



Fourth Quarter 2016
Earnings Presentation
January 25, 2017

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



OVERVIEW OF FOURTH QUARTER

OVERVIEW OF FOURTH QUARTER



Assets and Flows

- Assets under management decreased 3% sequentially to \$45.4 billion
- Total sales of \$2.6 billion compared with \$3.1 billion in the third quarter
- Net outflows of \$0.4 billion reflect \$0.7 billion of mutual fund net outflows partially offset by positive flows in ETFs, separately managed accounts, and institutional

Non-GAAP Financial Results

- Earnings per diluted share, as adjusted, of \$1.75 increased 7% from sequential quarter
- Operating margin, as adjusted, of 28% compared with 31% in the prior quarter

Capital Activities

- Cash and investments of \$274 million or \$46 on a per-share basis
- Return of capital of \$164.2 million included a \$161.5 million stock repurchase
- Ending shares outstanding of 5.9 million declined 22.6% from September 30, 2016

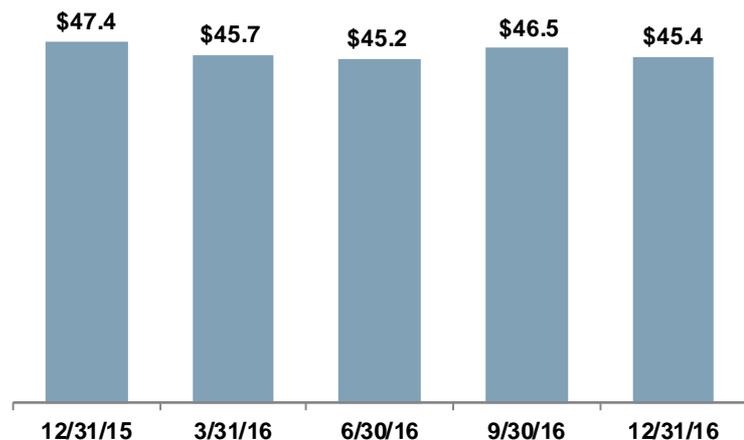


FOURTH QUARTER RESULTS

ASSETS UNDER MANAGEMENT



Quarterly Trends



Assets by Asset Class					
Equity	59.8%	59.3%	58.0%	57.3%	56.9%
Fixed	31.9%	32.8%	34.2%	33.9%	34.2%
Alternatives ¹	7.3%	6.8%	6.8%	7.9%	7.8%
Other ²	1.0%	1.1%	1.0%	0.9%	1.1%

\$ in billions

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

² Consists of option strategies

Commentary

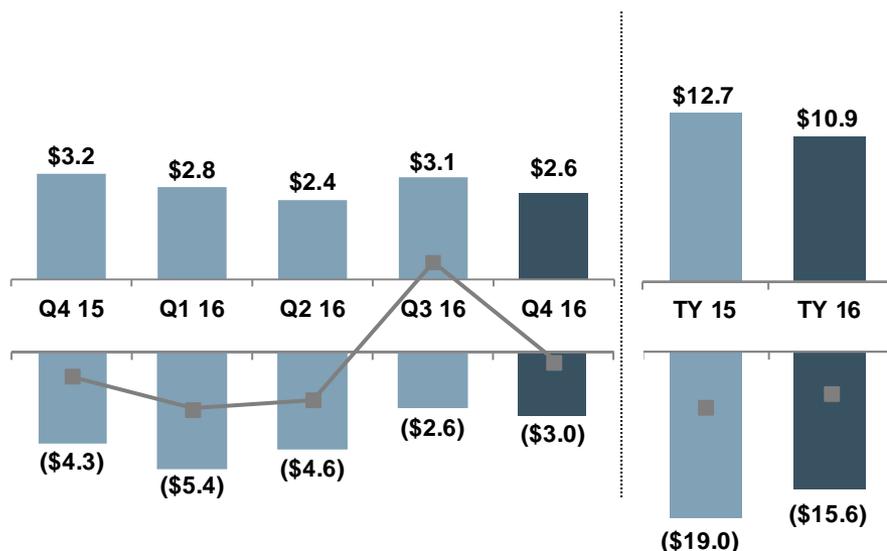
Trend reflects impact of net flows and market performance

- Sequential decrease of \$1.1 billion, or 3%, reflects market depreciation of \$0.6 billion and net outflows of \$0.4 billion
- Sequential changes by product category were as follows:
 - Open-end fund assets decreased 7% to \$23.4 billion
 - Separately managed accounts increased 7% to \$8.5 billion
 - Closed-end assets decreased 2% to \$6.8 billion
 - Institutional assets increased 2% to \$6.1 billion
 - ETF assets increased 30% to \$0.6 billion

ASSET FLOWS

Inflows/ (Outflows)

■ Net flows



Sales Metrics

Net Flows						
(\$1.1)	(\$2.6)	(\$2.2)	\$0.5	(\$0.4)	(\$6.3)	(\$4.7)
Net Flow Rate ¹						
(9.4%)	(22.2%)	(19.0%)	4.3%	(3.2%)	(11.2%)	(9.9%)

Commentary

Flows reflect market trends, product breadth and investment performance

- Sales decreased \$0.5 billion, or 15%, sequentially due to lower mutual fund and institutional sales
- Redemptions increased \$0.4 billion, or 16%, sequentially primarily due to mutual funds
- Net flows of (\$0.4) billion included:
 - Separately managed accounts net flows of \$0.2 billion
 - ETF net flows of \$0.2 billion; ETFs contributed positive net flows for 7th consecutive quarter
 - Institutional contributed positive flows of \$0.1 billion
 - Open-end mutual fund net flows of (\$0.7) billion

¹ Annualized net flows divided by beginning of period AUM

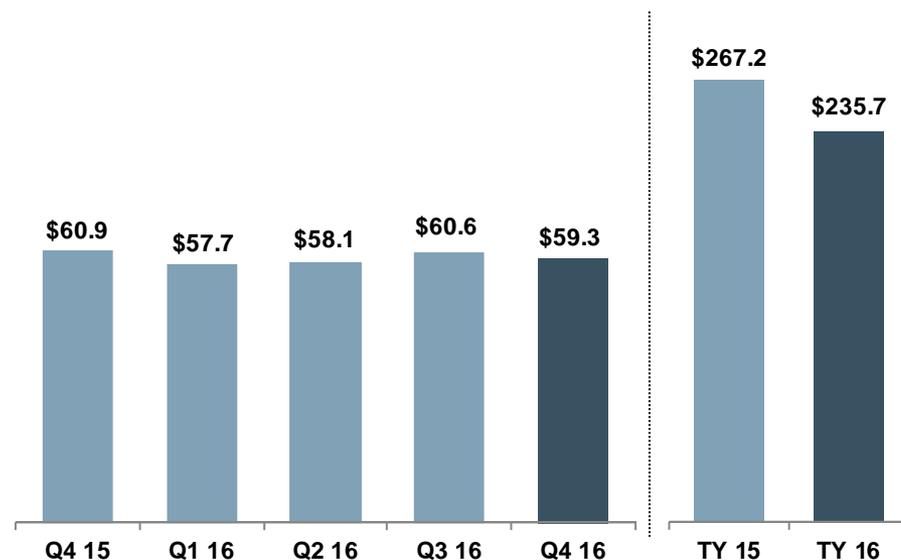
INVESTMENT MANAGEMENT FEES, AS ADJUSTED



Quarterly Results

Total Year

Commentary



Metrics							
Net Fee Rate ¹ – BPS	48.4	49.7	51.1	51.8	51.2	50.1	50.9
Average AUM - (\$Bn)	\$48.5	\$45.7	\$44.8	\$45.5	\$45.3	\$52.3	\$45.3

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

- Sequential decrease of \$1.3 million, or 2%, due to lower average assets under management
 - Average assets under management decreased 1% due to net outflows and market depreciation
 - Net fee rate decreased sequentially due to CLO incentive fee in 3Q
- Net fee rate of 51.2 basis points; consistent with prior quarter excluding the CLO incentive fee

\$ 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.

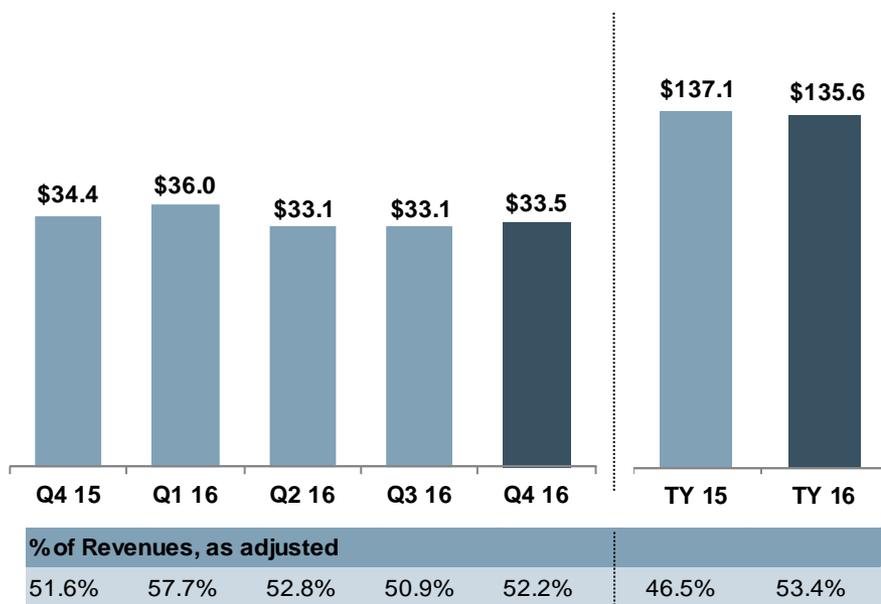
See the appendix for U.S. GAAP to Non-GAAP (“as adjusted”) reconciliations and related notes

EMPLOYMENT EXPENSES, AS ADJUSTED

Quarterly Results

Total Year

Commentary



Trend reflects staffing levels and variable incentive plans

- Employment expenses, as adjusted, increased \$0.4 million from prior quarter primarily due to higher variable compensation
- Employment expenses, as adjusted, as a percentage of revenues, as adjusted, increased 1.3% sequentially due to a decline in revenues

\$ in millions

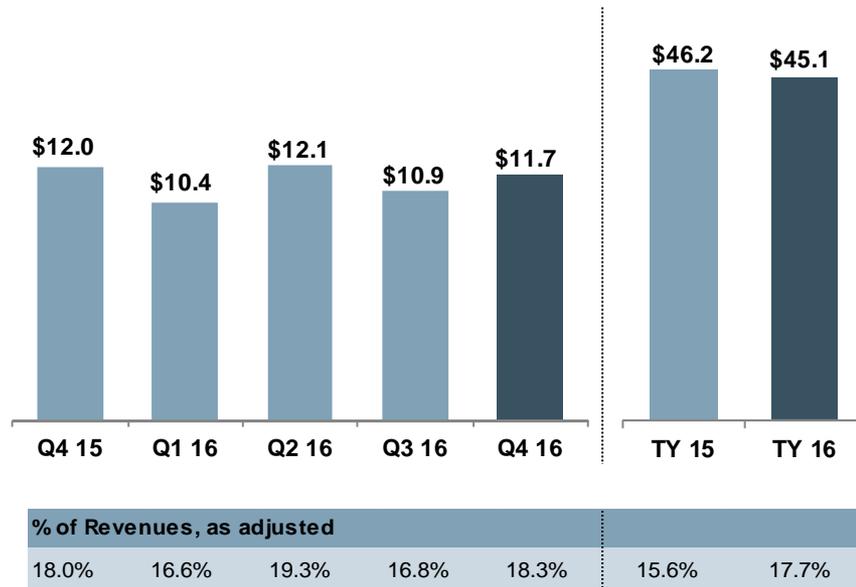
See the appendix for U.S. GAAP to Non-GAAP ("as adjusted") reconciliations and related notes

OTHER OPERATING EXPENSES, AS ADJUSTED

Quarterly Results

Total Year

Commentary



Results reflect timing of product, distribution, and operational initiatives

- Increase of \$0.8 million, or 7%, sequentially primarily reflects increased sales and marketing and product costs
- Other operating expenses, as adjusted, as a percentage of revenues, as adjusted increased 1.5% over prior quarter

\$ in millions

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

NON-GAAP RESULTS

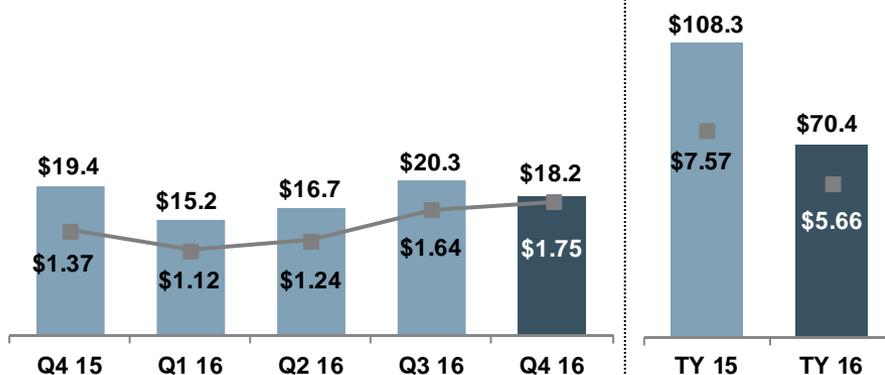
Quarterly Results

Total Year

Commentary

Operating Income, As Adjusted

■ Diluted earnings per share, as adjusted



Metrics						
Net Income Attributable to Common Stockholders, As Adjusted						
	\$11.9	\$9.5	\$10.3	\$12.9	\$11.6	\$67.8
Operating Margin, As Adjusted						
	29.1%	24.4%	26.6%	31.2%	28.4%	36.7%
						27.7%

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

- Diluted EPS, as adjusted, of \$1.75 increased 7% from prior quarter primarily due to:
 - \$0.27 per share from lower share count
 - (\$0.09) per share of lower revenues, as adjusted; including (\$0.06) of CLO incentive fee
 - (\$0.06) per share of higher other operating expenses, as adjusted
- 28% margin decreased 280 bps sequentially

\$ 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

	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Cash and cash equivalents	\$88	\$50	\$156	\$165	\$65
Seed capital investments ¹	\$274	\$281	\$174	\$179	\$180
Investments - other ²	\$60	\$52	\$38	\$38	\$29
<i>Total - Cash and investments</i>	<i>\$422</i>	<i>\$383</i>	<i>\$368</i>	<i>\$383</i>	<i>\$274</i>
Deferred taxes, net	\$54	\$49	\$46	\$45	\$48
Dividend payable	\$4	\$4	\$4	\$4	\$3
Debt	\$ -	\$ -	\$ -	\$ -	\$30
Total equity attributable to stockholders	\$510	\$506	\$466	\$470	\$322
<i>Working capital (WC)³</i>	<i>\$72</i>	<i>\$59</i>	<i>\$152</i>	<i>\$150</i>	<i>\$28</i>
<i>Ending shares outstanding</i>	<i>8.399</i>	<i>8.260</i>	<i>7.718</i>	<i>7.610</i>	<i>5.889</i>
Metrics:					
Cash and inv. - per share basis ⁴	\$50	\$46	\$48	\$50	\$46
WC % of spend ⁵	26%	22%	53%	58%	10%

\$ 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

Capital position reflects share repurchases and cash generated from the business

- Returned \$164.2 million of capital primarily through \$161.5 million of share repurchases
- Basic share count declined 22.6% compared to prior quarter
- Working capital of \$28 million or 10% of spend
- Liquid seed investments of \$180 million



Appendix

NON-GAAP INCOME STATEMENT INFORMATION



Quarterly Trend and Total Year

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Revenues, As Adjusted							
Investment management fees, as adjusted	\$60,853	\$57,735	\$58,104	\$60,551	\$59,279	\$267,168	\$235,669
Distribution and service fees, as adjusted	14,272	12,502	12,179	12,122	11,500	67,162	48,303
Administration and transfer agent fees, as adjusted	11,123	10,092	9,548	9,620	9,211	48,617	38,471
Other income and fees, as adjusted	244	175	227	222	189	1,799	813
Distribution and other asset-based expenses, as adjusted	(19,831)	(18,101)	(17,432)	(17,380)	(16,136)	(89,731)	(69,049)
Total revenues, as adjusted	\$66,661	\$62,403	\$62,626	\$65,135	\$64,043	\$295,015	\$254,207
Operating Expenses, As Adjusted							
Employment expenses, as adjusted	\$34,376	\$35,977	\$33,065	\$33,142	\$33,457	\$137,095	\$135,641
Other operating expenses, as adjusted	12,001	10,351	12,099	10,947	11,702	46,153	45,099
Depreciation and other amortization, as adjusted	881	862	776	754	700	3,443	3,092
Total operating expenses, as adjusted	\$47,258	\$47,190	\$45,940	\$44,843	\$45,859	\$186,691	\$183,832
Operating Income, As Adjusted	\$19,403	\$15,213	\$16,686	\$20,292	\$18,184	\$108,324	\$70,375

\$ in thousands

NON-GAAP INCOME STATEMENT INFORMATION



Quarterly Trend and Total Year (continued)

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Other Income (Expense), As Adjusted							
Realized and unrealized gain (loss) on investments, net, as adjusted	(\$202)	(\$5)	\$94	\$51	\$1	(\$21)	\$141
Other income, net, as adjusted	75	228	(15)	250	626	898	1,089
Total other income (expense), net, as adjusted	(\$127)	\$223	\$79	\$301	\$627	\$877	\$1,230
Interest Income (Expense), As Adjusted							
Interest expense, as adjusted	(\$141)	(\$132)	(\$129)	(\$128)	(\$290)	(\$523)	(\$679)
Interest and dividend income, as adjusted	204	138	110	116	82	845	446
Total interest (expense) income, net, as adjusted	\$63	\$6	(\$19)	(\$12)	(\$208)	\$322	(\$233)
Pre-Tax Income, As Adjusted	\$19,339	\$15,442	\$16,746	\$20,581	\$18,603	\$109,523	\$71,372
Income tax expense, as adjusted	7,475	5,920	6,448	7,693	7,003	41,889	27,064
Net Income, As Adjusted	\$11,864	\$9,522	\$10,298	\$12,888	\$11,600	\$67,634	\$44,308
Noncontrolling interests, as adjusted	67	-	-	-	-	175	-
Net Income Attributable to Common Stockholders, As Adjusted	\$11,931	\$9,522	\$10,298	\$12,888	\$11,600	\$67,809	\$44,308

U.S. GAAP INCOME STATEMENT



Quarterly Trend and Total Year

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Revenues							
Investment management fees	\$60,611	\$57,644	\$58,192	\$60,398	\$58,996	\$264,865	\$235,230
Distribution and service fees	14,246	12,478	12,167	12,116	11,489	67,066	48,250
Administration and transfer agent fees	11,014	9,998	9,499	9,588	9,176	48,247	38,261
Other income and fees	244	175	227	222	189	1,799	813
Total revenues	\$86,115	\$80,295	\$80,085	\$82,324	\$79,850	\$381,977	\$322,554
Operating Expenses							
Employment expenses	\$34,376	\$35,977	\$33,065	\$33,142	\$33,457	\$137,095	\$135,641
Distribution and other asset-based expenses	19,831	18,101	17,432	17,380	16,136	89,731	69,049
Other operating expenses	12,498	10,765	12,457	11,392	15,660	63,901	50,274
Other operating expenses of CSIPs	1,239	1,133	777	611	488	4,134	3,009
Other operating expenses of CIP	-	56	3,841	24	23	-	3,944
Restructuring and severance	-	-	2,391	1,879	-	-	4,270
Depreciation and other amortization	881	862	776	754	700	3,443	3,092
Amortization expense	784	651	603	604	603	3,295	2,461
Total operating expenses	\$69,609	\$67,545	\$71,342	\$65,786	\$67,067	\$301,599	\$271,740
Operating Income	\$16,506	\$12,750	\$8,743	\$16,538	\$12,783	\$80,378	\$50,814

\$ in thousands

U.S. GAAP INCOME STATEMENT



Quarterly Trend and Total Year (continued)

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Other Income (Expense)							
Realized and unrealized gain (loss) on investments, net	\$332	(\$658)	\$3,281	\$961	\$1,398	(\$862)	\$4,982
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	(4,910)	295	3,097	3,536	(3,110)	(23,181)	3,818
Realized and unrealized gain (loss) on investments of consolidated investment products, net	(2,784)	2,235	581	144	(4,030)	(3,505)	(1,070)
Other income (expense), net	75	228	(15)	250	626	898	1,089
Total other income (expense), net	(\$7,287)	\$2,100	\$6,944	\$4,891	(\$5,116)	(\$26,650)	\$8,819
Interest Income (Expense)							
Interest expense	(\$141)	(\$132)	(\$129)	(\$128)	(\$290)	(\$523)	(\$679)
Interest and dividend income	355	273	619	221	630	1,261	1,743
Interest and dividend income of investments of consolidated sponsored investment products	3,184	2,961	1,696	1,364	1,488	11,504	7,509
Interest expense of consolidated investment product	(482)	(732)	(5,669)	(3,788)	(1,104)	(484)	(11,292)
Interest income of consolidated investment product	2,114	2,206	2,583	4,047	4,058	2,157	12,893
Total interest income (expense), net	\$5,030	\$4,576	(\$900)	\$1,716	\$4,782	\$13,915	\$10,174
Income Before Income Taxes	\$14,249	\$19,426	\$14,787	\$23,145	\$12,449	\$67,643	\$69,807
Income tax expense	8,612	7,556	6,087	6,869	532	36,972	21,044
Net Income (Loss)	\$5,637	\$11,870	\$8,700	\$16,276	\$11,917	\$30,671	\$48,763
Noncontrolling interests	999	493	(612)	(651)	509	4,435	(261)
Net Income (Loss) Attributable to Common Stockholders	\$6,636	\$12,363	\$8,088	\$15,625	\$12,426	\$35,106	\$48,502

\$ in thousands

CONDENSED NON-GAAP¹ BALANCE SHEET



Quarter-end Trend

	<u>12/30/15</u>	<u>3/31/16</u>	<u>6/30/16</u>	<u>9/30/16</u>	<u>12/31/16</u>
Assets:					
Cash and cash equivalents	\$87,574	\$50,402	\$155,532	\$165,421	\$64,588
Investments – seed capital	273,679	280,929	174,130	179,105	180,085
Investments – other	60,225	51,136	38,362	38,385	29,083
Total cash and investments	\$421,478	\$382,467	\$368,024	\$382,911	\$273,756
Investments – long term	\$15,242	\$16,388	\$11,502	\$13,689	\$14,465
Accounts receivable, net	39,011	38,022	36,253	37,409	36,229
Furniture, equipment, and leasehold improvements, net	9,116	8,692	8,348	7,865	7,729
Intangible assets, net	40,887	40,236	39,633	39,030	38,427
Goodwill	6,701	6,703	6,788	6,788	6,788
Deferred taxes, net	54,143	49,085	46,434	44,623	47,535
Other assets	12,815	17,058	13,404	14,462	16,789
Total assets	\$599,393	\$558,651	\$530,386	\$546,777	\$441,718

\$ in thousands

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

CONDENSED NON-GAAP¹ BALANCE SHEET



Quarter-end Trend (continued)

	<u>12/30/15</u>	<u>3/31/16</u>	<u>6/30/16</u>	<u>9/30/16</u>	<u>12/31/16</u>
Liabilities and Equity					
Liabilities:					
Accrued compensation and benefits	\$49,617	\$15,035	\$26,242	\$37,813	\$47,885
Accounts payable and accrued liabilities	23,036	20,563	20,448	21,429	25,176
Dividends payable	4,233	4,173	4,047	4,117	3,479
Other liabilities	13,050	13,493	13,543	13,619	13,505
Debt	-	-	-	-	30,000
Total liabilities	\$89,936	\$53,264	\$64,280	\$76,978	\$120,045
Equity:					
Equity attributable to stockholders	\$509,624	\$505,554	\$466,273	\$469,799	\$321,673
Noncontrolling interests	(167)	(167)	(167)	-	-
Total liabilities and equity	\$599,393	\$558,651	\$530,386	\$546,777	\$441,718
Working capital (2)	\$71,760	\$59,119	\$151,909	\$150,414	\$27,693

\$ in thousands

(1) Reflects balance sheet accounts before the consolidation of certain 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>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Ending Assets by Product							
Open-End Funds	\$27,865.8	\$25,560.3	\$23,854.9	\$24,302.7	\$22,501.0	\$27,865.8	\$22,501.0
Variable Insurance Funds	\$1,016.3	\$975.7	\$958.9	\$963.7	\$931.8	\$1,016.3	\$931.8
<i>Total – Open-End Funds</i>	<i>\$28,882.1</i>	<i>\$26,536.0</i>	<i>\$24,813.8</i>	<i>\$25,266.4</i>	<i>\$23,432.8</i>	<i>\$28,882.1</i>	<i>\$23,432.8</i>
Closed-End Funds	\$6,222.3	\$6,543.6	\$6,959.6	\$6,887.3	\$6,757.4	\$6,222.3	\$6,757.4
Exchange Traded Funds	\$340.8	\$353.6	\$399.4	\$460.6	\$596.8	\$340.8	\$596.8
Intermediary Sold Managed Accounts (1)	\$3,985.7	\$4,151.5	\$4,462.7	\$4,888.9	\$5,403.5	\$3,985.7	\$5,403.5
High Net Worth (1)	\$2,798.7	\$2,869.6	\$2,944.5	\$3,035.9	\$3,070.0	\$2,798.7	\$3,070.0
<i>Total – Separately Managed Accounts (1)</i>	<i>\$6,784.4</i>	<i>\$7,021.1</i>	<i>\$7,407.2</i>	<i>\$7,924.8</i>	<i>\$8,473.5</i>	<i>\$6,784.4</i>	<i>\$8,473.5</i>
Institutional Accounts (1)	\$5,155.7	\$5,196.9	\$5,589.7	\$6,000.4	\$6,105.8	\$5,155.7	\$6,105.8
Total	\$47,385.3	\$45,651.2	\$45,169.7	\$46,539.5	\$45,366.3	\$47,385.3	\$45,366.3
AUM by asset class (period end)							
Equity	\$28,314.9	\$27,061.4	\$26,206.9	\$26,669.5	\$25,822.3	\$28,314.9	\$25,822.3
<i>% of total</i>	<i>59.8%</i>	<i>59.3%</i>	<i>58.0%</i>	<i>57.3%</i>	<i>56.9%</i>	<i>59.8%</i>	<i>56.9%</i>
Fixed Income	15,115.6	14,994.2	15,450.6	15,756.8	15,523.6	15,115.6	15,523.6
<i>% of total</i>	<i>31.9%</i>	<i>32.8%</i>	<i>34.2%</i>	<i>33.9%</i>	<i>34.2%</i>	<i>31.9%</i>	<i>34.2%</i>
Alternatives (2)	3,468.7	3,091.0	3,056.8	3,691.6	3,548.3	3,468.7	3,548.3
<i>% of total</i>	<i>7.3%</i>	<i>6.8%</i>	<i>6.8%</i>	<i>7.9%</i>	<i>7.8%</i>	<i>7.3%</i>	<i>7.8%</i>
Other (3)	486.1	504.6	455.4	421.6	472.1	486.1	472.1
<i>% of total</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>0.9%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>1.1%</i>
Total	\$47,385.3	\$45,651.2	\$45,169.7	\$46,539.5	\$45,366.3	\$47,385.3	\$45,366.3

\$ 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>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Average Net Management Fees (1)							
<i>(In basis points, annualized)</i>							
Open-End Funds	45.9	47.1	49.2	49.7	50.0	48.1	48.9
Variable Insurance Funds	48.6	53.2	55.4	61.8	62.4	50.0	58.2
<i>Total Open-End Funds</i>	<i>46.0</i>	<i>47.3</i>	<i>49.4</i>	<i>50.1</i>	<i>50.5</i>	<i>48.2</i>	<i>49.3</i>
Closed-End Funds	66.3	65.4	65.4	65.9	66.5	66.7	65.8
Exchange Traded Funds	29.1	34.6	36.2	32.4	24.6	23.6	31.4
Intermediary Sold Managed Accounts (2)	40.5	41.9	41.7	41.3	39.7	40.5	41.1
High Net Worth (2)	74.3	76.2	74.7	71.1	73.8	74.4	74.0
<i>Total Separately Managed Accounts (2)</i>	<i>54.4</i>	<i>56.1</i>	<i>55.2</i>	<i>53.2</i>	<i>52.8</i>	<i>54.1</i>	<i>54.3</i>
Institutional Accounts (2)	34.4	36.7	36.2	41.5	37.2	34.9	38.0
Total	48.4	49.7	51.1	51.8	51.2	50.1	50.9
Average Assets by Product (3)							
Open-End Funds	\$28,976.7	\$26,341.6	\$24,572.0	\$24,174.0	\$23,284.1	\$32,159.8	\$24,592.9
Variable Insurance Funds	\$1,040.9	\$954.3	\$965.7	\$975.9	\$939.1	\$1,130.3	\$958.7
<i>Total – Open-End Funds</i>	<i>\$30,017.6</i>	<i>\$27,295.9</i>	<i>\$25,537.7</i>	<i>\$25,149.9</i>	<i>\$24,223.1</i>	<i>\$33,290.1</i>	<i>\$25,551.6</i>
Closed-End Funds	\$6,378.5	\$6,152.3	\$6,659.9	\$6,853.4	\$6,668.9	\$6,946.3	\$6,583.6
Exchange Traded Funds	\$343.4	\$337.1	\$371.9	\$426.0	\$490.1	\$179.3	\$406.3
Intermediary Sold Managed Accounts (2)	\$3,866.6	\$3,969.7	\$4,145.4	\$4,469.0	\$4,862.7	\$4,105.2	\$4,361.7
High Net Worth (2)	\$2,686.1	\$2,798.7	\$2,869.6	\$2,944.6	\$3,035.9	\$2,758.6	\$2,912.2
<i>Total – Separately Managed Accounts (2)</i>	<i>\$6,552.7</i>	<i>\$6,768.4</i>	<i>\$7,015.0</i>	<i>\$7,413.6</i>	<i>\$7,898.6</i>	<i>\$6,863.8</i>	<i>\$7,273.9</i>
Institutional Accounts (2)	\$5,199.9	\$5,112.4	\$5,223.9	\$5,687.6	\$6,014.9	\$5,031.0	\$5,509.7
Total	\$48,492.1	\$45,666.1	\$44,808.4	\$45,530.5	\$45,295.7	\$52,310.6	\$45,325.2

\$ 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 December 31, 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>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
All Product Flows							
Beginning balance	\$47,937.7	\$47,385.3	\$45,651.2	\$45,169.7	\$46,539.5	\$56,702.4	\$47,385.3
Inflows	3,164.0	2,841.1	2,390.1	3,078.0	2,630.8	12,689.8	10,940.0
Outflows	(4,302.9)	(5,469.0)	(4,544.0)	(2,593.4)	(3,005.9)	(19,014.2)	(15,612.3)
Net Flows	(1,138.9)	(2,627.9)	(2,153.9)	484.6	(375.1)	(6,324.4)	(4,672.3)
Market performance	877.9	1,062.8	1,786.7	942.8	(622.2)	(2,234.4)	3,170.1
Other (1)	(291.4)	(169.0)	(114.3)	(57.6)	(175.9)	(758.3)	(516.8)
Ending Balance	\$47,385.3	\$45,651.2	\$45,169.7	\$46,539.5	\$45,366.3	\$47,385.3	\$45,366.3

\$ 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

	Q4:15	Q1:16	Q2:16	Q3:16	Q4:16	FY:15	FY:16
Open-End Funds							
Beginning balance	\$28,717.1	\$27,865.8	\$25,560.3	\$23,854.9	\$24,302.7	\$36,292.3	\$27,865.8
Inflows	2,540.4	2,186.4	1,344.5	1,869.3	1,635.3	10,009.4	7,035.5
Outflows	(3,662.6)	(4,748.2)	(3,756.9)	(2,093.5)	(2,344.2)	(16,796.5)	(12,942.8)
Net Flows	(1,122.2)	(2,561.8)	(2,412.4)	(224.2)	(708.9)	(6,787.1)	(5,907.3)
Market performance	375.3	297.4	868.9	699.0	(1,022.3)	(1,485.9)	843.0
Other	(104.4)	(41.1)	(161.9)	(27.0)	(70.5)	(153.5)	(300.5)
Ending Balance	\$27,865.8	\$25,560.3	\$23,854.9	\$24,302.7	\$22,501.0	\$27,865.8	\$22,501.0
Variable Insurance Funds							
Beginning balance	\$999.3	\$1,016.3	\$975.7	\$958.9	\$963.7	\$1,221.9	\$1,016.3
Inflows	6.5	7.0	7.4	13.2	7.0	37.4	34.6
Outflows	(39.4)	(46.1)	(42.9)	(45.9)	(40.0)	(214.0)	(174.9)
Net Flows	(32.9)	(39.1)	(35.5)	(32.7)	(33.0)	(176.6)	(140.3)
Market performance	49.9	(1.5)	18.6	37.5	1.1	(25.6)	55.7
Other	-	-	0.1	-	-	(3.4)	0.1
Ending Balance	\$1,016.3	\$975.7	\$958.9	\$963.7	\$931.8	\$1,016.3	\$931.8
Subtotal – Open-End Funds							
Beginning balance	\$29,716.4	\$28,882.1	\$26,536.0	\$24,813.8	\$25,266.4	\$37,514.2	\$28,882.1
Inflows	2,546.9	2,193.4	1,351.9	1,882.5	1,642.3	10,046.8	7,070.1
Outflows	(3,702.0)	(4,794.3)	(3,799.8)	(2,139.4)	(2,384.2)	(17,010.5)	(13,117.7)
Net Flows	(1,155.1)	(2,600.9)	(2,447.9)	(256.9)	(741.9)	(6,963.7)	(6,047.6)
Market performance	425.2	295.9	887.5	736.5	(1,021.2)	(1,511.5)	898.7
Other	(104.4)	(41.1)	(161.8)	(27.0)	(70.5)	(156.9)	(300.4)
Ending Balance	\$28,882.1	\$26,536.0	\$24,813.8	\$25,266.4	\$23,432.8	\$28,882.1	\$23,432.8

\$ in millions

ASSET FLOW DETAIL



Asset Flows – By Product (continued)

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Closed-End Funds							
Beginning balance	\$6,349.8	\$6,222.3	\$6,543.6	\$6,959.6	\$6,887.3	\$7,581.4	\$6,222.3
Inflows	-	-	-	-	-	-	-
Outflows	-	-	(103.3)	-	-	-	(103.3)
Net Flows	-	-	(103.3)	-	-	-	(103.3)
Market performance	18.7	421.3	481.7	(63.3)	(44.8)	(811.9)	794.9
Other	(146.2)	(100.0)	37.6	(9.0)	(85.1)	(547.2)	(156.5)
Ending Balance	\$6,222.3	\$6,543.6	\$6,959.6	\$6,887.3	\$6,757.4	\$6,222.3	\$6,757.4
Exchange Traded Funds							
Beginning balance	\$306.9	\$340.8	\$353.6	\$399.4	\$460.6	\$0.0	\$340.8
Inflows	57.7	62.3	52.8	66.9	200.8	342.8	382.8
Outflows	(23.0)	(33.8)	(20.8)	(19.6)	(50.6)	(49.0)	(124.8)
Net Flows	34.7	28.5	32.0	47.3	150.2	293.8	258.0
Market performance	1.6	(13.6)	17.4	19.4	(2.9)	(27.9)	20.3
Other	(2.4)	(2.1)	(3.6)	(5.5)	(11.1)	74.9	(22.3)
Ending Balance	\$340.8	\$353.6	\$399.4	\$460.6	\$596.8	\$340.8	\$596.8

ASSET FLOW DETAIL



Asset Flows – By Product (continued)

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Intermediary Sold Managed Accounts							
Beginning balance	\$3,853.5	\$3,985.7	\$4,151.5	\$4,462.7	\$4,888.9	\$4,188.7	\$3,985.7
Inflows	193.1	295.9	337.5	418.0	348.7	653.1	1,400.1
Outflows	(255.2)	(235.0)	(148.3)	(102.6)	(183.7)	(836.8)	(669.6)
Net Flows	(62.1)	60.9	189.2	315.4	165.0	(183.7)	730.5
Market performance	194.2	104.9	122.0	110.8	349.6	(29.7)	687.3
Other	0.1	-	-	-		10.4	-
Ending Balance	\$3,985.7	\$4,151.5	\$4,462.7	\$4,888.9	\$5,403.5	\$3,985.7	\$5,403.5
High Net Worth Separate Accounts							
Beginning balance	\$2,686.1	\$2,798.7	\$2,869.6	\$2,944.5	\$3,035.9	\$2,696.1	\$2,798.7
Inflows	139.7	103.3	106.7	98.1	117.3	638.8	425.4
Outflows	(141.4)	(129.3)	(166.3)	(79.4)	(112.3)	(591.8)	(487.3)
Net Flows	(1.7)	(26.0)	(59.6)	18.7	5.0	47.0	(61.9)
Market performance	117.8	105.9	124.5	79.1	26.7	100.4	336.2
Other	(3.5)	(9.0)	10.0	(6.4)	2.4	(44.8)	(3.0)
Ending Balance	\$2,798.7	\$2,869.6	\$2,944.5	\$3,035.9	\$3,070.0	\$2,798.7	\$3,070.0
Total Separately Managed Accounts							
Beginning balance	\$6,539.6	\$6,784.4	\$7,021.1	\$7,407.2	\$7,924.8	\$6,884.8	\$6,784.4
Inflows	332.8	399.2	444.2	516.1	466.0	1,291.9	1,825.5
Outflows	(396.6)	(364.3)	(314.6)	(182.0)	(296.0)	(1,428.6)	(1,156.9)
Net Flows	(63.8)	34.9	129.6	334.1	170.0	(136.7)	668.6
Market performance	312.0	210.8	246.5	189.9	376.3	70.7	1,023.5
Other	(3.4)	(9.0)	10.0	(6.4)	2.4	(34.4)	(3.0)
Ending Balance	\$6,784.4	\$7,021.1	\$7,407.2	\$7,924.8	\$8,473.5	\$6,784.4	\$8,473.5

\$ in millions

ASSET FLOW DETAIL



Asset Flows – By Product (continued)

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Institutional Accounts							
Beginning balance	\$4,638.7	\$4,799.7	\$4,848.3	\$4,920.0	\$5,376.6	\$4,296.5	\$4,799.7
Inflows	226.6	186.2	224.9	612.5	321.7	1,008.3	1,345.3
Outflows	(181.3)	(276.6)	(292.0)	(207.2)	(263.5)	(526.1)	(1,039.3)
Net Flows	45.3	(90.4)	(67.1)	405.3	58.2	482.2	306.0
Market performance	120.4	148.4	144.1	56.4	63.7	46.2	412.6
Other	(4.7)	(9.4)	(5.3)	(5.1)	(5.8)	(25.2)	(25.6)
Ending Balance	\$4,799.7	\$4,848.3	\$4,920.0	\$5,376.6	\$5,492.7	\$4,799.7	\$5,492.7
Structured Products							
Beginning balance	\$386.3	\$356.0	\$348.6	\$669.7	\$623.8	\$425.5	\$356.0
Inflows	-	-	316.3	-	-	-	316.3
Outflows	-	-	(13.5)	(45.2)	(11.6)	-	(70.3)
Net Flows	-	-	302.8	(45.2)	(11.6)	-	246.0
Market performance	-	-	9.5	3.9	6.7	-	20.1
Other	(30.3)	(7.4)	8.8	(4.6)	(5.8)	(69.5)	(9.0)
Ending Balance	\$356.0	\$348.6	\$669.7	\$623.8	\$613.1	\$356.0	\$613.1
Total Institutional Accounts							
Beginning balance	\$5,025.0	\$5,155.7	\$5,196.9	\$5,589.7	\$6,000.4	\$4,722.0	\$5,155.7
Inflows	226.6	186.2	541.2	612.5	321.7	1,008.3	1,661.6
Outflows	(181.3)	(276.6)	(305.5)	(252.4)	(275.1)	(526.1)	(1,109.6)
Net Flows	45.3	(90.4)	235.7	360.1	46.6	482.2	552.0
Market performance	120.4	148.4	153.6	60.3	70.4	46.2	432.7
Other	(35.0)	(16.8)	3.5	(9.7)	(11.6)	(94.7)	(34.6)
Ending Balance	\$5,155.7	\$5,196.9	\$5,589.7	\$6,000.4	\$6,105.8	\$5,155.7	\$6,105.8

\$ in millions

ASSET FLOW DETAIL



Open-End Asset Flows – By Asset Class

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Domestic Equity Funds							
Beginning balance	\$4,785.3	\$4,349.0	\$4,213.5	\$3,985.1	\$3,958.9	\$10,389.7	\$4,349.0
Inflows	108.0	120.6	227.3	244.1	254.0	690.9	846.0
Outflows	(679.6)	(576.6)	(525.5)	(391.9)	(430.3)	(6,149.7)	(1,924.3)
Net Flows	(571.6)	(456.0)	(298.2)	(147.8)	(176.3)	(5,458.8)	(1,078.3)
Market performance	139.6	(22.3)	91.6	125.1	52.5	(453.9)	246.9
Other	(4.3)	342.8	(21.8)	(3.5)	(11.9)	(128.0)	305.6
Ending Balance	\$4,349.0	\$4,213.5	\$3,985.1	\$3,958.9	\$3,823.2	\$4,349.0	\$3,823.2
International Equity Funds							
Beginning balance	\$11,750.9	\$11,967.1	\$10,403.3	\$9,035.4	\$9,424.5	\$11,026.3	\$11,967.1
Inflows	1,737.4	1,376.0	537.3	1,022.1	701.9	6,546.2	3,637.3
Outflows	(1,699.9)	(3,107.1)	(2,367.1)	(1,063.2)	(1,004.1)	(4,656.7)	(7,541.5)
Net Flows	37.5	(1,731.1)	(1,829.8)	(41.1)	(302.2)	1,889.5	(3,904.2)
Market performance	206.7	174.9	462.0	427.7	(989.5)	(971.9)	75.1
Other	(28.0)	(7.6)	(0.1)	2.5	(15.3)	23.2	(20.5)
Ending Balance	\$11,967.1	\$10,403.3	\$9,035.4	\$9,424.5	\$8,117.5	\$11,967.1	\$8,117.5
Alternative Funds							
Beginning balance	\$2,487.0	\$2,295.9	\$1,919.7	\$1,821.6	\$1,771.5	\$4,021.2	\$2,295.9
Inflows	141.8	152.6	145.8	115.9	101.0	644.0	515.3
Outflows	(370.1)	(206.0)	(217.9)	(134.7)	(211.3)	(2,302.9)	(769.9)
Net Flows	(228.3)	(53.4)	(72.1)	(18.8)	(110.3)	(1,658.9)	(254.6)
Market performance	77.3	44.2	100.5	(30.8)	(46.9)	(71.3)	67.0
Other	(40.1)	(367.0)	(126.5)	(0.5)	(13.4)	4.9	(507.4)
Ending Balance	\$2,295.9	\$1,919.7	\$1,821.6	\$1,771.5	\$1,600.9	\$2,295.9	\$1,600.9

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

ASSET FLOW DETAIL



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

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Taxable Bond Funds							
Beginning balance	\$9,446.0	\$8,990.8	\$8,752.3	\$8,736.5	\$8,869.9	\$10,600.4	\$8,990.8
Inflows	536.2	518.6	418.3	473.7	564.6	2,085.0	1,975.2
Outflows	(905.1)	(843.6)	(630.2)	(492.2)	(670.6)	(3,641.2)	(2,636.6)
Net Flows	(368.9)	(325.0)	(211.9)	(18.5)	(106.0)	(1,556.2)	(661.4)
Market performance	(51.0)	96.6	209.7	177.0	(30.7)	5.9	452.6
Other	(35.3)	(10.1)	(13.6)	(25.1)	(23.9)	(59.3)	(72.7)
Ending Balance	\$8,990.8	\$8,752.3	\$8,736.5	\$8,869.9	\$8,709.3	\$8,990.8	\$8,709.3
Non-Taxable Bond Funds							
Beginning balance	\$222.8	\$226.7	\$232.8	\$233.1	\$230.8	\$231.1	\$226.7
Inflows	5.9	14.8	9.0	9.8	8.9	28.5	42.5
Outflows	(7.9)	(13.0)	(13.2)	(11.2)	(24.8)	(44.7)	(62.2)
Net Flows	(2.0)	1.8	(4.2)	(1.4)	(15.9)	(16.2)	(19.7)
Market performance	2.5	3.4	4.4	(0.6)	(7.8)	5.6	(0.6)
Other	3.4	0.9	0.1	(0.3)	(5.9)	6.2	(5.2)
Ending Balance	\$226.7	\$232.8	\$233.1	\$230.8	\$201.2	\$226.7	\$201.2

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

U.S. GAAP TO NON-GAAP RECONCILIATION – Q4 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	\$ 58,996	\$ -	\$ 283	\$ -	\$ -	\$ -	\$ 59,279
Distribution and services fees	11,489	-	11	-	-	-	11,500
Administration and transfer agent fees	9,176	-	35	-	-	-	9,211
Other income and fees	189	-	-	-	-	-	189
Distribution and other asset-based expenses	-	(16,136)	-	-	-	-	(16,136)
Total revenues	79,850	(16,136)	329	-	-	-	64,043
Operating Expenses							
Employment expenses	33,457	-	-	-	-	-	33,457
Distribution and other asset-based expenses	16,136	(16,136)	-	-	-	-	-
Other operating expense	15,660	-	-	-	-	(3,958)	11,702
Other operating expenses of consolidated sponsored investment products	488	-	(488)	-	-	-	-
Other operating expenses of consolidated investment products	23	-	(23)	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-
Depreciation and other amortization	700	-	-	-	-	-	700
Amortization expense	603	-	-	(603)	-	-	-
Total operating expenses	67,067	(16,136)	(511)	(603)	-	(3,958)	45,859
Operating Income	12,783	-	840	603	-	3,958	18,184
Other Income (Expense)							
Realized and unrealized gain (loss) on investments, net	1,398	-	(2,555)	-	1,158	-	1
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	(3,110)	-	3,110	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	(4,030)	-	4,030	-	-	-	-
Other income (expense), net	626	-	(1,774)	-	1,774	-	626
Total other income (expense), net	(5,116)	-	2,811	-	2,932	-	627
Interest Income (Expense)							
Interest expense	(290)	-	-	-	-	-	(290)
Interest and dividend income	630	-	1,300	-	(1,848)	-	82
Interest and dividend income of investments of consolidated sponsored investment products, net	1,488	-	(1,488)	-	-	-	-
Interest expense of consolidated investment product	(1,104)	-	1,104	-	-	-	-
Interest income of consolidated investment product	4,058	-	(4,058)	-	-	-	-
Total interest (expense) income, net	4,782	-	(3,142)	-	(1,848)	-	(208)
Income Before Income Taxes	12,449	-	509	603	1,084	3,958	18,603
Income tax expense	532	-	-	227	4,754	1,490	7,003
Net Income	11,917	-	509	376	(3,670)	2,468	11,600
Noncontrolling interests	509	-	(509)	-	-	-	-
Net Income Attributable to Common Stockholders	\$ 12,426	\$ -	\$ -	\$ 376	\$ (3,670)	\$ 2,468	\$ 11,600
Earnings Per Share - Basic	\$ 1.94						\$ 1.81
Earnings Per Share - Diluted	\$ 1.87						\$ 1.75
Weighted Average Shares Outstanding - Basic (in thousands)	6,413						6,413
Weighted Average Shares Outstanding - Diluted (in thousands)	6,627						6,627

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



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

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

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



	Reclassifications			Adjustments				Non-GAAP Basis
	U.S. 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 of consolidated investment product	(5,668)	-	5,668	-	-	-	-	-
Interest income of consolidated investment product	2,582	-	(2,582)	-	-	-	-	-
Total interest (expense) income, net	(900)	-	4,351	-	-	(3,470)	-	(19)
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



	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	
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	<u>80,295</u>	<u>(18,101)</u>	<u>209</u>	<u>-</u>	<u>-</u>	<u>62,403</u>
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	<u>67,545</u>	<u>(18,101)</u>	<u>(1,189)</u>	<u>(651)</u>	<u>-</u>	<u>47,190</u>
Operating Income	<u>12,750</u>	<u>-</u>	<u>1,398</u>	<u>651</u>	<u>-</u>	<u>15,213</u>
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	<u>2,100</u>	<u>-</u>	<u>1,782</u>	<u>-</u>	<u>(3,659)</u>	<u>223</u>
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 expense of consolidated investment product	(732)	-	732	-	-	-
Interest income of consolidated investment product	2,206	-	(2,206)	-	-	-
Total interest income, net	<u>4,576</u>	<u>-</u>	<u>(2,687)</u>	<u>-</u>	<u>(1,883)</u>	<u>6</u>
Income Before Income Taxes	<u>19,426</u>	<u>-</u>	<u>493</u>	<u>651</u>	<u>(5,542)</u>	<u>15,442</u>
Income tax expense	7,556	-	-	250	(2,045)	5,920
Net Income	<u>11,870</u>	<u>-</u>	<u>493</u>	<u>401</u>	<u>(3,497)</u>	<u>9,522</u>
Noncontrolling interests	493	-	(493)	-	-	-
Net Income Attributable to Common Stockholders	<u>\$ 12,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401</u>	<u>\$ (3,497)</u>	<u>\$ 9,522</u>
Earnings Per Share - Basic	<u>\$ 1.48</u>					<u>\$ 1.14</u>
Earnings Per Share - Diluted	<u>\$ 1.45</u>					<u>\$ 1.12</u>
Weighted Average Shares Outstanding - Basic (in thousands)	<u>8,344</u>					<u>8,344</u>
Weighted Average Shares Outstanding - Diluted (in thousands)	<u>8,506</u>					<u>8,506</u>

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	1,237	-	(1,237)	-	-	-	-
Other operating expenses of consolidated investment products	2	-	(2)	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-
Depreciation and other amortization	881	-	-	-	-	-	881
Amortization expense	784	-	-	(784)	-	-	-
Total operating expenses	69,609	(19,831)	(1,239)	(784)	-	(497)	47,258
Operating Income	16,506	-	1,616	784	-	497	19,403
Other Income (Expense)							
Realized and unrealized (loss) gain on investments, net	332	-	(5,539)	-	5,005	-	(202)
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(4,910)	-	4,910	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	(2,784)	-	2,784	-	-	-	-
Other income, net	75	-	(1,155)	-	1,155	-	75
Total other (expense) income, net	(7,287)	-	1,000	-	6,160	-	(127)
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 expense of consolidated investment product	(482)	-	482	-	-	-	-
Interest income of consolidated investment product	2,114	-	(2,114)	-	-	-	-
Total interest income, net	5,030	-	(1,684)	-	(3,283)	-	63
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

U.S. GAAP TO NON-GAAP RECONCILIATION – FULL YEAR 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	\$ 235,230	\$ -	\$ 439	\$ -	\$ -	\$ -	\$ -	\$ 235,669
Distribution and services fees	48,250	-	53	-	-	-	-	48,303
Administration and transfer agent fees	38,261	-	210	-	-	-	-	38,471
Other income and fees	813	-	-	-	-	-	-	813
Distribution and other asset-based expenses	-	(69,049)	-	-	-	-	-	(69,049)
Total revenues	322,554	(69,049)	702	-	-	-	-	254,207
Operating Expenses								
Employment expenses	135,641	-	-	-	-	-	-	135,641
Distribution and other asset-based expenses	69,049	(69,049)	-	-	-	-	-	-
Other operating expense	50,274	-	-	-	-	-	(5,175)	45,099
Other operating expenses of consolidated sponsored investment products	3,009	-	(3,009)	-	-	-	-	-
Other operating expenses of consolidated investment products	3,944	-	(3,944)	-	-	-	-	-
Restructuring and severance	4,270	-	-	-	(4,270)	-	-	-
Depreciation and other amortization	3,092	-	-	-	-	-	-	3,092
Amortization expense	2,461	-	-	(2,461)	-	-	-	-
Total operating expenses	271,740	(69,049)	(6,953)	(2,461)	(4,270)	-	(5,175)	183,832
Operating Income	50,814	-	7,655	2,461	4,270	-	5,175	70,375
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	4,982	-	5,354	-	-	(10,195)	-	141
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	3,818	-	(3,818)	-	-	-	-	-
Realized and unrealized gain (loss) on investments of consolidated investment product, net	(1,070)	-	1,070	-	-	-	-	-
Other income, net	1,089	-	(8,127)	-	-	8,127	-	1,089
Total other (expense) income, net	8,819	-	(5,521)	-	-	(2,068)	-	1,230
Interest Income (Expense)								
Interest expense	(679)	-	-	-	-	-	-	(679)
Interest and dividend income	1,743	-	6,715	-	-	(8,012)	-	446
Interest and dividend income of investments of consolidated sponsored investment products, net	7,509	-	(7,509)	-	-	-	-	-
Interest expense of consolidated investment product	(11,292)	-	11,292	-	-	-	-	-
Interest income of consolidated investment product	12,893	-	(12,893)	-	-	-	-	-
Total interest (expense) income, net	10,174	-	(2,395)	-	-	(8,012)	-	(233)
Income Before Income Taxes	69,807	-	(261)	2,461	4,270	(10,080)	5,175	71,372
Income tax expense	21,044	-	-	935	1,623	1,509	1,953	27,064
Net Income	48,763	-	(261)	1,526	2,647	(11,589)	3,222	44,308
Noncontrolling interests	(261)	-	261	-	-	-	-	-
Net Income Attributable to Common Stockholders	\$ 48,502	\$ -	\$ -	\$ 1,526	\$ 2,647	\$ (11,589)	\$ 3,222	\$ 44,308
Earnings Per Share - Basic	\$ 6.34							\$ 5.79
Earnings Per Share - Diluted	\$ 6.20							\$ 5.66
Weighted Average Shares Outstanding - Basic (in thousands)	7,648							7,648
Weighted Average Shares Outstanding - Diluted (in thousands)	7,822							7,822

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

U.S. GAAP TO NON-GAAP RECONCILIATION – FULL YEAR 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	\$ 264,865	\$ -	\$ 1,137	\$ -	\$ -	\$ 1,166	\$ 267,168
Distribution and services fees	67,066	-	96	-	-	-	67,162
Administration and transfer agent fees	48,247	-	370	-	-	-	48,617
Other income and fees	1,799	-	-	-	-	-	1,799
Distribution and other asset-based expenses	-	(89,731)	-	-	-	-	(89,731)
Total revenues	381,977	(89,731)	1,603	-	-	1,166	295,015
Operating Expenses							
Employment expenses	137,095	-	-	-	-	-	137,095
Distribution and other asset-based expenses	89,731	(89,731)	-	-	-	-	-
Other operating expense	63,901	-	-	-	-	(17,748)	46,153
Other operating expenses of consolidated sponsored investment products	4,134	-	(4,134)	-	-	-	-
Restructuring and severance	-	-	-	-	-	-	-
Depreciation and other amortization	3,443	-	-	-	-	-	3,443
Amortization expense	3,295	-	-	(3,295)	-	-	-
Total operating expenses	301,599	(89,731)	(4,134)	(3,295)	-	(17,748)	186,691
Operating Income	80,378	-	5,737	3,295	-	18,914	108,324
Other Income (Expense)							
Realized and unrealized (loss) gain on investments, net	(862)	-	(19,173)	-	20,014	-	(21)
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(23,181)	-	23,181	-	-	-	-
Realized and unrealized (loss) gain on investments of consolidated investment product, net	(3,505)	-	3,505	-	-	-	-
Other income, net	898	-	(1,835)	-	1,835	-	898
Total other (expense) income, net	(26,650)	-	5,678	-	21,849	-	877
Interest Income (Expense)							
Interest expense	(523)	-	-	-	-	-	(523)
Interest and dividend income	1,261	-	6,022	-	(6,438)	-	845
Interest and dividend income of investments of consolidated sponsored investment products, net	11,504	-	(11,504)	-	-	-	-
Interest expense of consolidated investment product	(484)	-	484	-	-	-	-
Interest income of consolidated investment product	2,157	-	(2,157)	-	-	-	-
Total interest income, net	13,915	-	(7,155)	-	(6,438)	-	322
Income Before Income Taxes	67,643	-	4,260	3,295	15,411	18,914	109,523
Income tax expense	36,972	-	-	1,262	(2,525)	6,180	41,889
Net Income	30,671	-	4,260	2,033	17,936	12,734	67,634
Noncontrolling interests	4,435	-	(4,260)	-	-	-	175
Net Income Attributable to Common Stockholders	\$ 35,106	\$ -	\$ -	\$ 2,033	\$ 17,936	\$ 12,734	\$ 67,809
Earnings Per Share - Basic	\$ 3.99						\$ 7.71
Earnings Per Share - Diluted	\$ 3.92						\$ 7.57
Weighted Average Shares Outstanding - Basic (in thousands)	8,797						8,797
Weighted Average Shares Outstanding - Diluted (in thousands)	8,960						8,960

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

FOOTNOTES

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

	<u>Q4:15</u>	<u>Q1:16</u>	<u>Q2:16</u>	<u>Q3:16</u>	<u>Q4:16</u>	<u>FY:15</u>	<u>FY:16</u>
Other (\$ in thousands)							
Loss contingency	\$-	\$-	\$-	\$-	\$-	\$16,500	\$-
Tax impact of loss contingency	-	-	-	-	-	(5,507)	-
Transition related revenues	-	-	-	-	-	1,166	-
Tax impact of transition related revenues	-	-	-	-	-	(442)	-
System transition expenses	497	414	358	445	611	1,248	1,828
Tax impact of transition expenses	(192)	(159)	(138)	(166)	(230)	(476)	(693)
Acquisition related expenses	-	-	-	-	3,347	-	3,347
Tax impact of acquisition related expenses	-	-	-	-	(1,260)	-	(1,260)
Discrete tax adjustments	245	-	-	-	-	245	-
Total Other	\$550	\$255	\$220	\$279	\$2,468	\$12,734	\$3,222

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