 4,650 | | 4,864 |
| Total long-term assets | | 85,507 | | 77,769 |
| Money market | | 179,100 | | 176,467 |
| <i>Total Avg. Fund Assets</i> | \$ | 264,607 | \$ | 254,236 |

Separate Accounts:

| | | | | |
|---|----|---------|----|---------|
| Equity | \$ | 32,190 | \$ | 27,689 |
| Fixed-income | | 22,405 | | 11,667 |
| Alternative / private markets | | 2,465 | | 0 |
| Multi-asset | | 219 | | 219 |
| Total long-term assets | | 57,279 | | 39,575 |
| Money market | | 84,062 | | 67,412 |
| <i>Total Avg. Separate Account Assets</i> | \$ | 141,341 | \$ | 106,987 |
| <i>Total Avg. Managed Assets</i> | \$ | 405,948 | \$ | 361,223 |

1) Alternative/Private Markets for the nine months ended Sept. 30, 2018 includes \$2.7 billion of fund assets managed by a nonconsolidated entity, Hermes GPE LLP, in which Hermes holds an equity method investment.