



First Quarter 2016  
Earnings Presentation  
April 29, 2016

---

**George R. Aylward**

President and Chief Executive Officer

**Michael A. Angerthal**

Executive Vice President and Chief Financial 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 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) 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

---

- Overview of First Quarter
- First Quarter Results
- Q & A Session



---

## OVERVIEW OF FIRST QUARTER

# OVERVIEW OF FIRST QUARTER



## Assets and Flows

- Assets under management decreased 3.7% sequentially to \$45.7 billion
- Total sales of \$2.8 billion decreased \$0.3 billion or 10% from sequential quarter; mutual fund sales of \$2.2 billion decreased \$0.4 billion or 14% sequentially
- Net flows of (\$2.6) billion compared with (\$1.1) billion in sequential quarter reflect elevated redemptions in the Emerging Markets Opportunities Fund

## Non-GAAP Financial Results

- Operating income, as adjusted, of \$15.2 million and related margin of 24%
- Excluding \$2.3 million of incremental payroll taxes and \$1.8 million variable incentive fee, operating income, as adjusted and related margin would have been \$19.3 million and 30%
- Earnings per diluted share, as adjusted, of \$1.12 includes (\$0.30) impact from incremental payroll taxes and variable incentive fee

## Capital Activities

- Return of capital of \$19.9 million includes \$15.0 million of share repurchases; payout ratio of 209%
- Ending shares outstanding of 8.3 million declined 1.7% from December 31, 2015
- Proceeds of pending seed capital liquidations expected to be used primarily for capital return



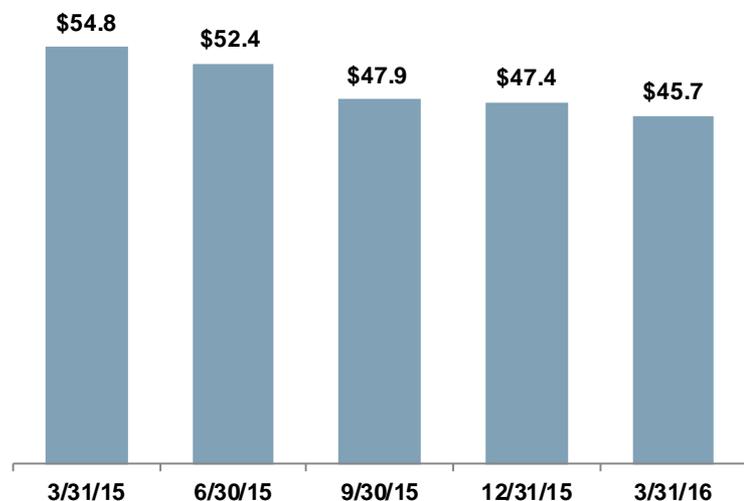
---

# FIRST QUARTER RESULTS

# ASSETS UNDER MANAGEMENT



## Quarterly Trends



Assets by Asset Class					
Equity	60.5%	60.9%	58.9%	59.8%	59.3%
Fixed	30.1%	30.5%	32.5%	31.9%	32.8%
Alternatives <sup>1</sup>	8.6%	7.7%	7.7%	7.3%	6.8%
Other <sup>2</sup>	0.8%	0.9%	0.9%	1.0%	1.1%

\$ in billions

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

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

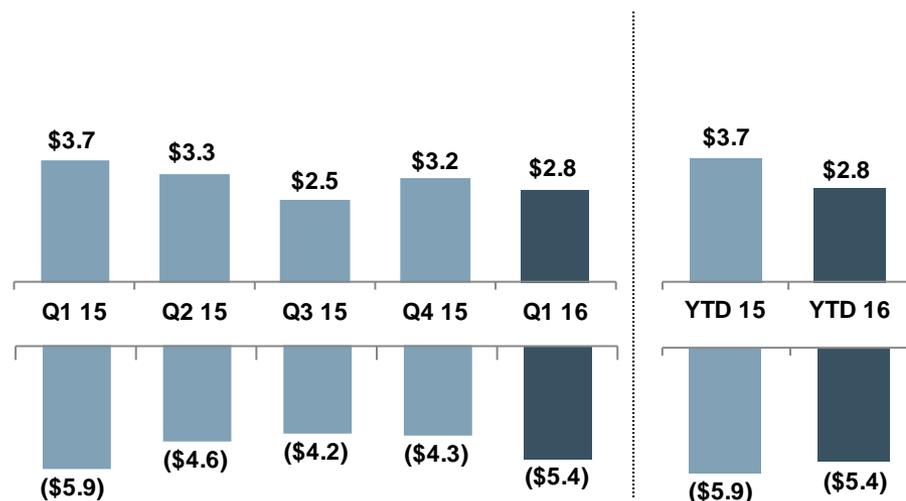
## Commentary

Trend reflects impact of net flows and market performance

- Sequential decrease of \$1.7 billion, or 3.7% primarily reflects net flows of (\$2.6) billion offset by \$1.1 billion of market appreciation
- Assets decreased \$9.1 billion or 17% from prior year
  - Reflects open-end net outflows and market performance
  - ETF assets of \$0.4 billion reflect four consecutive quarters of positive net flows
  - Institutional assets increased 3% to \$5.2 billion

# ASSET FLOWS

## Inflows/Outflows



## Commentary

Flows reflect market trends, product breadth and investment performance

- Sales of \$2.8 billion represent 10% sequential decrease due to lower open-end fund sales
- Net flows of (\$2.6) billion include (\$1.5) billion from the Emerging Markets Opportunities Fund
- Separately managed accounts and ETFs contributed positive net flows

Sales Metrics						
Net Flows						
(\$2.2)	(\$1.3)	(\$1.6)	(\$1.1)	(\$2.6)	(\$2.2)	(\$2.6)
Net Flow Rate <sup>1</sup>						
(15.7%)	(9.9%)	(12.5%)	(9.4%)	(22.2%)	(15.7%)	(22.2%)

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

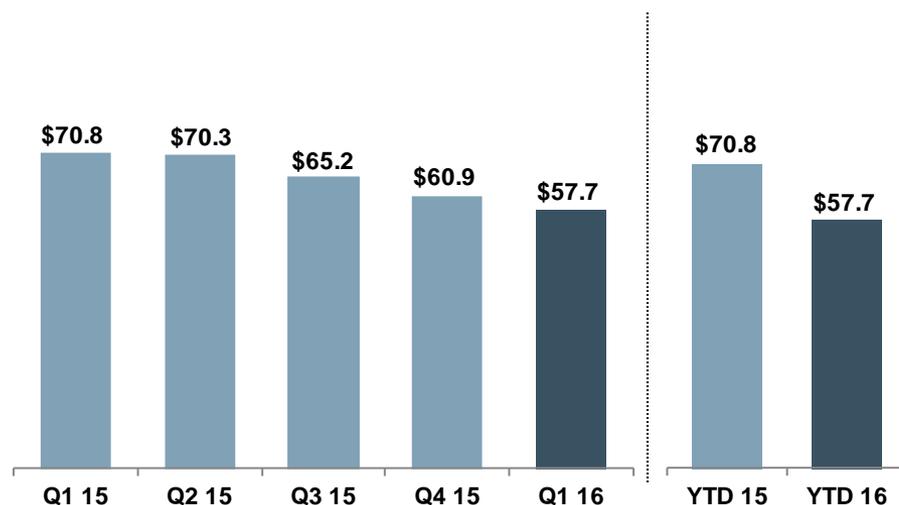
# INVESTMENT MANAGEMENT FEES, AS ADJUSTED



## Quarterly Results

## Year to Date

## Commentary



Metrics							
Net Fee Rate <sup>1,2</sup> – BPS	51.5	50.7	49.4	48.4	49.7	51.5	49.7
Average AUM <sup>1</sup> - (\$Bn)	\$55.7	\$54.4	\$50.6	\$48.5	\$45.7	\$55.7	\$45.7

Investment management fees reflect changes in average assets and net fee rate

- Sequential decrease of \$3.2 million, or 5%, due to 6% decline in average assets
- Decrease from prior year due primarily to 18% decline in average assets
- Net fee rate increased 1.3 bps sequentially due to the elimination of the variable incentive fee
- Excluding the variable incentive fee, the open-end fund fee rate was 49.9 bps; decline of 2.2 bps sequentially due to higher fund expense reimbursements and lower assets in higher fee products

\$ in millions, except AUM figures which are in billions

<sup>1</sup> Excludes money market funds

<sup>2</sup> Represents net investment management fees divided by average assets. Net investment management fees are defined as net investment management fees, as adjusted less fees paid to third party service providers for investment management related services.

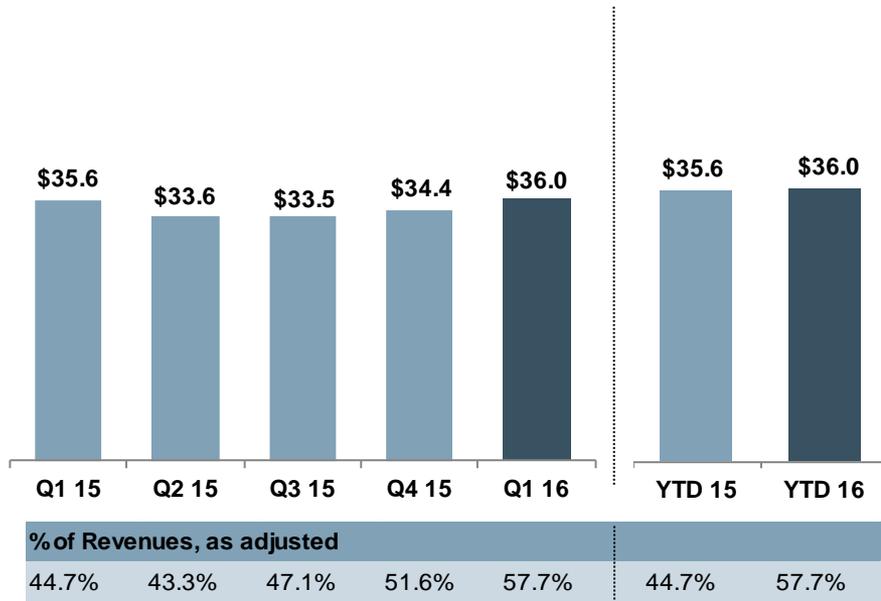
See the appendix for U.S. GAAP to Non-GAAP (“as adjusted”) reconciliations and related notes

# EMPLOYMENT EXPENSES, AS ADJUSTED

## Quarterly Results

## Year to Date

## Commentary



Trend reflects staffing levels and variable incentive plans

- Increase of \$1.6 million, or 5% over prior quarter primarily due to \$2.3 million of incremental payroll taxes partially offset by lower variable compensation
- Increase over prior year reflects addition of Virtus ETF Solutions and resources to support quantitative strategies; partially offset by lower variable compensation

\$ in millions

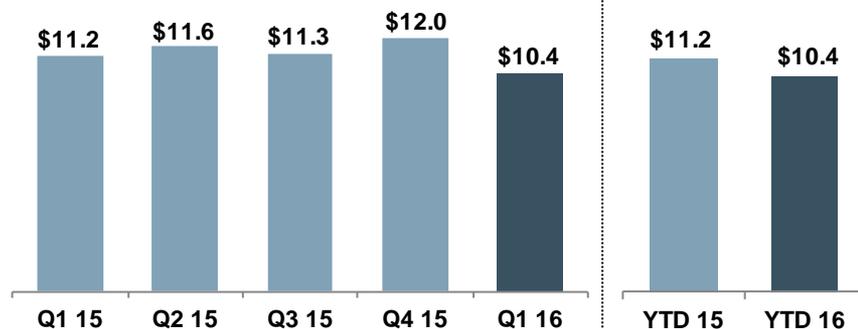
See the appendix for U.S. GAAP to Non-GAAP ("as adjusted") reconciliations and related notes

# OTHER OPERATING EXPENSES, AS ADJUSTED

## Quarterly Results

## Year to Date

## Commentary



### % of Revenues, as adjusted

14.0%	15.0%	15.9%	18.0%	16.6%	14.0%	16.6%
-------	-------	-------	-------	-------	-------	-------

Results reflect timing of product, distribution, and operational initiatives

- Other operating expenses declined \$1.6 million sequentially due to:
  - Lower travel and marketing expenses
  - Discrete items of \$0.8 million in the fourth quarter that did not recur
- Other operating expenses, as adjusted, as a percentage of revenues, as adjusted improved to 16.6%

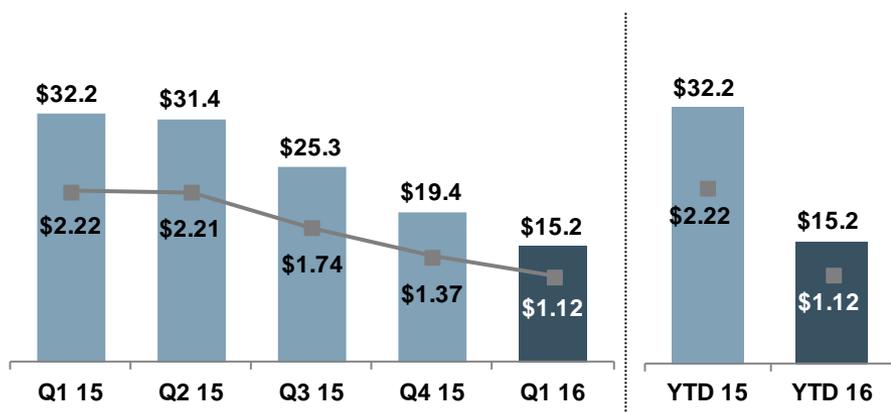
\$ in millions

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

# NON-GAAP RESULTS

## Operating Income, As Adjusted

■ Diluted earnings per share, as adjusted



Metrics	
Net Income Attributable to Common Stockholders, As Adjusted	
\$20.3	\$20.0
\$15.5	\$11.9
\$9.5	\$9.5
Operating Margin, As Adjusted	
40.3%	40.5%
35.6%	29.1%
24.4%	24.4%

## Commentary

Profitability impacted by net flows, market performance and leveragability of the business

- Diluted EPS, as adjusted, of \$1.12 includes:
  - (\$0.17) per share of incremental payroll taxes compared to fourth quarter
  - (\$0.13) per share impact of variable incentive fee
- Operating income, as adjusted, decreased \$4.2 million, or 22%, sequentially due primarily to \$4.3 million of lower revenues
- Excluding the variable incentive fee and incremental payroll taxes, operating margin, as adjusted would have been 30%

\$ in millions, except per share data  
See the appendix for U.S. GAAP to Non-GAAP ("as adjusted") reconciliations and related notes

# CAPITAL POSITION

## Select Non-GAAP Balance Sheet Items

	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16
Cash and cash equivalents	\$166	\$194	\$127	\$88	\$50
Seed capital investments <sup>1</sup>	\$242	\$239	\$277	\$274	\$281
Investments - other <sup>2</sup>	\$22	\$22	\$41	\$60	\$52
<i>Total - Cash and investments</i>	<i>\$430</i>	<i>\$456</i>	<i>\$445</i>	<i>\$422</i>	<i>\$383</i>
Deferred taxes, net	\$58	\$60	\$60	\$54	\$49
Dividend payable	\$4	\$4	\$4	\$4	\$4
Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Total equity attributable to stockholders	\$565	\$559	\$540	\$510	\$506
<i>Working capital (WC)<sup>3</sup></i>	<i>\$190</i>	<i>\$186</i>	<i>\$107</i>	<i>\$72</i>	<i>\$59</i>
<i>Basic shares outstanding</i>	<i>8.912</i>	<i>8.819</i>	<i>8.668</i>	<i>8.399</i>	<i>8.260</i>
<b>Metrics:</b>					
Cash and investments - per share basis <sup>4</sup>	\$48	\$52	\$51	\$50	\$46
WC % of spend <sup>5</sup>	59%	56%	38%	26%	22%

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

<sup>1</sup> Represents the company's investments in sponsored investment products including the company's investment in consolidated sponsored investment products (CSIPs), net of non-controlling interests

<sup>2</sup> Investments that are not related to the company's seed investments including mutual funds and a potential CLO

<sup>3</sup> Defined as cash and investments plus accounts receivable, net, less seed capital investments, a potential CLO, accrued compensation and benefits, accounts payable and accrued liabilities, and dividends payable

<sup>4</sup> Cash and investments divided by basic shares outstanding at the end of the period

<sup>5</sup> Working capital divided by annualized operating expenses

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

## Commentary

Strong capital position reflects cash generated from the business and capital activities

- Cash and investments decreased \$39.0 million, or 9%, due to return of capital and the payment of annual incentive compensation
- Working capital of \$59.1 million decreased \$12.7 million, or 18%, due primarily to return of capital partially offset by earnings generated in the period
- Returned \$15.0 million through share repurchases; ending shares outstanding declined 1.7% and 7.3% compared to 12/31/15 and 3/31/15, respectively
- Liquidating approximately \$114.0 million of seed capital in the second quarter



---

## Appendix

# NON-GAAP INCOME STATEMENT



## Quarterly Trend and Total Year

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Revenues, As Adjusted</b>							
Investment management fees, as adjusted	\$70,801	\$70,321	\$65,193	\$60,853	\$57,735	\$70,801	\$57,735
Distribution and service fees, as adjusted	19,618	17,658	15,614	14,272	12,502	19,618	12,502
Administration and transfer agent fees, as adjusted	13,118	12,662	11,714	11,123	10,092	13,118	10,092
Other income and fees, as adjusted	695	577	283	244	175	695	175
Distribution and other asset-based expenses, as adjusted	(24,507)	(23,676)	(21,717)	(19,831)	(18,101)	(24,507)	(18,101)
Total revenues, as adjusted	79,725	77,542	71,087	66,661	62,403	79,725	62,403
<b>Operating Expenses, As Adjusted</b>							
Employment expenses, as adjusted	35,622	33,593	33,504	34,376	35,977	35,622	35,977
Other operating expenses, as adjusted	11,174	11,643	11,335	12,001	10,351	11,174	10,351
Depreciation and other amortization, as adjusted	779	873	910	881	862	779	862
Total operating expenses, as adjusted	47,575	46,109	45,749	47,258	47,190	47,575	47,190
<b>Operating Income, As Adjusted</b>	<b>32,150</b>	<b>31,433</b>	<b>25,338</b>	<b>19,403</b>	<b>15,213</b>	<b>32,150</b>	<b>15,213</b>

\$ in thousands

# NON-GAAP INCOME STATEMENT



## Quarterly Trend and Total Year (continued)

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Other Income (Expense), As Adjusted</b>							
Realized and unrealized (loss) gain on investments, net, as adjusted	116	224	(159)	(202)	(5)	116	(5)
Other income, net, as adjusted	435	247	141	75	228	435	228
Total other income (expense), net, as adjusted	551	471	(18)	(127)	223	551	223
<b>Interest Income (Expense), As Adjusted</b>							
Interest expense, as adjusted	(123)	(121)	(138)	(141)	(132)	(123)	(132)
Interest and dividend income, as adjusted	219	175	247	204	138	219	138
Total interest income, net, as adjusted	96	54	109	63	6	96	6
<b>Pre-Tax Income, As Adjusted</b>	<b>32,797</b>	<b>31,958</b>	<b>25,429</b>	<b>19,339</b>	<b>15,442</b>	<b>32,797</b>	<b>15,442</b>
Income tax expense, as adjusted	12,500	12,127	9,787	7,475	5,920	12,500	5,920
<b>Net Income, As Adjusted</b>	<b>20,297</b>	<b>19,831</b>	<b>15,642</b>	<b>11,864</b>	<b>9,522</b>	<b>20,297</b>	<b>9,522</b>
Noncontrolling interests, as adjusted	37	165	(94)	67	-	37	-
<b>Net Income Attributable to Common Stockholders, As Adjusted</b>	<b>\$20,334</b>	<b>\$19,996</b>	<b>\$15,548</b>	<b>\$11,931</b>	<b>\$9,522</b>	<b>\$20,334</b>	<b>\$9,522</b>

\$ in thousands

# U.S. GAAP INCOME STATEMENT



## Quarterly Trend and Total Year

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Revenues</b>							
Investment management fees	\$70,496	\$68,867	\$64,891	\$60,611	\$57,644	\$70,496	\$57,644
Distribution and service fees	19,598	17,635	15,587	14,246	12,478	19,598	12,478
Administration and transfer agent fees	13,042	12,577	11,614	11,014	9,998	13,042	9,998
Other income and fees	695	577	283	244	175	695	175
<b>Total revenues</b>	<b>103,831</b>	<b>99,656</b>	<b>92,375</b>	<b>86,115</b>	<b>80,295</b>	<b>103,831</b>	<b>80,295</b>
<b>Operating Expenses</b>							
Employment expenses	35,622	33,593	33,504	34,376	35,977	35,622	35,977
Distribution and other asset-based expenses	24,507	23,676	21,717	19,831	18,101	24,507	18,101
Other operating expenses	16,726	23,512	11,165	12,498	10,765	16,726	10,765
Other operating expenses of CSIPs	818	957	1,120	1,239	1,133	818	1,133
Other operating expenses of CIP	-	-	-	-	56	-	56
Depreciation and other amortization	779	873	910	881	862	779	862
Amortization expense	837	837	837	784	651	837	651
<b>Total operating expenses</b>	<b>79,289</b>	<b>83,448</b>	<b>69,253</b>	<b>69,609</b>	<b>67,545</b>	<b>79,289</b>	<b>67,545</b>
<b>Operating Income</b>	<b>24,542</b>	<b>16,208</b>	<b>23,122</b>	<b>16,506</b>	<b>12,750</b>	<b>24,542</b>	<b>12,750</b>

\$ in thousands

# U.S. GAAP INCOME STATEMENT



## Quarterly Trend and Total Year (continued)

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Other Income (Expense)</b>							
Realized and unrealized gain (loss) on investments, net	545	343	(2,082)	332	(658)	545	(658)
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	2,590	(3,242)	(17,619)	(4,910)	295	2,590	295
Realized and unrealized gain (loss) on investments of consolidated investment products, net	-	-	(721)	(2,784)	2,235	-	2,235
Other income, net	435	247	141	75	228	435	228
<b>Total other income (expense), net</b>	<b>3,570</b>	<b>(2,652)</b>	<b>(20,281)</b>	<b>(7,287)</b>	<b>2,100</b>	<b>3,570</b>	<b>2,100</b>
<b>Interest Income (Expense)</b>							
Interest expense	(123)	(121)	(138)	(141)	(132)	(123)	(132)
Interest and dividend income	280	302	324	355	273	280	273
Interest and dividend income of investments of consolidated sponsored investment products	2,324	3,098	2,898	3,184	2,961	2,324	2,961
Interest income of investments of consolidated investment products	-	-	41	1,632	1,474	-	1,474
<b>Total interest income, net</b>	<b>2,481</b>	<b>3,279</b>	<b>3,125</b>	<b>5,030</b>	<b>4,576</b>	<b>2,481</b>	<b>4,576</b>
<b>Income Before Income Taxes</b>	<b>30,593</b>	<b>16,835</b>	<b>5,966</b>	<b>14,249</b>	<b>19,426</b>	<b>30,593</b>	<b>19,426</b>
Income tax expense	10,868	7,823	9,669	8,612	7,556	10,868	7,556
<b>Net Income (Loss)</b>	<b>19,725</b>	<b>9,012</b>	<b>(3,703)</b>	<b>5,637</b>	<b>11,870</b>	<b>19,725</b>	<b>11,870</b>
Noncontrolling interests	(383)	765	3,054	999	493	(383)	493
<b>Net Income (Loss) Attributable to Common Stockholders</b>	<b>\$19,342</b>	<b>\$9,777</b>	<b>(\$649)</b>	<b>\$6,636</b>	<b>\$12,363</b>	<b>\$19,342</b>	<b>\$12,363</b>

\$ in thousands

# CONDENSED BALANCE SHEET



## Quarter-end Trend

	<u>3/31/15</u>	<u>6/30/15</u>	<u>9/30/15</u>	<u>12/31/15</u>	<u>3/31/16</u>
<b>Assets:</b>					
Cash and cash equivalents	\$166,031	\$194,334	\$126,470	\$87,574	\$50,402
Investments – seed capital	241,813	238,862	276,806	273,679	280,929
Investments – other	22,366	22,338	41,409	60,225	51,136
<b>Total cash and investments</b>	<b>430,210</b>	<b>455,534</b>	<b>444,685</b>	<b>421,478</b>	<b>382,467</b>
Investments – long term	13,292	15,053	15,089	15,242	16,388
Accounts receivable, net	55,570	43,740	40,260	39,011	38,022
Furniture, equipment, and leasehold improvements, net	8,578	9,377	9,042	9,116	8,692
Intangible assets, net	40,946	42,509	41,672	40,887	40,236
Goodwill	5,260	6,663	6,649	6,701	6,703
Deferred taxes, net	57,958	59,783	59,700	54,143	49,085
Other assets	17,092	14,327	17,242	12,815	17,058
<b>Total assets</b>	<b>\$628,906</b>	<b>\$646,986</b>	<b>\$634,339</b>	<b>\$599,393</b>	<b>\$558,651</b>

\$ in thousands

# CONDENSED BALANCE SHEET



## Quarter-end Trend (continued)

	<u>3/31/15</u>	<u>6/30/15</u>	<u>9/30/15</u>	<u>12/31/15</u>	<u>3/31/16</u>
<b>Liabilities and Equity</b>					
<b>Liabilities:</b>					
Accrued compensation and benefits	\$17,343	\$27,134	\$38,206	\$49,617	\$15,035
Accounts payable and accrued liabilities	32,627	43,456	39,739	23,036	20,563
Dividends payable	4,236	4,251	4,258	4,233	4,173
Other liabilities	9,556	13,172	12,806	13,050	13,493
<b>Total liabilities</b>	<b>63,762</b>	<b>88,013</b>	<b>95,009</b>	<b>89,936</b>	<b>53,264</b>
<b>Equity:</b>					
Equity attributable to stockholders	565,368	559,363	539,626	509,624	505,554
Noncontrolling interests	(224)	(390)	(296)	(167)	(167)
<b>Total liabilities and equity</b>	<b>\$628,906</b>	<b>\$646,986</b>	<b>\$634,339</b>	<b>\$599,393</b>	<b>\$558,651</b>
<b>Working capital (1)</b>	<b>\$189,761</b>	<b>\$185,571</b>	<b>\$106,616</b>	<b>\$71,760</b>	<b>\$59,119</b>

\$ in thousands

(1) Defined as cash and investments plus accounts receivable, net, less seed capital investments, CLO investments, accrued compensation and benefits, accounts payable and accrued liabilities, and dividends payable

# AUM AND AVERAGE NET MANAGEMENT FEES EARNED



## Quarterly Trend and Total Year

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>By Product (period end)</b>							
Open-End Funds	\$34,120.5	\$32,211.0	\$28,717.1	\$27,865.8	\$25,560.3	\$34,120.5	\$25,560.3
Variable Insurance Funds	1,197.3	1,134.3	999.3	1,016.3	975.7	1,197.3	975.7
<i>Subtotal – Open-End Funds</i>	<i>35,317.8</i>	<i>33,345.3</i>	<i>29,716.4</i>	<i>28,882.1</i>	<i>26,536.0</i>	<i>35,317.8</i>	<i>26,536.0</i>
Closed-End Funds	7,288.0	6,901.0	6,349.8	6,222.3	6,543.6	7,288.0	6,543.6
Exchange Traded Funds	-	132.6	306.9	340.8	353.6	-	353.6
Intermediary Sold Managed Accounts (1)	4,250.3	4,180.6	3,853.5	3,985.7	4,151.5	4,250.3	4,151.5
High Net Worth (1)	2,880.7	2,771.5	2,686.1	2,798.7	2,869.6	2,880.7	2,869.6
<i>Subtotal – Separately Managed Accounts (1)</i>	<i>7,131.0</i>	<i>6,952.1</i>	<i>6,539.6</i>	<i>6,784.4</i>	<i>7,021.1</i>	<i>7,131.0</i>	<i>7,021.1</i>
Institutional Accounts (1)	5,036.2	5,070.0	5,025.0	5,155.7	5,196.9	5,036.2	5,196.9
<b>Total</b>	<b>\$54,773.0</b>	<b>\$52,401.0</b>	<b>\$47,937.7</b>	<b>\$47,385.3</b>	<b>\$45,651.2</b>	<b>\$54,773.0</b>	<b>\$45,651.2</b>
<b>By Product (average) (2)</b>							
Open-End Funds	\$35,449.1	\$33,669.8	\$30,543.6	\$28,976.7	\$26,341.6	\$35,449.1	\$26,341.6
Variable Insurance Funds	1,214.6	1,182.4	1,083.5	1,040.9	954.3	1,214.6	954.3
<i>Subtotal – Open-End Funds</i>	<i>36,663.7</i>	<i>34,852.3</i>	<i>31,627.1</i>	<i>30,017.6</i>	<i>27,295.9</i>	<i>36,663.7</i>	<i>27,295.9</i>
Closed-End Funds	7,435.8	7,256.5	6,714.5	6,378.5	6,152.3	7,435.8	6,152.3
Exchange Traded Funds	-	103.9	269.9	343.4	337.1	-	337.1
Intermediary Sold Managed Accounts (1)	4,150.2	4,244.6	4,159.4	3,866.6	3,969.7	4,150.2	3,969.7
High Net Worth (1)	2,696.1	2,880.7	2,771.5	2,686.1	2,798.7	2,696.1	2,798.7
<i>Subtotal – Separately Managed Accounts (1)</i>	<i>6,846.3</i>	<i>7,125.3</i>	<i>6,930.9</i>	<i>6,552.7</i>	<i>6,768.4</i>	<i>6,846.3</i>	<i>6,768.4</i>
Institutional Accounts(1)	4,786.7	5,054.8	5,082.4	5,199.9	5,112.4	4,786.7	5,112.4
<b>Total</b>	<b>\$55,732.5</b>	<b>\$54,392.7</b>	<b>\$50,624.8</b>	<b>\$48,492.1</b>	<b>\$45,666.1</b>	<b>\$55,732.5</b>	<b>\$45,666.1</b>

\$ in millions

(1) Includes assets under management related to option strategies

(2) Averages are calculated as follows:

- Funds – average daily or weekly balances
- Separately Managed Accounts – prior quarter ending balance or average of month-end balances in quarter
- Institutional Accounts – average of month-end balances in quarter

# AUM AND AVERAGE NET MANAGEMENT FEES EARNED



## Quarterly Trend and Total Year

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Average Net Management Fees Earned (1)</b> <i>(In basis points, annualized)</i>							
Open-End Funds	49.9	49.1	47.2	45.9	47.1	49.9	47.1
Variable Insurance Funds	51.4	51.2	48.7	48.6	53.2	51.4	53.2
<i>Subtotal – Open-End Funds</i>	49.9	49.2	47.3	46.0	47.3	49.9	47.3
Closed-End Funds	66.7	66.9	66.9	66.3	65.4	66.7	65.4
Exchange Traded Funds	-	8.9	21.9	29.1	34.6	-	34.6
Intermediary Sold Managed Accounts (2)	40.8	40.4	40.0	40.5	41.9	40.8	41.9
High Net Worth (2)	74.8	72.7	76.4	74.4	76.3	74.8	76.3
<i>Subtotal – Separately Managed Accounts (2)</i>	54.2	53.5	54.5	54.4	56.1	54.2	56.1
Institutional Accounts (2)	36.3	34.9	34.2	34.4	36.7	36.3	36.7
<b>Total</b>	<b>51.5</b>	<b>50.7</b>	<b>49.4</b>	<b>48.4</b>	<b>49.7</b>	<b>51.5</b>	<b>49.7</b>

\$ in millions

(1) Represents net investment management fees divided by average assets. Net investment management fees are defined as investment management fees, as adjusted less fees paid to third party service providers for investment management related services. For the three months ended March 31, 2016, the impact of third party service providers for investment management related services on Open-End Funds and All Products was 1.8 and 1.1 basis points, respectively.

(2) Includes assets under management related to option strategies

# ASSETS UNDER MANAGEMENT



## Quarterly Trend and Total Year: All Product Flows and AUM By Asset Class

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>All Product Flows</b>							
Beginning balance	\$56,702.4	\$54,773.0	\$52,401.0	\$47,937.7	\$47,385.3	\$56,702.4	\$47,385.3
Inflows	3,710.8	3,267.8	2,547.2	3,164.0	2,841.1	3,710.8	2,841.1
Outflows	(5,900.5)	(4,616.2)	(4,194.6)	(4,302.9)	(5,469.0)	(5,900.5)	(5,469.0)
Net Flows	(2,189.7)	(1,348.4)	(1,647.4)	(1,138.9)	(2,627.9)	(2,189.7)	(2,627.9)
Market performance	323.5	(782.3)	(2,653.5)	877.9	1,062.8	323.5	1,062.8
Other (1)	(63.2)	(241.3)	(162.4)	(291.4)	(169.0)	(63.2)	(169.0)
<b>Ending Balance</b>	<b>\$54,773.0</b>	<b>\$52,401.0</b>	<b>\$47,937.7</b>	<b>\$47,385.3</b>	<b>\$45,651.2</b>	<b>\$54,773.0</b>	<b>\$45,651.2</b>
<b>AUM by asset class (period end)</b>							
Equity	\$33,129.0	\$31,908.8	\$28,231.0	\$28,314.9	\$27,061.4	\$33,129.0	\$27,061.4
<i>% of total</i>	60.5%	60.9%	58.9%	59.8%	59.3%	60.5%	59.3%
Fixed Income	16,521.1	16,010.8	15,580.6	15,115.6	14,994.2	16,521.1	14,994.2
<i>% of total</i>	30.1%	30.5%	32.5%	31.9%	32.8%	30.1%	32.8%
Alternatives (2)	4,703.8	4,031.2	3,681.7	3,468.7	3,091.0	4,703.8	3,091.0
<i>% of total</i>	8.6%	7.7%	7.7%	7.3%	6.8%	8.6%	6.8%
Other (3)	419.1	450.2	444.4	486.1	504.6	419.1	504.6
<i>% of total</i>	0.8%	0.9%	0.9%	1.0%	1.1%	0.8%	1.1%
Total	\$54,773.0	\$52,401.0	\$47,937.7	\$47,385.3	\$45,651.2	\$54,773.0	\$45,651.2

\$ in millions

(1) Represents open-end and closed-end mutual fund distributions, net of reinvestments, net flows of cash management strategies, net flows and market performance of structured products, which are a component of institutional accounts, and net flows from non-sales related activities such as asset acquisitions/(dispositions), marketable securities investments/(withdrawals), and the impact on assets from the use of leverage

(2) Consists of real estate securities, master-limited partnerships, and other

(3) Consists of option strategies

# ASSETS UNDER MANAGEMENT



## Asset Flows – By Product

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Open-End Funds</b>							
Beginning balance	\$36,292.3	\$34,120.5	\$32,211.0	\$28,717.1	\$27,865.8	\$36,292.3	\$27,865.8
Inflows	2,999.9	2,611.3	1,857.8	2,540.4	2,186.4	2,999.9	2,186.4
Outflows	(5,329.3)	(4,120.1)	(3,684.5)	(3,662.6)	(4,748.2)	(5,329.3)	(4,748.2)
Net Flows	(2,329.4)	(1,508.8)	(1,826.7)	(1,122.2)	(2,561.8)	(2,329.4)	(2,561.8)
Market performance	167.3	(339.5)	(1,689.0)	375.3	297.4	167.3	297.4
Other	(9.7)	(61.2)	21.8	(104.4)	(41.1)	(9.7)	(41.1)
<b>Ending Balance</b>	<b>\$34,120.5</b>	<b>\$32,211.0</b>	<b>\$28,717.1</b>	<b>\$27,865.8</b>	<b>\$25,560.3</b>	<b>\$34,120.5</b>	<b>\$25,560.3</b>
<b>Variable Insurance Funds</b>							
Beginning balance	\$1,221.9	\$1,197.3	\$1,134.3	\$999.3	\$1,016.3	\$1,221.9	\$1,016.3
Inflows	14.3	8.2	8.4	6.5	7.0	14.3	7.0
Outflows	(68.7)	(54.4)	(51.5)	(39.4)	(46.1)	(68.7)	(46.1)
Net Flows	(54.4)	(46.2)	(43.1)	(32.9)	(39.1)	(54.4)	(39.1)
Market performance	29.8	(13.4)	(91.9)	49.9	(1.5)	29.8	(1.5)
Other	-	(3.4)	-	-	-	-	-
<b>Ending Balance</b>	<b>\$1,197.3</b>	<b>\$1,134.3</b>	<b>\$999.3</b>	<b>\$1,016.3</b>	<b>\$975.7</b>	<b>\$1,197.3</b>	<b>\$975.7</b>
<b>Subtotal – Open-End Funds</b>							
Beginning balance	\$37,514.2	\$35,317.8	\$33,345.3	\$29,716.4	\$28,882.1	\$37,514.2	\$28,882.1
Inflows	3,014.2	2,619.5	1,866.2	2,546.9	2,193.4	3,014.2	2,193.4
Outflows	(5,398.0)	(4,174.5)	(3,736.0)	(3,702.0)	(4,794.3)	(5,398.0)	(4,794.3)
Net Flows	(2,383.8)	(1,555.0)	(1,869.8)	(1,155.1)	(2,600.9)	(2,383.8)	(2,600.9)
Market performance	197.1	(352.9)	(1,780.9)	425.2	295.9	197.1	295.9
Other	(9.7)	(64.6)	21.8	(104.4)	(41.1)	(9.7)	(41.1)
<b>Ending Balance</b>	<b>\$35,317.8</b>	<b>\$33,345.3</b>	<b>\$29,716.4</b>	<b>\$28,882.1</b>	<b>\$26,536.0</b>	<b>\$35,317.8</b>	<b>\$26,536.0</b>

\$ in millions

# ASSETS UNDER MANAGEMENT



## Asset Flows – By Product (continued)

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Closed-End Funds</b>							
Beginning balance	\$7,581.4	\$7,288.0	\$6,901.0	\$6,349.8	\$6,222.3	\$7,581.4	\$6,222.3
Inflows	-	-	-	-	-	-	-
Outflows	-	-	-	-	-	-	-
Net Flows	-	-	-	-	-	-	-
Market performance	(168.6)	(281.6)	(380.4)	18.7	421.3	(168.6)	421.3
Other	(124.8)	(105.4)	(170.8)	(146.2)	(100.0)	(124.8)	(100.0)
<b>Ending Balance</b>	<b>\$7,288.0</b>	<b>\$6,901.0</b>	<b>\$6,349.8</b>	<b>\$6,222.3</b>	<b>\$6,543.6</b>	<b>\$7,288.0</b>	<b>\$6,543.6</b>
<b>Exchange Traded Funds</b>							
Beginning balance	\$-	\$-	\$132.6	\$306.9	\$340.8	\$-	\$340.8
Inflows	-	67.4	217.7	57.7	62.3	-	62.3
Outflows	-	(12.2)	(13.8)	(23.0)	(33.8)	-	(33.8)
Net Flows	-	55.2	203.9	34.7	28.5	-	28.5
Market performance	-	(0.4)	(29.1)	1.6	(13.6)	-	(13.6)
Other	-	77.8	(0.5)	(2.4)	(2.1)	-	(2.1)
<b>Ending Balance</b>	<b>\$-</b>	<b>\$132.6</b>	<b>\$306.9</b>	<b>\$340.8</b>	<b>\$353.6</b>	<b>\$-</b>	<b>\$353.6</b>

\$ in millions

# ASSETS UNDER MANAGEMENT



## Asset Flows – By Product (continued)

	<b>Q1:15</b>	<b>Q2:15</b>	<b>Q3:15</b>	<b>Q4:15</b>	<b>Q1:16</b>	<b>YTD:15</b>	<b>YTD:16</b>
<b>Intermediary Sold Managed Accounts</b>							
Beginning balance	\$4,188.7	\$4,250.3	\$4,180.6	\$3,853.5	\$3,985.7	\$4,188.7	\$3,985.7
Inflows	176.7	150.4	132.9	193.1	295.9	176.7	295.9
Outflows	(219.6)	(185.7)	(176.3)	(255.2)	(235.0)	(219.6)	(235.0)
Net Flows	(42.9)	(35.3)	(43.4)	(62.1)	60.9	(42.9)	60.9
Market performance	104.5	(44.8)	(283.6)	194.2	104.9	104.5	104.9
Other	-	10.4	(0.1)	0.1	-	-	-
<b>Ending Balance</b>	<b>\$4,250.3</b>	<b>\$4,180.6</b>	<b>\$3,853.5</b>	<b>\$3,985.7</b>	<b>\$4,151.5</b>	<b>\$4,250.3</b>	<b>\$4,151.5</b>
<b>High Net Worth</b>							
Beginning balance	\$2,696.1	\$2,880.7	\$2,771.5	\$2,686.1	\$2,798.7	\$2,696.1	\$2,798.7
Inflows	151.8	216.4	130.9	139.7	103.3	151.8	103.3
Outflows	(135.7)	(156.5)	(158.2)	(141.4)	(129.3)	(135.7)	(129.3)
Net Flows	16.1	59.9	(27.3)	(1.7)	(26.0)	16.1	(26.0)
Market performance	72.9	(20.7)	(69.6)	117.8	105.9	72.9	105.9
Other	95.6	(148.4)	11.5	(3.5)	(9.0)	95.6	(9.0)
<b>Ending Balance</b>	<b>\$2,880.7</b>	<b>\$2,771.5</b>	<b>\$2,686.1</b>	<b>\$2,798.7</b>	<b>\$2,869.6</b>	<b>\$2,880.7</b>	<b>\$2,869.6</b>
<b>Subtotal – Separately Managed Accounts</b>							
Beginning balance	\$6,884.8	\$7,131.0	\$6,952.1	\$6,539.6	\$6,784.4	\$6,884.8	\$6,784.4
Inflows	328.5	366.8	263.8	332.8	399.2	328.5	399.2
Outflows	(355.3)	(342.2)	(334.5)	(396.6)	(364.3)	(355.3)	(364.3)
Net Flows	(26.8)	24.6	(70.7)	(63.8)	34.9	(26.8)	34.9
Market performance	177.4	(65.5)	(353.2)	312.0	210.8	177.4	210.8
Other	95.6	(138.0)	11.4	(3.4)	(9.0)	95.6	(9.0)
<b>Ending Balance</b>	<b>\$7,131.0</b>	<b>\$6,952.1</b>	<b>\$6,539.6</b>	<b>\$6,784.4</b>	<b>\$7,021.1</b>	<b>\$7,131.0</b>	<b>\$7,021.1</b>

\$ in millions

# ASSETS UNDER MANAGEMENT



## Asset Flows – By Product (continued)

	<b>Q1:15</b>	<b>Q2:15</b>	<b>Q3:15</b>	<b>Q4:15</b>	<b>Q1:16</b>	<b>YTD:15</b>	<b>YTD:16</b>
<b>Institutional Accounts</b>							
Beginning balance	\$4,296.5	\$4,620.6	\$4,665.1	\$4,638.7	\$4,799.7	\$4,296.5	\$4,799.7
Inflows	368.1	214.1	199.5	226.6	186.2	368.1	186.2
Outflows	(147.2)	(87.3)	(110.3)	(181.3)	(276.6)	(147.2)	(276.6)
Net Flows	220.9	126.8	89.2	45.3	(90.4)	220.9	(90.4)
Market performance	117.6	(81.9)	(109.9)	120.4	148.4	117.6	148.4
Other	(14.4)	(0.4)	(5.7)	(4.7)	(9.4)	(14.4)	(9.4)
<b>Ending Balance</b>	<b>\$4,620.6</b>	<b>\$4,665.1</b>	<b>\$4,638.7</b>	<b>\$4,799.7</b>	<b>\$4,848.3</b>	<b>\$4,620.6</b>	<b>\$4,848.3</b>
<b>Structured Products</b>							
Beginning balance	\$425.5	\$415.6	\$404.9	\$386.3	\$356.0	\$425.5	\$356.0
Other	(9.9)	(10.7)	(18.6)	(30.3)	(7.4)	(9.9)	(7.4)
<b>Ending Balance</b>	<b>\$415.6</b>	<b>\$404.9</b>	<b>\$386.3</b>	<b>\$356.0</b>	<b>\$348.6</b>	<b>\$415.6</b>	<b>\$348.6</b>
<b>Subtotal – Institutional Accounts</b>							
Beginning balance	\$4,722.0	\$5,036.2	\$5,070.0	\$5,025.0	\$5,155.7	\$4,722.0	\$5,155.7
Inflows	368.1	214.1	199.5	226.6	186.2	368.1	186.2
Outflows	(147.2)	(87.3)	(110.3)	(181.3)	(276.6)	(147.2)	(276.6)
Net Flows	220.9	126.8	89.2	45.3	(90.4)	220.9	(90.4)
Market performance	117.6	(81.9)	(109.9)	120.4	148.4	117.6	148.4
Other	(24.3)	(11.1)	(24.3)	(35.0)	(16.8)	(24.3)	(16.8)
<b>Ending Balance</b>	<b>\$5,036.2</b>	<b>\$5,070.0</b>	<b>\$5,025.0</b>	<b>\$5,155.7</b>	<b>\$5,196.9</b>	<b>\$5,036.2</b>	<b>\$5,196.9</b>

\$ in millions

# ASSETS UNDER MANAGEMENT



## Open-End Asset Flows – By Asset Class

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Domestic Equity Funds</b>							
Beginning balance	\$10,389.7	\$7,934.4	\$6,019.7	\$4,785.3	\$4,349.0	\$10,389.7	\$4,349.0
Inflows	340.6	134.7	107.6	108.0	120.6	340.6	120.6
Outflows	(2,574.8)	(1,926.4)	(968.9)	(679.6)	(576.6)	(2,574.8)	(576.6)
Net Flows	(2,234.2)	(1,791.7)	(861.3)	(571.6)	(456.0)	(2,234.2)	(456.0)
Market performance	(187.8)	(56.3)	(349.4)	139.6	(22.3)	(187.8)	(22.3)
Other	(33.3)	(66.7)	(23.7)	(4.3)	342.8	(33.3)	342.8
<b>Ending Balance</b>	<b>\$7,934.4</b>	<b>\$6,019.7</b>	<b>\$4,785.3</b>	<b>\$4,349.0</b>	<b>\$4,213.5</b>	<b>\$7,934.4</b>	<b>\$4,213.5</b>
<b>International Equity Funds</b>							
Beginning balance	\$11,026.3	\$12,218.4	\$13,207.3	\$11,750.9	\$11,967.1	\$11,026.3	\$11,967.1
Inflows	1,739.3	1,852.2	1,217.3	1,737.4	1,376.0	1,739.3	1,376.0
Outflows	(769.6)	(719.5)	(1,467.7)	(1,699.9)	(3,107.1)	(769.6)	(3,107.1)
Net Flows	969.7	1,132.7	(250.4)	37.5	(1,731.1)	969.7	(1,731.1)
Market performance	190.7	(168.5)	(1,200.8)	206.7	174.9	190.7	174.9
Other	31.7	24.7	(5.2)	(28.0)	(7.6)	31.7	(7.6)
<b>Ending Balance</b>	<b>\$12,218.4</b>	<b>\$13,207.3</b>	<b>\$11,750.9</b>	<b>\$11,967.1</b>	<b>\$10,403.3</b>	<b>\$12,218.4</b>	<b>\$10,403.3</b>
<b>Alternative Funds</b>							
Beginning balance	\$4,021.2	\$3,396.5	\$2,770.4	\$2,487.0	\$2,295.9	\$4,021.2	\$2,295.9
Inflows	248.8	145.4	108.0	141.8	152.6	248.8	152.6
Outflows	(915.9)	(600.6)	(416.3)	(370.1)	(206.0)	(915.9)	(206.0)
Net Flows	(667.1)	(455.2)	(308.3)	(228.3)	(53.4)	(667.1)	(53.4)
Market performance	31.3	(154.8)	(25.1)	77.3	44.2	31.3	44.2
Other	11.1	(16.1)	50.0	(40.1)	(367.0)	11.1	(367.0)
<b>Ending Balance</b>	<b>\$3,396.5</b>	<b>\$2,770.4</b>	<b>\$2,487.0</b>	<b>\$2,295.9</b>	<b>\$1,919.7</b>	<b>\$3,396.5</b>	<b>\$1,919.7</b>

Note: Excludes UCITs and Variable Insurance Funds  
\$ in millions

# ASSETS UNDER MANAGEMENT



## Open-End Asset Flows – By Asset Class (continued)

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Taxable Bond Funds</b>							
Beginning balance	\$10,600.4	\$10,308.7	\$9,960.9	\$9,446.0	\$8,990.8	\$10,600.4	\$8,990.8
Inflows	656.4	473.0	419.4	536.2	518.6	656.4	518.6
Outflows	(1,057.4)	(860.6)	(818.1)	(905.1)	(843.6)	(1,057.4)	(843.6)
Net Flows	(401.0)	(387.6)	(398.7)	(368.9)	(325.0)	(401.0)	(325.0)
Market performance	130.9	42.1	(116.1)	(51.0)	96.6	130.9	96.6
Other	(21.6)	(2.3)	(0.1)	(35.3)	(10.1)	(21.6)	(10.1)
<b>Ending Balance</b>	<b>\$10,308.7</b>	<b>\$9,960.9</b>	<b>\$9,446.0</b>	<b>\$8,990.8</b>	<b>\$8,752.3</b>	<b>\$10,308.7</b>	<b>\$8,752.3</b>
<b>Non-Taxable Bond Funds</b>							
Beginning balance	\$231.1	\$236.4	\$226.6	\$222.8	\$226.7	\$231.1	\$226.7
Inflows	12.2	5.8	4.6	5.9	14.8	12.2	14.8
Outflows	(11.4)	(13.0)	(12.4)	(7.9)	(13.0)	(11.4)	(13.0)
Net Flows	0.8	(7.2)	(7.8)	(2.0)	1.8	0.8	1.8
Market performance	2.0	(2.1)	3.2	2.5	3.4	2.0	3.4
Other	2.5	(0.5)	0.8	3.4	0.9	2.5	0.9
<b>Ending Balance</b>	<b>\$236.4</b>	<b>\$226.6</b>	<b>\$222.8</b>	<b>\$226.7</b>	<b>\$232.8</b>	<b>\$236.4</b>	<b>\$232.8</b>

Note: Excludes UCITs and Variable Insurance Funds  
\$ in millions

# 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 (loss) gain on investments of consolidated sponsored investment products, net	295	-	(295)	-	-	-	-
Realized and unrealized (loss) gain 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 investments of consolidated investment product, net	1,474	-	(1,474)	-	-	-	-
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>	\$ 1.49						\$ 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

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



	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	1,239	-	(1,239)	-	-	-	-
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 income of investments of consolidated investment product, net	1,632	-	(1,632)	-	-	-	-
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

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

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



	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 service 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 expenses	11,165	-	-	-	-	170	11,335
Other operating expenses of consolidated sponsored investment products	1,120	-	(1,120)	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-
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 gain (loss) on investments, net	(2,082)	-	(14,145)	-	16,068	-	(159)
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	(17,619)	-	17,619	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	(764)	-	764	-	-	-	-
Other income of consolidated investment income, net	43	-	(43)	-	-	-	-
Other income (expense), net	141	-	(680)	-	680	-	141
Total other income (expense), 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	2,898	-	(2,898)	-	-	-	-
Interest income of investments of consolidated investment product, net	41	-	(41)	-	-	-	-
Total interest income (expense), 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 Per Share - Basic</b>	\$(0.07)	-	-	-	-	-	\$ 1.77
<b>Earnings 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

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

# U.S. GAAP TO NON-GAAP RECONCILIATION – Q2 2015



	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	\$ 68,867	\$ -	\$ 288	\$ -	\$ -	\$ 1,166	\$ 70,321
Distribution and service fees	17,635	-	23	-	-	-	17,658
Administration and transfer agent fees	12,577	-	85	-	-	-	12,662
Other income and fees	577	-	-	-	-	-	577
Distribution and other asset-based expenses	-	(23,676)	-	-	-	-	(23,676)
Total revenues	99,656	(23,676)	396	-	-	1,166	77,542
<b>Operating Expenses</b>							
Employment expenses	33,593	-	-	-	-	-	33,593
Distribution and other asset-based expenses	23,676	(23,676)	-	-	-	-	-
Other operating expenses	23,512	-	-	-	-	(11,869)	11,643
Other operating expenses of consolidated sponsored investment products	957	-	(957)	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-
Depreciation and other amortization	873	-	-	-	-	-	873
Amortization expense	837	-	-	(837)	-	-	-
Total operating expenses	83,448	(23,676)	(957)	(837)	-	(11,869)	46,109
<b>Operating Income</b>	16,208	-	1,353	837	-	13,035	31,433
<b>Other Income (Expense)</b>							
Realized and unrealized gain (loss) on investments, net	343	-	(1,828)	-	1,709	-	224
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	(3,242)	-	3,242	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	-	-	-	-	-	-	-
Other income of consolidated investment income, net	-	-	-	-	-	-	-
Other income (expense), net	247	-	-	-	-	-	247
Total other income (expense), net	(2,652)	-	1,414	-	1,709	-	471
<b>Interest Income (Expense)</b>							
Interest expense	(121)	-	-	-	-	-	(121)
Interest and dividend income	302	-	931	-	(1,058)	-	175
Interest and dividend income of investments of consolidated sponsored investment products	3,098	-	(3,098)	-	-	-	-
Total interest income (expense), net	3,279	-	(2,167)	-	(1,058)	-	54
<b>Income Before Income Taxes</b>	16,835	-	600	837	651	13,035	31,958
Income tax expense	7,823	-	-	318	(579)	4,565	12,127
<b>Net Income</b>	9,012	-	600	519	1,230	8,470	19,831
Noncontrolling interests	765	-	(600)	-	-	-	165
<b>Net Income Attributable to Common Stockholders</b>	\$ 9,777	\$ -	\$ -	\$ 519	\$ 1,230	\$ 8,470	\$ 19,996
<b>Earnings Per Share - Basic</b>	\$ 1.10						\$ 2.25
<b>Earnings Per Share - Diluted</b>	\$ 1.08						\$ 2.21
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	8,889						8,889
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	9,037						9,037

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

# U.S. GAAP TO NON-GAAP RECONCILIATION – Q1 2015



	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	\$ 70,496	\$ -	\$ 305	\$ -	\$ -	\$ -	\$ 70,801
Distribution and service fees	19,598	-	20	-	-	-	19,618
Administration and transfer agent fees	13,042	-	76	-	-	-	13,118
Other income and fees	695	-	-	-	-	-	695
Distribution and other asset-based expenses	-	(24,507)	-	-	-	-	(24,507)
Total revenues	103,831	(24,507)	401	-	-	-	79,725
<b>Operating Expenses</b>							
Employment expenses	35,622	-	-	-	-	-	35,622
Distribution and other asset-based expenses	24,507	(24,507)	-	-	-	-	-
Other operating expenses	16,726	-	-	-	-	(5,552)	11,174
Other operating expenses of consolidated sponsored investment products	818	-	(818)	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-
Depreciation and other amortization	779	-	-	-	-	-	779
Amortization expense	837	-	-	(837)	-	-	-
Total operating expenses	79,289	(24,507)	(818)	(837)	-	(5,552)	47,575
<b>Operating Income</b>	24,542	-	1,219	837	-	5,552	32,150
<b>Other Income (Expense)</b>							
Realized and unrealized gain (loss) on investments, net	545	-	2,342	-	(2,771)	-	116
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	2,590	-	(2,590)	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	-	-	-	-	-	-	-
Other income of consolidated investment income, net	-	-	-	-	-	-	-
Other income (expense), net	435	-	-	-	-	-	435
Total other income (expense), net	3,570	-	(248)	-	(2,771)	-	551
<b>Interest Income (Expense)</b>							
Interest expense	(123)	-	-	-	-	-	(123)
Interest and dividend income	280	-	933	-	(994)	-	219
Interest and dividend income of investments of consolidated sponsored investment products	2,324	-	(2,324)	-	-	-	-
Total interest income (expense), net	2,481	-	(1,391)	-	(994)	-	96
<b>Income Before Income Taxes</b>	30,593	-	(420)	837	(3,765)	5,552	32,797
Income tax expense	10,868	-	-	319	(420)	1,733	12,500
<b>Net Income</b>	19,725	-	(420)	518	(3,345)	3,819	20,297
Noncontrolling interests	(383)	-	420	-	-	-	37
<b>Net Income Attributable to Common Stockholders</b>	\$ 19,342	\$ -	\$ -	\$ 518	\$ (3,345)	\$ 3,819	\$ 20,334
<b>Earnings Per Share - Basic</b>	\$ 2.16						\$ 2.27
<b>Earnings Per Share - Diluted</b>	\$ 2.11						\$ 2.22
<b>Weighted Average Shares Outstanding - Basic (in thousands)</b>	8,964						8,964
<b>Weighted Average Shares Outstanding - Diluted (in thousands)</b>	9,151						9,151

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

# U.S. GAAP TO NON-GAAP RECONCILIATION – MARCH 31, 2016



	Reclassifications			Non-GAAP Basis
	U.S. GAAP Basis	Consolidated Sponsored Investment Products	Consolidated Investment Products	
<b>Assets:</b>				
Cash and cash equivalents	50,402	-	-	50,402
Investments - seed capital	69,040	211,888	-	280,929
Investments - CLO	-	-	40,670	40,670
Investments - short-term investments	10,466	-	-	10,466
Investments - other	10,466	-	40,670	51,136
Total - cash and investments	129,908	211,888	40,670	382,466
Investments - long term	16,388	-	-	16,388
Accounts receivable, net	37,939	83	-	38,022
Assets of consolidated sponsored investment products				
Cash of consolidated sponsored investment products	1,409	(1,409)	-	-
Cash pledged or on deposit of consolidated sponsored investment products	7,639	(7,639)	-	-
Investments of consolidated sponsored investment products	199,630	(199,630)	-	-
Other assets of consolidated sponsored investment products and consolidated investment product	63,929	(63,929)	-	-
Assets of consolidated investment products				
Cash and cash equivalents of consolidated investment product	7,440	-	(7,440)	-
Investments of consolidated investment product	195,248	-	(195,248)	-
Furniture, equipment, and leasehold improvements, net	8,692	-	-	8,692
Intangible assets, net	40,236	-	-	40,236
Goodwill	6,703	-	-	6,703
Deferred tax asset	49,085	-	-	49,085
Other assets	17,058	-	-	17,058
Total asset	781,304	(60,636)	(162,018)	558,651
<b>Liabilities and Equity</b>				
<b>Liabilities:</b>				
Accrued compensation & benefits	15,035	-	-	15,035
Accounts payable and accrued liabilities	20,563	-	-	20,563
Dividend Payable	4,173	-	-	4,173
Other liabilities	13,493	-	-	13,493
Liabilities of consolidated investment products	162,018	-	(162,018)	-
Liabilities of consolidated sponsored investment products	20,211	(20,211)	-	-
Total liabilities	235,493	(20,211)	(162,018)	53,264
Redeemable non-controlling interest	40,425	(40,425)	-	-
<b>Equity:</b>				
<b>Equity attributable to stockholders:</b>				
Common stock	97	-	-	97
Additional paid in capital	1,139,181	-	-	1,139,181
Accumulated deficit	(460,251)	-	-	(460,251)
Accumulated other comprehensive loss	(775)	-	-	(775)
Treasury stock	(172,699)	-	-	(172,699)
Total equity attributable to stockholders	505,553	-	-	505,553
Non-controlling interests	(167)	-	-	(167)
Total equity	505,386	-	-	505,386
Total liabilities and equity	781,304	(60,636)	(162,018)	558,651

\$ in thousands

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.

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. Closed-end fund launch costs - Expenses related to the launch of closed-end funds, or similar products, including structuring fees and sales-based compensation related to the launch. The timing of closed-end fund issuances can be unpredictable and related costs can fluctuate considerably. In addition, revenue associated with these costs will not fully impact financial results until future periods. Management believes that making these adjustments aids in comparing the company's operating results with prior periods and with other asset management firms that do not issue closed-end funds, or similar products.
4. 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.
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 restructuring, severance, regulatory matters and certain transition items that are not reflective of the ongoing earnings generation of the business. In addition, 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.

# FOOTNOTES

See components of Other in the table below:

	<u>Q1:15</u>	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<b>Other (\$ in thousands)</b>							
Loss contingency	\$5,200	\$11,300	\$-	\$-	\$-	\$5,200	\$-
Tax impact of loss contingency	(1,600)	(3,907)	-	-	-	(1,600)	-
Transition related revenues	-	1,166	-	-	-	-	-
Tax impact of transition related revenues	-	(442)	-	-	-	-	-
System transition expenses	352	569	(170)	497	414	352	414
Tax impact of transition expenses	(133)	(216)	65	(192)	(159)	(133)	(159)
Discrete tax adjustments	-	-	-	245	-	-	-
<b>Total Other</b>	<b>\$3,819</b>	<b>\$8,470</b>	<b>(\$105)</b>	<b>\$550</b>	<b>\$255</b>	<b>\$3,819</b>	<b>\$255</b>

**VIRTUS**  
**INVESTMENT PARTNERS**