



# Morgan Stanley Financials Conference

## June 13, 2017

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**George R. Aylward**  
President and Chief Executive Officer

# IMPORTANT DISCLOSURES



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 2016 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) challenges from the competition we face in our business; (g) adverse regulatory and legal developments; (h) unfavorable changes in tax laws or limitations; (i) adverse developments related to unaffiliated subadvisers; (j) negative implications of changes in key distribution relationships; (k) interruptions in or failure to provide service by third-parties; (l) volatility associated with our common stock; (m) adverse civil litigation and government investigations or proceedings; (n) the risk of loss on our investments; (o) the inability to make quarterly distributions; (p) the lack of sufficient capital on satisfactory terms; (q) liabilities and losses not covered by insurance; (r) the inability to satisfy financial covenants; (s) the failure to complete the acquisition of RidgeWorth; (t) the inability to achieve expected acquisition-related financial benefits and synergies; and other risks and uncertainties described in our 2016 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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- Overview of Virtus
- Acquisition of RidgeWorth Investments
- Financial Review
- Growth Opportunities
- Appendix



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## OVERVIEW OF VIRTUS

**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 \$0.8<sup>1</sup> billion (NASDAQ: VRTS)
- Managing \$90.3<sup>2</sup> 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
- Completed acquisition of RidgeWorth on June 1, 2017

<sup>1</sup> As of May 25, 2017

<sup>2</sup> Pro forma AUM as of March 31, 2017

# VALUE PROPOSITION

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## **Flexible Multi-Boutique Asset Manager**

- 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**

- Well-diversified across asset classes and investment styles
- Differentiated strategies for changing environments and preferences
- Attractive investment offerings with strong performance

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## **Effective Distribution Capabilities**

- 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**

- Strong and diverse cash flow generation
- Proven operating leverage and ability to generate attractive margins
- Prudent capital management with modest financial leverage, focused on growing the business

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## **Multiple Opportunities for Growth**

- Introduction of new products
  - Expansion of investment capabilities and distribution
  - Addition of new affiliates
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## ACQUISITION OF RIDGEWORTH

# TRANSACTION HIGHLIGHTS

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## **Diversification of Investment Strategies and Clients**

- Increases the breadth of product offerings from differentiated investment managers
- Provides access to broader base of potential clients
- Diversifies product offerings for greater opportunities through changing market cycles

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## **Enhanced and Expanded Distribution Resources**

- Expands institutional distribution with dedicated and experienced sales and client service resources
- Enhances retail distribution resources and access in DCIO, private bank and independent/RIA channels
- Increases offerings, making Virtus a more meaningful partner to distributors

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## **Increased Profitability and Scale**

- Increases AUM by 88% to \$90.3<sup>1</sup> billion and open-end assets by 71% to \$42.2<sup>1</sup> billion
- Enhances profitability and cash flow through greater scale and anticipated synergies
- Expected to be meaningfully accretive to EPS, as adjusted, with attractive IRR

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## **Expanded Growth Opportunities**

- Enables offering of existing strategies through broader institutional resources
- Increases mutual fund offerings available through national retail distribution
- Expands investment strategies to be made available in other product forms and markets

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<sup>1</sup> Pro forma AUM as of March 31, 2017



# FINANCIAL IMPACT

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## Financially Compelling

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- Purchase price represents 6.5x EBITDA<sup>1</sup>, including synergies
- Accretion estimate of ~20%
- Attractive high-teens IRR targeted

## Material Synergies

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- Anticipated cost synergies of \$25 million per annum; ~85% expected to be realized within twelve months of closing; excludes potential revenue synergies
- No change to the investment professionals within the RidgeWorth boutiques
- Highly executable cost savings driven by elimination of duplicate corporate and business support resources
- Approximately \$15 million of one-time costs related to achievement of synergies

## Meaningful Tax Benefits

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- Purchased intangibles of approximately \$420 million to be amortized over 15 years for tax purposes
- Expected to create annual tax expense savings of \$10.8 million<sup>2</sup>

<sup>1</sup> EBITDA calculated as \$48 million of RidgeWorth Adjusted EBITDA for the trailing twelve months ended 9/30/2016, plus \$25 million of fully phased-in cost synergies.

<sup>2</sup> Assuming 38.3% tax rate

# MULTI-BOUTIQUE ASSET MANAGER



*Flexible model with diversified investment strategies across affiliates and subadvisers*

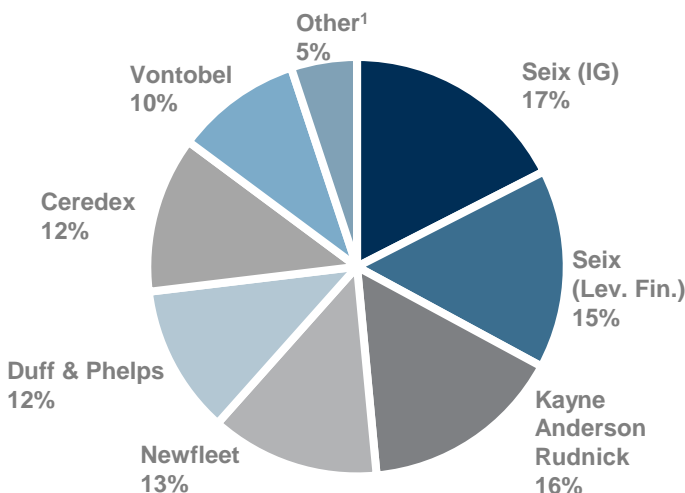


Denotes RidgeWorth affiliates and subadvisers

<sup>1</sup> RidgeWorth has a minority ownership position in Zevenbergen Capital Investments

# DIVERSITY OF STRATEGIES

## AUM by Manager



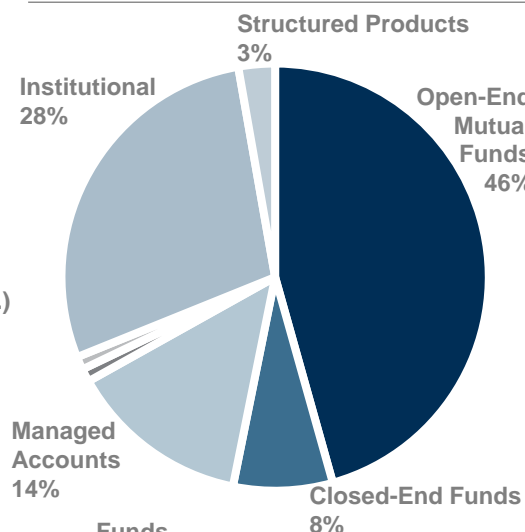
### Affiliated Managers

Seix (IG)	\$15.8
Seix (Lev. Fin.)	13.9
Kayne Anderson Rudnick	14.1
Newfleet	11.8
Ceredex	10.9
Duff & Phelps	10.4
Silvant	1.3
Rampart and Other²	2.2
<b>Total</b>	<b>\$80.4</b>

### Subadvisers

Vontobel	\$8.8
Other Subadvisers	1.1
<b>Total</b>	<b>\$9.9</b>

## AUM by Product Type



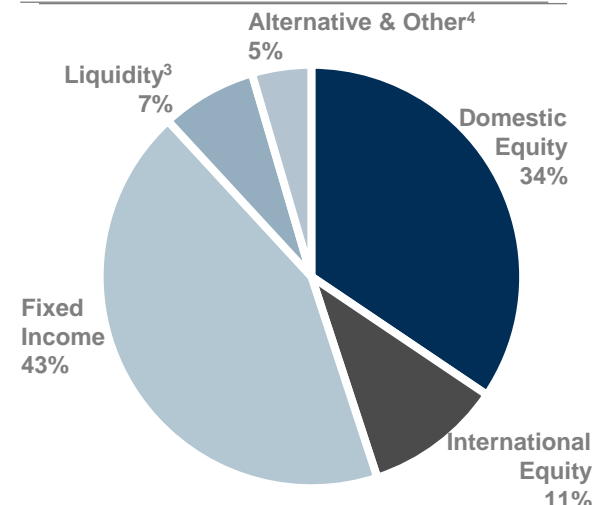
### Funds

Open-End	\$41.2
Closed-End	6.8
Variable Insurance Funds	0.9
ETFs	0.9
<b>Total</b>	<b>\$49.8</b>

### Separate Accounts

Institutional	\$25.0
Managed Accounts	12.4
Structured Products	3.1
<b>Total</b>	<b>\$40.5</b>

## AUM by Asset Class



### Domestic Equity

Large-Cap	\$14.6
Small-Cap	11.9
Mid-Cap	4.6
<b>Total</b>	<b>\$31.1</b>

### International Equity

International	\$9.5
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### Fixed Income & Liquidity

Taxable	\$36.3
Non-Taxable	2.7
Liquidity³	6.6
<b>Total</b>	<b>\$45.6</b>

### Alternative & Other

Alternative	\$3.6
Other⁴	0.5
<b>Total</b>	<b>\$4.1</b>

**Total AUM: \$90.3 billion**

Pro forma as of March 31, 2017; totals may not add due to rounding. ¹Includes Silvant, Rampart, asset allocation and other subadvised strategies. ²Primarily includes assets to be managed by investment professionals from Rampart. ³Liquidity category includes ultra short bond strategies. ⁴Option strategies.

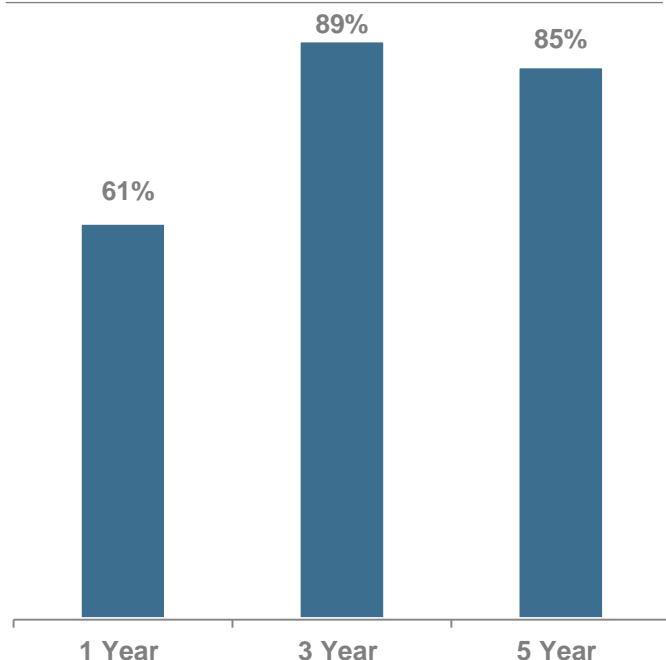
# CONSISTENT STRONG PERFORMANCE



*Majority of mutual fund AUM has strong investment performance*

## Pro Forma Combined Mutual Fund Assets Under Management

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



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

Morningstar Rating	# of Funds	\$mm AUM	% of AUM			
★★★★★	12	\$25,951	63%	85%	95%	
★★★★	22	\$9,138	22%			
★★★	19	\$3,912	10%			
★★	9	\$1,216	3%			
★	3	\$858	2%			

### Morningstar Normal Distribution

5 Star	4 Star	3 Star	2 Star	1 Star
10%	22.5%	35%	22.5%	10%

AUM excludes non-rated funds

<sup>1</sup> Lipper as of March 31, 2017

<sup>2</sup> Based on institutional-class shares, except for two Virtus funds that do not have institutional-class shares (the Strategic Allocation Fund and the Tactical Allocation Fund), for which A-class shares were used; all fund data as of March 31, 2017

# DIVERSITY OF PERFORMANCE



*34 mutual funds rated 4 or 5 Stars, including the five largest funds, on a pro forma basis*

## 4 and 5 Star Mutual Funds by Asset Class

Asset Class	# of Funds <sup>1</sup>
Fixed Income	15 Funds
U.S. Equity	8 Funds
Alternative / Allocation	5 Funds
International Equity	6 Funds

## Top 5 Largest Mutual Funds

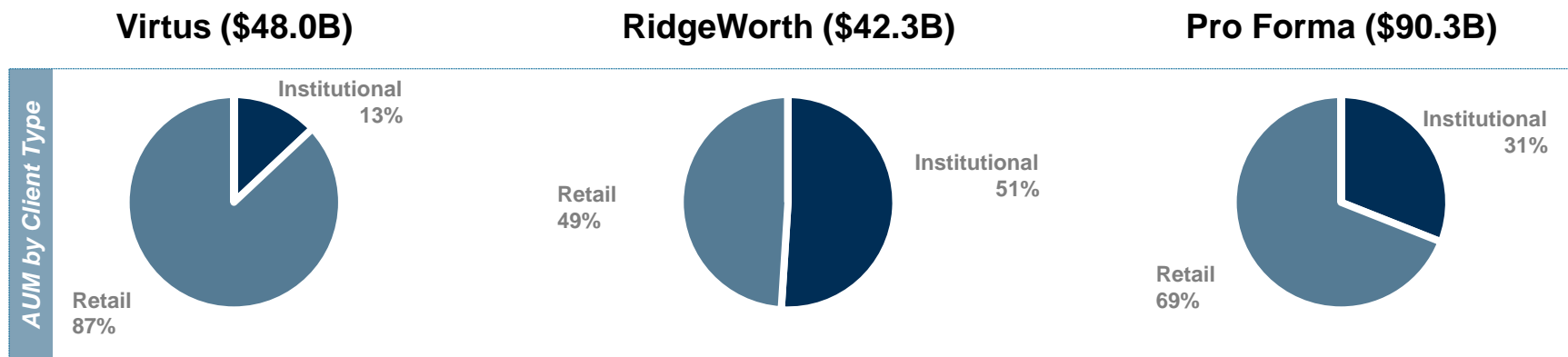
Fund	AUM (\$B)	M'Star Rating <sup>1</sup>
Virtus Emerging Market Opportunities	\$7.3	5
Virtus Multi-Sector S/T Bond	7.2	5
RidgeWorth Seix Floating Rate High Income	5.9	5
RidgeWorth Ceredex Mid-Cap Value Equity	3.4	5
RidgeWorth Ceredex Large Cap Value Equity	2.1	4

Mutual fund AUM as of March 31, 2017

<sup>1</sup> Based on institutional-class shares, except for two Virtus funds that do not have institutional-class shares (the Strategic Allocation and Tactical Allocation funds), for which A-class shares were used; all fund data as of March 31, 2017

# EFFECTIVE DISTRIBUTION CAPABILITIES

*The transaction substantially grows the institutional business and enhances retail distribution*



## Retail

- The transaction strengthens Virtus' retail distribution approach by adding complementary capabilities and creating significant opportunities for future growth
- Greater access and support for Virtus funds in the DCIO channel
- Increased exposure for RidgeWorth funds in the wirehouse channel

## Institutional

- Adds ~\$20 billion of assets, and expands our product offerings and distribution resources
- Experienced institutional sales / client service team
- Multiple institutional-quality offerings
- Diversified and stable client base
- Direct and consultant-sourced relationships



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## FINANCIAL REVIEW

# KEY OPERATING ATTRIBUTES

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## Revenues

- Diverse in terms of product types, investment strategies and affiliates
- Competitive net management fee rate
- Majority of revenues from recurring asset-based fees; modest performance fees
- Management fees recorded net of fees paid to unaffiliated subadvisers

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## Employment Expenses

- Highly variable cost structure; balance between fixed and variable expenses
- Affiliate incentive pools based on contribution to operating profit; a portion paid in form of restricted equity to align and retain key talent
- Alignment of sales-based compensation to sales levels and relative profit contribution

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## Operating Margins

- Proven operating leverage, fixed cost discipline and efficient business support functions contribute to profit margins that are competitive with other publicly traded multi-boutique asset managers



# KEY CAPITAL POLICIES

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## **Working Capital**

- Manage working capital to ensure adequate resources available for near-term liquidity requirements
- Evaluate as a percentage of annual spend, defined as GAAP operating expenses
- Target working capital to spend ratio of 50-75% to ensure operating flexibility

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## **Seed Capital and Structured Product Investments**

- Seed capital investments consist of primarily highly liquid investments in mutual funds and separately managed accounts for the purpose of 1) establishing track records and 2) gaining distribution access
- Maintain seed capital range of \$125 - \$175 million; variability based on other capital priorities, product and distribution needs
- Structured products consist of primarily CLO equity investments in company-sponsored CLOs where affiliates act as collateral manager

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## **Capital Management**

- Operate the company through a filter of an investment grade credit
- Maintain financial flexibility to balance leverage levels with ability to grow and invest in the business
- Focus on servicing interest expense on debt and maintenance of dividends to preferred and common shareholders
- Target leverage ratio of less than 2x

# PRO FORMA BALANCE SHEET



As of 3/31/2017

## Pro Forma Combined Balance Sheet Highlights<sup>1</sup>

Cash & Seed Capital <sup>2</sup>	\$158
Other Investments <sup>3</sup>	102
Debt <sup>4</sup>	249
Mandatory Convertible Preferred	111
Common Stock	441
Consolidated EBITDA <sup>5</sup>	167
Debt / EBITDA <sup>6</sup>	1.6x
Net Debt / EBITDA <sup>6,7</sup>	1.2x

- Preserves balance sheet flexibility
  - Continued ability to invest in the business
- Adequate Liquidity
  - >\$250mm of cash, seed capital and other investments
  - New \$100mm revolving credit facility at closing
  - Strong pro forma free cash flow

\$ in millions, except as noted

<sup>1</sup> Illustrative Pro Forma Non-GAAP Select Balance Sheet Items after giving effect to RidgeWorth acquisition

<sup>2</sup> Includes cash, cash equivalents and seed capital, net of estimated contingent consideration. Excludes CLO equity.

<sup>3</sup> Primarily CLO investments

<sup>4</sup> Debt is shown net of fees and original issue discount

<sup>5</sup> Pro forma LTM adjusted EBITDA, as defined in credit agreement executed on June 1, 2017

<sup>6</sup> Calculated using gross debt of \$260 million

<sup>7</sup> Calculated using gross debt of \$260 million, less \$62 million of cash, net of estimated contingent consideration



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## GROWTH OPPORTUNITIES

# MULTIPLE OPPORTUNITIES FOR GROWTH

Area	Growth Opportunities	RidgeWorth Acquisition
<b>Product</b>	<ul style="list-style-type: none"><li>■ Leverage capabilities of current managers</li><li>■ Offer existing strategies in other product structures</li><li>■ Broaden capabilities with new teams/managers</li></ul>	✓
<b>Distribution</b>	<ul style="list-style-type: none"><li>■ Increase market share in retail channels</li><li>■ Deepen presence in other channels</li><li>■ Expand into non-U.S. distribution channels</li></ul>	✓
<b>Inorganic</b>	<ul style="list-style-type: none"><li>■ Leverage multi-boutique platform by adding targeted capabilities</li><li>■ Maintain selective and disciplined approach to inorganic growth opportunities</li></ul>	✓

# SUMMARY

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- Flexible Multi-Boutique Asset Manager
- Diverse, High-Quality Product Offerings
- Effective Distribution Capabilities
- Attractive Financial Profile
- Multiple Opportunities for Growth



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## APPENDIX

# VIRTUS HISTORY

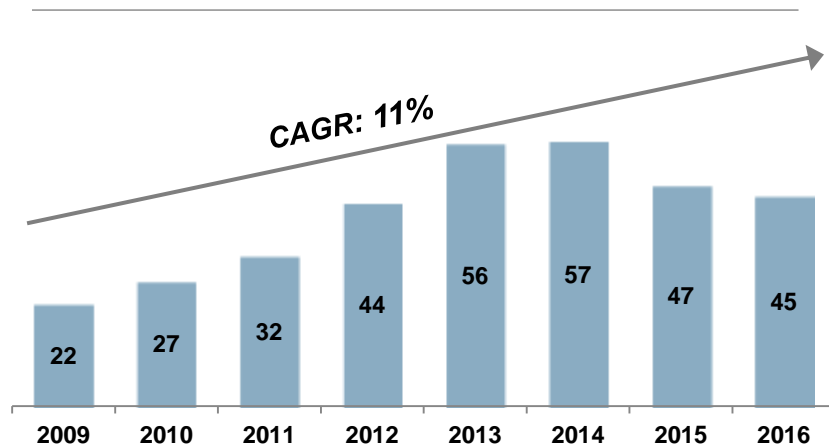


*Established in the 1990s and Fully Independent Since January 2009*

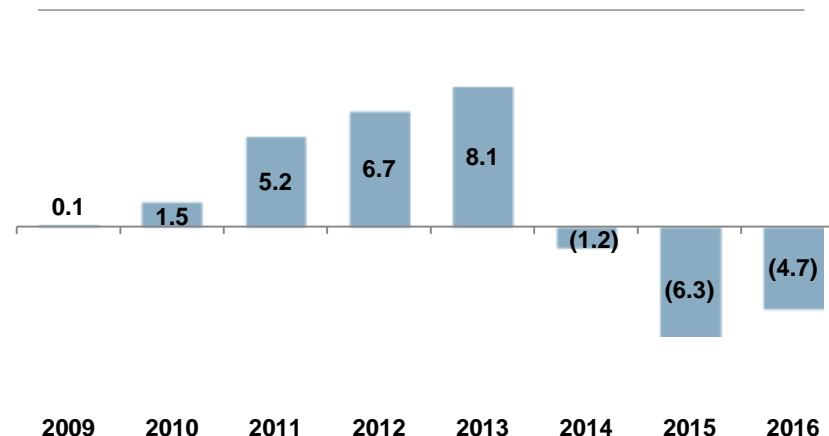
1993	Phoenix Securities Group (subsidiary of former parent, Phoenix Life) acquires <b>National Funds</b>
1995	Merges with <b>Duff &amp; Phelps</b> to create Phoenix Duff & Phelps (later renamed <b>Phoenix Investment Partners ("PXP")</b> ); 40% of entity publicly traded, 60% held by former parent
1999	Acquires <b>Zweig's</b> mutual fund business
2001	Publicly traded portion of PXP acquired; becomes an indirect wholly-owned subsidiary of former parent
2002	Acquires a 60% interest in <b>Kayne Anderson Rudnick Investment Management</b>
2005	Acquires remaining interest in <b>Kayne Anderson Rudnick</b> Adopts two funds (\$120mm of AUM) managed by <b>Vontobel Asset Management</b>
2006	Adopts the <b>Harris Insight Funds</b> from Bank of Montreal ("BMO")
2008	Spun-off as an independent company and rebranded as <b>Virtus Investment Partners</b> on December 31, 2008
2009	Lists on NASDAQ; first trade at \$9/share on January 2, 2009
2011	Establishes <b>Newfleet Asset Management</b> as fixed-income manager with AUM of \$5.2bn
2012	Acquires <b>Rampart Investment Management</b>
2013	Establishes Dublin-based <b>UCITS</b> platform and seeds first product
2015	Acquires majority interest in <b>ETF Issuer Solutions</b> (rebranded as <b>Virtus ETF Solutions</b> )
2017	Acquires <b>RidgeWorth Investments</b> and its three boutique managers ( <b>Seix, Ceredex and Silvant</b> )

# HISTORICAL FINANCIAL SUMMARY

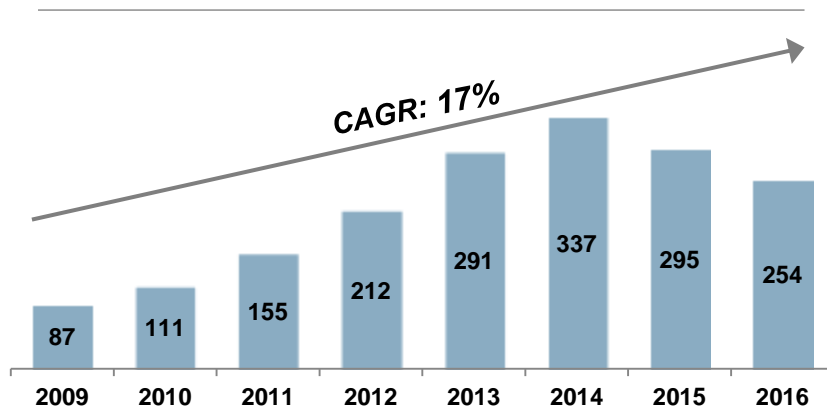
Ending Long-Term AUM (\$B)



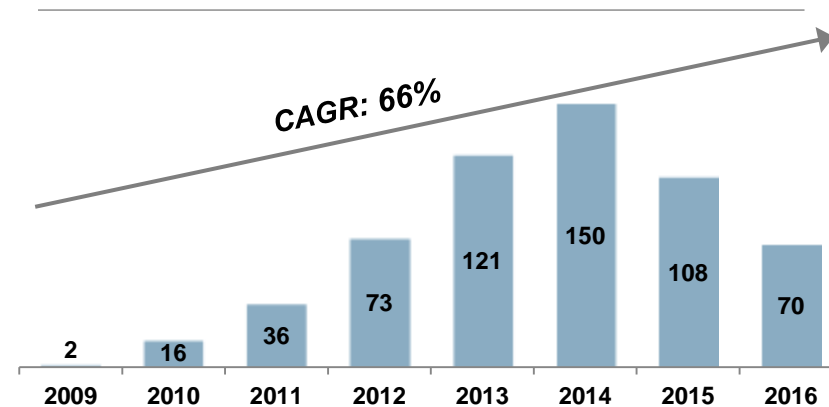
Net Flows (\$B)



Revenues, 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



# FIRST QUARTER 2017 HIGHLIGHTS



## Assets and Flows

- Positive net flows of \$0.5 billion reflect an organic growth rate of 4.6% annualized
- Continued positive flows in separately managed accounts, ETFs, and institutional

## Non-GAAP Financial Results

- Earnings per diluted share, as adjusted, of \$1.16 include (\$0.41) per share of specific employment expense items and (\$0.24) per share due to higher share count; Q4:16 EPS, as adjusted, of \$1.75
- Operating margin, as adjusted, of 21% compared with 28% in the prior quarter; excluding specific employment expense items margin was 28%

## Capital Activities

- Issued equity for net proceeds of \$221 million and priced a \$260 million, seven-year term loan in preparation for the pending acquisition of RidgeWorth Investments
- Cash and investments of \$441 million or \$55 on a per-share basis<sup>1</sup>

## RidgeWorth Business Results

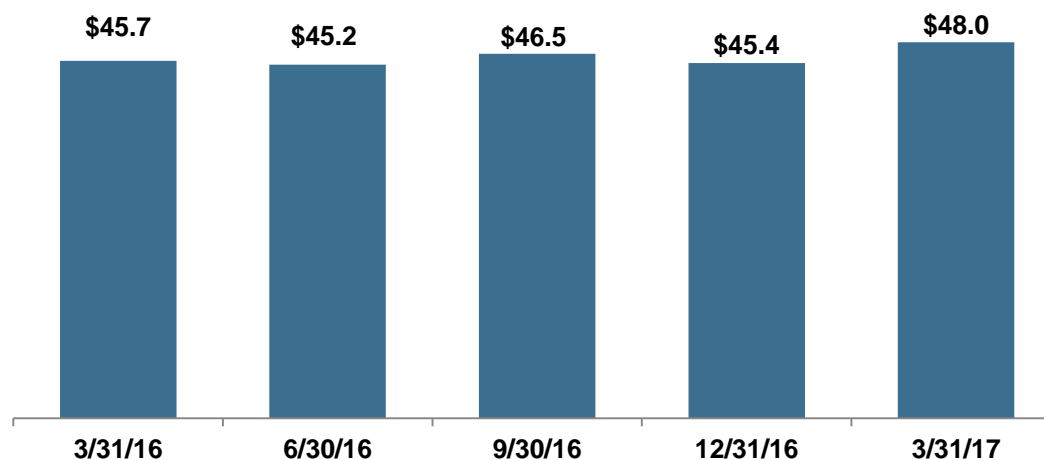
- Positive total net flows of \$0.5 billion; inflows in institutional and mutual funds
- Revenue increased 2% sequentially; average fee rate of 34.3 bps excludes performance fees

<sup>1</sup> Assumes conversion of preferred shares to common shares at period end  
See the appendix for U.S. GAAP to Non-GAAP ("as adjusted") reconciliations and related notes

# ASSETS UNDER MANAGEMENT



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



## Assets By Asset Class

Equity	59.3%	58.0%	57.3%	56.9%	58.3%
Fixed	32.8%	34.2%	33.9%	34.2%	33.1%
Alternatives <sup>1</sup>	6.8%	6.8%	7.9%	7.8%	7.6%
Other <sup>2</sup>	1.1%	1.0%	0.9%	1.1%	1.0%

\$ in billions

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

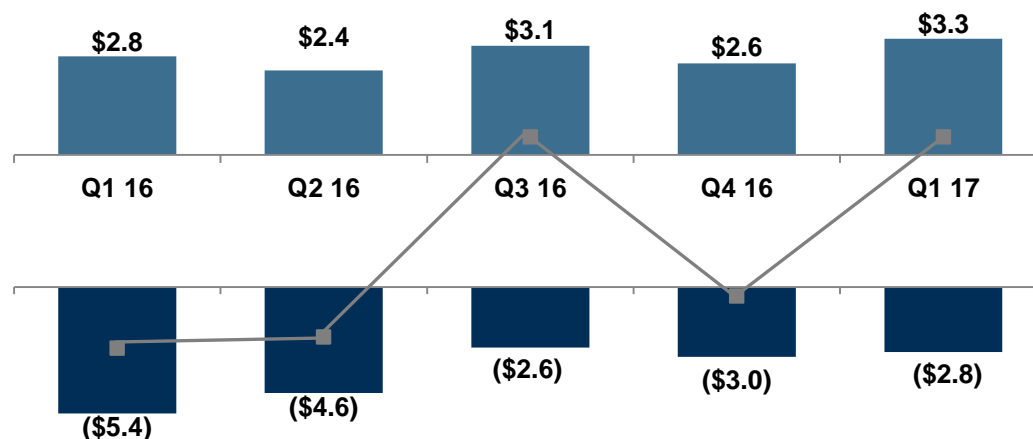
<sup>2</sup> Consists of option strategies

# ASSET FLOWS

**First quarter  
was the best  
for flows in  
10 quarters**

## Inflows/(Outflows)

- Inflows
- Outflows
- Net flows



## Metrics

Net Flows	(\$2.6)	(\$2.2)	\$0.5	(\$0.4)	\$0.5
Net Flow Rate <sup>1</sup>	(22.2%)	(19.0%)	4.3%	(3.2%)	4.6%

\$ in billions

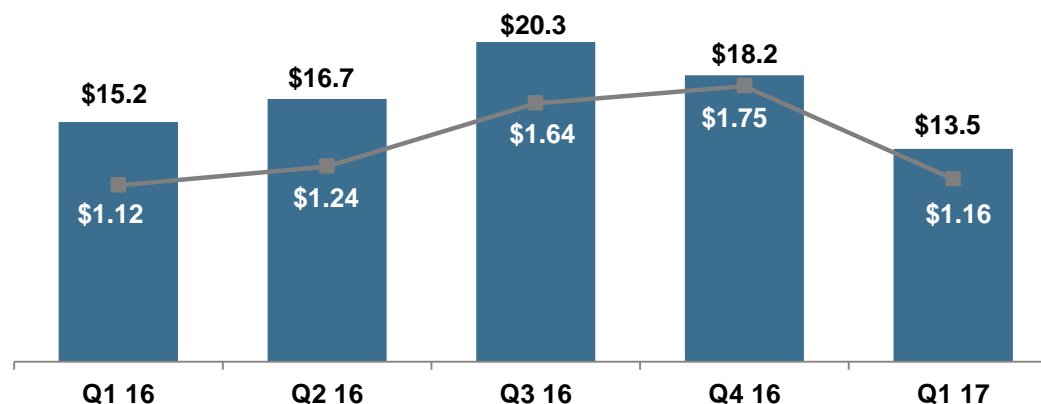
<sup>1</sup> Annualized net flows divided by beginning-of-period AUM

# NON-GAAP RESULTS

Excluding  
\$4.9 million  
of specific  
employment  
items,  
margin  
would have  
been 28.4%

## Operating Income, As Adjusted

■ Diluted earnings per share, as adjusted



## Metrics

Net Income, As Adjusted	\$9.5	\$10.3	\$12.9	\$11.6	\$8.6
Operating Margin, As Adjusted	24.4%	26.6%	31.2%	28.4%	20.9%

\$ in millions, except per share data

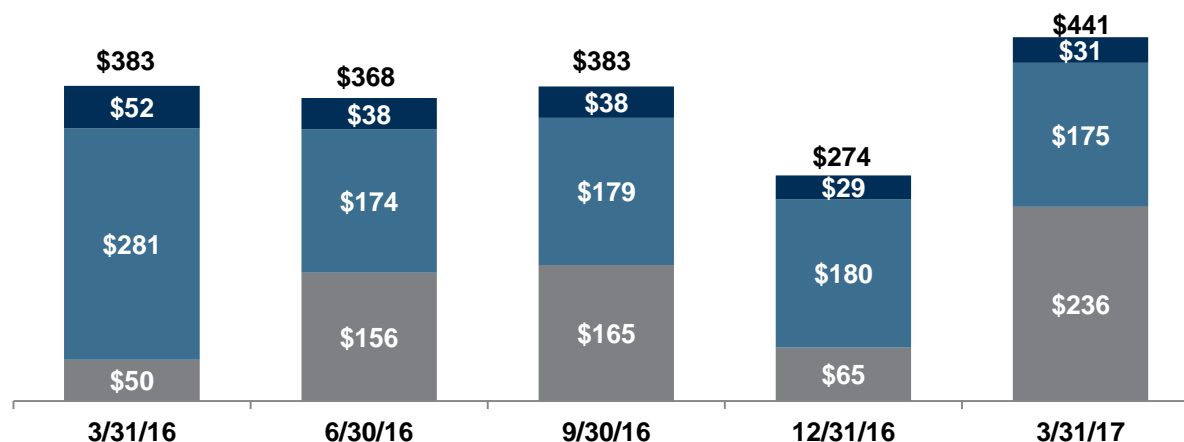
See the appendix for U.S. GAAP to Non-GAAP ("as adjusted") reconciliations and related notes

# CAPITAL POSITION



## Cash and Investments

- Cash and cash equivalents
- Seed investments
- Investments – other



## Metrics

Cash and Investments Per Share	\$46	\$48	\$50	\$46	\$55
Return of Capital	\$19.9	\$51.2	\$13.7	\$164.2	\$7.2
Borrowing Capacity	\$75.0	\$75.0	\$150.0	\$120.0	\$150.0
Basic Shares Outstanding	8.260	7.718	7.610	5.889	6.989

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

# U.S. GAAP TO NON-GAAP RECONCILIATION – Q1 2017



	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	Acquisition and integration expenses	Other	
<b>Revenues</b>								
Investment management fees	\$ 59,271	\$ -	\$ 242	\$ -	\$ -	\$ -	\$ -	\$ 59,513
Distribution and services fees	10,783	-	10	-	-	-	-	10,793
Administration and transfer agent fees	8,981	-	34	-	-	-	-	9,015
Other income and fees	741	-	-	-	-	-	-	741
Distribution and other asset-based expenses	-	(15,323)	-	-	-	-	-	(15,323)
Total revenues	79,776	(15,323)	286	-	-	-	-	64,739
<b>Operating Expenses</b>								
Employment expenses	39,641	-	-	-	-	-	-	39,641
Distribution and other asset-based expenses	15,323	(15,323)	-	-	-	-	-	-
Other operating expense	13,226	-	-	-	-	(1,629)	(669)	10,928
Other operating expenses of consolidated sponsored investment products	577	-	(577)	-	-	-	-	-
Other operating expenses of consolidated investment products	65	-	(65)	-	-	-	-	-
Depreciation and other amortization	664	-	-	-	-	-	-	664
Amortization expense	233	-	-	(233)	-	-	-	-
Total operating expenses	69,729	(15,323)	(642)	(233)	-	(1,629)	(669)	51,233
<b>Operating Income</b>	10,047	-	928	233	-	1,629	669	13,506
<b>Other Income (Expense)</b>								
Realized and unrealized gain (loss) on investments, net	297	-	3,513	-	(3,810)	-	-	-
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	3,726	-	(3,726)	-	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	718	-	(718)	-	-	-	-	-
Other income (expense), net	646	-	1,424	-	(1,424)	-	-	646
Total other income (expense), net	5,387	-	493	-	(5,234)	-	-	646
<b>Interest Income (Expense)</b>								
Interest expense	(243)	-	-	-	-	-	-	(243)
Interest and dividend income	188	-	660	-	(733)	-	-	115
Interest and dividend income of investments of consolidated sponsored investment products, net	1,495	-	(1,495)	-	-	-	-	-
Interest income of consolidated investment product	4,161	-	(4,161)	-	-	-	-	-
Interest expense of consolidated investment product	(2,857)	-	2,857	-	-	-	-	-
Total interest (expense) income, net	2,744	-	(2,139)	-	(733)	-	-	(128)
<b>Income Before Income Taxes</b>	18,178	-	(718)	233	(5,967)	1,629	669	14,024
Income tax expense	4,433	-	-	90	(288)	628	544	5,407
<b>Net Income</b>	13,745	-	(718)	143	(5,679)	1,001	125	8,617
Preferred stockholder dividends	(2,084)	-	-	-	-	-	2,084	-
Noncontrolling interests	(718)	-	718	-	-	-	-	-
<b>Net Income Attributable to Common Stockholders</b>	\$ 10,943	\$ -	\$ -	\$ 143	\$ (5,679)	\$ 1,001	\$ 2,209	\$ 8,617
<b>Earnings Per Share - Basic</b>	\$ 1.67							\$ 1.19
<b>Earnings Per Share - Diluted</b>	\$ 1.62							\$ 1.16
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	6,542							7,217
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	6,773							7,447

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

# U.S. GAAP TO NON-GAAP RECONCILIATION – Q4 2016



	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	Acquisition and integration expenses	Other	
<b>Revenues</b>								
Investment management fees	\$ 58,996	\$ -	\$ 283	\$ -	\$ -	\$ -	\$ -	\$ 59,279
Distribution and services fees	11,489	-	11	-	-	-	-	11,500
Administration and transfer agent fees	9,176	-	35	-	-	-	-	9,211
Other income and fees	189	-	-	-	-	-	-	189
Distribution and other asset-based expenses	-	(16,136)	-	-	-	-	-	(16,136)
Total revenues	79,850	(16,136)	329	-	-	-	-	64,043
<b>Operating Expenses</b>								
Employment expenses	33,457	-	-	-	-	-	-	33,457
Distribution and other asset-based expenses	16,136	(16,136)	-	-	-	-	-	-
Other operating expense	15,660	-	-	-	-	(3,347)	(611)	11,702
Other operating expenses of consolidated sponsored investment products	488	-	(488)	-	-	-	-	-
Other operating expenses of consolidated investment products	23	-	(23)	-	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-	-
Depreciation and other amortization	700	-	-	-	-	-	-	700
Amortization expense	603	-	-	(603)	-	-	-	-
Total operating expenses	67,067	(16,136)	(511)	(603)	-	(3,347)	(611)	45,859
<b>Operating Income</b>	12,783	-	840	603	-	3,347	611	18,184
<b>Other Income (Expense)</b>								
Realized and unrealized gain (loss) on investments, net	1,398	-	(2,555)	-	1,158	-	-	1
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	(3,110)	-	3,110	-	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	(4,030)	-	4,030	-	-	-	-	-
Other income (expense), net	626	-	(1,774)	-	1,774	-	-	626
Total other income (expense), net	(5,116)	-	2,811	-	2,932	-	-	627
<b>Interest Income (Expense)</b>								
Interest expense	(290)	-	-	-	-	-	-	(290)
Interest and dividend income	630	-	1,300	-	(1,848)	-	-	82
Interest and dividend income of investments of consolidated sponsored investment products, net	1,488	-	(1,488)	-	-	-	-	-
Interest income of consolidated investment product	4,058	-	(4,058)	-	-	-	-	-
Interest expense of consolidated investment product	(1,104)	-	1,104	-	-	-	-	-
Total interest (expense) income, net	4,782	-	(3,142)	-	(1,848)	-	-	(208)
<b>Income Before Income Taxes</b>	12,449	-	509	603	1,084	3,347	611	18,603
Income tax expense	532	-	-	227	4,754	1,260	230	7,003
<b>Net Income</b>	11,917	-	509	376	(3,670)	2,087	381	11,600
Noncontrolling interests	509	-	(509)	-	-	-	-	-
<b>Net Income Attributable to Common Stockholders</b>	\$ 12,426	\$ -	\$ -	\$ 376	\$ (3,670)	\$ 2,087	\$ 381	\$ 11,600
<b>Earnings Per Share - Basic</b>	\$ 1.94							\$ 1.81
<b>Earnings Per Share - Diluted</b>	\$ 1.87							\$ 1.75
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	6,413							6,413
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	6,627							6,627

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

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



	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	\$ 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 income of consolidated investment product	4,047	-	(4,047)	-	-	-	-	-
Interest expense of consolidated investment product	(3,788)	-	3,788	-	-	-	-	-
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

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



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



	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 income of consolidated investment product	2,582	-	(2,582)	-	-	-	-	-
Interest expense of consolidated investment product	(5,668)	-	5,668	-	-	-	-	-
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

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

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



	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 income of consolidated investment product	2,206	-	(2,206)	-	-	-	-
Interest expense of consolidated investment product	(732)	-	732	-	-	-	-
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

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

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 exclusion 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.

## Notes to Reconciliations:

1. Distribution and other asset-based expenses - Primarily payments to third-party distribution partners for providing services to investors in our sponsored funds and payments to third-party service providers for investment management-related services. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that do not utilize intermediary distribution partners or third-party service providers.
2. Consolidated investment products - Revenues and expenses generated by operating activities of majority owned seed capital related mutual funds and CLOs. Management believes that excluding these operating activities 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 from managing client assets.
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 associated with restructuring the business, including lease abandonment-related expenses, and severance costs associated with staff reductions, 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 earnings/(losses) - 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 investments 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. Acquisition and integration expenses - Expenses that are directly related to acquisition and integration activities. Acquisition expenses include transaction closing costs, professional fees and financing fees. Integration expenses include costs incurred that are directly attributable to combining the businesses, including compensation, restructuring and severance charges, professional fees, consulting fees and other expenses. Management believes that making these adjustments aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
7. Other - Certain expenses 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 or infrequent 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.

# FOOTNOTES

Components of Other for the respective periods are shown in the table below:

	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>Q1:17</u>
<b>Other (\$ in thousands)</b>					
System transition expenses	\$414	\$358	\$445	\$611	\$669
Tax impact of transition expenses	(159)	(138)	(166)	(230)	(258)
Discrete tax adjustments	-	-	-	-	(286)
Preferred stockholder dividends	-	-	-	-	2,084
<b>Total Other</b>	<b>\$255</b>	<b>\$220</b>	<b>\$279</b>	<b>\$381</b>	<b>\$2,209</b>

# RIDGEWORTH UPDATE



## Assets Under Management and Fee Rate by Product

	<u>Mutual Funds</u>	<u>SMA's</u>	<u>Institutional</u>	<u>Structured Products</u>	<u>Total</u>
<b>Assets under management at March 31, 2017</b>					
Total	\$17,462	\$3,102	\$19,257	\$2,487	\$42,308
Less: Liquidity	(1,486)	(118)	(4,970)	-	(6,574)
Long-Term	\$15,976	\$2,984	\$14,287	\$2,487	\$35,734
<b>Average net assets - Q1 2017</b>					
Total	\$17,304	\$3,104	\$19,298	\$2,487	\$42,193
Less: Liquidity	(1,498)	(118)	(4,971)	-	(6,587)
Long-Term	\$15,806	\$2,986	\$14,327	\$2,487	\$35,606
<b>Fee Rates</b>					
Total AUM:					
Fee Rate	47.9	29.2	21.8	76.9	36.3
Fee rate excluding performance fees	47.9	29.2	21.8	42.2	34.3
Long-Term AUM:					
Fee Rate	50.6	30.1	27.8	76.9	41.5
Fee rate excluding performance fees	50.6	30.1	27.8	42.2	39.1

\$ in millions

Note: Assets under management and fee rates are preliminary and subject to change when reporting policies are aligned

# MUTUAL FUNDS



## Additional Information on Virtus and RidgeWorth Funds rated by Morningstar as of 3/31/17:

Description	Overall	3 yr.	5 yr.	10 yr.
Number of 3/4/5 Star Funds	53	47	43	37
Percentage of Assets	97%	90%	91%	95%
Number of 4/5 Star Funds	44	27	19	29
Percentage of Assets	86%	75%	66%	91%
Total Funds	65	65	59	49

**Data quoted represents past performance. Past performance does not guarantee future results.** Current performance may be lower or higher than the performance data quoted. Investing involves risk, including the possible loss of principal. The value of your investment will fluctuate over time and you may gain or lose money.

## Morningstar Ratings as of 3/31/17:

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

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## Lipper Rankings as of 3/31/17:

Lipper performance on an asset weighted basis is calculated by taking all funds and assigning the assets under management ("AUM") in each respective fund to either the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> or 4<sup>th</sup> quartile bucket based on each fund's respective Lipper rankings. The total AUM of each quartile's bucket is then divided by complex wide total AUM to arrive at the respective percent of AUM in each bucket. Lipper, a wholly owned subsidiary of Reuters, provides independent insight on global collective investments including mutual funds, retirement funds, hedge funds, fund fees and expenses to the asset management and media communities. Lipper ranks the performance of mutual funds within a classification of funds that have similar investment objectives. Rankings are historical with capital gains and dividends reinvested and do not include the effect of loads. Funds not ranked by Lipper are not included in the analysis. If sales loads were reflected, the rankings shown would be lower. If an expense waiver was in effect, it may have had a material effect on the total return or yield for the period.

Strong ratings are not indicative of positive fund performance. Absolute performance for some funds was negative. For complete investment performance, please visit [www.virtus.com](http://www.virtus.com) and [www.ridgeworth.com](http://www.ridgeworth.com).

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