



Second Quarter 2016 Earnings Presentation July 29, 2016

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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 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 Second Quarter
- Second Quarter Results
- Q & A Session



OVERVIEW OF SECOND QUARTER

OVERVIEW OF SECOND QUARTER



Assets and Flows

- Assets under management decreased 1% sequentially to \$45.2 billion
- Total sales of \$2.4 billion decreased \$0.4 billion, or 16%, from sequential quarter as lower mutual fund sales were partially offset by higher institutional and separately managed account sales
- Net flows of (\$2.2) billion compared to (\$2.6) billion in sequential quarter reflect improved net flows in open-end funds and positive flows in institutional, separately managed accounts and ETFs

Non-GAAP Financial Results

- Earnings per diluted share, as adjusted, of \$1.24 increased 11% from sequential quarter
- Operating income, as adjusted, of \$16.7 million and related margin of 27%

Capital Activities

- Return of capital of \$51.2 million includes \$47.1 million tender offer; highest quarterly level
- Ending shares outstanding of 7.7 million declined 6.6% and 12.5% from March 31, 2016 and June 30, 2015, respectively
- Cash and investments of \$368.0 million, or \$48 on a per share basis

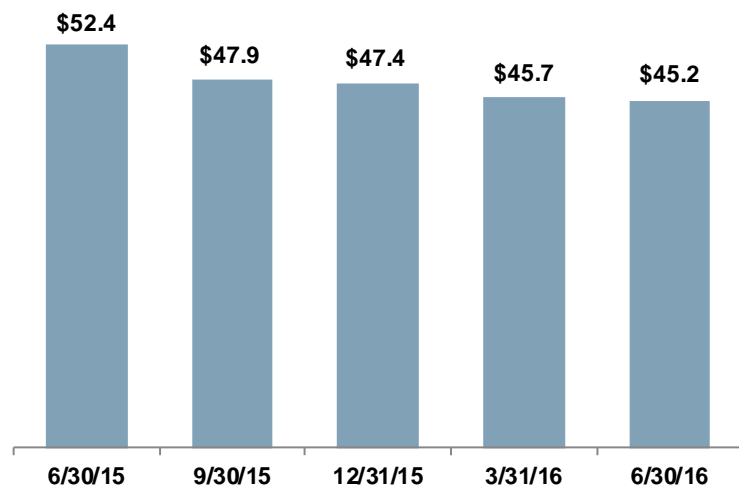


SECOND QUARTER RESULTS

ASSETS UNDER MANAGEMENT



Quarterly Trends



Assets by Asset Class					
Equity	60.9%	58.9%	59.8%	59.3%	58.0%
Fixed	30.5%	32.5%	31.9%	32.8%	34.2%
Alternatives ¹	7.7%	7.7%	7.3%	6.8%	6.8%
Other ²	0.9%	0.9%	1.0%	1.1%	1.0%

\$ in billions

¹ Consists of real estate securities, master limited partnerships, and other

² Consists of option strategies

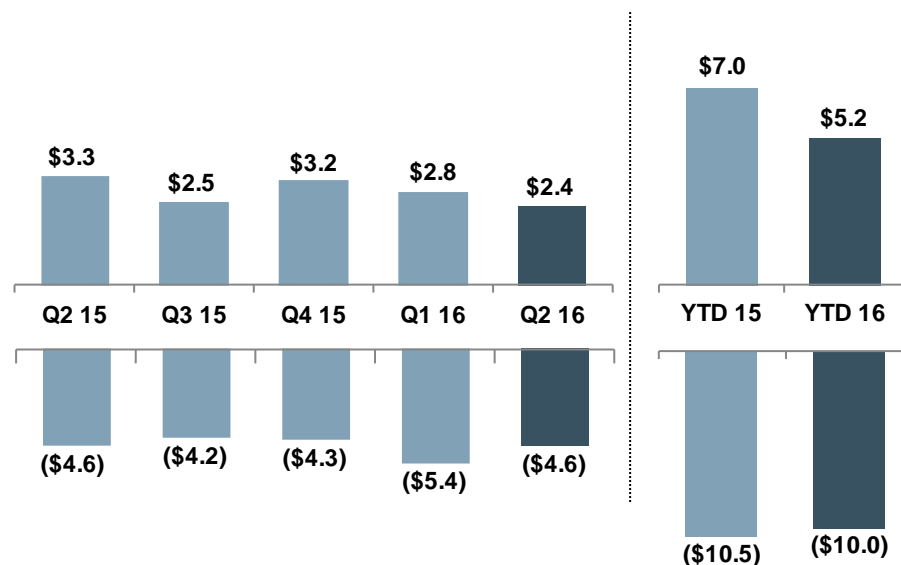
Commentary

Trend reflects impact of net flows and market performance

- Sequential decrease of \$0.5 billion, or 1% primarily reflects net flows of (\$2.2) billion, partially offset by market appreciation of \$1.8 billion
- Sequential changes by product category were as follows:
 - Open-end assets decreased 6% to \$24.8 billion
 - Separately managed accounts increased 5% to \$7.4 billion
 - Closed-end fund assets increased 6% to \$7.0 billion
 - Institutional assets increased 8% to \$5.6 billion
 - ETF assets increased 13% to \$0.4 billion

ASSET FLOWS

Inflows/Outflows



Sales Metrics						
Net Flows						
(\$1.3)	(\$1.6)	(\$1.1)	(\$2.6)	(\$2.2)	(\$3.5)	(\$4.8)
Net Flow Rate ¹						
(9.9%)	(12.5%)	(9.4%)	(22.2%)	(19.0%)	(12.6%)	(20.3%)

¹ Annualized net flows divided by beginning of period AUM

Commentary

Flows reflect market trends, product breadth and investment performance

- Sales of \$2.4 billion represent 16% sequential decrease due to lower open-end fund sales partially offset by higher institutional sales
- Net flows of (\$2.2) billion include (\$1.6) billion from the Emerging Markets Opportunities Fund
- Net flows for other product categories for the quarter included:
 - Institutional net flows of \$0.2 billion reflect issuance of a Newfleet managed CLO
 - Separately managed accounts of \$0.1 billion
 - ETFs contributed positive net flows for 5th consecutive quarter
 - Closed-end funds of (\$0.1) billion reflect tender offers

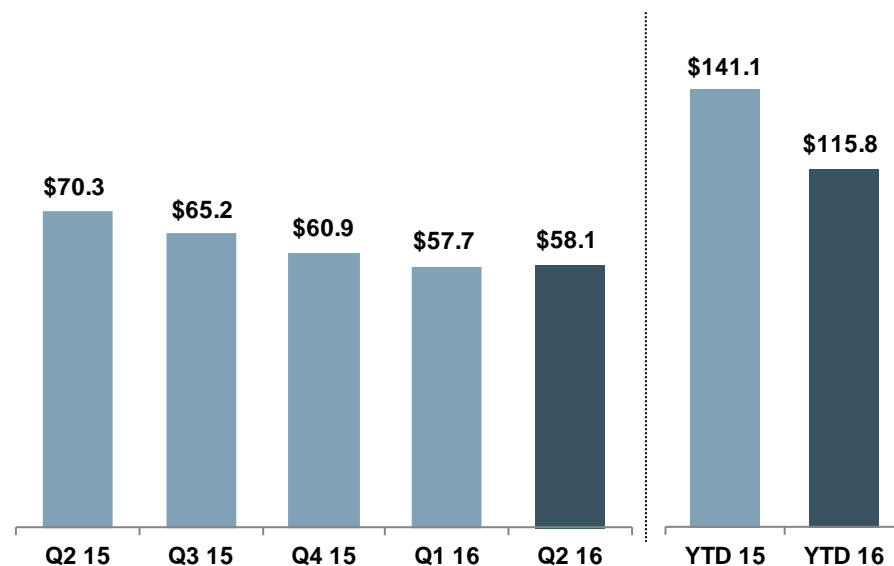
INVESTMENT MANAGEMENT FEES, AS ADJUSTED



Quarterly Results

Year to Date

Commentary



Metrics						
Net Fee Rate ¹ – BPS						
	50.7	49.4	48.4	49.7	51.1	50.4
Average AUM - (\$Bn)						
	\$54.4	\$50.6	\$48.5	\$45.7	\$44.8	\$45.2

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

- Sequential increase of \$0.4 million, or 1%, due to higher average fee rate
 - Net fee rate increased 1.4 bps sequentially due to elimination of negative variable incentive fee
- Decrease from prior year due primarily to 18% decline in average assets

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

¹ 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

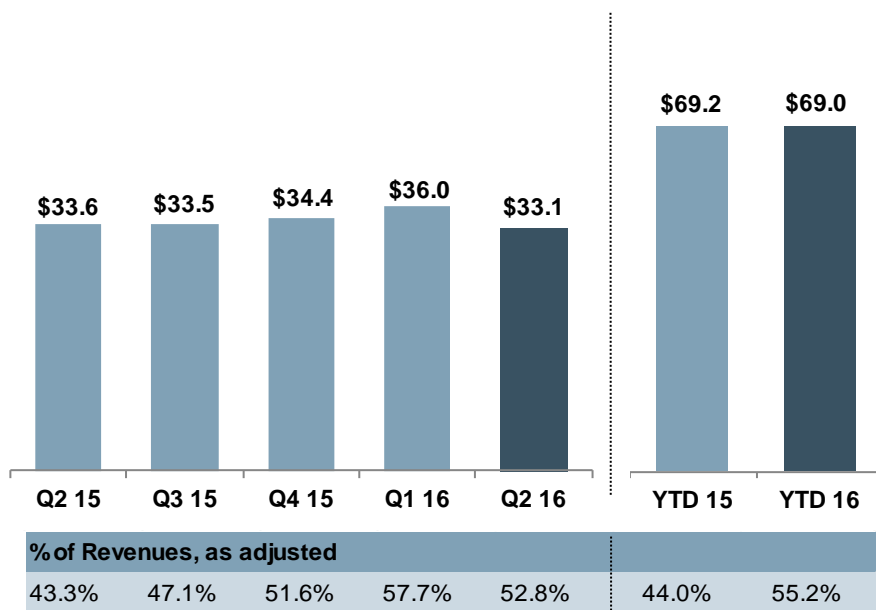
EMPLOYMENT EXPENSES, AS ADJUSTED



Quarterly Results

Year to Date

Commentary



Trend reflects staffing levels and variable incentive plans

- Decrease of \$2.9 million, or 8% over prior quarter reflects \$2.2 million of lower payroll taxes and lower variable incentive compensation
- Decrease of \$0.5 million over prior year primarily reflects lower variable compensation
- Current quarter does not reflect any benefit from staff reductions that occurred late in the quarter

\$ in millions

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

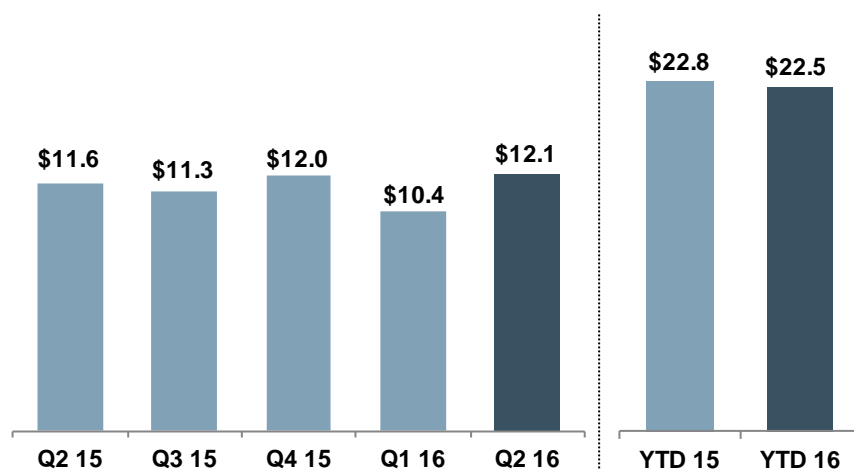
OTHER OPERATING EXPENSES, AS ADJUSTED



Quarterly Results

Year to Date

Commentary



% of Revenues, as adjusted

15.0%	15.9%	18.0%	16.6%	19.3%	14.5%	18.0%
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Results reflect timing of product, distribution, and operational initiatives

- The current quarter included the following discrete items:
 - Annual director grant of \$0.6 million
 - Business initiative costs of \$0.5 million
- Excluding the \$1.1 million of discrete items, expenses were \$11.0 million, which increased 6% sequentially due to higher sales and marketing expenses

\$ in millions

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

NON-GAAP RESULTS

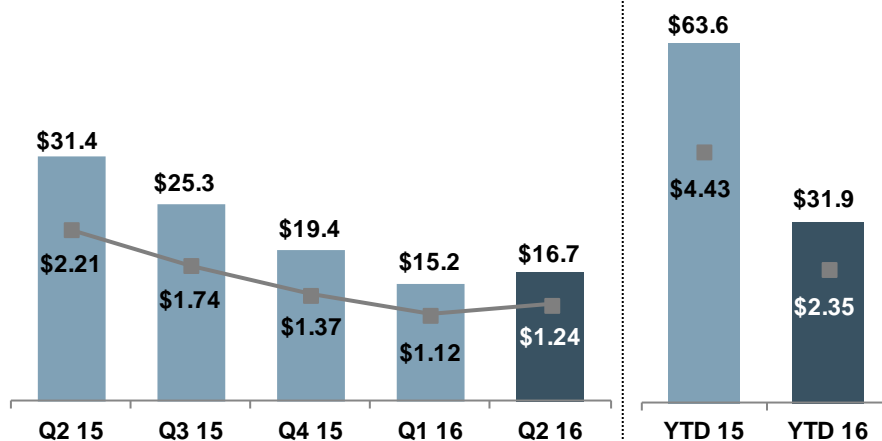
Quarterly Results

Year to Date

Commentary

Operating Income, As Adjusted

■ Diluted earnings per share, as adjusted



Metrics						
Net Income Attributable to Common Stockholders, As Adjusted						
	\$20.0	\$15.5	\$11.9	\$9.5	\$10.3	\$40.3
Operating Margin, As Adjusted						
	40.5%	35.6%	29.1%	24.4%	26.6%	40.4%
						25.5%

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

- Diluted EPS, as adjusted, of \$1.24 increased 11% from prior quarter due to:
 - \$0.21 per share of lower employment expenses
 - \$0.03 per share related to reduced share count from June tender offer
 - (\$0.13) per share of higher other operating expenses
- Margin increased 220 bps sequentially primarily due to 350 bps benefit of lower payroll taxes

\$ 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

	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16
Cash and cash equivalents	\$194	\$127	\$88	\$50	\$156
Seed capital investments ¹	\$239	\$277	\$274	\$281	\$174
Investments - other ²	\$22	\$41	\$60	\$52	\$38
<i>Total - Cash and investments</i>	<i>\$456</i>	<i>\$445</i>	<i>\$422</i>	<i>\$383</i>	<i>\$368</i>
Deferred taxes, net	\$60	\$60	\$54	\$49	\$46
Dividend payable	\$4	\$4	\$4	\$4	\$4
Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Total equity attributable to stockholders	\$559	\$540	\$510	\$506	\$466
<i>Working capital (WC)³</i>	<i>\$186</i>	<i>\$107</i>	<i>\$72</i>	<i>\$59</i>	<i>\$152</i>
<i>Basic shares outstanding</i>	<i>8.819</i>	<i>8.668</i>	<i>8.399</i>	<i>8.260</i>	<i>7.718</i>
Metrics:					
Cash and investments - per share basis ⁴	\$52	\$51	\$50	\$46	\$48
WC % of spend ⁵	56%	38%	26%	22%	53%

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

¹ 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

² Investments that are not related to the company's seed investments including mutual funds and a company managed CLO

³ Defined as cash and investments plus accounts receivable, net, less seed capital investments, a company managed CLO, accrued compensation and benefits, accounts payable and accrued liabilities, and dividends payable

⁴ Cash and investments divided by basic shares outstanding at the end of the period

⁵ 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 \$14.5 million, or 4%, due to return of capital, partially offset by operating results
- Seed capital decreased 38% to \$174 million primarily due to the liquidation of 3 open-end funds
- Executed tender offer to retire 0.6 million shares for \$47.1 million; total return of capital of \$51.2 million is highest quarterly level
- Ending shares outstanding declined 6.6% and 12.5% from March 31, 2016 and June 30, 2015, respectively



Appendix

NON-GAAP INCOME STATEMENT INFORMATION



Quarterly Trend and Total Year

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Revenues, As Adjusted							
Investment management fees, as adjusted	\$70,321	\$65,193	\$60,853	\$57,735	\$58,104	\$141,122	\$115,839
Distribution and service fees, as adjusted	17,658	15,614	14,272	12,502	12,179	37,276	24,681
Administration and transfer agent fees, as adjusted	12,662	11,714	11,123	10,092	9,548	25,781	19,640
Other income and fees, as adjusted	577	283	244	175	227	1,272	402
Distribution and other asset-based expenses, as adjusted	(23,676)	(21,717)	(19,831)	(18,101)	(17,432)	(48,183)	(35,533)
Total revenues, as adjusted	\$77,542	\$71,087	\$66,661	\$62,403	\$62,626	\$157,268	\$125,029
Operating Expenses, As Adjusted							
Employment expenses, as adjusted	\$33,593	\$33,504	\$34,376	\$35,977	\$33,065	\$69,215	\$69,042
Other operating expenses, as adjusted	11,643	11,335	12,001	10,351	12,099	22,818	22,450
Depreciation and other amortization, as adjusted	873	910	881	862	776	1,652	1,638
Total operating expenses, as adjusted	\$46,109	\$45,749	\$47,258	\$47,190	\$45,940	\$93,685	\$93,130
Operating Income, As Adjusted	\$31,433	\$25,338	\$19,403	\$15,213	\$16,686	\$63,583	\$31,899

\$ in thousands

NON-GAAP INCOME STATEMENT INFORMATION



Quarterly Trend and Total Year (continued)

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Other Income (Expense), As Adjusted							
Realized and unrealized gain (loss) on investments, net, as adjusted	\$224	(\$159)	(\$202)	(\$5)	\$94	\$343	\$89
Other income, net, as adjusted	247	141	75	228	(15)	682	213
Total other income (expense), net, as adjusted	\$471	(\$18)	(\$127)	\$223	\$79	\$1,025	\$302
Interest Income (Expense), As Adjusted							
Interest expense, as adjusted	(\$121)	(\$138)	(\$141)	(\$132)	(\$129)	(\$244)	(\$261)
Interest and dividend income, as adjusted	175	247	204	138	110	392	248
Total interest (expense) income, net, as adjusted	\$54	\$109	\$63	\$6	(\$19)	\$148	(\$13)
Pre-Tax Income, As Adjusted	\$31,958	\$25,429	\$19,339	\$15,442	\$16,746	\$64,756	\$32,188
Income tax expense, as adjusted	12,127	9,787	7,475	5,920	6,448	24,627	12,368
Net Income, As Adjusted	\$19,831	\$15,642	\$11,864	\$9,522	\$10,298	\$40,129	\$19,820
Noncontrolling interests, as adjusted	165	(94)	67	-	-	199	-
Net Income Attributable to Common Stockholders, As Adjusted	\$19,996	\$15,548	\$11,931	\$9,522	\$10,298	\$40,328	\$19,820

\$ in thousands

U.S. GAAP INCOME STATEMENT



Quarterly Trend and Total Year

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Revenues							
Investment management fees	\$68,867	\$64,891	\$60,611	\$57,644	\$58,192	\$139,363	\$115,836
Distribution and service fees	17,635	15,587	14,246	12,478	12,167	37,233	24,645
Administration and transfer agent fees	12,577	11,614	11,014	9,998	9,499	25,619	19,497
Other income and fees	577	283	244	175	227	1,272	402
Total revenues	\$99,656	\$92,375	\$86,115	\$80,295	\$80,085	\$203,487	\$160,380
Operating Expenses							
Employment expenses	\$33,593	\$33,504	\$34,376	\$35,977	\$33,065	\$69,215	\$69,042
Distribution and other asset-based expenses	23,676	21,717	19,831	18,101	17,432	48,183	35,533
Other operating expenses	23,512	11,165	12,498	10,765	12,457	40,238	23,222
Other operating expenses of CSIPs	957	1,120	1,239	1,133	777	1,775	1,910
Other operating expenses of CIP	-	-	-	56	3,841	-	3,897
Restructuring and severance	-	-	-	-	2,391	-	2,391
Depreciation and other amortization	873	910	881	862	776	1,652	1,638
Amortization expense	837	837	784	651	603	1,674	1,254
Total operating expenses	\$83,448	\$69,253	\$69,609	\$67,545	\$71,342	\$162,737	\$138,887
Operating Income	\$16,208	\$23,122	\$16,506	\$12,750	\$8,743	\$40,750	\$21,493

\$ in thousands

U.S. GAAP INCOME STATEMENT



Quarterly Trend and Total Year (continued)

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Other Income (Expense)							
Realized and unrealized gain (loss) on investments, net	\$343	(\$2,082)	\$332	(\$658)	\$3,281	\$888	\$2,623
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	(3,242)	(17,619)	(4,910)	295	3,097	(652)	3,392
Realized and unrealized gain (loss) on investments of consolidated investment products, net	-	(721)	(2,784)	2,235	581	-	2,816
Other income, net	247	141	75	228	(15)	682	213
Total other income (expense), net	(\$2,652)	(\$20,281)	(\$7,287)	\$2,100	\$6,944	\$918	\$9,044
Interest Income (Expense)							
Interest expense	(\$121)	(\$138)	(\$141)	(\$132)	(\$129)	(\$244)	(\$261)
Interest and dividend income	302	324	355	273	619	582	892
Interest and dividend income of investments of consolidated sponsored investment products	3,098	2,898	3,184	2,961	1,696	5,422	4,657
Interest (expense) income, net, of investments of consolidated investment products	-	41	1,632	1,474	(3,086)	-	(1,612)
Total interest (expense) income, net	\$3,279	\$3,125	\$5,030	\$4,576	(\$900)	\$5,760	\$3,676
Income Before Income Taxes	\$16,835	\$5,966	\$14,249	\$19,426	\$14,787	\$47,428	\$34,213
Income tax expense	7,823	9,669	8,612	7,556	6,087	18,691	13,643
Net Income (Loss)	\$9,012	(\$3,703)	\$5,637	\$11,870	\$8,700	\$28,737	\$20,570
Noncontrolling interests	765	3,054	999	493	(612)	382	(119)
Net Income (Loss) Attributable to Common Stockholders	\$9,777	(\$649)	\$6,636	\$12,363	\$8,088	\$29,119	\$20,451

\$ in thousands

CONDENSED NON-GAAP¹ BALANCE SHEET



Quarter-end Trend

	<u>6/30/15</u>	<u>9/30/15</u>	<u>12/30/15</u>	<u>3/31/16</u>	<u>6/30/16</u>
Assets:					
Cash and cash equivalents	\$194,334	\$126,470	\$87,574	\$50,402	\$155,532
Investments – seed capital	238,862	276,806	273,679	280,929	174,130
Investments – other	22,338	41,409	60,225	51,136	38,362
Total cash and investments	\$455,534	\$444,685	\$421,478	\$382,467	\$368,024
Investments – long term	\$15,053	\$15,089	\$15,242	\$16,388	\$11,502
Accounts receivable, net	43,740	40,260	39,011	38,022	36,253
Furniture, equipment, and leasehold improvements, net	9,377	9,042	9,116	8,692	8,348
Intangible assets, net	42,509	41,672	40,887	40,236	39,633
Goodwill	6,663	6,649	6,701	6,703	6,788
Deferred taxes, net	59,783	59,700	54,143	49,085	46,434
Other assets	14,327	17,242	12,815	17,058	13,404
Total assets	\$646,986	\$634,339	\$599,393	\$558,651	\$530,386

\$ in thousands

(1) Reflects balance sheet accounts before the consolidation of sponsored investment products

CONDENSED NON-GAAP¹ BALANCE SHEET



Quarter-end Trend (continued)

	<u>6/30/15</u>	<u>9/30/15</u>	<u>12/30/15</u>	<u>3/31/16</u>	<u>6/30/16</u>
Liabilities and Equity					
Liabilities:					
Accrued compensation and benefits	\$27,134	\$38,206	\$49,617	\$15,035	\$26,242
Accounts payable and accrued liabilities	43,456	39,739	23,036	20,563	20,448
Dividends payable	4,251	4,258	4,233	4,173	4,047
Other liabilities	13,172	12,806	13,050	13,493	13,543
Total liabilities	\$88,013	\$95,009	\$89,936	\$53,264	\$64,280
Equity:					
Equity attributable to stockholders	\$559,363	\$539,626	\$509,624	\$505,554	\$466,273
Noncontrolling interests	(390)	(296)	(167)	(167)	(167)
Total liabilities and equity	\$646,986	\$634,339	\$599,393	\$558,651	\$530,386
Working capital (2)	\$185,571	\$106,616	\$71,760	\$59,119	\$151,909

\$ in thousands

(1) Reflects balance sheet accounts before the consolidation of sponsored investment products

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

ASSETS UNDER MANAGEMENT



Quarterly Trend and Total Year

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Ending Assets by Product							
Open-End Funds	\$32,211.0	\$28,717.1	\$27,865.8	\$25,560.3	\$23,854.9	\$32,211.0	\$23,854.9
Variable Insurance Funds	\$1,134.3	\$999.3	\$1,016.3	\$975.7	\$958.9	\$1,134.3	\$958.9
<i>Total – Open-End Funds</i>	<i>\$33,345.3</i>	<i>\$29,716.4</i>	<i>\$28,882.1</i>	<i>\$26,536.0</i>	<i>\$24,813.8</i>	<i>\$33,345.3</i>	<i>\$24,813.8</i>
Closed-End Funds	\$6,901.0	\$6,349.8	\$6,222.3	\$6,543.6	\$6,959.6	\$6,901.0	\$6,959.6
Exchange Traded Funds	\$132.6	\$306.9	\$340.8	\$353.6	\$399.4	\$132.6	\$399.4
Intermediary Sold Managed Accounts (1)	\$4,180.6	\$3,853.5	\$3,985.7	\$4,151.5	\$4,462.7	\$4,180.6	\$4,462.7
High Net Worth (1)	\$2,771.5	\$2,686.1	\$2,798.7	\$2,869.6	\$2,944.5	\$2,771.5	\$2,944.5
<i>Total – Separately Managed Accounts (1)</i>	<i>\$6,952.1</i>	<i>\$6,539.6</i>	<i>\$6,784.4</i>	<i>\$7,021.1</i>	<i>\$7,407.2</i>	<i>\$6,952.1</i>	<i>\$7,407.2</i>
Institutional Accounts (1)	\$5,070.0	\$5,025.0	\$5,155.7	\$5,196.9	\$5,589.7	\$5,070.0	\$5,589.7
Total	\$52,401.0	\$47,937.7	\$47,385.3	\$45,651.2	\$45,169.7	\$52,401.0	\$45,169.7
AUM by asset class (period end)							
Equity	\$31,908.8	\$28,231.0	\$28,314.9	\$27,061.4	\$26,206.9	\$31,908.8	\$26,206.9
<i>% of total</i>	<i>60.9%</i>	<i>58.9%</i>	<i>59.8%</i>	<i>59.3%</i>	<i>58.0%</i>	<i>60.9%</i>	<i>58.0%</i>
Fixed Income	16,010.8	15,580.6	15,115.6	14,994.2	15,450.6	16,010.8	15,450.6
<i>% of total</i>	<i>30.5%</i>	<i>32.5%</i>	<i>31.9%</i>	<i>32.8%</i>	<i>34.2%</i>	<i>30.5%</i>	<i>34.2%</i>
Alternatives (2)	4,031.2	3,681.7	3,468.7	3,091.0	3,056.8	4,031.2	3,056.8
<i>% of total</i>	<i>7.7%</i>	<i>7.7%</i>	<i>7.3%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>7.7%</i>	<i>6.8%</i>
Other (3)	450.2	444.4	486.1	504.6	455.4	450.2	455.4
<i>% of total</i>	<i>0.9%</i>	<i>0.9%</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>0.9%</i>	<i>1.0%</i>
Total	\$52,401.0	\$47,937.7	\$47,385.3	\$45,651.2	\$45,169.7	\$52,401.0	\$45,169.7

\$ in millions

(1) Includes assets under management related to option strategies

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

(3) Consists of option strategies

AVERAGE NET FEES AND ASSETS



Quarterly Trend and Total Year

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Average Net Management Fees (1)							
<i>(In basis points, annualized)</i>							
Open-End Funds	49.1	47.2	45.9	47.1	49.2	49.5	48.1
Variable Insurance Funds	51.2	48.7	48.6	53.2	55.4	51.3	54.3
<i>Total Open-End Funds</i>	49.2	47.3	46.0	47.3	49.4	49.6	48.3
Closed-End Funds	66.9	66.9	66.3	65.4	65.4	66.8	65.4
Exchange Traded Funds	8.9	21.9	29.1	34.6	36.2	8.9	35.5
Intermediary Sold Managed Accounts (2)	40.4	40.0	40.5	41.9	41.0	40.6	41.4
High Net Worth (2)	72.7	76.4	74.4	76.3	75.7	73.7	76.0
<i>Total Separately Managed Accounts (2)</i>	53.5	54.5	54.4	56.1	55.2	53.8	55.7
Institutional Accounts (2)	34.9	34.2	34.4	36.7	36.2	35.6	36.5
Total	50.7	49.4	48.4	49.7	51.1	51.1	50.4
Average Assets by Product (3)							
Open-End Funds	\$33,669.8	\$30,543.6	\$28,976.7	\$26,341.6	\$24,572.0	\$34,559.4	\$25,456.8
Variable Insurance Funds	\$1,182.4	\$1,083.5	\$1,040.9	\$954.3	\$965.7	\$1,198.5	\$960.0
<i>Total – Open-End Funds</i>	<i>\$34,852.2</i>	<i>\$31,627.1</i>	<i>\$30,017.6</i>	<i>\$27,295.9</i>	<i>\$25,537.7</i>	<i>\$35,757.9</i>	<i>\$26,416.8</i>
Closed-End Funds	\$7,256.5	\$6,714.5	\$6,378.5	\$6,152.3	\$6,659.9	\$7,346.2	\$6,406.1
Exchange Traded Funds	\$103.9	\$269.9	\$343.4	\$337.1	\$371.9	\$51.9	\$354.5
Intermediary Sold Managed Accounts (2)	\$4,244.6	\$4,159.4	\$3,866.6	\$3,969.7	\$4,145.4	\$4,197.4	\$4,057.6
High Net Worth (2)	\$2,880.7	\$2,771.5	\$2,686.1	\$2,798.7	\$2,869.6	\$2,788.4	\$2,834.1
<i>Total – Separately Managed Accounts (2)</i>	<i>\$7,125.3</i>	<i>\$6,930.9</i>	<i>\$6,552.7</i>	<i>\$6,768.4</i>	<i>\$7,015.0</i>	<i>\$6,985.8</i>	<i>\$6,891.7</i>
Institutional Accounts (2)	\$5,054.8	\$5,082.4	\$5,199.9	\$5,112.4	\$5,223.9	\$4,920.8	\$5,168.1
Total	\$54,392.7	\$50,624.8	\$48,492.1	\$45,666.1	\$44,808.4	\$55,062.6	\$45,237.2

\$ 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 June 30, 2016, the impact of third party service providers for investment management related services on Open-End Funds and All Products was 1.7 and 1.1 basis points, respectively.

(2) Includes assets under management related to option strategies

(3) 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

ASSET FLOW DETAIL



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

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
<u>All Product Flows</u>							
Beginning balance	\$54,773.0	\$52,401.0	\$47,937.7	\$47,385.3	\$45,651.2	\$56,702.4	\$47,385.3
Inflows	3,267.8	2,547.2	3,164.0	2,841.1	2,390.1	6,978.6	5,231.2
Outflows	(4,616.2)	(4,194.6)	(4,302.9)	(5,469.0)	(4,544.0)	(10,516.7)	(10,013.0)
Net Flows	(1,348.4)	(1,647.4)	(1,138.9)	(2,627.9)	(2,153.9)	(3,538.1)	(4,781.8)
Market performance	(782.3)	(2,653.5)	877.9	1,062.8	1,786.7	(458.8)	2,849.5
Other (1)	(241.3)	(162.4)	(291.4)	(169.0)	(114.3)	(304.5)	(283.3)
Ending Balance	\$52,401.0	\$47,937.7	\$47,385.3	\$45,651.2	\$45,169.7	\$52,401.0	\$45,169.7

\$ in millions

(1) Represents open-end and closed-end mutual fund distributions, net of reinvestments, net flows of cash management strategies, 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

ASSET FLOW DETAIL



Asset Flows – By Product

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Open-End Funds							
Beginning balance	\$34,120.5	\$32,211.0	\$28,717.1	\$27,865.8	\$25,560.3	\$36,292.3	\$27,865.8
Inflows	2,611.3	1,857.8	2,540.4	2,186.4	1,344.5	5,611.2	3,530.9
Outflows	(4,120.1)	(3,684.5)	(3,662.6)	(4,748.2)	(3,756.9)	(9,449.4)	(8,505.1)
Net Flows	(1,508.8)	(1,826.7)	(1,122.2)	(2,561.8)	(2,412.4)	(3,838.2)	(4,974.2)
Market performance	(339.5)	(1,689.0)	375.3	297.4	868.9	(172.2)	1,166.3
Other	(61.2)	21.8	(104.4)	(41.1)	(161.9)	(70.9)	(203.0)
Ending Balance	\$32,211.0	\$28,717.1	\$27,865.8	\$25,560.3	\$23,854.9	\$32,211.0	\$23,854.9
Variable Insurance Funds							
Beginning balance	\$1,197.3	\$1,134.3	\$999.3	\$1,016.3	\$975.7	\$1,221.9	\$1,016.3
Inflows	8.2	8.4	6.5	7.0	7.4	22.5	14.4
Outflows	(54.4)	(51.5)	(39.4)	(46.1)	(42.9)	(123.1)	(89.0)
Net Flows	(46.2)	(43.1)	(32.9)	(39.1)	(35.5)	(100.6)	(74.6)
Market performance	(13.4)	(91.9)	49.9	(1.5)	18.6	16.4	17.1
Other	(3.4)	-	-	-	0.1	(3.4)	0.1
Ending Balance	\$1,134.3	\$999.3	\$1,016.3	\$975.7	\$958.9	\$1,134.3	\$958.9
Subtotal – Open-End Funds							
Beginning balance	\$35,317.8	\$33,345.3	\$29,716.4	\$28,882.1	\$26,536.0	\$37,514.2	\$28,882.1
Inflows	2,619.5	1,866.2	2,546.9	2,193.4	1,351.9	5,633.7	3,545.3
Outflows	(4,174.5)	(3,736.0)	(3,702.0)	(4,794.3)	(3,799.8)	(9,572.5)	(8,594.1)
Net Flows	(1,555.0)	(1,869.8)	(1,155.1)	(2,600.9)	(2,447.9)	(3,938.8)	(5,048.8)
Market performance	(352.9)	(1,780.9)	425.2	295.9	887.5	(155.8)	1,183.4
Other	(64.6)	21.8	(104.4)	(41.1)	(161.8)	(74.3)	(202.9)
Ending Balance	\$33,345.3	\$29,716.4	\$28,882.1	\$26,536.0	\$24,813.8	\$33,345.3	\$24,813.8

\$ in millions

ASSET FLOW DETAIL



Asset Flows – By Product (continued)

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Closed-End Funds							
Beginning balance	\$7,288.0	\$6,901.0	\$6,349.8	\$6,222.3	\$6,543.6	\$7,581.4	\$6,222.3
Inflows	-	-	-	-	-	-	-
Outflows	-	-	-	-	(103.3)	-	(103.3)
Net Flows	-	-	-	-	(103.3)	-	(103.3)
Market performance	(281.6)	(380.4)	18.7	421.3	481.7	(450.2)	903.0
Other	(105.4)	(170.8)	(146.2)	(100.0)	37.6	(230.2)	(62.4)
Ending Balance	\$6,901.0	\$6,349.8	\$6,222.3	\$6,543.6	\$6,959.6	\$6,901.0	\$6,959.6
Exchange Traded Funds							
Beginning balance	\$0.0	\$132.6	\$306.9	\$340.8	\$353.6	\$0.0	\$340.8
Inflows	67.4	217.7	57.7	62.3	52.8	67.4	115.1
Outflows	(12.2)	(13.8)	(23.0)	(33.8)	(20.8)	(12.2)	(54.6)
Net Flows	55.2	203.9	34.7	28.5	32.0	55.2	60.5
Market performance	(0.4)	(29.1)	1.6	(13.6)	17.4	(0.4)	3.8
Other	77.8	(0.5)	(2.4)	(2.1)	(3.6)	77.8	(5.7)
Ending Balance	\$132.6	\$306.9	\$340.8	\$353.6	\$399.4	\$132.6	\$399.4

\$ in millions

ASSET FLOW DETAIL



Asset Flows – By Product (continued)

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Intermediary Sold Managed Accounts							
Beginning balance	\$4,250.3	\$4,180.6	\$3,853.5	\$3,985.7	\$4,151.5	\$4,188.7	\$3,985.7
Inflows	150.4	132.9	193.1	295.9	337.5	328.1	633.4
Outflows	(185.7)	(176.3)	(255.2)	(235.0)	(148.3)	(406.3)	(383.3)
Net Flows	(35.3)	(43.4)	(62.1)	60.9	189.2	(78.2)	250.1
Market performance	(44.8)	(283.6)	194.2	104.9	122.0	59.7	226.9
Other	10.4	(0.1)	0.1	-	-	10.4	-
Ending Balance	\$4,180.6	\$3,853.5	\$3,985.7	\$4,151.5	\$4,462.7	\$4,180.6	\$4,462.7
High Net Worth Separate Accounts							
Beginning balance	\$2,880.7	\$2,771.5	\$2,686.1	\$2,798.7	\$2,869.6	\$2,696.1	\$2,798.7
Inflows	216.4	130.9	139.7	103.3	106.7	367.2	210.0
Outflows	(156.5)	(158.2)	(141.4)	(129.3)	(166.3)	(291.2)	(295.6)
Net Flows	59.9	(27.3)	(1.7)	(26.0)	(59.6)	76.0	(85.6)
Market performance	(20.7)	(69.6)	117.8	105.9	124.5	52.2	230.4
Other	(148.4)	11.5	(3.5)	(9.0)	10.0	(52.8)	1.0
Ending Balance	\$2,771.5	\$2,686.1	\$2,798.7	\$2,869.6	\$2,944.5	\$2,771.5	\$2,944.5
Total Separately Managed Accounts							
Beginning balance	\$7,131.0	\$6,952.1	\$6,539.6	\$6,784.4	\$7,021.1	\$6,884.8	\$6,784.4
Inflows	366.8	263.8	332.8	399.2	444.2	695.3	843.4
Outflows	(342.2)	(334.5)	(396.6)	(364.3)	(314.6)	(697.5)	(678.9)
Net Flows	24.6	(70.7)	(63.8)	34.9	129.6	(2.2)	164.5
Market performance	(65.5)	(353.2)	312.0	210.8	246.5	111.9	457.3
Other	(138.0)	11.4	(3.4)	(9.0)	10.0	(42.4)	1.0
Ending Balance	\$6,952.1	\$6,539.6	\$6,784.4	\$7,021.1	\$7,407.2	\$6,952.1	\$7,407.2

\$ in millions

ASSET FLOW DETAIL



Asset Flows – By Product (continued)

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Institutional Accounts							
Beginning balance	\$4,620.6	\$4,665.1	\$4,638.7	\$4,799.7	\$4,848.3	\$4,296.5	\$4,799.7
Inflows	214.1	199.5	226.6	186.2	224.9	582.2	411.1
Outflows	(87.3)	(110.3)	(181.3)	(276.6)	(292.0)	(234.5)	(568.6)
Net Flows	126.8	89.2	45.3	(90.4)	(67.1)	347.7	(157.5)
Market performance	(81.9)	(109.9)	120.4	148.4	144.1	35.7	292.5
Other	(0.4)	(5.7)	(4.7)	(9.4)	(5.3)	(14.8)	(14.7)
Ending Balance	\$4,665.1	\$4,638.7	\$4,799.7	\$4,848.3	\$4,920.0	\$4,665.1	\$4,920.0
Structured Products							
Beginning balance	\$415.6	\$404.9	\$386.3	\$356.0	\$348.6	\$425.5	\$356.0
Inflows	-	-	-	-	316.3	-	316.3
Outflows	-	-	-	-	(13.5)	-	(13.5)
Net Flows	-	-	-	-	302.8	-	302.8
Market performance	-	-	-	-	9.5	-	9.5
Other	(10.7)	(18.6)	(30.3)	(7.4)	8.8	(20.6)	1.4
Ending Balance	\$404.9	\$386.3	\$356.0	\$348.6	\$669.7	\$404.9	\$669.7
Total Institutional Accounts							
Beginning balance	\$5,036.2	\$5,070.0	\$5,025.0	\$5,155.7	\$5,196.9	\$4,722.0	\$5,155.7
Inflows	214.1	199.5	226.6	186.2	541.2	582.2	727.4
Outflows	(87.3)	(110.3)	(181.3)	(276.6)	(305.5)	(234.5)	(582.1)
Net Flows	126.8	89.2	45.3	(90.4)	235.7	347.7	145.3
Market performance	(81.9)	(109.9)	120.4	148.4	153.6	35.7	302.0
Other	(11.1)	(24.3)	(35.0)	(16.8)	3.5	(35.4)	(13.3)
Ending Balance	\$5,070.0	\$5,025.0	\$5,155.7	\$5,196.9	\$5,589.7	\$5,070.0	\$5,589.7

\$ in millions

ASSET FLOW DETAIL



Open-End Asset Flows – By Asset Class

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Domestic Equity Funds							
Beginning balance	\$7,934.4	\$6,019.7	\$4,785.3	\$4,349.0	\$4,213.5	\$10,389.7	\$4,349.0
Inflows	134.7	107.6	108.0	120.6	227.3	475.3	347.9
Outflows	(1,926.4)	(968.9)	(679.6)	(576.6)	(525.5)	(4,501.2)	(1,102.1)
Net Flows	(1,791.7)	(861.3)	(571.6)	(456.0)	(298.2)	(4,025.9)	(754.2)
Market performance	(56.3)	(349.4)	139.6	(22.3)	91.6	(244.1)	69.3
Other	(66.7)	(23.7)	(4.3)	342.8	(21.8)	(100.0)	321.0
Ending Balance	\$6,019.7	\$4,785.3	\$4,349.0	\$4,213.5	\$3,985.1	\$6,019.7	\$3,985.1
International Equity Funds							
Beginning balance	\$12,218.4	\$13,207.3	\$11,750.9	\$11,967.1	\$10,403.3	\$11,026.3	\$11,967.1
Inflows	1,852.2	1,217.3	1,737.4	1,376.0	537.3	3,591.5	1,913.3
Outflows	(719.5)	(1,467.7)	(1,699.9)	(3,107.1)	(2,367.1)	(1,489.1)	(5,474.2)
Net Flows	1,132.7	(250.4)	37.5	(1,731.1)	(1,829.8)	2,102.4	(3,560.9)
Market performance	(168.5)	(1,200.8)	206.7	174.9	462.0	22.2	636.9
Other	24.7	(5.2)	(28.0)	(7.6)	(0.1)	56.4	(7.7)
Ending Balance	\$13,207.3	\$11,750.9	\$11,967.1	\$10,403.3	\$9,035.4	\$13,207.3	\$9,035.4
Alternative Funds							
Beginning balance	\$3,396.5	\$2,770.4	\$2,487.0	\$2,295.9	\$1,919.7	\$4,021.2	\$2,295.9
Inflows	145.4	108.0	141.8	152.6	145.8	394.2	298.4
Outflows	(600.6)	(416.3)	(370.1)	(206.0)	(217.9)	(1,516.5)	(423.9)
Net Flows	(455.2)	(308.3)	(228.3)	(53.4)	(72.1)	(1,122.3)	(125.5)
Market performance	(154.8)	(25.1)	77.3	44.2	100.5	(123.5)	144.7
Other	(16.1)	50.0	(40.1)	(367.0)	(126.5)	(5.0)	(493.5)
Ending Balance	\$2,770.4	\$2,487.0	\$2,295.9	\$1,919.7	\$1,821.6	\$2,770.4	\$1,821.6

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

ASSET FLOW DETAIL



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

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Taxable Bond Funds							
Beginning balance	\$10,308.7	\$9,960.9	\$9,446.0	\$8,990.8	\$8,752.3	\$10,600.4	\$8,990.8
Inflows	473.0	419.4	536.2	518.6	418.3	1,129.4	936.9
Outflows	(860.6)	(818.1)	(905.1)	(843.6)	(630.2)	(1,918.0)	(1,473.8)
Net Flows	(387.6)	(398.7)	(368.9)	(325.0)	(211.9)	(788.6)	(536.9)
Market performance	42.1	(116.1)	(51.0)	96.6	209.7	173.0	306.3
Other	(2.3)	(0.1)	(35.3)	(10.1)	(13.6)	(23.9)	(23.7)
Ending Balance	\$9,960.9	\$9,446.0	\$8,990.8	\$8,752.3	\$8,736.5	\$9,960.9	\$8,736.5
Non-Taxable Bond Funds							
Beginning balance	\$236.4	\$226.6	\$222.8	\$226.7	\$232.8	\$231.1	\$226.7
Inflows	5.8	4.6	5.9	14.8	9.0	18.0	23.8
Outflows	(13.0)	(12.4)	(7.9)	(13.0)	(13.2)	(24.4)	(26.2)
Net Flows	(7.2)	(7.8)	(2.0)	1.8	(4.2)	(6.4)	(2.4)
Market performance	(2.1)	3.2	2.5	3.4	4.4	(0.1)	7.8
Other	(0.5)	0.8	3.4	0.9	0.1	2.0	1.0
Ending Balance	\$226.6	\$222.8	\$226.7	\$232.8	\$233.1	\$226.6	\$233.1

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

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	
Revenues								
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
Operating Expenses								
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
Operating Income	8,743	-	4,591	603	2,391	-	358	16,686
Other Income (Expense)								
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
Interest Income (Expense)								
Interest expense	(129)	-	-	-	-	-	-	(129)
Interest and dividend income	619	-	2,961	-	-	(3,470)	-	110
Interest and dividend income of investments of consolidated sponsored investment products, net	1,696	-	(1,696)	-	-	-	-	-
Interest (expense) income, net of investments of consolidated investment product, net	(3,086)	-	3,086	-	-	-	-	-
Total interest (expense) income, net	(900)	-	4,351	-	-	(3,470)	-	(19)
Income Before Income Taxes	14,787	-	(612)	603	2,391	(781)	358	16,746
Income tax expense	6,087	-	-	232	921	(930)	138	6,448
Net Income	8,700	-	(612)	371	1,470	149	220	10,298
Noncontrolling interests	(612)	-	612	-	-	-	-	-
Net Income Attributable to Common Stockholders	\$ 8,088	\$ -	\$ -	\$ 371	\$ 1,470	\$ 149	\$ 220	\$ 10,298
Earnings Per Share - Basic	\$ 0.99							\$ 1.26
Earnings Per Share - Diluted	\$ 0.97							\$ 1.24
Weighted Average Shares Outstanding - Basic (in thousands)	8,170							8,170
Weighted Average Shares Outstanding - Diluted (in thousands)	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	
Revenues							
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
Operating Expenses							
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
Operating Income	12,750	-	1,398	651	-	414	15,213
Other Income (Expense)							
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
Interest Income (Expense)							
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 (expense), net of investments of consolidated investment product, net	1,474	-	(1,474)	-	-	-	-
Total interest income, net	4,576	-	(2,687)	-	(1,883)	-	6
Income Before Income Taxes	19,426	-	493	651	(5,542)	414	15,442
Income tax expense	7,556	-	-	250	(2,045)	159	5,920
Net Income	11,870	-	493	401	(3,497)	255	9,522
Noncontrolling interests	493	-	(493)	-	-	-	-
Net Income Attributable to Common Stockholders	\$ 12,363	\$ -	\$ -	\$ 401	\$ (3,497)	\$ 255	\$ 9,522
Earnings Per Share - Basic	\$ 1.48						\$ 1.14
Earnings Per Share - Diluted	\$ 1.45						\$ 1.12
Weighted Average Shares Outstanding - Basic (in thousands)	8,344						8,344
Weighted Average Shares Outstanding - Diluted (in thousands)	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	
Revenues							
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
Operating Expenses							
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
Operating Income	16,506	-	1,616	784	-	497	19,403
Other Income (Expense)							
Realized and unrealized gain (loss) 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)
Interest Income (Expense)							
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 (expense), net of investments of consolidated investment product, net	1,632	-	(1,632)	-	-	-	-
Total interest income, net	5,030	-	(1,684)	-	(3,283)	-	63
Income Before Income Taxes	14,249	-	932	784	2,877	497	19,339
Income tax expense	8,612	-	-	303	(1,387)	(53)	7,475
Net Income	5,637	-	932	481	4,264	550	11,864
Noncontrolling interests	999	-	(932)	-	-	-	67
Net Income Attributable to Common Stockholders	\$ 6,636	\$ -	\$ -	\$ 481	\$ 4,264	\$ 550	\$ 11,931
Earnings Per Share - Basic	\$ 0.78						\$ 1.39
Earnings Per Share - Diluted	\$ 0.76						\$ 1.37
Weighted Average Shares Outstanding - Basic (in thousands)	8,562						8,562
Weighted Average Shares Outstanding - Diluted (in thousands)	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		Amortization of intangible assets	Adjustments		Non-GAAP Basis
		Distribution and other asset- based expenses	Consolidated investment products		Seed capital and CLO investments	Other	
Revenues							
Investment management fees	\$ 64,891	\$ -	\$ 302	\$ -	\$ -	\$ -	\$ 65,193
Distribution and services fees	15,587	-	27	-	-	-	15,614
Administration and transfer agent fees	11,614	-	100	-	-	-	11,714
Other income and fees	283	-	-	-	-	-	283
Distribution and other asset-based expenses	-	(21,717)	-	-	-	-	(21,717)
Total revenues	92,375	(21,717)	429	-	-	-	71,087
Operating Expenses							
Employment expenses	33,504	-	-	-	-	-	33,504
Distribution and other asset-based expenses	21,717	(21,717)	-	-	-	-	-
Other operating expense	11,165	-	-	-	-	170	11,335
Other operating expenses of consolidated sponsored investment products	1,120	-	(1,120)	-	-	-	-
Other operating expenses of consolidated investment products	-	-	-	-	-	-	-
Depreciation and other amortization	910	-	-	-	-	-	910
Amortization expense	837	-	-	(837)	-	-	-
Total operating expenses	69,253	(21,717)	(1,120)	(837)	-	170	45,749
Operating Income	23,122	-	1,549	837	-	(170)	25,338
Other Income (Expense)							
Realized and unrealized (loss) gain on investments, net	(2,082)	-	(14,145)	-	16,068	-	(159)
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(17,619)	-	17,619	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	(721)	-	721	-	-	-	-
Other income, net	141	-	(680)	-	680	-	141
Total other (expense) income, net	(20,281)	-	3,515	-	16,748	-	(18)
Interest Income (Expense)							
Interest expense	(138)	-	-	-	-	-	(138)
Interest and dividend income	324	-	1,023	-	(1,100)	-	247
Interest and dividend income of investments of consolidated sponsored investment products, net	2,898	-	(2,898)	-	-	-	-
Interest income (expense), net of investments of consolidated investment product, net	41	-	(41)	-	-	-	-
Total interest income, net	3,125	-	(1,916)	-	(1,100)	-	109
Income Before Income Taxes	5,966	-	3,148	837	15,648	(170)	25,429
Income tax expense	9,669	-	-	322	(139)	(65)	9,787
Net Income	(3,703)	-	3,148	515	15,787	(105)	15,642
Noncontrolling interests	3,054	-	(3,148)	-	-	-	(94)
Net Income Attributable to Common Stockholders	\$ (649)	\$ -	\$ -	\$ 515	\$ 15,787	\$ (105)	\$ 15,548
Earnings (Loss) Per Share - Basic	\$ (0.07)						\$ 1.77
Earnings (Loss) Per Share - Diluted	\$ (0.07)						\$ 1.74
Weighted Average Shares Outstanding - Basic (in thousands)	8,775						8,775
Weighted Average Shares Outstanding - Diluted (in thousands)	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	
Revenues							
Investment management fees	\$ 68,867	\$ -	\$ 288	\$ -	\$ -	\$ 1,166	\$ 70,321
Distribution and services 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
Operating Expenses							
Employment expenses	33,593	-	-	-	-	-	33,593
Distribution and other asset-based expenses	23,676	(23,676)	-	-	-	-	-
Other operating expense	23,512	-	-	-	-	(11,869)	11,643
Other operating expenses of consolidated sponsored investment products	957	-	(957)	-	-	-	-
Depreciation and other amortization	873	-	-	-	-	-	873
Amortization expense	837	-	-	(837)	-	-	-
Total operating expenses	83,448	(23,676)	(957)	(837)	-	(11,869)	46,109
Operating Income	16,208	-	1,353	837	-	13,035	31,433
Other Income (Expense)							
Realized and unrealized gain (loss) on investments, net	343	-	(1,828)	-	1,709	-	224
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(3,242)	-	3,242	-	-	-	-
Other income, net	247	-	-	-	-	-	247
Total other (expense) income, net	(2,652)	-	1,414	-	1,709	-	471
Interest Income (Expense)							
Interest expense	(121)	-	-	-	-	-	(121)
Interest and dividend income	302	-	931	-	(1,058)	-	175
Interest and dividend income of investments of consolidated sponsored investment products, net	3,098	-	(3,098)	-	-	-	-
Total interest income, net	3,279	-	(2,167)	-	(1,058)	-	54
Income Before Income Taxes	16,835	-	600	837	651	13,035	31,958
Income tax expense	7,823	-	-	318	(579)	4,565	12,127
Net Income	9,012	-	600	519	1,230	8,470	19,831
Noncontrolling interests	765	-	(600)	-	-	-	165
Net Income Attributable to Common Stockholders	\$ 9,777	\$ -	\$ -	\$ 519	\$ 1,230	\$ 8,470	\$ 19,996
Earnings Per Share - Basic	\$ 1.10						\$ 2.25
Earnings Per Share - Diluted	\$ 1.08						\$ 2.21
Weighted Average Shares Outstanding - Basic (in thousands)	8,889						8,889
Weighted Average Shares Outstanding - Diluted (in thousands)	9,037						9,037

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

U.S. GAAP TO NON-GAAP RECONCILIATION – YTD JUNE 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	
Revenues								
Investment management fees	\$ 115,836	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 115,839
Distribution and services fees	24,645	-	36	-	-	-	-	24,681
Administration and transfer agent fees	19,497	-	143	-	-	-	-	19,640
Other income and fees	402	-	-	-	-	-	-	402
Distribution and other asset-based expenses	-	(35,533)	-	-	-	-	-	(35,533)
Total revenues	160,380	(35,533)	182	-	-	-	-	125,029
Operating Expenses								
Employment expenses	69,042	-	-	-	-	-	-	69,042
Distribution and other asset-based expenses	35,533	(35,533)	-	-	-	-	-	-
Other operating expense	23,222	-	-	-	-	-	(772)	22,450
Other operating expenses of consolidated sponsored investment products	1,910	-	(1,910)	-	-	-	-	-
Other operating expenses of consolidated investment products	3,897	-	(3,897)	-	-	-	-	-
Restructuring and severance	2,391	-	-	-	(2,391)	-	-	-
Depreciation and other amortization	1,638	-	-	-	-	-	-	1,638
Amortization expense	1,254	-	-	(1,254)	-	-	-	-
Total operating expenses	138,887	(35,533)	(5,807)	(1,254)	(2,391)	-	(772)	93,130
Operating Income	21,493	-	5,989	1,254	2,391	-	772	31,899
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	2,623	-	4,730	-	-	(7,264)	-	89
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	3,392	-	(3,392)	-	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	2,816	-	(2,816)	-	-	-	-	-
Other income, net	213	-	(6,294)	-	-	6,294	-	213
Total other (expense) income, net	9,044	-	(7,772)	-	-	(970)	-	302
Interest Income (Expense)								
Interest expense	(261)	-	-	-	-	-	-	(261)
Interest and dividend income	892	-	4,709	-	-	(5,353)	-	248
Interest and dividend income of investments of consolidated sponsored investment products, net	4,657	-	(4,657)	-	-	-	-	-
Interest (expense) income, net of investments of consolidated investment product, net	(1,612)	-	1,612	-	-	-	-	-
Total interest income (expense), net	3,676	-	1,664	-	-	(5,353)	-	(13)
Income Before Income Taxes	34,213	-	(119)	1,254	2,391	(6,323)	772	32,188
Income tax expense	13,643	-	-	482	921	(2,975)	297	12,368
Net Income	20,570	-	(119)	772	1,470	(3,348)	475	19,820
Noncontrolling interests	(119)	-	119	-	-	-	-	-
Net Income Attributable to Common Stockholders	\$ 20,451	\$ -	\$ -	\$ 772	\$ 1,470	\$ (3,348)	\$ 475	\$ 19,820
Earnings Per Share - Basic	\$ 2.48							\$ 2.40
Earnings Per Share - Diluted	\$ 2.43							\$ 2.36
Weighted Average Shares Outstanding - Basic (in thousands)	8,257							8,257
Weighted Average Shares Outstanding - Diluted (in thousands)	8,410							8,410

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

U.S. GAAP TO NON-GAAP RECONCILIATION – YTD JUNE 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	
Revenues							
Investment management fees	\$ 139,363	\$ -	\$ 593	\$ -	\$ -	\$ 1,166	\$ 141,122
Distribution and services fees	37,233	-	43	-	-	-	37,276
Administration and transfer agent fees	25,619	-	162	-	-	-	25,781
Other income and fees	1,272	-	-	-	-	-	1,272
Distribution and other asset-based expenses	-	(48,183)	-	-	-	-	(48,183)
Total revenues	203,487	(48,183)	798	-	-	1,166	157,268
Operating Expenses							
Employment expenses	69,215	-	-	-	-	-	69,215
Distribution and other asset-based expenses	48,183	(48,183)	-	-	-	-	-
Other operating expense	40,238	-	-	-	-	(17,420)	22,818
Other operating expenses of consolidated sponsored investment products	1,775	-	(1,775)	-	-	-	-
Depreciation and other amortization	1,652	-	-	-	-	-	1,652
Amortization expense	1,674	-	-	(1,674)	-	-	-
Total operating expenses	162,737	(48,183)	(1,775)	(1,674)	-	(17,420)	93,685
Operating Income	40,750	-	2,573	1,674	-	18,586	63,583
Other Income (Expense)							
Realized and unrealized gain (loss) on investments, net	888	-	514	-	(1,059)	-	343
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(652)	-	652	-	-	-	-
Other income, net	682	-	-	-	-	-	682
Total other (expense) income, net	918	-	1,166	-	(1,059)	-	1,025
Interest Income (Expense)							
Interest expense	(244)	-	-	-	-	-	(244)
Interest and dividend income	582	-	1,866	-	(2,056)	-	392
Interest and dividend income of investments of consolidated sponsored investment products, net	5,422	-	(5,422)	-	-	-	-
Total interest income, net	5,760	-	(3,556)	-	(2,056)	-	148
Income Before Income Taxes	47,428	-	183	1,674	(3,115)	18,586	64,756
Income tax expense	18,691	-	-	637	(999)	6,298	24,627
Net Income	28,737	-	183	1,037	(2,116)	12,288	40,129
Noncontrolling interests	382	-	(183)	-	-	-	199
Net Income Attributable to Common Stockholders	\$ 29,119	\$ -	\$ -	\$ 1,037	\$ (2,116)	\$ 12,288	\$ 40,328
Earnings Per Share - Basic	\$ 3.26						\$ 4.52
Earnings Per Share - Diluted	\$ 3.20						\$ 4.43
Weighted Average Shares Outstanding - Basic (in thousands)	8,927						8,927
Weighted Average Shares Outstanding - Diluted (in thousands)	9,094						9,094

\$ 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 adjustment of certain expenses and other items that are not reflective of the earnings generated from providing investment management and related services. Non-GAAP financial measures have material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures.

In particular, the company reclassifies:

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

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

3. 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

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

	<u>Q2:15</u>	<u>Q3:15</u>	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>YTD:15</u>	<u>YTD:16</u>
Other (\$ in thousands)							
Loss contingency	\$11,300	\$-	\$-	\$-	\$-	\$16,500	\$-
Tax impact of loss contingency	(3,907)	-	-	-	-	(5,507)	-
Transition related revenues	1,166	-	-	-	-	1,166	-
Tax impact of transition related revenues	(442)	-	-	-	-	(442)	-
System transition expenses	569	(170)	497	414	358	920	772
Tax impact of transition expenses	(216)	65	(192)	(159)	(138)	(349)	(297)
Discrete tax adjustments	-	-	245	-	-	-	-
Total Other	\$8,470	(\$105)	\$550	\$255	\$220	\$12,288	\$475

