



Third Quarter 2018
Earnings Presentation
October 26, 2018

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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, as amended. These statements may be identified by such forward-looking terminology as “expect,” “estimate,” “intent,” “plan,” “intend,” “believe,” “anticipate,” “may,” “will,” “should,” “could,” “continue,” “project,” “opportunity,” “predict,” “would,” “potential,” “future,” “forecast,” “guarantee,” “assume,” “likely,” “target” 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 and the markets in which we operate, are not guarantees of future results or performance, and involve substantial risks and uncertainty, including assumptions and projections concerning our assets under management, net asset inflows and outflows, operating cash flows, business plans and ability to borrow, for all future periods. All of our forward-looking statements are as of the date of this presentation 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 2017 Annual Report on Form 10-K, as well as the following risks and uncertainties: (a) any reduction in our assets under management; (b) 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) inability to satisfy financial covenants and payments related to our indebtedness; (f) inability to attract and retain key personnel; (g) challenges from the competition we face in our business; (h) adverse regulatory and legal developments; (i) unfavorable changes in tax laws or limitations; (j) adverse developments related to unaffiliated subadvisers; (k) negative implications of changes in key distribution relationships; (l) interruptions in or failure to provide critical technological service by us or third parties; (m) volatility associated with our common and preferred stock; (n) adverse civil litigation and government investigations or proceedings; (o) risk of loss on our investments; (p) inability to make quarterly common and preferred stock distributions; (q) lack of sufficient capital on satisfactory terms; (r) losses or costs not covered by insurance; (s) impairment of goodwill or intangible assets; (t) inability to achieve expected acquisition-related benefits; and other risks and uncertainties described in our 2017 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 Third Quarter
- Third Quarter Results
- Q & A Session



OVERVIEW OF THIRD QUARTER

OVERVIEW OF THIRD QUARTER



Assets and Flows

- Long-term assets under management increased \$14.1 billion, or 16%, sequentially to \$103.9 billion reflecting assets from Sustainable Growth Advisers (SGA), market appreciation, and positive net flows
- Total sales of \$6.3 billion compared with \$6.6 billion in prior quarter with higher retail separate account and institutional sales offset by lower open-end fund sales; fund sales rate of 34.0% in third quarter
- Net inflows of \$0.5 billion reflect positive flows in retail separate accounts and open-end mutual funds; annualized organic growth rate of 2.2% on long-term AUM

Non-GAAP Financial Results

- Operating income, as adjusted, of \$48.2 million increased \$10.6 million, or 28%, from prior quarter
- Operating margin, as adjusted, of 38% increased 350 bps sequentially
- Earnings per diluted share, as adjusted, of \$3.64 increased by \$0.67, or 23%, as a result of higher average assets and fee rate, and earnings contribution from SGA transaction

Capital Activities

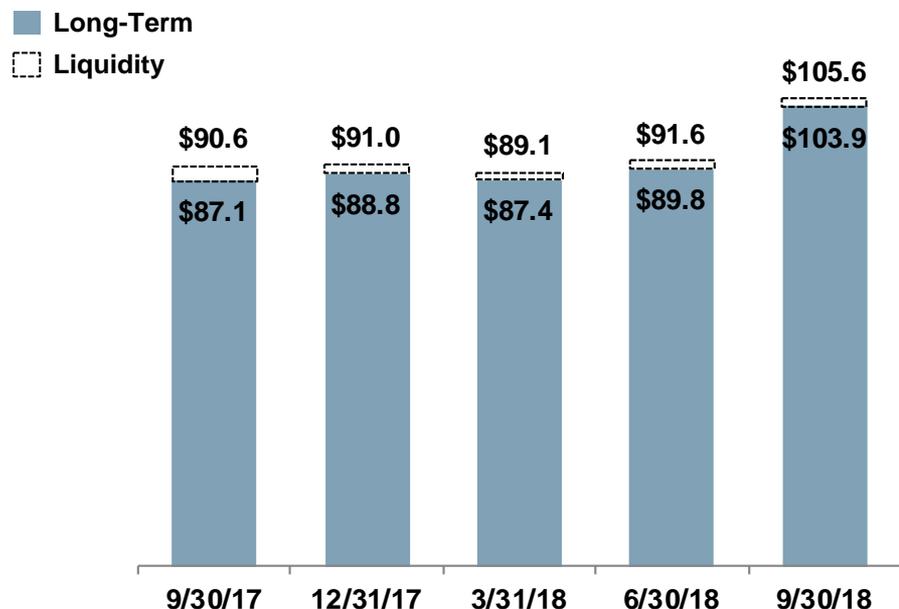
- Repurchased 38,184 shares, representing 0.5% of outstanding shares, as adjusted, for \$5.0 million
- Net debt to Bank EBITDA of 0.9x; net leverage reflects July borrowing of \$105.0 million related to SGA investment



THIRD QUARTER RESULTS

ASSETS UNDER MANAGEMENT

Quarterly Trends



Commentary

- Sequential increase in long-term assets of \$14.1 billion, or 15.7%, primarily due to assets from SGA
- Increase in long-term assets included \$2.5 billion from market appreciation and positive net flows
- Increase in long-term assets from prior year primarily reflects SGA assets and \$6.3 billion of market appreciation
- Institutional represents 30% of long-term AUM, up from 22% in prior quarter

Long-Term Assets by Asset Class

Equity	49.1%	51.0%	51.9%	53.9%	60.3%
Fixed Income	45.2%	43.3%	43.2%	41.1%	35.4%
Alternatives ¹	5.7%	5.7%	4.9%	5.0%	4.3%

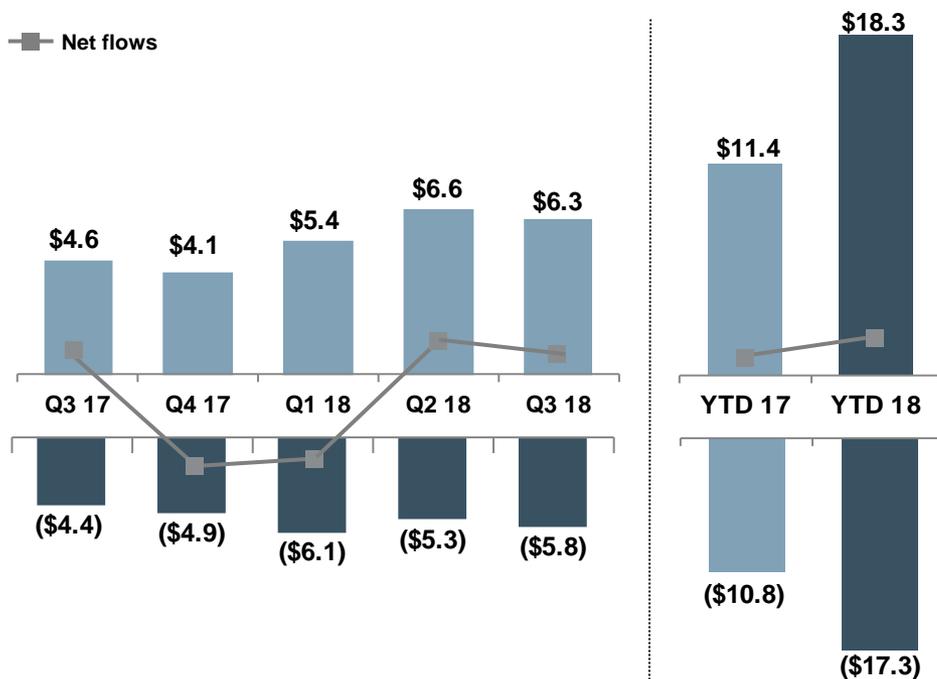
\$ in billions

¹ Consists of real estate securities, mid-stream energy securities and master limited partnerships, options strategies, and other

ASSET FLOWS

Inflows / (Outflows)

■ Net flows



Year to Date

Commentary

- Total sales declined modestly sequentially, up significantly from prior year
 - Annualized sales rate of 28% in third quarter
- Net flows of \$0.5 billion, which represented an annualized organic growth rate of 2.2%, included:
 - Retail separate accounts \$0.4 billion
 - Open-end mutual funds \$0.3 billion
 - Institutional (\$0.1) billion
 - Exchange traded funds (\$0.1) billion
- Organic growth of 1.6% year-to-date unchanged from prior year-to-date

Sales Metrics

Net Flows ¹	\$0.2	(\$0.8)	(\$0.7)	\$1.3	\$0.5	\$0.6	\$1.1
Net Flow Rate ²	1.0%	(3.5%)	(3.3%)	5.9%	2.2%	1.6%	1.6%

\$ in billions

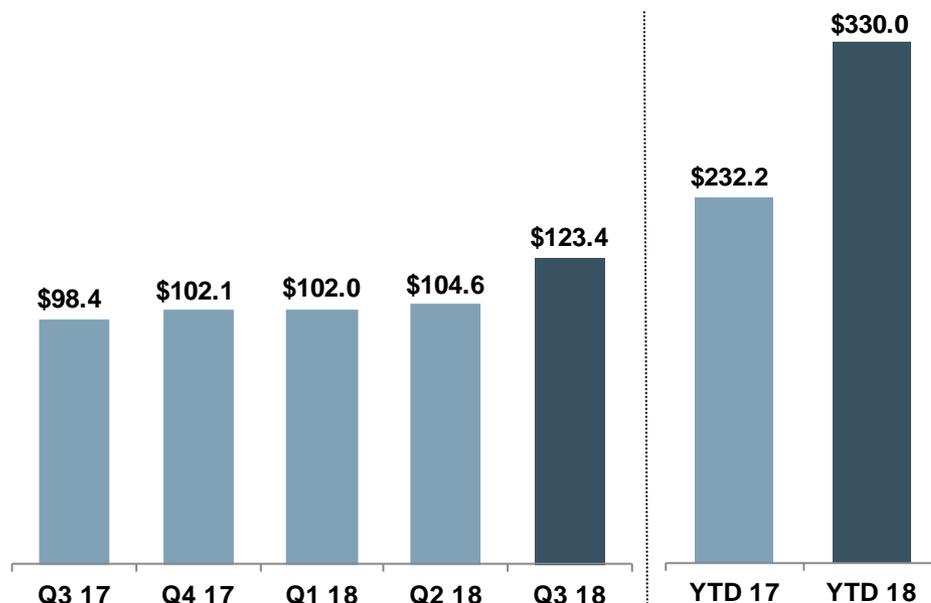
¹ Net flows exclude flows from liquidity products

² Annualized net flows divided by beginning of period long-term AUM

INVESTMENT MANAGEMENT FEES, AS ADJUSTED



Quarterly Results



Metrics						
Long-Term Net Fee Rate ¹ – BPS	44.8	45.4	46.0	46.7	47.4	
Long-Term Average AUM - (\$Bn)	\$86.0	\$87.8	\$88.9	\$88.8	\$102.3	
						\$64.3
						\$93.3

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

¹ Represents net investment management fees divided by average assets. Net investment management fees are net investment management fees, as adjusted, less fees paid to third party service providers for investment management related services.

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

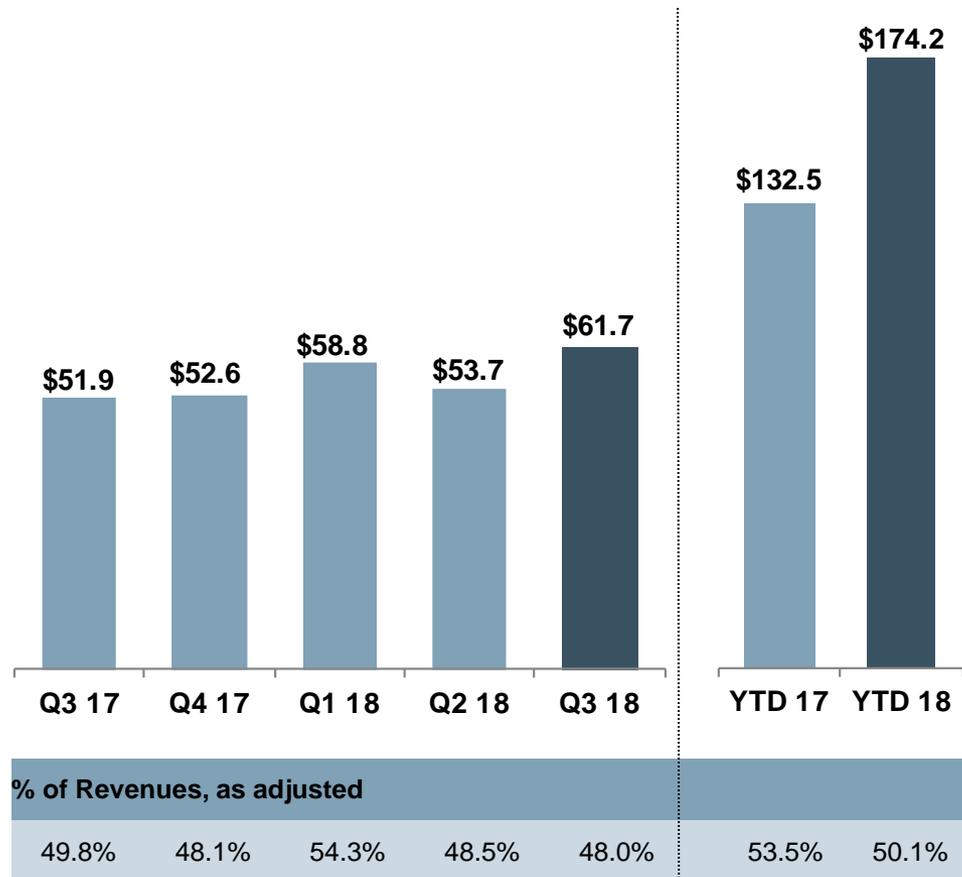
Year to Date

Commentary

- Investment management fees increased \$18.8 million, or 18.0%, sequentially primarily due to:
 - \$8.9 million of SGA revenues
 - \$6.3 million related to higher average AUM and fee rate
 - \$3.6 million of performance-related fees on structured products and institutional
- Average open-end fund fee rate increased 2.5 bps sequentially to 54.3 bps related to shift in the mix of assets

EMPLOYMENT EXPENSES, AS ADJUSTED

Quarterly Results



Year to Date

Commentary

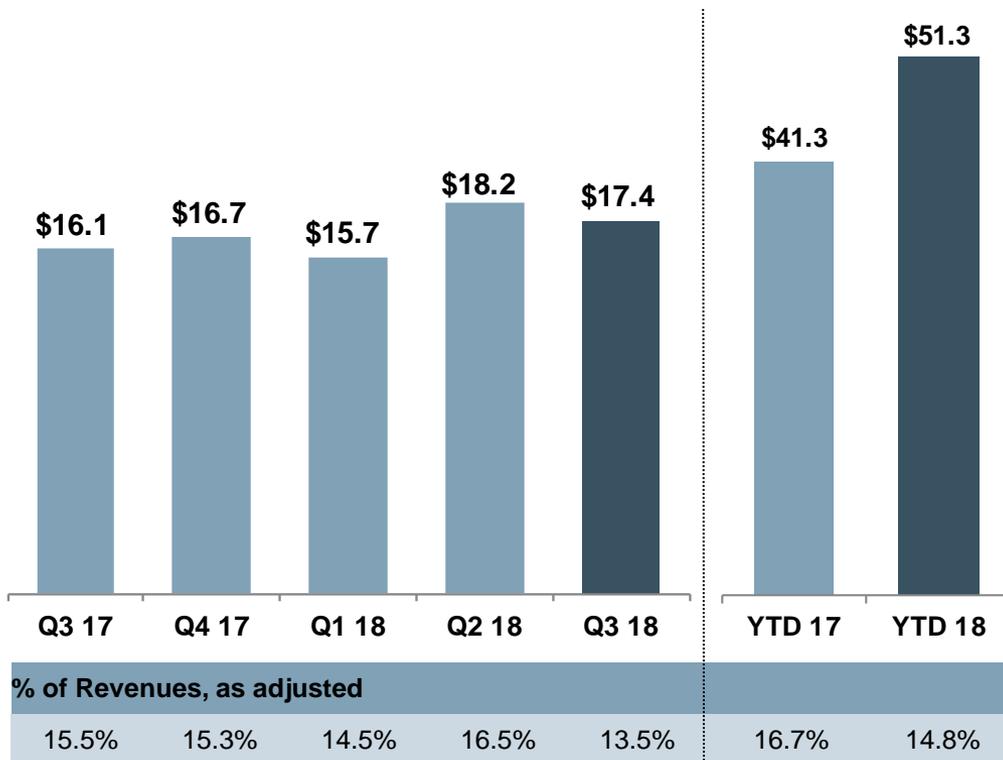
- Employment expenses, as adjusted, increased sequentially by \$8.0 million or 15.0% due to:
 - Addition of SGA
 - Higher profit-based variable compensation
- Employment expense as a percentage of revenues, as adjusted, of 48.0% decreased 50 bps from prior quarter and 180 bps from prior year

\$ in millions

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

OTHER OPERATING EXPENSES, AS ADJUSTED

Quarterly Results



Year to Date

Commentary

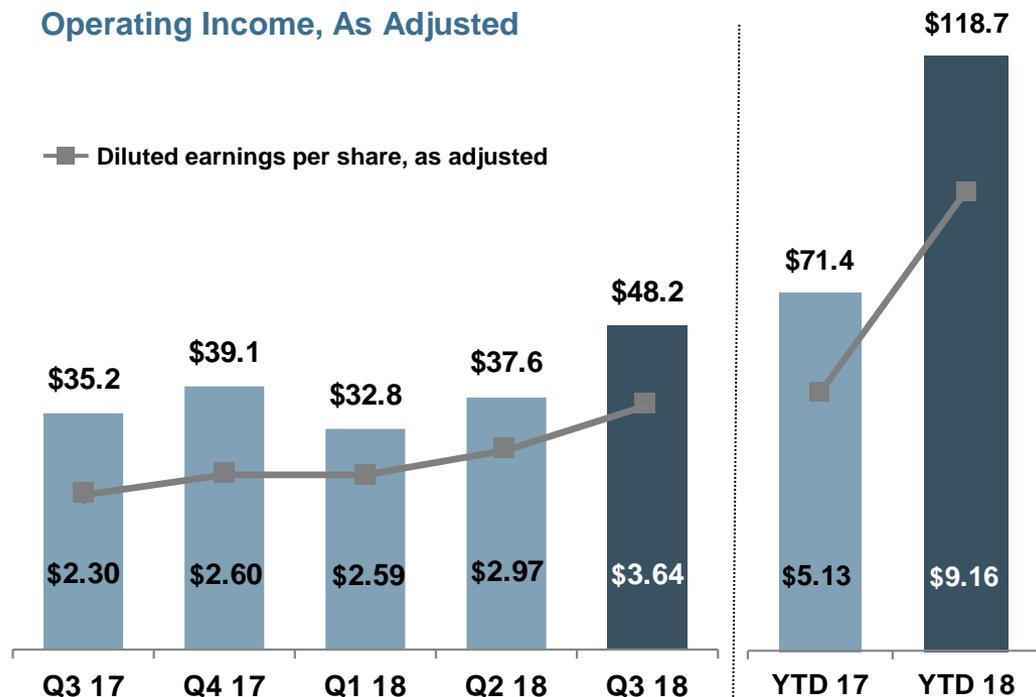
- Other operating expenses, as adjusted, decreased \$0.8 million, or 5%, from prior quarter primarily due to:
 - Prior quarter included \$0.8 million related to timing of annual director grants
 - Addition of SGA operating costs, offset by \$0.6 million of lower sales and marketing costs

NON-GAAP RESULTS

Quarterly Results

Operating Income, As Adjusted

■ Diluted earnings per share, as adjusted



Year to Date

Commentary

- Diluted EPS, as adjusted, of \$3.64 increased by \$0.67, or 23%, sequentially and \$1.34, or 58%, from the prior year
 - Sequential increase primarily related to organic growth, as well as a contribution from SGA
 - Excludes \$3.4 million, or \$0.30 per share, of dividends and interest earned on seed and CLO investments
- Operating margin, as adjusted, of 38% increased 350 bps from prior quarter

Metrics

Net Income, As Adjusted

\$19.5	\$21.9	\$21.8	\$25.0	\$30.7	\$41.5	\$77.5
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Operating Margin, As Adjusted

33.8%	35.7%	30.3%	34.0%	37.5%	28.8%	34.2%
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\$ in millions, except per share data

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

CAPITAL POSITION



Select Non-GAAP Balance Sheet Items

	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18
Cash and cash equivalents	\$165	\$132	\$81	\$139	\$169
Seed capital investments ¹	\$109	\$118	\$116	\$107	\$109
Investments - other ²	\$93	\$112	\$137	\$107	\$104
Goodwill and intangible assets, net	\$477	\$472	\$467	\$462	\$637
Deferred taxes, net	\$49	\$32	\$32	\$31	\$22
Debt ³	\$249	\$248	\$245	\$245	\$339
Contingent consideration	\$52	\$ -	\$ -	\$ -	\$ -
Redeemable noncontrolling interests	\$ -	\$ -	\$ -	\$ -	\$56
Total equity attributable to stockholders	\$584	\$589	\$609	\$625	\$644
<i>Working capital (WC)⁴</i>	\$65	\$74	\$80	\$94	\$128
<i>Common shares outstanding</i>	7.158	7.160	7.217	7.166	7.147
<i>Hypothetical conversion of preferred shares⁵</i>	1.035	0.980	0.900	0.880	0.950
<i>Common shares outstanding, as adjusted⁵</i>	8.193	8.140	8.117	8.046	8.097
Metrics:					
Net Debt ⁶	\$147	\$127	\$178	\$119	\$183
Gross Debt ⁷ to Bank EBITDA ⁸	1.5x	1.5x	1.5x	1.4x	1.7x
Net Debt to Bank EBITDA	0.9x	0.7x	1.0x	0.7x	0.9x

In millions, except per share data

¹ Represents the company's investments in sponsored investment products including open-end funds and separate accounts

² Represents investments not related to seed capital investments, primarily company-managed CLOs

³ Defined as gross debt less deferred financing costs

⁴ Defined as cash and cash equivalents plus accounts receivable, net, less accrued compensation and benefits, accounts payable and accrued liabilities, dividends payable, contingent consideration and required principal payments due over the next twelve months including scheduled amortization and an estimate of the excess cash flow payment; the actual excess cash flow payment will be measured based on fiscal year 2018 financial results and the net leverage ratio as of December 31, 2018

⁵ Assumes conversion of preferred shares to common shares at the 20 day volume-weighted average common stock price at period end, subject to a conversion price range of \$110 to \$132 per share resulting in a conversion ratio range of 0.9091 to 0.7576

⁶ Defined as gross debt less cash and cash equivalents

⁷ Defined as term loan debt outstanding scheduled to mature in 2024

⁸ Calculated in accordance with the company's credit agreement

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

Commentary

- Working capital increased \$33.9 million or 36% sequentially; includes lower estimate for current portion of debt
- Net Debt to Bank EBITDA increased to 0.9x due to borrowing of \$105.0 million to partially fund investment in SGA
- Repurchased 38,184 shares for \$5.0 million, representing 0.5% of outstanding common shares, as adjusted
- Increased common share dividend 22% to \$0.55 per share



Financial Supplement

NON-GAAP INFORMATION



Income Statement¹

(Unaudited)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Revenues, As Adjusted							
Investment management fees, as adjusted	\$98,402	\$102,114	\$102,047	\$104,559	\$123,379	\$232,187	\$329,985
Distribution and service fees, as adjusted	11,486	11,623	12,611	13,553	13,734	32,725	39,898
Administration and shareholder service fees, as adjusted	14,709	15,849	15,739	15,995	16,579	33,219	48,313
Other income and fees, as adjusted	199	119	207	248	200	1,095	655
Distribution and other asset-based expenses, as adjusted	(20,552)	(20,348)	(22,291)	(23,721)	(25,386)	(51,639)	(71,398)
Total revenues, as adjusted	\$104,244	\$109,357	\$108,313	\$110,634	\$128,506	\$247,587	\$347,453
Operating Expenses, As Adjusted							
Employment expenses, as adjusted	\$51,884	\$52,593	\$58,793	\$53,660	\$61,708	\$132,458	\$174,161
Other operating expenses, as adjusted	16,131	16,690	15,693	18,227	17,393	41,292	51,313
Depreciation and other amortization, as adjusted	1,038	1,019	1,015	1,100	1,189	2,478	3,304
Total operating expenses, as adjusted	\$69,053	\$70,302	\$75,501	\$72,987	\$80,290	\$176,228	\$228,778
Operating Income (Loss), As Adjusted	\$35,191	\$39,055	\$32,812	\$37,647	\$48,216	\$71,359	\$118,675

\$ in thousands

(1) The non-GAAP financial information included in this presentation differs from financial information determined in accordance with U.S. GAAP as a result of the reclassification of certain income statement items as well as the exclusion of certain expenses and other items that are not reflective of the earnings generated from providing investment management and related services. Non-GAAP financial information has material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures. See the information beginning on page 21 for reconciliations to the most directly comparable U.S. GAAP measures and other important disclosures.

NON-GAAP INFORMATION



Income Statement¹ (continued)

(Unaudited)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Other Income (Expense), As Adjusted							
Realized and unrealized gain (loss) on investments, net, as adjusted	\$ -	\$ -	(\$198)	\$137	\$10	\$ -	(\$51)
Other income, net, as adjusted	436	506	1,319	455	549	1,128	2,323
Total other income (expense), as adjusted	\$436	\$506	\$1,121	\$592	\$559	\$1,128	\$2,272
Interest Income (Expense), As Adjusted							
Interest expense, as adjusted	(\$4,116)	(\$3,909)	(\$3,818)	(\$3,849)	(\$5,155)	(\$5,812)	(\$12,822)
Interest and dividend income, as adjusted	198	258	268	268	438	592	974
Total interest income (expense), net, as adjusted	(\$3,918)	(\$3,651)	(\$3,550)	(\$3,581)	(\$4,717)	(\$5,220)	(\$11,848)
Pre-Tax Income (Loss), As Adjusted	\$31,709	\$35,910	\$30,383	\$34,658	\$44,058	\$67,267	\$109,099
Income tax expense (benefit), as adjusted	12,173	14,035	8,557	9,708	11,767	25,761	30,032
Net Income (Loss), As Adjusted	\$19,536	\$21,875	\$21,826	\$24,950	\$32,291	\$41,506	\$79,067
Noncontrolling interests, as adjusted	-	-	-	-	(1,542)	-	(1,542)
Net Income Attributable to Common Stockholders, As Adjusted	\$19,536	\$21,875	\$21,826	\$24,950	\$30,749	\$41,506	\$77,525
Weighted average shares outstanding - diluted, as adjusted (in thousands)	8,492	8,413	8,411	8,401	8,456	8,085	8,463
Earnings (Loss) Per Share - Diluted, As Adjusted	\$2.30	\$2.60	\$2.59	\$2.97	\$3.64	\$5.13	\$9.16

\$ in thousands

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NON-GAAP INFORMATION



Balance Sheet¹

(Unaudited)

	<u>09/30/17</u>	<u>12/31/17</u>	<u>03/31/18</u>	<u>06/30/18</u>	<u>09/30/18</u>
Assets:					
Cash and cash equivalents	\$164,867	\$132,150	\$80,765	\$138,827	\$168,982
Investments – seed capital	108,511	118,443	115,848	107,217	109,111
Investments – other	92,676	112,105	136,821	107,030	104,496
Investments – long term	18,309	18,729	20,014	20,064	17,758
Accounts receivable, net	62,668	66,982	64,267	68,710	80,807
Furniture, equipment, and leasehold improvements, net	11,557	10,833	11,396	11,409	11,998
Intangible assets, net	307,017	301,954	296,918	291,893	346,353
Goodwill	170,153	170,153	170,153	170,153	290,366
Deferred taxes, net	49,002	32,428	31,875	31,134	22,790
Other assets	25,863	35,772	36,777	40,091	19,837
Total Assets	\$1,010,623	\$999,549	\$964,834	\$986,528	\$1,172,498

\$ in thousands

(1) The non-GAAP financial information included in this presentation differs from financial information determined in accordance with U.S. GAAP as a result of presenting balance sheet accounts before the consolidation of investment products

NON-GAAP INFORMATION



Balance Sheet¹ (continued)

(Unaudited)

	<i>09/30/17</i>	<i>12/31/17</i>	<i>03/31/18</i>	<i>06/30/18</i>	<i>09/30/18</i>
Liabilities and Equity					
Liabilities:					
Accrued compensation and benefits	\$69,833	\$86,658	\$27,471	\$45,187	\$70,750
Accounts payable and accrued liabilities	31,677	29,607	28,214	25,805	32,803
Dividends payable	6,318	6,528	6,479	6,688	7,552
Other liabilities	18,356	39,895	48,476	39,236	22,490
Contingent consideration	51,690	-	-	-	-
Debt	248,540	248,320	245,402	245,147	338,874
Total Liabilities	\$426,414	\$411,008	\$356,042	\$362,063	\$472,469
Redeemable noncontrolling interests □	\$ -	\$ -	\$ -	\$ -	\$56,287
Equity:					
Equity attributable to stockholders	\$584,209	\$588,541	\$608,792	\$624,465	\$643,742
Total Liabilities and Equity	\$1,010,623	\$999,549	\$964,834	\$986,528	\$1,172,498
Working Capital²	\$65,417	\$73,739	\$80,268	\$94,252	\$128,186

\$ in thousands

(1) The non-GAAP financial information included in this presentation differs from financial information determined in accordance with U.S. GAAP as a result of presenting balance sheet accounts before the consolidation of investment products

(2) Defined as cash and cash equivalents plus accounts receivable, net, less accrued compensation and benefits, accounts payable and accrued liabilities, dividends payable, contingent consideration and required principal payments due over the next twelve months including scheduled amortization and an estimate of the excess cash flow payment; the actual excess cash flow payment will be measured based on fiscal year 2018 financial results and the net leverage ratio as of December 31, 2018

U.S. GAAP INFORMATION



Income Statement

(Unaudited)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Revenues							
Investment management fees	\$97,295	\$100,447	\$100,476	\$103,168	\$121,713	\$230,628	\$325,357
Distribution and service fees	11,482	11,618	12,607	13,549	13,730	32,704	39,886
Administration and shareholder service fees	14,699	15,840	15,738	15,967	16,567	33,156	48,272
Other income and fees	199	119	207	248	200	1,095	655
Total revenues	\$123,675	\$128,024	\$129,028	\$132,932	\$152,210	\$297,583	\$414,170
Operating Expenses							
Employment expenses	\$54,159	\$54,602	\$60,696	\$54,868	\$63,269	\$136,792	\$178,833
Distribution and other asset-based expenses	20,552	20,348	22,291	23,721	25,386	51,639	71,398
Other operating expenses	17,733	18,215	16,862	19,128	20,350	51,195	56,340
Other operating expenses of consolidated investment products	6,757	659	511	1,783	529	7,872	2,823
Restructuring and severance	1,584	102	-	-	-	10,478	-
Depreciation expense	1,038	1,019	1,015	1,100	1,189	2,478	3,304
Amortization expense	5,063	5,064	5,036	5,024	7,541	7,109	17,601
Total operating expenses	\$106,886	\$100,009	\$106,411	\$105,624	\$118,264	\$267,563	\$330,299
Operating Income (Loss)	\$16,789	\$28,015	\$22,617	\$27,308	\$33,946	\$30,020	\$83,871

\$ in thousands

U.S. GAAP INFORMATION



Income Statement (continued)

(Unaudited)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Other Income (Expense)							
Realized and unrealized gain (loss) on investments, net	\$1,367	\$22	\$438	\$960	(\$374)	\$2,951	\$1,024
Realized and unrealized gain (loss) of consolidated investment products, net	13,465	(2,932)	2,259	(1,779)	(4,735)	16,485	(4,255)
Other income (expense), net	436	506	1,319	455	549	1,129	2,323
Total other income (expense), net	\$15,268	(\$2,404)	\$4,016	(\$364)	(\$4,560)	\$20,565	(\$908)
Interest Income (Expense)							
Interest expense	(\$4,116)	(\$3,909)	(\$3,858)	(\$4,469)	(\$5,155)	(\$8,098)	(\$13,482)
Interest and dividend income	679	847	721	1,818	716	1,313	3,255
Interest and dividend income of consolidated investment products	17,778	20,787	21,403	23,679	26,596	28,536	71,678
Interest expense of consolidated investment products	(16,249)	(13,142)	(14,549)	(15,278)	(16,959)	(22,101)	(46,786)
Total interest income (expense), net	(\$1,908)	\$4,583	\$3,717	\$5,750	\$5,198	(\$350)	\$14,665
Income (Loss) Before Income Taxes	\$30,149	\$30,194	\$30,350	\$32,694	\$34,584	\$50,235	\$97,628
Income tax expense (benefit)	9,626	24,551	6,523	9,465	6,653	15,939	22,641
Net Income (Loss)	\$20,523	\$5,643	\$23,827	\$23,229	\$27,931	\$34,296	\$74,987
Noncontrolling interests	(1,731)	(145)	(527)	(159)	(933)	(2,782)	(1,619)
Net Income (Loss) Attributable to Stockholders	\$18,792	\$5,498	\$23,300	\$23,070	\$26,998	\$31,514	\$73,368
Preferred stockholder dividends	(2,084)	(2,084)	(2,084)	(2,084)	(2,085)	(6,252)	(6,253)
Net Income (Loss) Attributable to Common Stockholders	\$16,708	\$3,414	\$21,216	\$20,986	\$24,913	\$25,262	\$67,115
Weighted average shares outstanding - diluted (in thousands)	8,492	7,433	8,411	8,401	8,456	7,168	8,463
Earnings (Loss) Per Share - Diluted	\$2.21	\$0.46	\$2.77	\$2.75	\$3.19	\$3.52	\$8.67

\$ in thousands

ASSETS UNDER MANAGEMENT



Assets: Product and Asset Class

	<u>09/30/17</u>	<u>12/31/17</u>	<u>03/31/18</u>	<u>06/30/18</u>	<u>09/30/18</u>
Assets by Product					
U.S. Retail Funds	\$41,325.4	\$41,949.9	\$42,092.7	\$43,322.6	\$44,074.3
Offshore Funds ¹	79.4	122.3	127.2	115.7	112.2
Variable Insurance Funds	992.9	1,005.4	982.6	981.0	985.3
<i>Total – Open-End Funds</i>	<i>\$42,397.7</i>	<i>\$43,077.6</i>	<i>\$43,202.5</i>	<i>\$44,419.3</i>	<i>\$45,171.8</i>
Closed-End Funds	\$6,735.4	\$6,666.2	\$6,132.7	\$6,295.0	\$6,342.2
Exchange Traded Funds	\$955.7	\$1,039.2	\$980.2	\$1,029.9	\$983.4
Intermediary Sold Managed Accounts	\$9,577.7	\$10,260.7	\$10,535.2	\$11,062.6	\$12,757.4
Private Client	3,479.5	3,676.1	3,477.1	3,615.8	4,060.1
<i>Total – Retail Separate Accounts</i>	<i>\$13,057.2</i>	<i>\$13,936.8</i>	<i>\$14,012.3</i>	<i>\$14,678.4</i>	<i>\$16,817.5</i>
Institutional Accounts	\$20,630.5	\$20,815.9	\$19,411.2	\$19,726.6	\$30,960.1
Structured Products	\$3,360.0	\$3,298.8	\$3,704.6	\$3,684.4	\$3,647.8
Total – Long-Term	\$87,136.5	\$88,834.5	\$87,443.5	\$89,833.6	\$103,922.8
Liquidity ²	\$3,431.4	\$2,128.7	\$1,641.6	\$1,784.9	\$1,675.1
Total	\$90,567.9	\$90,963.2	\$89,085.1	\$91,618.5	\$105,597.9
Assets by Asset Class					
Equity	\$42,722.5	\$45,359.6	\$45,428.3	\$48,404.4	\$62,654.4
<i>% of total</i>	<i>49.1%</i>	<i>51.0%</i>	<i>51.9%</i>	<i>53.9%</i>	<i>60.3%</i>
Fixed Income ²	39,419.7	38,421.2	37,766.2	36,934.8	36,819.9
<i>% of total</i>	<i>45.2%</i>	<i>43.3%</i>	<i>43.2%</i>	<i>41.1%</i>	<i>35.4%</i>
Alternatives ³	4,994.3	5,053.7	4,249.0	4,494.4	4,448.5
<i>% of total</i>	<i>5.7%</i>	<i>5.7%</i>	<i>4.9%</i>	<i>5.0%</i>	<i>4.3%</i>
Total – Long-Term	\$87,136.5	\$88,834.5	\$87,443.5	\$89,833.6	\$103,922.8

\$ in millions

(1) Represents assets under management of Undertakings for Collective Investments in Transferable Securities (“UCITS”) and Irish Collective Asset-management Vehicles (“ICAV”)

(2) Includes assets under management in liquidity strategies, including both open-end funds and institutional accounts

(3) Consists of real estate securities, mid-stream energy securities and master limited partnerships, options strategies and other

ASSETS UNDER MANAGEMENT



Asset Flows: Total/Long-term

	Q3:17	Q4:17	Q1:18	Q2:18	Q3:18	YTD:17	YTD:18
<u>Long-term</u>							
Beginning balance	\$85,018.8	\$87,136.5	\$88,834.5	\$87,443.5	\$89,833.6	\$45,366.3	\$88,834.5
Inflows	4,565.2	4,115.7	5,431.0	6,643.1	6,261.2	11,282.8	18,335.3
Outflows	(4,331.0)	(4,886.8)	(6,161.6)	(5,353.8)	(5,767.8)	(10,729.7)	(17,283.2)
Net Flows	234.2	(771.1)	(730.6)	1,289.3	493.4	553.1	1,052.1
Market performance	2,135.8	2,732.6	(387.9)	1,517.1	2,471.9	6,241.5	3,601.1
Other ¹	(252.3)	(263.5)	(272.5)	(416.3)	11,123.9	34,975.6	10,435.1
Ending Balance - Long-Term	\$87,136.5	\$88,834.5	\$87,443.5	\$89,833.6	\$103,922.8	\$87,136.5	\$103,922.8
Ending Balance - Liquidity	3,431.4	2,128.7	1,641.6	1,784.9	1,675.1	3,431.4	1,675.1
Ending Balance - Total	\$90,567.9	\$90,963.2	\$89,085.1	\$91,618.5	\$105,597.9	\$90,567.9	\$105,597.9

\$ in millions

(1) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage

ASSETS UNDER MANAGEMENT



Asset Flows: Product

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
U.S. Retail Funds							
Beginning balance	\$40,421.0	\$41,325.4	\$41,949.9	\$42,092.7	\$43,322.6	\$22,452.1	\$41,949.9
Inflows	2,821.5	2,619.0	3,754.2	4,335.6	3,791.8	7,055.1	11,881.6
Outflows	(2,836.9)	(3,236.6)	(3,617.5)	(3,157.1)	(3,416.3)	(7,167.9)	(10,190.9)
Net Flows	(15.4)	(617.6)	136.7	1,178.5	375.5	(112.8)	1,690.7
Market performance	985.4	1,369.4	64.5	137.5	430.0	3,548.7	632.0
Other ¹	(65.6)	(127.3)	(58.4)	(86.1)	(53.8)	15,437.4	(198.3)
Ending Balance	\$41,325.4	\$41,949.9	\$42,092.7	\$43,322.6	\$44,074.3	\$41,325.4	\$44,074.3
Offshore Funds²							
Beginning balance	\$66.6	\$79.4	\$122.3	\$127.2	\$115.7	\$48.9	\$122.3
Inflows	13.5	21.9	19.3	14.1	9.9	46.3	43.3
Outflows	(2.2)	(5.0)	(6.9)	(27.3)	(14.7)	(5.7)	(48.9)
Net Flows	11.3	16.9	12.4	(13.2)	(4.8)	40.6	(5.6)
Market performance	1.6	1.1	(0.3)	2.0	1.5	3.2	3.2
Other ¹	(0.1)	24.9	(7.2)	(0.3)	(0.2)	(13.3)	(7.7)
Ending Balance	\$79.4	\$122.3	\$127.2	\$115.7	\$112.2	\$79.4	\$112.2

\$ in millions

- (1) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage
- (2) Represents assets under management of Undertakings for Collective Investments in Transferable Securities ("UCITS") and Irish Collective Asset-management Vehicles ("ICAV")

ASSETS UNDER MANAGEMENT



Asset Flows: Product

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Variable Insurance Funds							
Beginning balance	\$965.2	\$992.9	\$1,005.4	\$982.6	\$981.0	\$931.8	\$1,005.4
Inflows	7.5	6.9	10.1	6.9	5.7	27.7	22.7
Outflows	(33.6)	(33.4)	(37.8)	(36.2)	(34.1)	(112.4)	(108.1)
Net Flows	(26.1)	(26.5)	(27.7)	(29.3)	(28.4)	(84.7)	(85.4)
Market performance	53.7	39.0	5.6	31.0	32.6	145.6	69.2
Other ¹	0.1	-	(0.7)	(3.3)	0.1	0.2	(3.9)
Ending Balance	\$992.9	\$1,005.4	\$982.6	\$981.0	\$985.3	\$992.9	\$985.3
Subtotal – Open-End Funds							
Beginning balance	\$41,452.8	\$42,397.7	\$43,077.6	\$43,202.5	\$44,419.3	\$23,432.8	\$43,077.6
Inflows	2,842.5	2,647.8	3,783.6	4,356.6	3,807.4	7,129.1	11,947.6
Outflows	(2,872.7)	(3,275.0)	(3,662.2)	(3,220.6)	(3,465.1)	(7,286.0)	(10,347.9)
Net Flows	(30.2)	(627.2)	121.4	1,136.0	342.3	(156.9)	1,599.7
Market performance	1,040.7	1,409.5	69.8	170.5	464.1	3,697.5	704.4
Other ¹	(65.6)	(102.4)	(66.3)	(89.7)	(53.9)	15,424.3	(209.9)
Ending Balance	\$42,397.7	\$43,077.6	\$43,202.5	\$44,419.3	\$45,171.8	\$42,397.7	\$45,171.8

\$ in millions

(1) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage

ASSETS UNDER MANAGEMENT



Asset Flows: Product (continued)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Closed-End Funds							
Beginning balance	\$6,707.2	\$6,735.4	\$6,666.2	\$6,132.7	\$6,295.0	\$6,757.4	\$6,666.2
Inflows	-	-	-	0.5	12.9	-	13.4
Outflows	-	-	-	-	-	(112.8)	-
Net Flows	-	-	-	0.5	12.9	(112.8)	13.4
Market performance	124.4	22.8	(406.1)	250.0	124.4	421.6	(31.7)
Other ¹	(96.2)	(92.0)	(127.4)	(88.2)	(90.1)	(330.8)	(305.7)
Ending Balance	\$6,735.4	\$6,666.2	\$6,132.7	\$6,295.0	\$6,342.2	\$6,735.4	\$6,342.2
Exchange Traded Funds							
Beginning balance	\$968.8	\$955.7	\$1,039.2	\$980.2	\$1,029.9	\$596.8	\$1,039.2
Inflows	104.1	177.7	139.5	86.5	35.0	554.9	261.0
Outflows	(28.9)	(49.4)	(63.2)	(71.7)	(100.4)	(103.2)	(235.3)
Net Flows	75.2	128.3	76.3	14.8	(65.4)	451.7	25.7
Market performance	4.2	(8.8)	(77.5)	65.2	50.1	30.3	37.8
Other ¹	(92.5)	(36.0)	(57.8)	(30.3)	(31.2)	(123.1)	(119.3)
Ending Balance	\$955.7	\$1,039.2	\$980.2	\$1,029.9	\$983.4	\$955.7	\$983.4

\$ in millions

(1) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage

ASSETS UNDER MANAGEMENT



Asset Flows: Product (continued)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Intermediary Sold Managed Accounts							
Beginning balance	\$9,045.2	\$9,577.7	\$10,260.7	\$10,535.2	\$11,062.6	\$5,403.5	\$10,260.7
Inflows	541.5	551.5	576.3	632.3	771.0	1,522.7	1,979.6
Outflows	(409.7)	(455.8)	(557.4)	(499.5)	(461.0)	(787.7)	(1,517.9)
Net Flows	131.8	95.7	18.9	132.8	310.0	735.0	461.7
Market performance	400.7	587.3	255.6	394.6	513.8	948.6	1,164.0
Other ¹	-	-	-	-	871.0	2,490.6	871.0
Ending Balance	\$9,577.7	\$10,260.7	\$10,535.2	\$11,062.6	\$12,757.4	\$9,577.7	\$12,757.4
Private Client							
Beginning balance	\$3,305.9	\$3,479.5	\$3,676.1	\$3,477.1	\$3,615.8	\$3,070.0	\$3,676.1
Inflows	162.9	129.0	125.0	104.4	150.4	527.1	379.8
Outflows	(70.4)	(56.7)	(229.1)	(75.8)	(102.1)	(446.0)	(407.0)
Net Flows	92.5	72.3	(104.1)	28.6	48.3	81.1	(27.2)
Market performance	77.6	135.1	(94.9)	105.1	94.9	325.1	105.1
Other ¹	3.5	(10.8)	-	5.0	301.1	3.3	306.1
Ending Balance	\$3,479.5	\$3,676.1	\$3,477.1	\$3,615.8	\$4,060.1	\$3,479.5	\$4,060.1
Total Retail Separate Accounts							
Beginning balance	\$12,351.1	\$13,057.2	\$13,936.8	\$14,012.3	\$14,678.4	\$8,473.5	\$13,936.8
Inflows	704.4	680.5	701.3	736.7	921.4	2,049.8	2,359.4
Outflows	(480.1)	(512.5)	(786.5)	(575.3)	(563.1)	(1,233.7)	(1,924.9)
Net Flows	224.3	168.0	(85.2)	161.4	358.3	816.1	434.5
Market performance	478.3	722.4	160.7	499.7	608.7	1,273.7	1,269.1
Other ¹	3.5	(10.8)	-	5.0	1,172.1	2,493.9	1,177.1
Ending Balance	\$13,057.2	\$13,936.8	\$14,012.3	\$14,678.4	\$16,817.5	\$13,057.2	\$16,817.5

\$ in millions

(1) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage

ASSETS UNDER MANAGEMENT



Asset Flows: Product (continued)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Institutional Accounts							
Beginning balance	\$20,639.1	\$20,630.5	\$20,815.9	\$19,411.2	\$19,726.6	\$5,492.7	\$20,815.9
Inflows	439.9	609.7	423.0	1,425.0	1,484.5	1,074.7	3,332.5
Outflows	(893.7)	(1,000.4)	(1,649.7)	(1,465.8)	(1,604.8)	(1,697.7)	(4,720.3)
Net Flows	(453.8)	(390.7)	(1,226.7)	(40.8)	(120.3)	(623.0)	(1,387.8)
Market performance	451.1	581.9	(172.7)	486.4	1,184.8	757.5	1,498.5
Other ¹	(5.9)	(5.8)	(5.3)	(130.2)	10,169.0	15,003.3	10,033.5
Ending Balance	\$20,630.5	\$20,815.9	\$19,411.2	\$19,726.6	\$30,960.1	\$20,630.5	\$30,960.1
Structured Products							
Beginning balance	\$2,899.8	\$3,360.0	\$3,298.8	\$3,704.6	\$3,684.4	\$613.1	\$3,298.8
Inflows	474.3	-	383.6	37.8	-	474.3	421.4
Outflows	(55.6)	(49.5)	-	(20.4)	(34.4)	(296.3)	(54.8)
Net Flows	418.7	(49.5)	383.6	17.4	(34.4)	178.0	366.6
Market performance	37.1	4.8	37.9	45.3	39.8	60.9	123.0
Other ¹	4.4	(16.5)	(15.7)	(82.9)	(42.0)	2,508.0	(140.6)
Ending Balance	\$3,360.0	\$3,298.8	\$3,704.6	\$3,684.4	\$3,647.8	\$3,360.0	\$3,647.8
Liquidity							
Beginning balance	\$3,570.6	\$3,431.4	\$2,128.7	\$1,641.6	\$1,784.9	\$ -	\$2,128.7
Other ¹	(139.2)	(1,302.7)	(487.1)	143.3	(109.8)	3,431.4	(453.6)
Ending Balance	3,431.40	\$2,128.7	\$1,641.6	\$1,784.9	\$1,675.1	\$3,431.4	\$1,675.1

\$ in millions

(1) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage

ASSETS UNDER MANAGEMENT



Asset Flows: Open-End Funds¹ by Asset Class

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Domestic Equity Funds							
Beginning balance	\$11,164.9	\$11,513.3	\$12,023.3	\$12,516.4	\$14,677.1	\$4,335.4	\$12,023.3
Inflows	815.1	764.6	1,386.9	2,320.4	2,033.5	1,649.0	5,740.8
Outflows	(863.1)	(896.0)	(1,011.3)	(863.2)	(1,216.9)	(1,735.3)	(3,091.4)
Net Flows	(48.0)	(131.4)	375.6	1,457.2	816.6	(86.3)	2,649.4
Market performance	423.9	666.2	100.6	699.0	532.5	1,009.7	1,332.1
Other ²	(27.5)	(24.8)	16.9	4.5	(46.9)	6,254.5	(25.5)
Ending Balance	\$11,513.3	\$12,023.3	\$12,516.4	\$14,677.1	\$15,979.3	\$11,513.3	\$15,979.3
International Equity Funds							
Beginning balance	\$10,151.0	\$10,595.4	\$11,296.0	\$11,267.3	\$10,532.4	\$8,300.3	\$11,296.0
Inflows	682.8	625.7	853.7	704.4	747.8	2,284.0	2,305.9
Outflows	(620.2)	(471.6)	(887.5)	(798.8)	(830.4)	(2,230.6)	(2,516.7)
Net Flows	62.6	154.1	(33.8)	(94.4)	(82.6)	53.4	(210.8)
Market performance	380.0	562.4	11.1	(616.6)	(286.9)	2,184.8	(892.4)
Other ²	1.8	(15.9)	(6.0)	(23.9)	43.0	56.9	13.1
Ending Balance	\$10,595.4	\$11,296.0	\$11,267.3	\$10,532.4	\$10,205.9	\$10,595.4	\$10,205.9
Total Equity Funds							
Beginning balance	\$21,315.9	\$22,108.7	\$23,319.3	\$23,783.7	\$25,209.5	\$12,635.7	\$23,319.3
Inflows	1,497.9	1,390.3	2,240.6	3,024.8	2,781.3	3,933.0	8,046.7
Outflows	(1,483.3)	(1,367.6)	(1,898.8)	(1,662.0)	(2,047.3)	(3,965.9)	(5,608.1)
Net Flows	14.6	22.7	341.8	1,362.8	734.0	(32.9)	2,438.6
Market performance	803.9	1,228.6	111.7	82.4	245.6	3,194.5	439.7
Other ²	(25.7)	(40.7)	10.9	(19.4)	(3.9)	6,311.4	(12.4)
Ending Balance	\$22,108.7	\$23,319.3	\$23,783.7	\$25,209.5	\$26,185.2	\$22,108.7	\$26,185.2

\$ in millions

- (1) Represents assets under management of U.S. Retail Funds, Offshore Funds and Variable Insurance Funds
(2) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage

ASSETS UNDER MANAGEMENT



Asset Flows: Open-End Funds¹ by Asset Class (continued)

	Q3:17	Q4:17	Q1:18	Q2:18	Q3:18	YTD:17	YTD:18
Taxable Bond Funds²							
Beginning balance	\$17,518.3	\$17,754.4	\$17,363.0	\$17,241.8	\$17,044.7	\$8,918.8	\$17,363.0
Inflows	1,238.8	1,160.1	1,418.6	1,197.5	927.6	2,798.6	3,543.7
Outflows	(1,168.5)	(1,652.3)	(1,517.7)	(1,334.8)	(1,214.1)	(2,697.3)	(4,066.6)
Net Flows	70.3	(492.2)	(99.1)	(137.3)	(286.5)	101.3	(522.9)
Market performance	200.2	135.4	49.3	0.8	214.5	418.4	264.6
Other ³	(34.4)	(34.6)	(71.4)	(60.6)	(59.0)	8,315.9	(191.0)
Ending Balance	\$17,754.4	\$17,363.0	\$17,241.8	\$17,044.7	\$16,913.7	\$17,754.4	\$16,913.7
Non-Taxable Bond Funds							
Beginning balance	\$1,015.6	\$998.5	\$933.5	\$886.7	\$854.0	\$196.1	\$933.5
Inflows	32.0	32.2	52.9	60.1	36.0	68.2	149.0
Outflows	(56.3)	(97.8)	(86.5)	(91.4)	(71.3)	(106.0)	(249.2)
Net Flows	(24.3)	(65.6)	(33.6)	(31.3)	(35.3)	(37.8)	(100.2)
Market performance	7.5	5.6	(10.5)	4.9	(2.7)	11.1	(8.3)
Other ³	(0.3)	(5.0)	(2.7)	(6.3)	(0.5)	829.1	(9.5)
Ending Balance	\$998.5	\$933.5	\$886.7	\$854.0	\$815.5	\$998.5	\$815.5
Total Fixed Income Funds							
Beginning balance	\$18,533.9	\$18,752.9	\$18,296.5	\$18,128.5	\$17,898.7	\$9,114.9	\$18,296.5
Inflows	1,270.8	1,192.3	1,471.5	1,257.6	963.6	2,866.8	3,692.7
Outflows	(1,224.8)	(1,750.1)	(1,604.2)	(1,426.2)	(1,285.4)	(2,803.3)	(4,315.8)
Net Flows	46.0	(557.8)	(132.7)	(168.6)	(321.8)	63.5	(623.1)
Market performance	207.7	141.0	38.8	5.7	211.8	429.5	256.3
Other ³	(34.7)	(39.6)	(74.1)	(66.9)	(59.5)	9,145.0	(200.5)
Ending Balance	\$18,752.9	\$18,296.5	\$18,128.5	\$17,898.7	\$17,729.2	\$18,752.9	\$17,729.2

\$ in millions

(1) Represents assets under management of U.S. Retail Funds, Offshore Funds and Variable Insurance Funds

(2) Excludes open-end funds that employ liquidity strategies

(3) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage

ASSETS UNDER MANAGEMENT



Asset Flows: Open-End Funds¹ by Asset Class (continued)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Alternative Funds²							
Beginning balance	\$1,603.0	\$1,536.1	\$1,461.8	\$1,290.3	\$1,311.1	\$1,682.2	\$1,461.8
Inflows	73.8	65.2	71.5	74.2	62.5	329.3	208.2
Outflows	(164.6)	(157.3)	(159.2)	(132.4)	(132.4)	(516.8)	(424.0)
Net Flows	(90.8)	(92.1)	(87.7)	(58.2)	(69.9)	(187.5)	(215.8)
Market performance	29.1	39.9	(80.7)	82.4	6.7	73.5	8.4
Other ^{1,3}	(5.2)	(22.1)	(3.1)	(3.4)	9.5	(32.1)	3.0
Ending Balance	\$1,536.1	\$1,461.8	\$1,290.3	\$1,311.1	\$1,257.4	\$1,536.1	\$1,257.4

\$ in millions

- (1) Represents assets under management of U.S. Retail Funds, Offshore Funds and Variable Insurance Funds
- (2) Consists of real estate securities, mid-stream energy securities and master limited partnerships, options strategies and other
- (3) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies, and the impact on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage

ASSETS UNDER MANAGEMENT



Average Net Fees

(Unaudited)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Average Net Management Fees¹ <i>(in basis points, annualized)</i>							
U.S. Retail Funds	47.7	49.8	50.2	51.6	54.1	49.3	52.0
Offshore Funds ²	27.9	-	-	33.8	40.7	18.9	11.4
Variable Insurance Funds	59.0	65.8	65.3	63.7	65.3	60.1	64.8
<i>Total Open-End Funds</i>	<i>47.9</i>	<i>50.1</i>	<i>50.3</i>	<i>51.8</i>	<i>54.3</i>	<i>49.5</i>	<i>52.2</i>
Closed-End Funds	66.0	66.0	66.3	66.1	65.9	66.0	66.1
Exchange Traded Funds	27.0	15.7	18.2	14.7	13.7	28.4	15.5
Intermediary Sold Managed Accounts	36.2	35.8	37.0	37.4	38.3	38.1	37.6
Private Client	74.9	74.6	77.2	81.6	84.6	75.1	81.2
<i>Total Retail Separate Accounts</i>	<i>46.6</i>	<i>46.1</i>	<i>47.6</i>	<i>48.4</i>	<i>49.2</i>	<i>49.7</i>	<i>48.5</i>
Institutional Accounts ³	31.0	31.2	31.8	31.7	31.9	32.6	31.9
Structured Products ⁴	47.1	38.8	39.2	36.2	60.0	42.1	45.2
<i>Total Long-Term Assets⁵</i>	<i>44.8</i>	<i>45.4</i>	<i>46.0</i>	<i>46.7</i>	<i>47.4</i>	<i>47.6</i>	<i>46.7</i>
Liquidity ⁶	6.0	8.5	11.8	9.5	10.1	7.6	10.5
Total	43.4	43.9	45.3	46.0	46.8	46.6	46.1

\$ in millions

(1) Represents net investment management fees divided by average assets. Net investment management fees are investment management fees, as adjusted, less fees paid to third-party service providers for investment management related services, which impacted the fee rate in the three months ended September 30, 2018 for Open-End Funds and All Long – Term Products by 0.3 and 0.3 basis points, respectively

(2) Represents assets under management of Undertakings for Collective Investments in Transferable Securities (“UCITS”) and Irish Collective Asset-management Vehicles (“ICAV”)

(3) Includes incentive fees earned in three months ended September 30, 2018 that impacted the fee rate for Institutional Accounts by 1.8 basis points

(4) Includes incentive fees earned in the three months ended September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018 that impacted the fee rate by 10.2, 1.4, 0.2, 0.1 and 24.6 basis points, respectively

(5) Includes incentive fees earned in the three months ended September 30, 2017, December 31, 2017 and September 30, 2018 that impacted the fee rate by 0.4, 0.1 and 1.4 basis points, respectively

(6) Includes assets under management in liquidity strategies, including both open-end funds and institutional accounts

ASSETS UNDER MANAGEMENT



Average AUM

(Unaudited)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Average Assets by Product¹							
U.S. Retail Funds	\$41,027.9	\$41,744.8	\$42,607.8	\$42,889.1	\$44,029.2	\$31,268.0	\$43,175.4
Offshore Funds ²	72.0	93.0	128.1	118.4	113.9	61.6	120.1
Variable Insurance Funds	981.0	1,002.3	1,015.5	993.3	994.0	967.1	1,000.9
<i>Total – Open-End Funds</i>	<i>\$42,080.9</i>	<i>\$42,840.1</i>	<i>\$43,751.4</i>	<i>\$44,000.8</i>	<i>\$45,137.1</i>	<i>\$32,296.7</i>	<i>\$44,296.4</i>
Closed-End Funds	\$6,758.1	\$6,726.0	\$6,346.1	\$6,167.0	\$6,386.7	\$6,784.6	\$6,300.0
Exchange Traded Funds	\$945.0	\$958.3	\$1,045.7	\$1,026.8	\$1,035.9	\$868.3	\$1,036.1
Intermediary Sold Managed Accounts	\$9,039.6	\$9,572.4	\$10,247.2	\$10,521.9	\$11,882.5	\$7,100.0	\$10,883.8
Private Client	3,305.9	3,479.5	3,676.1	3,477.1	3,654.2	3,217.6	3,602.5
<i>Total – Retail Separate Accounts</i>	<i>\$12,345.5</i>	<i>\$13,051.9</i>	<i>\$13,923.3</i>	<i>\$13,999.0</i>	<i>\$15,536.7</i>	<i>\$10,317.6</i>	<i>\$14,486.3</i>
Institutional Accounts	\$20,728.6	\$20,933.1	\$20,165.8	\$19,942.3	\$30,583.4	\$12,375.6	\$23,563.8
Structured Products	\$3,111.1	\$3,304.0	\$3,619.1	\$3,681.5	\$3,635.7	\$1,702.5	\$3,645.4
<i>Total – Long-Term Assets</i>	<i>\$85,969.2</i>	<i>\$87,813.4</i>	<i>\$88,851.4</i>	<i>\$88,817.4</i>	<i>\$102,315.5</i>	<i>\$64,345.3</i>	<i>\$93,328.0</i>
Liquidity ³	\$3,331.1	\$3,635.1	\$1,787.6	\$1,699.3	\$1,750.3	\$1,553.2	\$1,745.8
Total	\$89,300.3	\$91,448.5	\$90,639.0	\$90,516.7	\$104,065.8	\$65,898.5	\$95,073.8

\$ in millions

(1) Averages are calculated as follows: Funds – average daily or weekly balances; Retail Separate Accounts – prior quarter ending balance or average of month-end balances in quarter; Institutional Accounts – average of month-end balances in quarter

(2) Represents assets under management of Undertakings for Collective Investments in Transferable Securities (“UCITS”) and Irish Collective Asset-management Vehicles (“ICAV”)

(3) Includes assets under management in liquidity strategies, including both open-end funds and institutional accounts

ASSETS UNDER MANAGEMENT



Assets by Investment Category / Style

(Unaudited)

9/30/2018

Domestic Equity:	
Domestic Equity - Large Cap	\$ 19,953.7
Domestic Equity - Mid Cap	7,617.8
Domestic Equity - Small Cap	19,823.0
Total Domestic Equity	\$ 47,394.5
International Equity:	
Developed Markets	\$ 7,909.7
Emerging Markets	7,350.2
Total International Equity	\$ 15,259.9
Total Equity	\$ 62,654.4
Fixed Income:	
Investment Grade	\$ 12,503.0
Leveraged Finance	16,453.4
Multi-Sector	7,863.5
Total Fixed Income	\$ 36,819.9
Alternative:	
Real Estate Securities	\$ 2,166.3
Mid-Stream Energy Securities	1,900.3
Other ¹	381.9
Total Alternative	\$ 4,448.5
Total Long-Term Assets	\$ 103,922.8
Liquidity	\$ 1,675.1
Total	\$ 105,597.9

\$ in millions

(1) – Includes option strategies, multi-strategy liquid alternatives and long/short equity

U.S. GAAP TO NON-GAAP RECONCILIATION



Q3 2018 (Unaudited)

	Reclassifications		Adjustments				Non-GAAP Basis	
	U.S. GAAP Basis	Distribution and other asset-based expenses	Consolidated investment products	Amortization of intangible assets	Seed capital and CLO investments	Acquisition and integration related expenses		Other
Revenues								
Investment management fees	121,713	-	1,666	-	-	-	-	123,379
Distribution and service fees	13,730	-	4	-	-	-	-	13,734
Administration and transfer agent fees	16,567	-	12	-	-	-	-	16,579
Other income and fees	200	-	-	-	-	-	-	200
Distribution and other asset-based expenses	-	(25,386)	-	-	-	-	-	(25,386)
Total revenues	152,210	(25,386)	1,682	-	-	-	-	128,506
Operating Expenses								
Employment expenses	63,269	-	-	-	-	(1,561)	-	61,708
Distribution and other asset-based expenses	25,386	(25,386)	-	-	-	-	-	-
Other operating expenses	20,350	-	-	-	-	(2,729)	(228)	17,393
Operating expenses of consolidated investment products	529	-	(529)	-	-	-	-	-
Depreciation expense	1,189	-	-	-	-	-	-	1,189
Amortization expense	7,541	-	-	(7,541)	-	-	-	-
Total operating expenses	118,264	(25,386)	(529)	(7,541)	-	(4,290)	(228)	80,290
Operating Income (Loss)	33,946	-	2,211	7,541	-	4,290	228	48,216
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	(374)	-	(718)	-	1,102	-	-	10
Realized and unrealized gain (loss) of consolidated investment products, net	(4,735)	-	4,735	-	-	-	-	-
Other income (expense), net	549	-	131	-	(131)	-	-	549
Total other income (expense), net	(4,560)	-	4,148	-	971	-	-	559
Interest Income (Expense)								
Interest expense	(5,155)	-	-	-	-	-	-	(5,155)
Interest and dividend income	716	-	3,132	-	(3,410)	-	-	438
Interest and dividend income of investments in consolidated investment products	26,596	-	(26,596)	-	-	-	-	-
Interest expense of consolidated investment products	(16,959)	-	16,959	-	-	-	-	-
Total interest income (expense), net	5,198	-	(6,505)	-	(3,410)	-	-	(4,717)
Income (Loss) Before Income Taxes	34,584	-	(146)	7,541	(2,439)	4,290	228	44,058
Income tax expense (benefit)	6,653	-	-	2,014	1,477	1,146	477	11,767
Net Income (Loss)	27,931	-	(146)	5,527	(3,916)	3,144	(249)	32,291
Noncontrolling interests	(933)	-	146	(755)	-	-	-	(1,542)
Net Income (Loss) Attributable to Stockholders	26,998	-	-	4,772	(3,916)	3,144	(249)	30,749
Preferred stockholder dividends	(2,085)	-	-	-	-	-	2,085	-
Net Income (Loss) Attributable to Common Stockholders	24,913	-	-	4,772	(3,916)	3,144	1,836	30,749
Earnings (Loss) Per Share - Diluted	3.19							3.64
Weighted Average Shares Outstanding - Diluted (Thousands)	8,456							8,456

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

U.S. GAAP TO NON-GAAP RECONCILIATION



Q2 2018

(Unaudited)

	U.S. GAAP Basis	Reclassifications		Amortization of intangible assets	Adjustments		Other	Non-GAAP Basis
		Distribution and other asset-based expenses	Consolidated investment products		Seed capital and CLO investments	Acquisition and integration related expenses		
Revenues								
Investment management fees	\$ 103,168	\$ -	\$ 1,391	\$ -	\$ -	\$ -	\$ -	\$ 104,559
Distribution and services fees	13,549	-	4	-	-	-	-	13,553
Administration and transfer agent fees	15,967	-	28	-	-	-	-	15,995
Other income and fees	248	-	-	-	-	-	-	248
Distribution and other asset-based expenses	-	(23,721)	-	-	-	-	-	(23,721)
Total revenues	132,932	(23,721)	1,423	-	-	-	-	110,634
Operating Expenses								
Employment expenses	54,868	-	-	-	-	(1,208)	-	53,660
Distribution and other asset-based expenses	23,721	(23,721)	-	-	-	-	-	-
Other operating expense	19,128	-	-	-	-	(768)	(133)	18,227
Other operating expenses of consolidated investment products	1,783	-	(1,783)	-	-	-	-	-
Depreciation expense	1,100	-	-	-	-	-	-	1,100
Amortization expense	5,024	-	-	(5,024)	-	-	-	-
Total operating expenses	105,624	(23,721)	(1,783)	(5,024)	-	(1,976)	(133)	72,987
Operating Income (Loss)	27,308	-	3,206	5,024	-	1,976	133	37,647
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	960	-	(1,206)	-	383	-	-	137
Realized and unrealized gain (loss) of consolidated investment products, net	(1,779)	-	1,779	-	-	-	-	-
Other income (expense), net	455	-	1,428	-	(1,428)	-	-	455
Total other income (expense), net	(364)	-	2,001	-	(1,045)	-	-	592
Interest Income (Expense)								
Interest expense	(4,469)	-	-	-	-	620	-	(3,849)
Interest and dividend income	1,818	-	3,035	-	(4,585)	-	-	268
Interest and dividend income of investments of consolidated investment products, net	23,679	-	(23,679)	-	-	-	-	-
Interest expense of consolidated investment products	(15,278)	-	15,278	-	-	-	-	-
Total interest income (expense), net	5,750	-	(5,366)	-	(4,585)	620	-	(3,581)
Income (Loss) Before Income Taxes	32,694	-	(159)	5,024	(5,630)	2,596	133	34,658
Income tax expense (benefit)	9,465	-	-	1,407	(1,360)	727	(531)	9,708
Net Income (Loss)	23,229	-	(159)	3,617	(4,270)	1,869	664	24,950
Noncontrolling interests	(159)	-	159	-	-	-	-	-
Net Income (Loss) Attributable to Stockholders	\$ 23,070	\$ -	\$ -	\$ 3,617	\$ (4,270)	\$ 1,869	\$ 664	\$ 24,950
Preferred stockholder dividends	(2,084)	-	-	-	-	-	2,084	-
Net Income (Loss) Attributable to Common Stockholders	\$ 20,986	\$ -	\$ -	\$ 3,617	\$ (4,270)	\$ 1,869	\$ 2,748	\$ 24,950
Earnings (Loss) Per Share - Diluted	\$ 2.75							\$ 2.97
Weighted Average Shares Outstanding - Diluted (Thousands)	8,401							8,401

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

U.S. GAAP TO NON-GAAP RECONCILIATION



Q1 2018

(Unaudited)

	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	Acquisition and integration expenses	Other	
Revenues								
Investment management fees	\$ 100,476	\$ -	\$ 1,571	\$ -	\$ -	\$ -	\$ -	\$ 102,047
Distribution and services fees	12,607	-	4	-	-	-	-	12,611
Administration and transfer agent fees	15,738	-	1	-	-	-	-	15,739
Other income and fees	207	-	-	-	-	-	-	207
Distribution and other asset-based expenses	-	(22,291)	-	-	-	-	-	(22,291)
Total revenues	129,028	(22,291)	1,576	-	-	-	-	108,313
Operating Expenses								
Employment expenses	60,696	-	-	-	-	(1,903)	-	58,793
Distribution and other asset-based expenses	22,291	(22,291)	-	-	-	-	-	-
Other operating expense	16,862	-	-	-	-	(1,189)	20	15,693
Other operating expenses of consolidated investment products	511	-	(511)	-	-	-	-	-
Depreciation expense	1,015	-	-	-	-	-	-	1,015
Amortization expense	5,036	-	-	(5,036)	-	-	-	-
Total operating expenses	106,411	(22,291)	(511)	(5,036)	-	(3,092)	20	75,501
Operating Income (Loss)	22,617	-	2,087	5,036	-	3,092	(20)	32,812
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	438	-	1,056	-	(1,692)	-	-	(198)
Realized and unrealized gain (loss) of consolidated investment products, net	2,259	-	(2,259)	-	-	-	-	-
Other income (expense), net	1,319	-	2,494	-	(2,494)	-	-	1,319
Total other income (expense), net	4,016	-	1,291	-	(4,186)	-	-	1,121
Interest Income (Expense)								
Interest expense	(3,858)	-	-	-	-	40	-	(3,818)
Interest and dividend income	721	-	2,949	-	(3,402)	-	-	268
Interest and dividend income of investments of consolidated investment products, net	21,403	-	(21,403)	-	-	-	-	-
Interest expense of consolidated investment products	(14,549)	-	14,549	-	-	-	-	-
Total interest income (expense), net	3,717	-	(3,905)	-	(3,402)	40	-	(3,550)
Income (Loss) Before Income Taxes	30,350	-	(527)	5,036	(7,588)	3,132	(20)	30,383
Income tax expense (benefit)	6,523	-	-	1,410	(1,141)	877	888	8,557
Net Income (Loss)	23,827	-	(527)	3,626	(6,447)	2,255	(908)	21,826
Preferred stockholder dividends	(2,084)	-	-	-	-	-	2,084	-
Noncontrolling interests	(527)	-	527	-	-	-	-	-
Net Income (Loss) Attributable to Common Stockholders	\$ 21,216	\$ -	\$ -	\$ 3,626	\$ (6,447)	\$ 2,255	\$ 1,176	\$ 21,826
Earnings (Loss) Per Share - Diluted	\$ 2.77							\$ 2.59
Weighted Average Shares Outstanding - Diluted (Thousands)	8,411							8,411

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

U.S. GAAP TO NON-GAAP RECONCILIATION



Q4 2017 (Unaudited)

	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	Acquisition and integration expenses	Other	
Revenues								
Investment management fees	\$ 100,447	\$ -	\$ 1,667	\$ -	\$ -	\$ -	\$ -	\$ 102,114
Distribution and services fees	11,618	-	5	-	-	-	-	11,623
Administration and transfer agent fees	15,840	-	9	-	-	-	-	15,849
Other income and fees	119	-	-	-	-	-	-	119
Distribution and other asset-based expenses	-	(20,348)	-	-	-	-	-	(20,348)
Total revenues	128,024	(20,348)	1,681	-	-	-	-	109,357
Operating Expenses								
Employment expenses	54,602	-	-	-	-	(2,009)	-	52,593
Distribution and other asset-based expenses	20,348	(20,348)	-	-	-	-	-	-
Other operating expense	18,215	-	-	-	-	(1,269)	(256)	16,690
Other operating expenses of consolidated investment products	659	-	(659)	-	-	-	-	-
Restructuring and severance	102	-	-	-	-	(102)	-	-
Depreciation expense	1,019	-	-	-	-	-	-	1,019
Amortization expense	5,064	-	-	(5,064)	-	-	-	-
Total operating expenses	100,009	(20,348)	(659)	(5,064)	-	(3,380)	(256)	70,302
Operating Income (Loss)	28,015	-	2,340	5,064	-	3,380	256	39,055
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	22	-	271	-	(293)	-	-	-
Realized and unrealized gain (loss) of consolidated investment products, net	(2,932)	-	2,932	-	-	-	-	-
Other income (expense), net	506	-	(65)	-	65	-	-	506
Total other income (expense), net	(2,404)	-	3,138	-	(228)	-	-	506
Interest Income (Expense)								
Interest expense	(3,909)	-	-	-	-	-	-	(3,909)
Interest and dividend income	847	-	2,022	-	(2,611)	-	-	258
Interest and dividend income of investments of consolidated investment products, net	20,787	-	(20,787)	-	-	-	-	-
Interest expense of consolidated investment products	(13,142)	-	13,142	-	-	-	-	-
Total interest income (expense), net	4,583	-	(5,623)	-	(2,611)	-	-	(3,651)
Income (Loss) Before Income Taxes	30,194	-	(145)	5,064	(2,839)	3,380	256	35,910
Income tax expense (benefit)	24,551	-	-	1,979	(1,767)	1,321	(12,049)	14,035
Net Income (Loss)	5,643	-	(145)	3,085	(1,072)	2,059	12,305	21,875
Preferred stockholder dividends	(2,084)	-	-	-	-	-	2,084	-
Noncontrolling interests	(145)	-	145	-	-	-	-	-
Net Income (Loss) Attributable to Common Stockholders	\$ 3,414	\$ -	\$ -	\$ 3,085	\$ (1,072)	\$ 2,059	\$ 14,389	\$ 21,875
Earnings (Loss) Per Share - Diluted	\$ 0.46							\$ 2.60
Weighted Average Shares Outstanding - Diluted (Thousands)	7,433							8,413

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

U.S. GAAP TO NON-GAAP RECONCILIATION



Q3 2017

(Unaudited)

	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	Acquisition and integration expenses	Other	
Revenues									
Investment management fees	\$ 97,295	\$ -	\$ 1,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,402
Distribution and services fees	11,482	-	4	-	-	-	-	-	11,486
Administration and transfer agent fees	14,699	-	10	-	-	-	-	-	14,709
Other income and fees	199	-	-	-	-	-	-	-	199
Distribution and other asset-based expenses	-	(20,552)	-	-	-	-	-	-	(20,552)
Total revenues	123,675	(20,552)	1,121	-	-	-	-	-	104,244
Operating Expenses									
Employment expenses	54,159	-	-	-	-	-	(2,275)	-	51,884
Distribution and other asset-based expenses	20,552	(20,552)	-	-	-	-	-	-	-
Other operating expense	17,733	-	-	-	-	-	(1,196)	(406)	16,131
Other operating expenses of consolidated investment products	6,757	-	(6,757)	-	-	-	-	-	-
Restructuring and severance	1,584	-	-	-	(137)	-	(1,447)	-	-
Depreciation expense	1,038	-	-	-	-	-	-	-	1,038
Amortization expense	5,063	-	-	(5,063)	-	-	-	-	-
Total operating expenses	106,886	(20,552)	(6,757)	(5,063)	(137)	-	(4,918)	(406)	69,053
Operating Income (Loss)	16,789	-	7,878	5,063	137	-	4,918	406	35,191
Other Income (Expense)									
Realized and unrealized gain (loss) on investments, net	1,367	-	1,880	-	-	(3,247)	-	-	-
Realized and unrealized gain (loss) of consolidated investment products, net	13,465	-	(13,465)	-	-	-	-	-	-
Other income (expense), net	436	-	33	-	-	(33)	-	-	436
Total other income (expense), net	15,268	-	(11,552)	-	-	(3,280)	-	-	436
Interest Income (Expense)									
Interest expense	(4,116)	-	-	-	-	-	-	-	(4,116)
Interest and dividend income	679	-	3,472	-	-	(3,953)	-	-	198
Interest and dividend income of investments of consolidated investment products, net	17,778	-	(17,778)	-	-	-	-	-	-
Interest expense of consolidated investment products	(16,249)	-	16,249	-	-	-	-	-	-
Total interest income (expense), net	(1,908)	-	1,943	-	-	(3,953)	-	-	(3,918)
Income (Loss) Before Income Taxes	30,149	-	(1,731)	5,063	137	(7,233)	4,918	406	31,709
Income tax expense (benefit)	9,626	-	-	1,944	53	(1,678)	1,889	339	12,173
Net Income (Loss)	20,523	-	(1,731)	3,119	84	(5,555)	3,029	67	19,536
Preferred stockholder dividends	(2,084)	-	-	-	-	-	-	2,084	-
Noncontrolling interests	(1,731)	-	1,731	-	-	-	-	-	-
Net Income (Loss) Attributable to Common Stockholders	\$ 16,708	\$ -	\$ -	\$ 3,119	\$ 84	\$ (5,555)	\$ 3,029	\$ 2,151	\$ 19,536
Earnings (Loss) Per Share - Diluted	\$ 2.21								\$ 2.30
Weighted Average Shares Outstanding - Diluted (Thousands)	8,492								8,492

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

U.S. GAAP TO NON-GAAP RECONCILIATION



YTD 2018

(Unaudited)

	Reclassifications			Adjustments			Non-GAAP Basis
	U.S. GAAP Basis	Distribution and other asset-based expenses	Consolidated investment products	Amortization of intangible assets	Seed capital and integration related expenses	Acquisition and integration related expenses	
Revenues							
Investment management fees	325,357	-	4,628	-	-	-	329,985
Distribution and service fees	39,886	-	12	-	-	-	39,898
Administration and transfer agent fees	48,272	-	41	-	-	-	48,313
Other income and fees	655	-	-	-	-	-	655
Distribution and other asset-based expenses	-	(71,398)	-	-	-	-	(71,398)
Total revenues	414,170	(71,398)	4,681	-	-	-	347,453
Operating Expenses							
Employment expenses	178,833	-	-	-	-	(4,672)	174,161
Distribution and other asset-based expenses	71,398	(71,398)	-	-	-	-	-
Other operating expenses	56,340	-	-	-	-	(4,686)	51,313
Operating expenses of consolidated investment products	2,823	-	(2,823)	-	-	-	-
Depreciation expense	3,304	-	-	-	-	-	3,304
Amortization expense	17,601	-	-	(17,601)	-	-	-
Total operating expenses	330,299	(71,398)	(2,823)	(17,601)	-	(9,358)	228,778
Operating Income (Loss)	83,871	-	7,504	17,601	-	9,358	118,675
Other Income (Expense)							
Realized and unrealized gain (loss) on investments, net	1,024	-	(869)	-	(206)	-	(51)
Realized and unrealized gain (loss) of consolidated investment products, net	(4,255)	-	4,255	-	-	-	-
Other income (expense), net	2,323	-	4,053	-	(4,053)	-	2,323
Total other income (expense), net	(908)	-	7,439	-	(4,259)	-	2,272
Interest Income (Expense)							
Interest expense	(13,482)	-	-	-	-	660	(12,822)
Interest and dividend income	3,255	-	9,117	-	(11,398)	-	974
Interest and dividend income of investments in consolidated investment products	71,678	-	(71,678)	-	-	-	-
Interest expense of consolidated investment products	(46,786)	-	46,786	-	-	-	-
Total interest income (expense), net	14,665	-	(15,775)	-	(11,398)	660	(11,848)
Income (Loss) Before Income Taxes	97,628	-	(832)	17,601	(15,657)	10,018	109,099
Income tax expense (benefit)	22,641	-	-	4,831	(1,023)	2,749	30,032
Net Income (Loss)	74,987	-	(832)	12,770	(14,634)	7,269	79,067
Noncontrolling interests	(1,619)	-	832	(755)	-	-	(1,542)
Net Income (Loss) Attributable to Stockholders	73,368	-	-	12,015	(14,634)	7,269	77,525
Preferred stockholder dividends	(6,253)	-	-	-	-	-	6,253
Net Income (Loss) Attributable to Common Stockholders	67,115	-	-	12,015	(14,634)	7,269	77,525
Earnings (Loss) Per Share - Diluted	8.67						9.16
Weighted Average Shares Outstanding - Diluted (Thousands)	8,463						8,463
\$ and share counts in thousands, except per share data							

U.S. GAAP TO NON-GAAP RECONCILIATION



YTD 2017 (Unaudited)

	U.S. GAAP Basis	Reclassifications		Adjustments					Non-GAAP Basis
		Distribution and other asset- based expenses	Consolidated investment vehicles	Amortization of intangible assets	Restructuring and severance	Seed capital and CLO investments	Acquisition and integration expenses	Other	
Revenues									
Investment management fees	\$ 230,628	\$ -	\$ 1,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,187
Distribution and services fees	32,704	-	21	-	-	-	-	-	32,725
Administration and transfer agent fees	33,156	-	63	-	-	-	-	-	33,219
Other income and fees	1,095	-	-	-	-	-	-	-	1,095
Distribution and other asset-based expenses	-	(51,639)	-	-	-	-	-	-	(51,639)
Total revenues	297,583	(51,639)	1,643	-	-	-	-	-	247,587
Operating Expenses									
Employment expenses	136,792	-	-	-	-	-	(4,334)	-	132,458
Distribution and other asset-based expenses	51,639	(51,639)	-	-	-	-	-	-	-
Other operating expense	51,195	-	-	-	-	-	(8,454)	(1,449)	41,292
Other operating expenses of consolidated investment vehicles	7,872	-	(7,872)	-	-	-	-	-	-
Restructuring and severance	10,478	-	-	-	(391)	-	(10,087)	-	-
Depreciation expense	2,478	-	-	-	-	-	-	-	2,478
Amortization expense	7,109	-	-	(7,109)	-	-	-	-	-
Total operating expenses	267,563	(51,639)	(7,872)	(7,109)	(391)	-	(22,875)	(1,449)	176,228
Operating Income (Loss)	30,020	-	9,515	7,109	391	-	22,875	1,449	71,359
Other Income (Expense)									
Realized and unrealized gain (loss) on investments, net	2,951	-	5,788	-	-	(8,739)	-	-	-
Realized and unrealized gain (loss) of consolidated investment vehicles, net	16,485	-	(16,485)	-	-	-	-	-	-
Other income (expense), net	1,129	-	(486)	-	-	485	-	-	1,128
Total other income (expense), net	20,565	-	(11,183)	-	-	(8,254)	-	-	1,128
Interest Income (Expense)									
Interest expense	(8,098)	-	-	-	-	-	2,286	-	(5,812)
Interest and dividend income	1,313	-	5,321	-	-	(6,042)	-	-	592
Interest and dividend income of investments of consolidated investment vehicles, net	28,536	-	(28,536)	-	-	-	-	-	-
Interest expense of consolidated investment vehicles	(22,101)	-	22,101	-	-	-	-	-	-
Total interest income (expense), net	(350)	-	(1,114)	-	-	(6,042)	2,286	-	(5,220)
Income (Loss) Before Income Taxes	50,235	-	(2,782)	7,109	391	(14,296)	25,161	1,449	67,267
Income tax expense (benefit)	15,939	-	-	2,723	150	(2,203)	9,590	(438)	25,761
Net Income (Loss)	34,296	-	(2,782)	4,386	241	(12,093)	15,571	1,887	41,506
Preferred stockholder dividends	(6,252)	-	-	-	-	-	-	6,252	-
Noncontrolling interests	(2,782)	-	2,782	-	-	-	-	-	-
Net Income (Loss) Attributable to Common Stockholders	\$ 25,262	\$ -	\$ -	\$ 4,386	\$ 241	\$ (12,093)	\$ 15,571	\$ 8,139	\$ 41,506
Earnings (Loss) Per Share - Diluted	\$ 3.52								\$ 5.13
Weighted Average Shares Outstanding - Diluted	7,168								8,085

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

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

Notes to Reconciliations:

1. Distribution and other asset-based expenses - Primarily payments to distribution partners for providing services to investors in our sponsored funds and payments to third-party service providers for investment management-related services. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that do not utilize intermediary distribution partners or third-party service providers.
2. Consolidated investment products - Revenues and expenses generated by operating activities of mutual funds and CLOs that are consolidated in the financial statements. Management believes that excluding these operating activities to reflect net revenues and expenses of the company prior to the consolidation of these products is consistent with the approach of reflecting its operating results from managing third-party client assets.
3. Amortization of intangible assets - Non-cash amortization expense or impairment expense, if any, attributable to acquisition-related intangible assets, including any portion that is allocated to noncontrolling interests. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
4. Restructuring and severance - Certain expenses associated with restructuring the business, including lease abandonment-related expenses and severance costs associated with staff reductions, that are not reflective of the ongoing earnings generation of the business. Management believes that making this adjustment aids in comparing the company's operating results with prior periods.
5. Acquisition and integration expenses - Expenses that are directly related to acquisition and integration activities. Acquisition expenses include transaction closing costs, certain professional fees, and financing fees. Integration expenses include costs incurred that are directly attributable to combining businesses, including compensation, restructuring and severance charges, professional fees, consulting fees and other expenses. Management believes that making these adjustments aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
6. Other - Certain expenses that are not reflective of the ongoing earnings generation of the business. In addition, it includes income tax expense/(benefit) items, such as adjustments for uncertain tax positions, valuation allowances and other unusual or infrequent items not related to current operating results to reflect a normalized effective rate. Preferred dividends are adjusted as the shares are mandatorily convertible into common shares at the end of three years and weighted average shares, as adjusted reflects the conversion. Management believes that making these adjustments aids in comparing the company's operating results with prior periods.
7. Seed capital and CLO investments earnings (losses) - Gains and losses (realized and unrealized), dividends and interest income generated by seed capital and CLO investments. Earnings or losses generated by investments in seed capital and CLO investments can vary significantly from period to period and do not reflect the company's operating results from providing investment management and related services. Management believes that making this adjustment aids in comparing the company's operating results with prior periods and with other asset management firms that do not have meaningful seed capital and CLO investments.

FOOTNOTES

Components of Acquisition and Integration Expenses and Other for the respective periods are shown in the table below:

(Unaudited)

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Acquisition and Integration Expenses							
Employment expenses	\$2,275	\$2,009	\$1,903	\$1,208	\$1,561	\$4,334	\$4,672
Restructuring and severance	1,447	102	-	-	-	10,087	-
Other operating expenses	1,196	1,269	1,189	768	2,729	8,454	4,686
Total Acquisition and Integration Operating Expenses	\$4,918	\$3,380	\$3,092	\$1,976	\$4,290	22,875	\$9,358
Interest expense	-	-	40	620	-	2,286	660
Total Acquisition and Integration Expenses	\$4,918	\$3,380	\$3,132	\$2,596	\$4,290	25,161	\$10,018

	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>Q3:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Other							
Occupancy related expenses	\$ -	\$ -	\$ -	\$111	\$228	\$ -	\$339
Tax impact of occupancy related expenses	-	-	-	(31)	(61)	-	(92)
System transition expenses	406	256	(20)	22	-	1,449	2
Tax impact of system transition expenses	(156)	(100)	6	(6)	-	(555)	-
Tax impact of Tax Cuts and Jobs Act	-	13,059	-	-	-	-	-
Other discrete tax adjustments	(183)	(910)	(894)	568	(416)	993	(742)
Preferred stockholder dividends	2,084	2,084	2,084	2,084	2,085	6,252	6,253
Total Other	\$2,151	\$14,389	\$1,176	\$2,748	\$1,836	\$8,139	\$5,760

\$ in thousands

VIRTUS
INVESTMENT PARTNERS