



# Credit Suisse Financials Conference

## November 8, 2016

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George R. Aylward  
President and Chief Executive Officer

# IMPORTANT DISCLOSURES

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This presentation contains statements that are, or may be considered to be, forward-looking statements. All statements that are not historical facts, including statements about our beliefs or expectations, are “forward-looking statements” within the meaning of The Private Securities Litigation Reform Act of 1995. These statements may be identified by such forward-looking terminology as “expect,” “estimate,” “plan,” “intend,” “believe,” “anticipate,” “may,” “will,” “should,” “could,” “continue,” “project,” or similar statements or variations of such terms.

Our forward-looking statements are based on a series of expectations, assumptions and projections about our company, are not guarantees of future results or performance, and involve substantial risks and uncertainty, including assumptions and projections concerning our assets under management, cash inflows and outflows, operating cash flows, our ability to expand distribution and product offerings, and future credit facilities, for all forward periods. All of our forward-looking statements are as of the date of this release only. The company can give no assurance that such expectations or forward-looking statements will prove to be correct. Actual results may differ materially.

Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including those discussed under “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2015 Annual Report on Form 10-K, as well as the following risks and uncertainties: (a) any reduction in our assets under management; (b) the withdrawal, renegotiation or termination of investment advisory agreements; (c) damage to our reputation; (d) failure to comply with investment guidelines or other contractual requirements; (e) the inability to attract and retain key personnel; (f) the competition we face in our business; (g) adverse regulatory and legal developments; (h) unfavorable changes in tax laws or limitations; (i) adverse developments, or changes in our relationships, with unaffiliated subadvisers; (j) changes in key distribution relationships; (k) interruptions in service or failure to provide service by third-party service providers; (l) volatility associated with our common stock; (m) civil litigation and government investigations or proceedings; (n) the risk of capital loss associated with our investments; (o) the inability to make quarterly distributions; (p) the lack of availability of required and necessary capital on satisfactory terms; (q) liabilities and losses not covered by insurance; (r) the inability to satisfy financial covenants under existing debt agreement; (s) strategic transactions and other risks and uncertainties described in our 2015 Annual Report on Form 10-K or in any of our filings with the Securities and Exchange Commission (“SEC”).

Certain other factors which may impact our continuing operations, prospects, financial results and liquidity or which may cause actual results to differ from such forward-looking statements are discussed or included in the company’s periodic reports filed with the SEC and are available on our website at [www.virtus.com](http://www.virtus.com) under “Investor Relations.” You are urged to carefully consider all such factors.

The company does not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections, or other circumstances occurring after the date of this presentation, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. If there are any future public statements or disclosures by us which modify or impact any of the forward-looking statements contained in or accompanying this presentation, such statements or disclosures will be deemed to modify or supersede such statements in this presentation.

# AGENDA

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- Firm Overview
- Multi-Boutique Model
- Product
- Distribution
- Quarterly Financial Trend
- Growth Opportunities



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## Firm Overview

# FIRM OVERVIEW



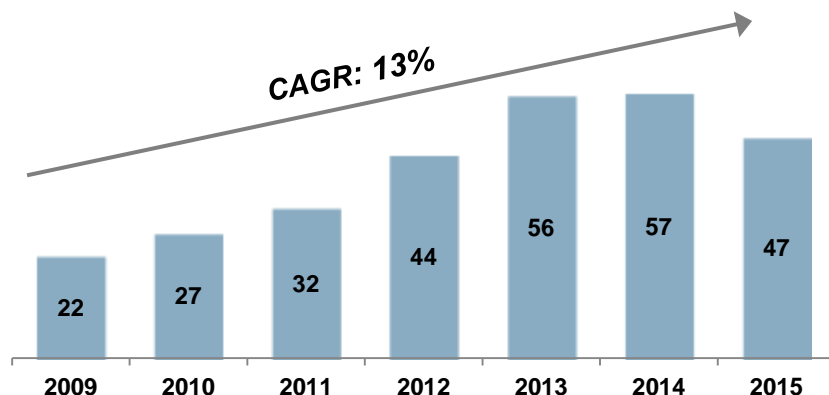
**We are a distinctive partnership of boutique investment managers, singularly committed to the long-term success of individual and institutional investors**

- Independent publicly traded asset manager
  - Market capitalization of \$0.6 billion (NASDAQ: VRTS)
- Managing \$47 billion in a multi-boutique structure
  - Flexible model with offerings from affiliated managers and select subadvisers
  - Strong, centralized retail distribution
  - Shared operations and business support services
- Investment strategies available in multiple product forms:
  - Open-end mutual funds
  - Closed-end mutual funds
  - UCITS
  - ETFs
  - Variable insurance funds
  - Separately managed accounts
  - Institutional accounts
  - Commingled investment trusts

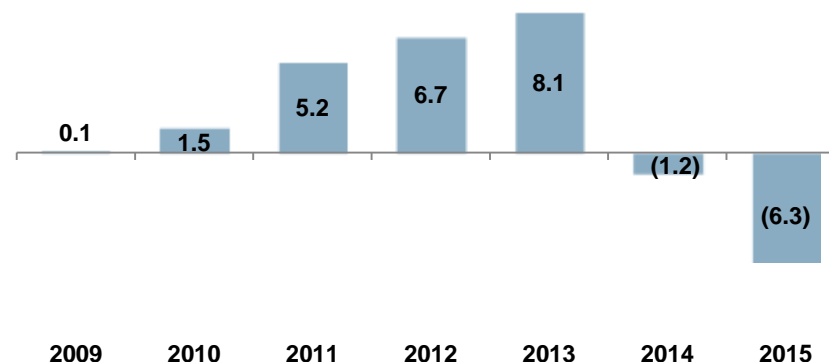
# HISTORICAL FINANCIAL SUMMARY



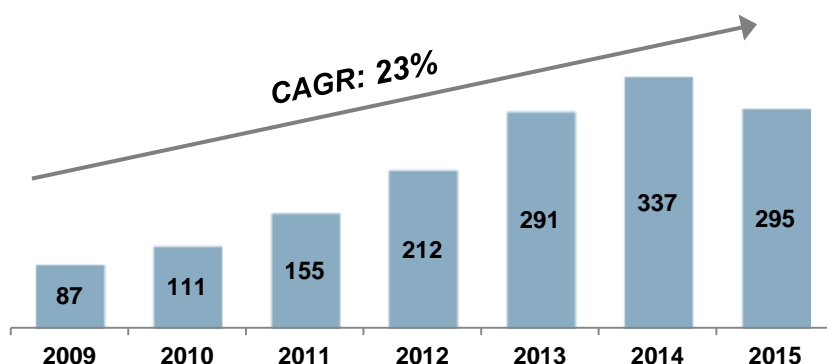
## Ending Long-Term AUM (\$B)



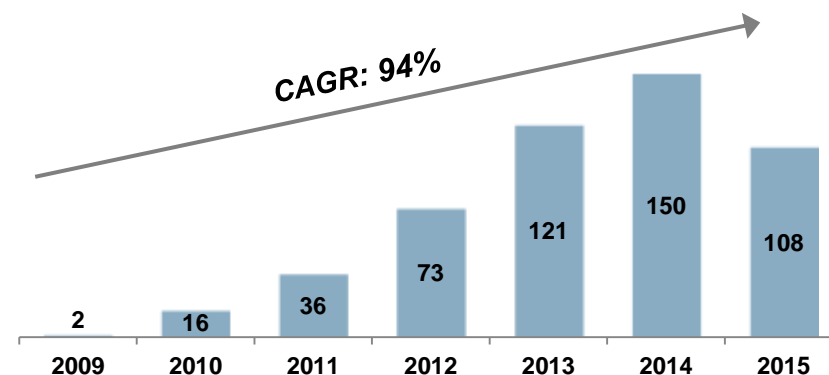
## Net Flows (\$B)



## Revenue, As Adjusted



## Operating Income, As Adjusted



\$ in millions, except as noted. AUM and Net Flows exclude money markets  
See the appendix for U.S. GAAP to Non-GAAP ("as adjusted") reconciliations and related notes

# CORE BELIEFS

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**Our multi-boutique model is based on certain fundamental beliefs**

Investment professionals that operate in “boutique” environments allowing for the appropriate focus and culture generate sustainable, superior returns for clients

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Investment professionals should concentrate on managing client assets and not be distracted with administrative, sales, and operating activities

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Successful partnerships are built on mutual trust, respect, and alignment of economic interests

# VIRTUS VALUE PROPOSITION

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## **Flexible Multi-Boutique Model**

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- Flexible partnership approach with alignment of interests
  - Preserves affiliate culture, investment process, and brand
  - Shared distribution and support services
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## **Diverse, High-Quality Product Offerings**

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- Well-diversified across asset classes and investment styles
  - Differentiated strategies suit changing environments and preferences
  - Attractive investment offerings with strong performance
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## **Effective Distribution Capabilities**

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- Provides one-point access to distinctive investment capabilities
  - Relationships with a broad network of intermediaries
  - Consultative and educational sales approach
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## **Attractive Financial Profile**

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- Solid cash flow generation and proven operating leverage
  - Strong balance sheet
  - Capital strategy balances growth investments with return
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## **Multiple Opportunities for Growth**

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- Introduction of new products
  - Expansion of investment capabilities and distribution
  - Addition of new affiliates
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## Multi-Boutique Model

**We have the flexibility, agility, and responsiveness of a boutique asset management firm with the product breadth, distribution reach, and investment talent of larger firms**

## All the Benefits of a “Multi-Boutique”

- Broad array of differentiated investment strategies
  - Attractive structure for high-quality investment teams and firms
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## Greater Efficiency

- Centralized retail distribution
  - Shared operations and business support services
  - Significant economies of scale benefit affiliates
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## Greater Flexibility





- Model incorporates multiple partnership options
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## Greater Growth Opportunities

- Expand product offerings from current and new managers
- Leverage distribution effectiveness into other channels and geographies

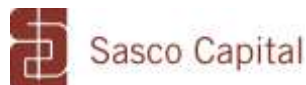
# MULTI-BOUTIQUE MODEL

**Our affiliates offer a broad array of differentiated capabilities**

 <p>Newfleet ASSET MANAGEMENT <small>A Virtus Investment Partner</small></p>	\$11.7B of AUM	Multi-sector fixed income	Hartford, CT	<ul style="list-style-type: none"> <li>▪ 30 investment professionals</li> <li>▪ Team established in 1993</li> </ul>
 <p>DUFF &amp; PHELPS INVESTMENT MANAGEMENT CO. <small>A VIRTUS INVESTMENT PARTNER</small></p>	\$10.6B of AUM	Income-oriented equities	Chicago, IL	<ul style="list-style-type: none"> <li>▪ 31 investment professionals</li> <li>▪ Founded in 1932</li> </ul>
 <p>KAR Kayne Anderson Rudnick <small>A VIRTUS INVESTMENT PARTNER</small></p>	\$11.9B of AUM	Quality-focused equities	Los Angeles, CA	<ul style="list-style-type: none"> <li>▪ 26 investment professionals</li> <li>▪ Founded in 1986</li> </ul>
 <p>RAMPART <small>A VIRTUS INVESTMENT PARTNER</small></p>	\$0.6B of AUM	Quantitative strategies	Boston, MA	<ul style="list-style-type: none"> <li>▪ 4 investment professionals</li> <li>▪ Founded in 1983</li> </ul>

# MULTI-BOUTIQUE MODEL

Our flexible approach to partnering also allows us to leverage high-quality investment managers



## Recent Partners



- Subadviser to 10 Virtus DFA Target Date Retirement Income Funds that offer a unique approach to solving the retirement income challenge



- Subadviser to the Virtus Multi-Strategy Target Return Fund, which expands our alternative product offerings



- Provides proprietary technical analysis for the Virtus Trend Funds, a suite of risk-managed funds

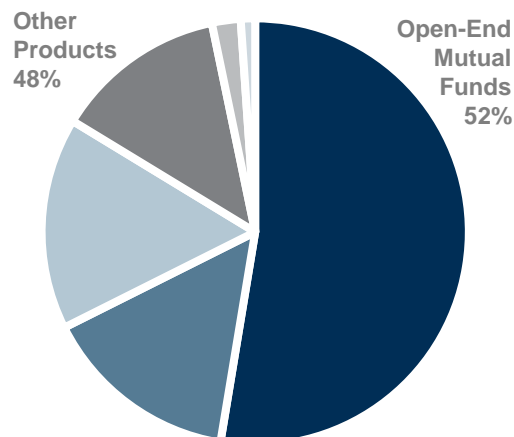


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Product

# DIVERSITY OF STRATEGIES

## AUM by Product Type



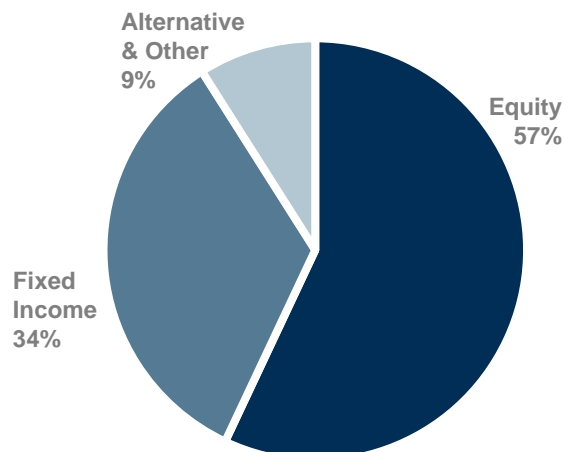
### Mutual Funds

Open-End	\$24.2
Closed-End	6.9
Variable Insurance Funds	1.0
ETFs	<u>0.5</u>
	\$32.6

### Other

Managed Accounts	\$7.9
Institutional	<u>6.0</u>
	\$13.9

## AUM by Asset Class



### Equity

Int'l Equity	\$9.9
Large-Cap	8.7
Small-Cap	7.4
Mid-Cap	<u>0.6</u>
	\$26.6

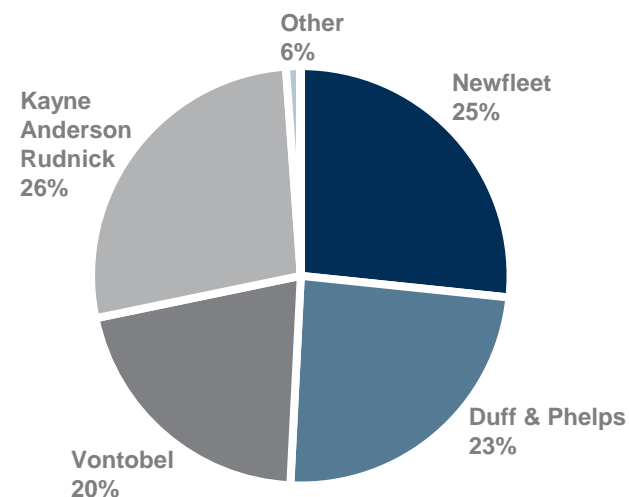
### Fixed Income

Taxable	\$14.3
Non-Taxable	<u>1.5</u>
	\$15.8

### Alternative & Other

Alternative	\$3.7
Other	<u>0.4</u>
	\$4.1

## AUM by Manager



### Affiliated Managers

Newfleet	\$11.7
Kayne Anderson Rudnick	11.9
Duff & Phelps	10.6
Other Affiliates	<u>2.6</u>
	\$36.8

### Subadvisers

Vontobel	\$9.2
Other Subadvisers	<u>0.5</u>
	\$9.7

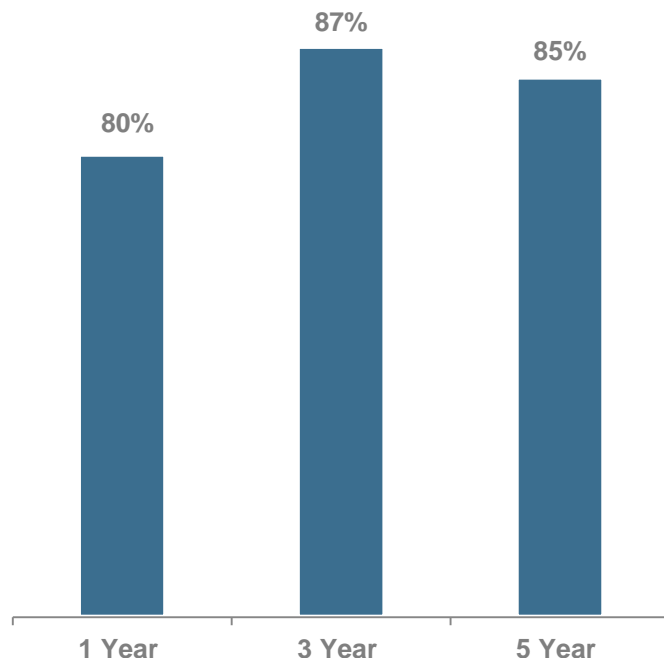
**Total AUM: \$46.5 billion**

# MUTUAL FUND PERFORMANCE



Majority of fund AUM in top half of Lipper peer group and rated 5 Stars

% AUM in Top Half of Peer Group<sup>1</sup>



Morningstar Rating By Assets<sup>2</sup>

	% of Funds	# of Funds	Morningstar Rating	\$mm AUM	% of Assets	
80%	15%	6	★★★★★	\$15,874	66%	80%
	33%	13	★★★★	\$3,492	14%	
	31%	12	★★★	\$2,414	10%	
48%	15%	6	★★	\$1,367	6%	90%
	5%	2	★	\$979	4%	

<sup>1</sup> Lipper as of September 30, 2016

<sup>2</sup> Load-waived basis as of September 30, 2016  
AUM excludes non-rated funds

**Expanded product capabilities with a platform for competing in the growing ETF business**

- Virtus ETF Solutions operates a platform for listing, operating, and distributing exchange-traded funds
  - Founded in 2012 as ETF Issuer Solutions (ETFis)
  - Majority owned by Virtus since 2015
- Offers investors eight ETFs, totaling \$460.6M in assets under management<sup>1</sup>
  - ETFs from affiliated managers and select subadvisers
  - Actively-managed and index-based investment capabilities across multiple asset classes
  - Multiple ETFs currently in filing



<sup>1</sup> As of September 30, 2016





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## Distribution

# STRONG RETAIL DISTRIBUTION

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**Our strategy, team,  
and approach  
distinguishes us in  
the competitive retail  
market**

## Strategy

One-point access to  
boutique managers

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- Broad and differentiated product offerings
  - Allows financial advisors to focus on fewer relationships
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## Team

Experienced and high-  
quality sales force

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- Significant industry experience and tenure
  - Effective communication of sophisticated strategies
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## Approach

Consultative approach  
addressing client needs

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- Communicating realistic expectations to support retention; not selling “hot” performance
- Breadth of product allows us to address clients’ current and future needs

# MULTI-CHANNEL APPROACH

**MUTUAL FUNDS ■ CLOSED-END FUNDS ■ SEPARATELY MANAGED ACCOUNTS  
VARIABLE INSURANCE FUNDS ■ COLLECTIVE INVESTMENT TRUSTS ■ ETFs**

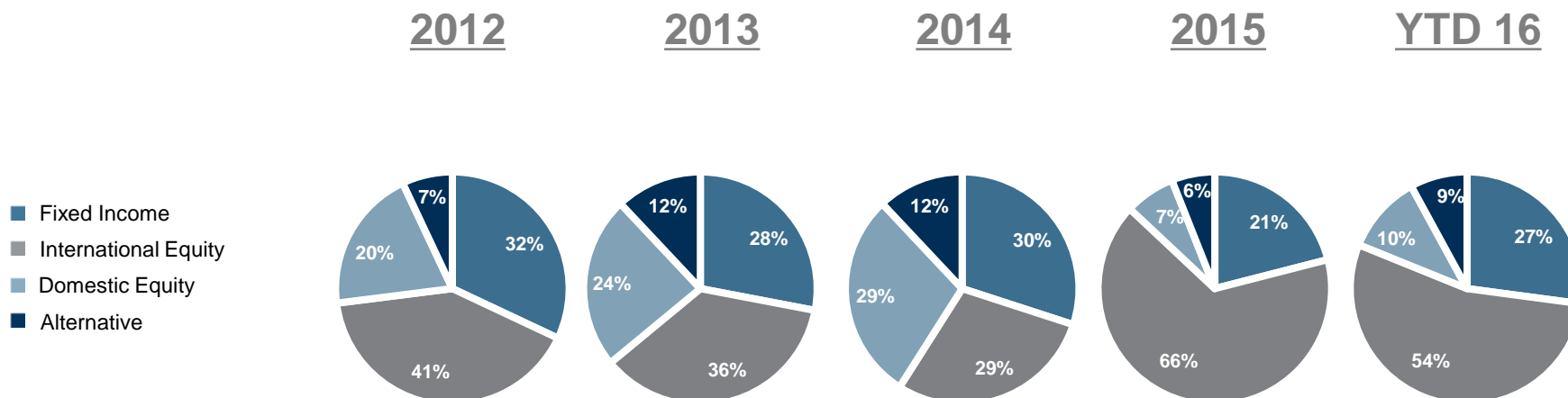
Wirehouse	Regional	Independent/ RIA	Private Bank	DCIO	Variable Insurance
Merrill Lynch Morgan Stanley UBS Wells Fargo	Janney Raymond James RBC Stifel Nicolaus	Ameriprise AXA Commonwealth LPL	Citi Deutsche Fifth Third JP Morgan	Fidelity Great-West Matrix Schwab	AXA Lincoln National Nationwide Phoenix

- Well-defined and differentiated value proposition supports financial intermediaries
- Broad penetration and relationships with national and regional firms
- Experienced, channelized sales force with above-average years of experience in the industry

# DIVERSE MUTUAL FUND SALES



## Mutual Fund Gross Sales by Asset Class



### Key Metrics

Gross Sales	\$12.3	\$19.1	\$12.7	\$10.0	\$5.4
Sales Rate <sup>1</sup>	73.0%	73.9%	34.8%	27.6%	25.9%

\$ in billions; YTD as of September 30, 2016

Note: Total gross sales for long-term, open-end mutual funds

<sup>1</sup> Long-term open-end mutual funds excluding VIT and UCITs, divided by beginning-of-period assets



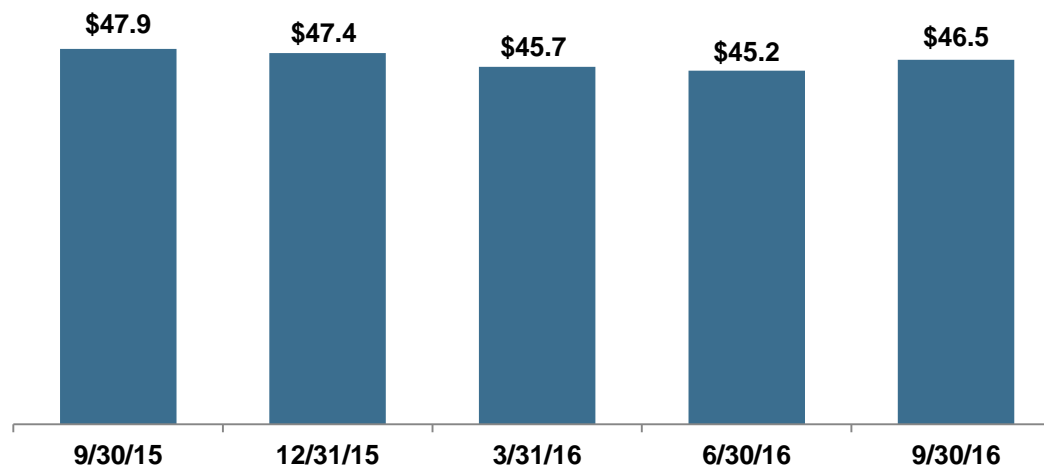
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## Quarterly Financial Trend

# ASSETS UNDER MANAGEMENT



**AUM profile  
is diversified  
by product  
type as well  
as asset  
class**



## Assets By Asset Class

	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16
Equity	58.9%	59.8%	59.3%	58.0%	57.3%
Fixed	32.5%	31.9%	32.8%	34.2%	33.9%
Alternatives <sup>1</sup>	7.7%	7.3%	6.8%	6.8%	7.9%
Other <sup>2</sup>	0.9%	1.0%	1.1%	1.0%	0.9%

\$ in billions

<sup>1</sup> Consists of real estate securities, master limited partnerships, and other

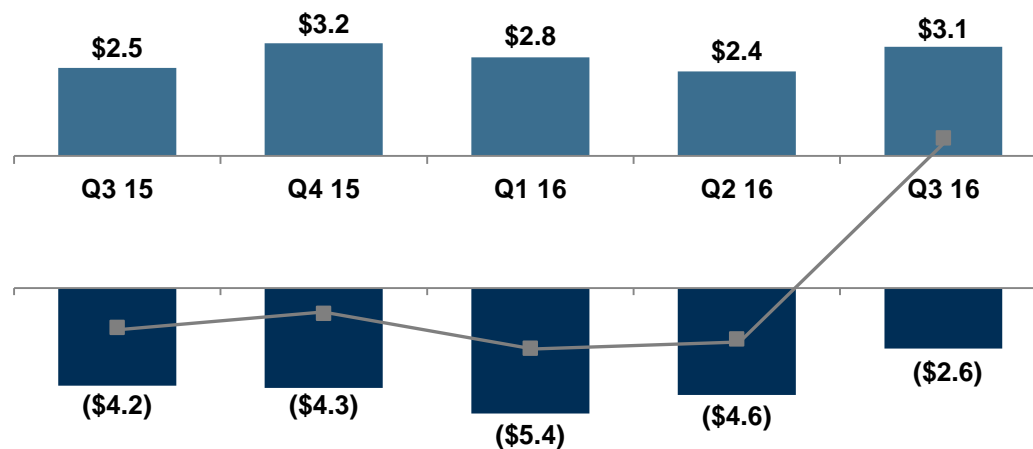
<sup>2</sup> Consists of option strategies

# ASSET FLOWS

Third quarter  
was the best  
for flows  
since the  
third quarter  
of 2014

## Inflows/(Outflows)

- Inflows
- Outflows
- Net flows



## Metrics

Net Flows	(\$1.6)	(\$1.1)	(\$2.6)	(\$2.2)	\$0.5
Net Flow Rate <sup>1</sup>	(12.5%)	(9.4%)	(22.2%)	(19.0%)	4.3%

\$ in billions

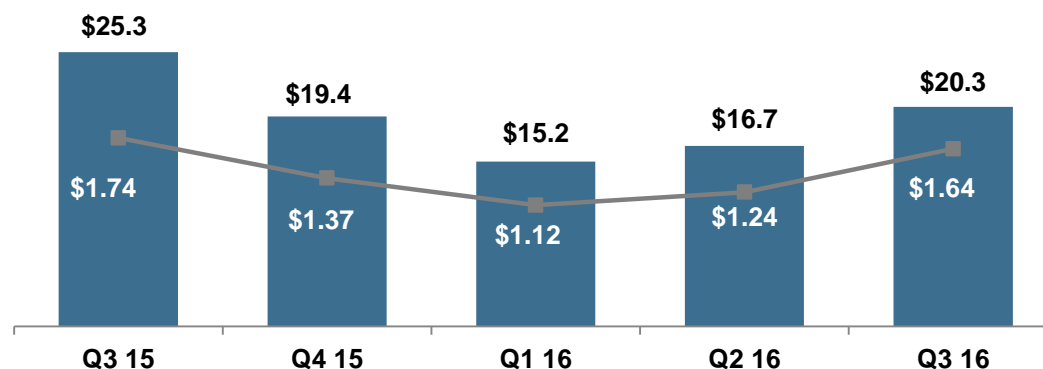
<sup>1</sup> Annualized net flows divided by beginning-of-period AUM

# NON-GAAP RESULTS

Higher revenues and lower expenses resulted in increased third quarter earnings

## Operating Income, As Adjusted

■ Diluted earnings per share, as adjusted



## Metrics

Net Income, As Adjusted	\$15.5	\$11.9	\$9.5	\$10.3	\$12.9
Operating Margin, As Adjusted	35.6%	29.1%	24.4%	26.6%	31.2%

\$ in millions, except per share data

See the appendix for U.S. GAAP to Non-GAAP ("as adjusted") reconciliations and related notes

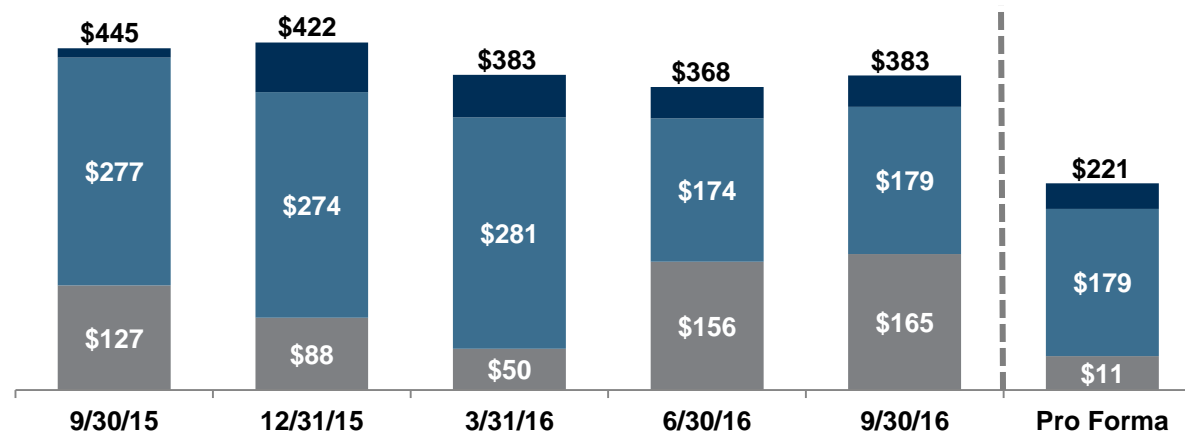


# CAPITAL POSITION



## Net Cash and Investments

- Cash and cash equivalents net of debt
- Seed investments
- Investments – other



## Metrics

Net Cash and Investments Per Share	\$51	\$50	\$46	\$48	\$50	\$38
Return of Capital	\$21.2	\$38.9	\$19.9	\$51.2	\$13.7	\$175.2
Borrowing Capacity	\$75.0	\$75.0	\$75.0	\$75.0	\$150.0	\$120.0
Basic Shares Outstanding	8.668	8.399	8.260	7.718	7.610	5.889

\$ and shares outstanding in millions, except per share data

Pro forma represents 9/30/16 pro forma information after giving effect to \$161.5 million purchase on October 27, 2016 of 1.7 million shares held by Bank of Montreal utilizing \$131.5 million of cash and investments and \$30 million of debt



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## Growth Opportunities

# MULTIPLE OPPORTUNITIES FOR GROWTH

Area	Growth Opportunities
Product	<ul style="list-style-type: none"><li>▶ Leverage capabilities of current managers<ul style="list-style-type: none"><li>– Increase sales of existing and recently launched strategies</li></ul></li><li>▶ Offer existing strategies in other product structures<ul style="list-style-type: none"><li>– Develop additional product vehicles for different markets/channels</li></ul></li><li>▶ Broaden capabilities with new teams/managers<ul style="list-style-type: none"><li>– Partner with new subadvisers or new affiliates</li></ul></li></ul>
Distribution	<ul style="list-style-type: none"><li>▶ Increase market share in retail channels<ul style="list-style-type: none"><li>– Leverage strong wirehouse presence; increase focus on independent/RIA channel</li></ul></li><li>▶ Deepen presence in other channels<ul style="list-style-type: none"><li>– Build on existing institutional and retirement relationships and develop new ones</li></ul></li><li>▶ Expand into non-U.S. distribution channels<ul style="list-style-type: none"><li>– Provide access to existing strategies for foreign investors in U.S.</li></ul></li></ul>

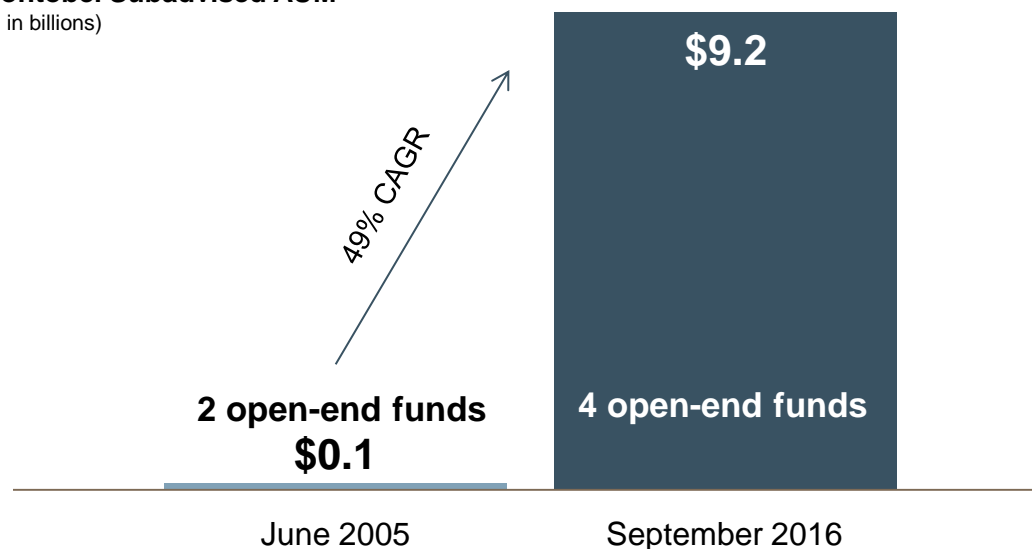
# CASE STUDY: VONTOBEL

**In 2005, we adopted two Vontobel-subadvised funds with \$120 million of assets. Over the last 11 years, we successfully promoted Vontobel's brand and investment capabilities, growing the relationship to \$9.2B of assets across four funds as of September 30, 2016.**

## Vontobel Asset Management

- Recognized leader in global investing
- Morningstar International-Stock Fund Manager of the Year (2012)
- Lipper Fund Awards (2013)
  - Best International Large Cap Growth Fund over 3 years
  - Best Global Large Cap Growth Fund over 3 years

**Vontobel Subadvised AUM**  
(\$ in billions)



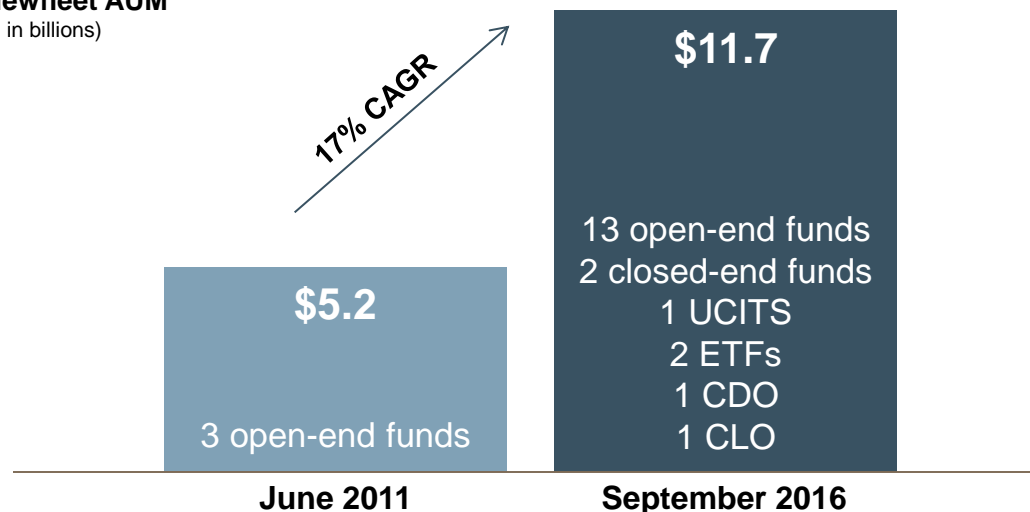
# CASE STUDY: NEWFLEET

**In 2011, we established Newfleet Asset Management as a 12-person fixed income team that was part of our former parent. The team has since expanded to 30 investment professionals and assets have more than doubled to \$11.7B as of September 30, 2016.**

## Newfleet Asset Management

- Seven 4-and 5-star rated funds at September 30, 2016
- 125% AUM growth since affiliate established (2011)
- Virtus named Best Taxable Bond Fund Family by Barron's (2010, 2012)
- Recipient of 2012 Lipper Award for Best Short-Intermediate Investment-Grade Debt Fund over three years

**Newfleet AUM**  
(\$ in billions)



# SUMMARY

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- Flexible multi-boutique model
- Diverse, high-quality product offerings
- Effective distribution capabilities
- Attractive financial profile
- Multiple opportunities for growth



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## Appendix

# U.S. GAAP TO NON-GAAP RECONCILIATION – Q3 2016



\$ and share counts in thousands, except per share data

	U.S. GAAP Basis	Reclassifications		Amortization of intangible assets	Adjustments			Non-GAAP Basis
		Distribution and other asset- based expenses	Consolidated investment products		Restructuring and severance	Seed capital and CLO investments	Other	
<b>Revenues</b>								
Investment management fees	\$ 60,398	\$ -	\$ 153	\$ -	\$ -	\$ -	\$ -	\$ 60,551
Distribution and services fees	12,116	-	6	-	-	-	-	12,122
Administration and transfer agent fees	9,588	-	32	-	-	-	-	9,620
Other income and fees	222	-	-	-	-	-	-	222
Distribution and other asset-based expenses	-	(17,380)	-	-	-	-	-	(17,380)
Total revenues	82,324	(17,380)	191	-	-	-	-	65,135
<b>Operating Expenses</b>								
Employment expenses	33,142	-	-	-	-	-	-	33,142
Distribution and other asset-based expenses	17,380	(17,380)	-	-	-	-	-	-
Other operating expense	11,392	-	-	-	-	-	(445)	10,947
Other operating expenses of consolidated sponsored investment products	611	-	(611)	-	-	-	-	-
Other operating expenses of consolidated investment products	24	-	(24)	-	-	-	-	-
Restructuring and severance	1,879	-	-	-	(1,879)	-	-	-
Depreciation and other amortization	754	-	-	-	-	-	-	754
Amortization expense	604	-	-	(604)	-	-	-	-
Total operating expenses	65,786	(17,380)	(635)	(604)	(1,879)	-	(445)	44,843
<b>Operating Income</b>	16,538	-	826	604	1,879	-	445	20,292
<b>Other Income (Expense)</b>								
Realized and unrealized gain (loss) on investments, net	961	-	3,179	-	-	(4,089)	-	51
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	3,536	-	(3,536)	-	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	144	-	(144)	-	-	-	-	-
Other income (expense), net	250	-	(59)	-	-	59	-	250
Total other income (expense), net	4,891	-	(560)	-	-	(4,030)	-	301
<b>Interest Income (Expense)</b>								
Interest expense	(128)	-	-	-	-	-	-	(128)
Interest and dividend income	221	-	706	-	-	(811)	-	116
Interest and dividend income of investments of consolidated sponsored investment products, net	1,364	-	(1,364)	-	-	-	-	-
Interest expense of consolidated investment product	(3,788)	-	3,788	-	-	-	-	-
Interest income of consolidated investment product	4,047	-	(4,047)	-	-	-	-	-
Total interest (expense) income, net	1,716	-	(917)	-	-	(811)	-	(12)
<b>Income Before Income Taxes</b>	23,145	-	(651)	604	1,879	(4,841)	445	20,581
Income tax expense	6,869	-	-	226	702	(270)	166	7,693
<b>Net Income</b>	16,276	-	(651)	378	1,177	(4,571)	279	12,888
Noncontrolling interests	(651)	-	651	-	-	-	-	-
<b>Net Income Attributable to Common Stockholders</b>	\$ 15,625	\$ -	\$ -	\$ 378	\$ 1,177	\$ (4,571)	\$ 279	\$ 12,888
<b>Earnings Per Share - Basic</b>	\$ 2.04							\$ 1.68
<b>Earnings Per Share - Diluted</b>	\$ 1.99							\$ 1.64
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	7,676							7,676
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	7,854							7,854



# U.S. GAAP TO NON-GAAP RECONCILIATION – Q2 2016



\$ and share counts in thousands, except per share data

\$ and share counts in thousands, except per share data	U.S. GAAP Basis	Reclassifications		Adjustments				Non-GAAP Basis
		Distribution and other asset- based expenses	Consolidated investment products	Amortization of intangible assets	Restructuring and severance	Seed capital and CLO investments	Other	
<b>Revenues</b>								
Investment management fees	\$ 58,192	\$ -	\$ (88)	\$ -	\$ -	\$ -	\$ -	\$ 58,104
Distribution and services fees	12,167	-	12	-	-	-	-	12,179
Administration and transfer agent fees	9,499	-	49	-	-	-	-	9,548
Other income and fees	227	-	-	-	-	-	-	227
Distribution and other asset-based expenses	-	(17,432)	-	-	-	-	-	(17,432)
Total revenues	80,085	(17,432)	(27)	-	-	-	-	62,626
<b>Operating Expenses</b>								
Employment expenses	33,065	-	-	-	-	-	-	33,065
Distribution and other asset-based expenses	17,432	(17,432)	-	-	-	-	-	-
Other operating expense	12,457	-	-	-	-	-	(358)	12,099
Other operating expenses of consolidated sponsored investment products	777	-	(777)	-	-	-	-	-
Other operating expenses of consolidated investment products	3,841	-	(3,841)	-	-	-	-	-
Restructuring and severance	2,391	-	-	-	(2,391)	-	-	-
Depreciation and other amortization	776	-	-	-	-	-	-	776
Amortization expense	603	-	-	(603)	-	-	-	-
Total operating expenses	71,342	(17,432)	(4,618)	(603)	(2,391)	-	(358)	45,940
<b>Operating Income</b>	8,743	-	4,591	603	2,391	-	358	16,686
<b>Other Income (Expense)</b>								
Realized and unrealized gain (loss) on investments, net	3,281	-	2,923	-	-	(6,110)	-	94
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	3,097	-	(3,097)	-	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	581	-	(581)	-	-	-	-	-
Other (expense) income, net	(15)	-	(8,799)	-	-	8,799	-	(15)
Total other income (expense), net	6,944	-	(9,554)	-	-	2,689	-	79
<b>Interest Income (Expense)</b>								
Interest expense	(129)	-	-	-	-	-	-	(129)
Interest and dividend income	619	-	2,961	-	-	(3,470)	-	110
Interest and dividend income of investments of consolidated sponsored investment products, net	1,696	-	(1,696)	-	-	-	-	-
Interest expense of consolidated investment product	(5,668)	-	5,668	-	-	-	-	-
Interest income of consolidated investment product	2,582	-	(2,582)	-	-	-	-	-
Total interest (expense) income, net	(900)	-	4,351	-	-	(3,470)	-	(19)
<b>Income Before Income Taxes</b>	14,787	-	(612)	603	2,391	(781)	358	16,746
Income tax expense	6,087	-	-	232	921	(930)	138	6,448
<b>Net Income</b>	8,700	-	(612)	371	1,470	149	220	10,298
Noncontrolling interests	(612)	-	612	-	-	-	-	-
<b>Net Income Attributable to Common Stockholders</b>	\$ 8,088	\$ -	\$ -	\$ 371	\$ 1,470	\$ 149	\$ 220	\$ 10,298
<b>Earnings Per Share - Basic</b>	\$ 0.99							\$ 1.26
<b>Earnings Per Share - Diluted</b>	\$ 0.97							\$ 1.24
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	8,170							8,170
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	8,314							8,314

# U.S. GAAP TO NON-GAAP RECONCILIATION – Q1 2016



\$ and share counts in thousands, except per share data

	U.S. GAAP Basis	Reclassifications		Adjustments			Non-GAAP Basis
		Distribution and other asset- based expenses	Consolidated investment products	Amortization of intangible assets	Seed capital and CLO investments	Other	
<b>Revenues</b>							
Investment management fees	\$ 57,644	\$ -	\$ 91	\$ -	\$ -	\$ -	\$ 57,735
Distribution and services fees	12,478	-	24	-	-	-	12,502
Administration and transfer agent fees	9,998	-	94	-	-	-	10,092
Other income and fees	175	-	-	-	-	-	175
Distribution and other asset-based expenses	-	(18,101)	-	-	-	-	(18,101)
Total revenues	80,295	(18,101)	209	-	-	-	62,403
<b>Operating Expenses</b>							
Employment expenses	35,977	-	-	-	-	-	35,977
Distribution and other asset-based expenses	18,101	(18,101)	-	-	-	-	-
Other operating expense	10,765	-	-	-	-	(414)	10,351
Other operating expenses of consolidated sponsored investment products	1,133	-	(1,133)	-	-	-	-
Other operating expenses of consolidated investment products	56	-	(56)	-	-	-	-
Depreciation and other amortization	862	-	-	-	-	-	862
Amortization expense	651	-	-	(651)	-	-	-
Total operating expenses	67,545	(18,101)	(1,189)	(651)	-	(414)	47,190
<b>Operating Income</b>	12,750	-	1,398	651	-	414	15,213
<b>Other Income (Expense)</b>							
Realized and unrealized (loss) gain on investments, net	(658)	-	1,808	-	(1,155)	-	(5)
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	295	-	(295)	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	2,235	-	(2,235)	-	-	-	-
Other income, net	228	-	2,504	-	(2,504)	-	228
Total other (expense) income, net	2,100	-	1,782	-	(3,659)	-	223
<b>Interest Income (Expense)</b>							
Interest expense	(132)	-	-	-	-	-	(132)
Interest and dividend income	273	-	1,748	-	(1,883)	-	138
Interest and dividend income of investments of consolidated sponsored investment products, net	2,961	-	(2,961)	-	-	-	-
Interest expense of consolidated investment product	(732)	-	732	-	-	-	-
Interest income of consolidated investment product	2,206	-	(2,206)	-	-	-	-
Total interest income, net	4,576	-	(2,687)	-	(1,883)	-	6
<b>Income Before Income Taxes</b>	19,426	-	493	651	(5,542)	414	15,442
Income tax expense	7,556	-	-	250	(2,045)	159	5,920
<b>Net Income</b>	11,870	-	493	401	(3,497)	255	9,522
Noncontrolling interests	493	-	(493)	-	-	-	-
<b>Net Income Attributable to Common Stockholders</b>	\$ 12,363	\$ -	\$ -	\$ 401	\$ (3,497)	\$ 255	\$ 9,522
<b>Earnings Per Share - Basic</b>	\$ 1.48						\$ 1.14
<b>Earnings Per Share - Diluted</b>	\$ 1.45						\$ 1.12
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	8,344						8,344
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	8,506						8,506

# U.S. GAAP TO NON-GAAP RECONCILIATION – Q4 2015



\$ and share counts in thousands, except per share data

	U.S. GAAP Basis	Reclassifications		Adjustments			Non-GAAP Basis
		Distribution and other asset- based expenses	Consolidated investment products	Amortization of intangible assets	Seed capital and CLO investments	Other	
<b>Revenues</b>							
Investment management fees	\$ 60,611	\$ -	\$ 242	\$ -	\$ -	\$ -	\$ 60,853
Distribution and services fees	14,246	-	26	-	-	-	14,272
Administration and transfer agent fees	11,014	-	109	-	-	-	11,123
Other income and fees	244	-	-	-	-	-	244
Distribution and other asset-based expenses	-	(19,831)	-	-	-	-	(19,831)
Total revenues	86,115	(19,831)	377	-	-	-	66,661
<b>Operating Expenses</b>							
Employment expenses	34,376	-	-	-	-	-	34,376
Distribution and other asset-based expenses	19,831	(19,831)	-	-	-	-	-
Other operating expense	12,498	-	-	-	-	(497)	12,001
Other operating expenses of consolidated sponsored investment products	1,237	-	(1,237)	-	-	-	-
Other operating expenses of consolidated investment products	2	-	(2)	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-
Depreciation and other amortization	881	-	-	-	-	-	881
Amortization expense	784	-	-	(784)	-	-	-
Total operating expenses	69,609	(19,831)	(1,239)	(784)	-	(497)	47,258
<b>Operating Income</b>	16,506	-	1,616	784	-	497	19,403
<b>Other Income (Expense)</b>							
Realized and unrealized (loss) gain on investments, net	332	-	(5,539)	-	5,005	-	(202)
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(4,910)	-	4,910	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	(2,784)	-	2,784	-	-	-	-
Other income, net	75	-	(1,155)	-	1,155	-	75
Total other (expense) income, net	(7,287)	-	1,000	-	6,160	-	(127)
<b>Interest Income (Expense)</b>							
Interest expense	(141)	-	-	-	-	-	(141)
Interest and dividend income	355	-	3,132	-	(3,283)	-	204
Interest and dividend income of investments of consolidated sponsored investment products, net	3,184	-	(3,184)	-	-	-	-
Interest expense of consolidated investment product	(482)	-	482	-	-	-	-
Interest income of consolidated investment product	2,114	-	(2,114)	-	-	-	-
Total interest income, net	5,030	-	(1,684)	-	(3,283)	-	63
<b>Income Before Income Taxes</b>	14,249	-	932	784	2,877	497	19,339
Income tax expense	8,612	-	-	303	(1,387)	(53)	7,475
<b>Net Income</b>	5,637	-	932	481	4,264	550	11,864
Noncontrolling interests	999	-	(932)	-	-	-	67
<b>Net Income Attributable to Common Stockholders</b>	\$ 6,636	\$ -	\$ -	\$ 481	\$ 4,264	\$ 550	\$ 11,931
<b>Earnings Per Share - Basic</b>	\$ 0.78						\$ 1.39
<b>Earnings Per Share - Diluted</b>	\$ 0.76						\$ 1.37
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	8,562						8,562
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	8,726						8,726

# U.S. GAAP TO NON-GAAP RECONCILIATION – Q3 2015



\$ and share counts in thousands, except per share data

	U.S. GAAP Basis	Reclassifications		Adjustments			Non-GAAP Basis
		Distribution and other asset- based expenses	Consolidated investment products	Amortization of intangible assets	Seed capital and CLO investments	Other	
<b>Revenues</b>							
Investment management fees	\$ 64,891	\$ -	\$ 302	\$ -	\$ -	\$ -	\$ 65,193
Distribution and services fees	15,587	-	27	-	-	-	15,614
Administration and transfer agent fees	11,614	-	100	-	-	-	11,714
Other income and fees	283	-	-	-	-	-	283
Distribution and other asset-based expenses	-	(21,717)	-	-	-	-	(21,717)
Total revenues	92,375	(21,717)	429	-	-	-	71,087
<b>Operating Expenses</b>							
Employment expenses	33,504	-	-	-	-	-	33,504
Distribution and other asset-based expenses	21,717	(21,717)	-	-	-	-	-
Other operating expense	11,165	-	-	-	-	170	11,335
Other operating expenses of consolidated sponsored investment products	1,120	-	(1,120)	-	-	-	-
Other operating expenses of consolidated investment products	-	-	-	-	-	-	-
Depreciation and other amortization	910	-	-	-	-	-	910
Amortization expense	837	-	-	(837)	-	-	-
Total operating expenses	69,253	(21,717)	(1,120)	(837)	-	170	45,749
<b>Operating Income</b>	23,122	-	1,549	837	-	(170)	25,338
<b>Other Income (Expense)</b>							
Realized and unrealized (loss) gain on investments, net	(2,082)	-	(14,145)	-	16,068	-	(159)
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(17,619)	-	17,619	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	(721)	-	721	-	-	-	-
Other income, net	141	-	(680)	-	680	-	141
Total other (expense) income, net	(20,281)	-	3,515	-	16,748	-	(18)
<b>Interest Income (Expense)</b>							
Interest expense	(138)	-	-	-	-	-	(138)
Interest and dividend income	324	-	1,023	-	(1,100)	-	247
Interest and dividend income of investments of consolidated sponsored investment products, net	2,898	-	(2,898)	-	-	-	-
Interest expense of consolidated investment product	(1)	-	1	-	-	-	-
Interest income of consolidated investment product	42	-	(42)	-	-	-	-
Total interest income, net	3,125	-	(1,916)	-	(1,100)	-	109
<b>Income Before Income Taxes</b>	5,966	-	3,148	837	15,648	(170)	25,429
Income tax expense	9,669	-	-	322	(139)	(65)	9,787
<b>Net Income</b>	(3,703)	-	3,148	515	15,787	(105)	15,642
Noncontrolling interests	3,054	-	(3,148)	-	-	-	(94)
<b>Net Income Attributable to Common Stockholders</b>	\$ (649)	\$ -	\$ -	\$ 515	\$ 15,787	\$ (105)	\$ 15,548
<b>Earnings (Loss) Per Share - Basic</b>	\$ (0.07)						\$ 1.77
<b>Earnings (Loss) Per Share - Diluted</b>	\$ (0.07)						\$ 1.74
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	8,775						8,775
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	8,775						8,931

# U.S. GAAP TO NON-GAAP RECONCILIATION – TY 2015



\$ and share counts in thousands, except per share data	U.S. GAAP Basis	Reclassifications		Amortization of intangible assets	Adjustments		Non-GAAP Basis
		Distribution and other asset-based expenses	Consolidated investment products		Seed capital and CLO investments	Other	
<b>Revenues</b>							
Investment management fees	\$ 264,865	\$ -	\$ 1,137	\$ -	\$ -	\$ 1,166	\$ 267,168
Distribution and services fees	67,066	-	96	-	-	-	67,162
Administration and transfer agent fees	48,247	-	370	-	-	-	48,617
Other income and fees	1,799	-	-	-	-	-	1,799
Distribution and other asset-based expenses	-	(89,731)	-	-	-	-	(89,731)
Total revenues	381,977	(89,731)	1,603	-	-	1,166	295,015
<b>Operating Expenses</b>							
Employment expenses	137,095	-	-	-	-	-	137,095
Distribution and other asset-based expenses	89,731	(89,731)	-	-	-	-	-
Other operating expense	63,901	-	-	-	-	(17,748)	46,153
Other operating expenses of consolidated sponsored investment products	4,134	-	(4,134)	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-
Depreciation and other amortization	3,443	-	-	-	-	-	3,443
Amortization expense	3,295	-	-	(3,295)	-	-	-
Total operating expenses	301,599	(89,731)	(4,134)	(3,295)	-	(17,748)	186,691
<b>Operating Income</b>	80,378	-	5,737	3,295	-	18,914	108,324
<b>Other Income (Expense)</b>							
Realized and unrealized (loss) gain on investments, net	(862)	-	(19,173)	-	20,014	-	(21)
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(23,181)	-	23,181	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	(3,505)	-	3,505	-	-	-	-
Other income, net	898	-	(1,835)	-	1,835	-	898
Total other (expense) income, net	(26,650)	-	5,678	-	21,849	-	877
<b>Interest Income (Expense)</b>							
Interest expense	(523)	-	-	-	-	-	(523)
Interest and dividend income	1,261	-	6,022	-	(6,438)	-	845
Interest and dividend income of investments of consolidated sponsored investment products, net	11,504	-	(11,504)	-	-	-	-
Interest income of investments of consolidated investment product, net	1,673	-	(1,673)	-	-	-	-
Total interest income, net	13,915	-	(7,155)	-	(6,438)	-	322
<b>Income Before Income Taxes</b>	67,643	-	4,260	3,295	15,411	18,914	109,523
Income tax expense	36,972	-	-	1,262	(2,525)	6,180	41,889
<b>Net Income</b>	30,671	-	4,260	2,033	17,936	12,734	67,634
Noncontrolling interests	4,435	-	(4,260)	-	-	-	175
<b>Net Income Attributable to Common Stockholders</b>	\$ 35,106	\$ -	\$ -	\$ 2,033	\$ 17,936	\$ 12,734	\$ 67,809
<b>Earnings Per Share - Basic</b>	\$ 3.99						\$ 7.71
<b>Earnings Per Share - Diluted</b>	\$ 3.92						\$ 7.57
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	8,797						8,797
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	8,960						8,960

# U.S. GAAP TO NON-GAAP RECONCILIATION – TY 2014



	Reclassifications			Adjustments				
\$ and share counts in thousands, except per share data								
	U.S. GAAP Basis	Distribution and other asset- based expenses	Consolidated sponsored investment products	Closed-end fund launch costs	Amortization of intangible assets	Seed capital investments	Other	Non-GAAP Basis
<b>Revenues</b>								
Investment management fees	\$ 300,663	\$ -	\$ 396	\$ -	\$ -	\$ -	\$ -	\$ 301,059
Distribution and services fees	91,950	-	48	-	-	-	-	91,998
Administration and transfer agent fees	56,016	-	217	-	-	-	-	56,233
Other income and fees	1,969	-	-	-	-	-	-	1,969
Distribution and other asset-based expenses	-	(114,089)	-	-	-	-	-	(114,089)
Total revenues	450,598	(114,089)	661	-	-	-	-	337,170
<b>Operating Expenses</b>								
Employment expenses	139,809	-	-	(509)	-	-	(859)	138,441
Distribution and other asset-based expenses	123,665	(114,089)	-	(9,576)	-	-	-	-
Other operating expense	46,531	-	-	-	-	-	(1,050)	45,481
Other operating expenses of consolidated sponsored investment products	3,038	-	(3,038)	-	-	-	-	-
Restructuring and severance	294	-	-	-	-	-	(294)	-
Depreciation and other amortization	2,763	-	-	-	-	-	-	2,763
Amortization expense	3,778	-	-	-	(3,778)	-	-	-
Total operating expenses	319,878	(114,089)	(3,038)	(10,085)	(3,778)	-	(2,203)	186,685
<b>Operating Income</b>	130,720	-	3,699	10,085	3,778	-	2,203	150,485
<b>Other Income (Expense)</b>								
Realized and unrealized (loss) gain on investments, net	914	-	(3,495)	-	-	2,232	-	(349)
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(4,648)	-	4,648	-	-	-	-	-
Other income, net	891	-	-	-	-	-	-	891
Total other income (expense), net	(2,843)	-	1,153	-	-	2,232	-	542
<b>Interest Income (Expense)</b>								
Interest expense	(537)	-	-	-	-	-	-	(537)
Interest and dividend income	1,706	-	3,022	-	-	(3,771)	-	957
Interest and dividend income of investments of consolidated sponsored investment products, net	7,268	-	(7,268)	-	-	-	-	-
Total interest income, net	8,437	-	(4,246)	-	-	(3,771)	-	420
<b>Income Before Income Taxes</b>	136,314	-	606	10,085	3,778	(1,539)	2,203	151,447
Income tax expense	39,349	-	-	3,861	1,441	(2,981)	16,055	57,725
<b>Net Income</b>	96,965	-	606	6,224	2,337	1,442	(13,852)	93,722
Noncontrolling interests	735	-	(606)	-	-	-	-	129
<b>Net Income Attributable to Common Stockholders</b>	\$ 97,700	\$ -	\$ -	\$ 6,224	\$ 2,337	\$ 1,442	\$ (13,852)	\$ 93,851
<b>Earnings Per Share - Basic</b>	\$ 10.75							\$ 10.32
<b>Earnings Per Share - Diluted</b>	\$ 10.51							\$ 10.10
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	9,091							9,091
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	9,292							9,292

# U.S. GAAP TO NON-GAAP RECONCILIATION – TY 2013



\$ and share counts in thousands, except per share data

	U.S. GAAP Basis	Reclassifications		Adjustments				Non-GAAP Basis
		Distribution and other asset- based expenses	Consolidated investment products	Amortization of intangible assets	Restructuring and severance	Seed capital and CLO investments	Other	
<b>Revenues</b>								
Investment management fees	\$ 260,557	\$ -	\$ (138)	\$ -	\$ -	\$ -	\$ -	\$ 260,419
Distribution and services fees	78,965	-	40	-	-	-	-	79,005
Administration and transfer agent fees	48,185	-	85	-	-	-	-	48,270
Other income and fees	1,508	-	-	-	-	-	-	1,508
Distribution and other asset-based expenses	-	(97,786)	-	-	-	-	-	(97,786)
Total revenues	389,215	(97,786)	(13)	-	-	-	-	291,416
<b>Operating Expenses</b>								
Employment expenses	131,768	-	-	-	-	-	(2,172)	129,596
Distribution and other asset-based expenses	97,786	(97,786)	-	-	-	-	-	-
Other operating expense	38,321	-	-	-	-	-	-	38,321
products	798	-	(798)	-	-	-	-	-
Other operating expenses of consolidated investment products	-	-	-	-	-	-	-	-
Restructuring and severance	203	-	-	-	(203)	-	-	-
Depreciation and other amortization	2,422	-	-	-	-	-	-	2,422
Amortization expense	4,413	-	-	(4,413)	-	-	-	-
Total operating expenses	275,711	(97,786)	(798)	(4,413)	(203)	-	(2,172)	170,339
<b>Operating Income</b>	113,504	-	785	4,413	203	-	2,172	121,077
<b>Other Income (Expense)</b>								
Realized and unrealized gain (loss) on investments, net	2,350	-	1,855	-	-	(4,230)	-	(25)
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	3,515	-	(3,515)	-	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	-	-	-	-	-	-	-	-
Other income, net	74	-	-	-	-	-	-	74
Total other (expense) income, net	5,939	-	(1,660)	-	-	(4,230)	-	49
<b>Interest Income (Expense)</b>								
Interest expense	(782)	-	-	-	-	-	-	(782)
Interest and dividend income	664	-	1,460	-	-	(1,849)	-	275
Interest and dividend income of investments of consolidated sponsored investment products, net	2,583	-	(2,583)	-	-	-	-	-
Interest expense of consolidated investment product	-	-	-	-	-	-	-	-
Interest income of consolidated investment product	-	-	-	-	-	-	-	-
Total interest (expense) income, net	2,465	-	(1,123)	-	-	(1,849)	-	(507)
<b>Income Before Income Taxes</b>	121,908	-	(1,998)	4,413	203	(6,079)	2,172	120,619
Income tax expense	44,778	-	-	1,669	77	(2,326)	1,476	45,674
<b>Net Income</b>	77,130	-	(1,998)	2,744	126	(3,753)	696	74,945
Noncontrolling interests	(1,940)	-	1,998	-	-	-	-	58
<b>Net Income Attributable to Common Stockholders</b>	\$ 75,190	\$ -	\$ -	\$ 2,744	\$ 126	\$ (3,753)	\$ 696	\$ 75,003
<b>Earnings Per Share - Basic</b>	\$ 9.18							\$ 9.16
<b>Earnings Per Share - Diluted</b>	\$ 8.92							\$ 8.89
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	8,188							8,188
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	8,433							8,433

Non-GAAP financial measures differ from financial measures determined in accordance with U.S. GAAP as a result of the reclassification of certain income statement items, as well as the adjustment of certain expenses and other items that are not reflective of the earnings generated from providing investment management and related services. Non-GAAP financial measures have material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures.

In particular, the company reclassifies:

1. Distribution and other asset-based expenses - These costs are generally passed directly through to external parties. Management believes that making this adjustment aids in comparing the Company's operating results with other asset management firms that do not distribute products through intermediary distribution partners or utilize third party service providers for investment management related services.
2. Consolidated investment products - Management believes that excluding the operating activities of majority-owned funds and CLOs to reflect revenues and expenses of the company prior to the consolidation of these products is consistent with the approach of reflecting its operating results as only revenues generated and expenses incurred related to providing investment management and related services will be included in operating income, as adjusted.

**Net income attributable to common stockholders, as adjusted**, excludes from net income:

3. Amortization of intangible assets - Non-cash amortization expense or impairment expense, if any, attributable to acquisition-related intangible assets. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
4. Restructuring and severance – Certain expenses related to improving the efficiency of operations, primarily severance costs associated with staff reductions and lease abandonment-related expenses, that are not reflective of the ongoing earnings generation of the business. Management believes that making this adjustment aids in comparing the company's operating results with prior periods.
5. Seed capital and CLO investments – Gains and losses (realized and unrealized), dividends, and interest income generated by seed capital and CLO investments. Earnings or losses generated by investments in seed capital and CLO products can vary significantly from period-to-period and do not reflect the Company's operating results from providing investment management and related services. Management believes that making this adjustment aids in comparing the Company's operating results with prior periods and with other asset management firms that do not have meaningful seed capital and CLO investments.
6. Other – Certain expenses and losses related to transition items and regulatory matters that are not reflective of the ongoing earnings generation of the business. In addition, it includes income tax expense/(benefit) items, such as adjustments for uncertain tax positions, valuation allowances and other unusual items not related to current operating results to reflect a normalized effective rate. Management believes that making these adjustments aids in comparing the company's operating results with prior periods.



