



Second Quarter 2018
Earnings Presentation
July 27, 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 Second Quarter
- Second Quarter Results
- Q & A Session



OVERVIEW OF SECOND QUARTER

OVERVIEW OF SECOND QUARTER



Assets and Flows

- Long-term assets under management increased \$2.4 billion, or 2.7%, sequentially to \$89.8 billion reflecting net inflows and market appreciation
- Total sales of \$6.6 billion increased \$1.2 billion, or 22%, sequentially; institutional and mutual fund sales increased \$1.0 billion and \$0.6 billion, respectively
- Net inflows of \$1.3 billion primarily reflect positive flows in open-end mutual funds, ETFs and retail separate accounts

Non-GAAP Financial Results

- Operating income, as adjusted, of \$37.6 million increased \$4.8 million, or 15%, compared to prior quarter
- Operating margin, as adjusted, of 34% increased 370 bps sequentially
- Earnings per diluted share, as adjusted, of \$2.97 increased by \$0.38, or 15%, due to higher operating results

Capital Activities

- Repurchased 60,622 shares, representing 0.8% of outstanding shares, for \$7.5 million
- Net debt to Bank EBITDA of 0.7x; pro-forma impact of Sustainable Growth Advisers majority-interest acquisition and related financing of 1.3x

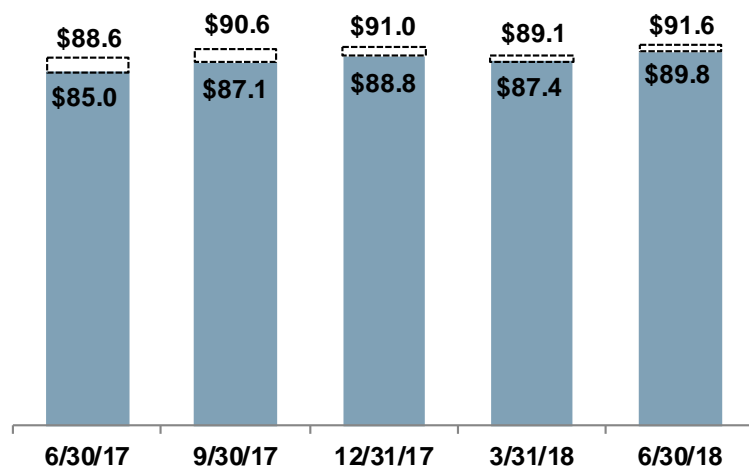


SECOND QUARTER RESULTS

ASSETS UNDER MANAGEMENT

Quarterly Trends

■ Long-Term
 □ Liquidity



Long-Term Assets by Asset Class

Equity	49.0%	49.5%	51.5%	52.5%	54.4%
Fixed Income	46.0%	45.6%	43.6%	43.5%	41.4%
Alternatives ¹	5.0%	4.9%	4.9%	4.0%	4.2%

Commentary

- Sequential increase in long-term assets of \$2.4 billion, or 2.7%, primarily due to market appreciation and net inflows
- Increase in long-term assets from prior year primarily reflects \$6.0 billion of market appreciation and modestly positive net flows
- Equity assets represent 54% of AUM, an increase of 540 basis points from the prior year
- Assets diversified by investment style, strategy and asset class

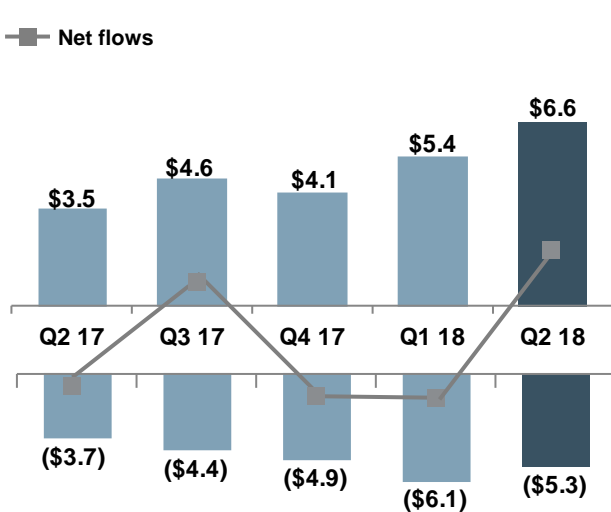
\$ in billions

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

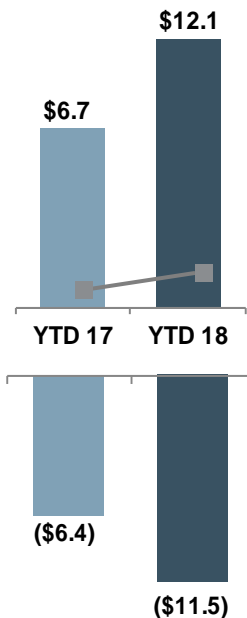
ASSET FLOWS

Inflows / (Outflows)

■ Net flows



Year to Date



Commentary

- Sales increased \$1.2 billion, or 22%, sequentially
 - Institutional increased \$1.0 billion reflecting domestic equity mandates
 - Mutual funds increased \$0.6 billion primarily due to domestic and international small-cap equity strategies; sales rate of 40.4%
- Net flows of \$1.3 billion, which represented an annualized organic growth rate of 5.9%, included:
 - Open-end mutual funds \$1.1 billion
 - Retail separate accounts \$0.2 billion

Sales Metrics

Net Flows ¹						
	(\$0.2)	\$0.2	(\$0.8)	(\$0.7)	\$1.3	
Net Flow Rate ²						
	(1.7%)	1.0%	(3.5%)	(3.3%)	5.9%	

\$ in billions

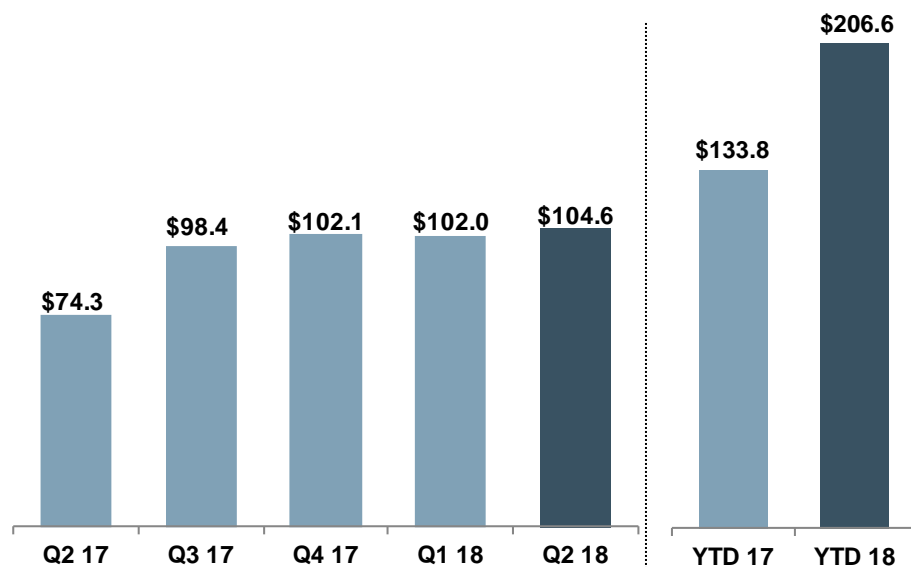
¹ Net flows exclude flows from liquidity products

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

INVESTMENT MANAGEMENT FEES, AS ADJUSTED



Quarterly Results



Year to Date

Commentary

- Investment management fees increased \$2.6 million, or 2.6%, sequentially due primarily to higher average fee rate
- Average long-term fee rate increased sequentially due to positive impact of net flow mix
- Average open-end fund fee rate increased 1.5 bps sequentially to 51.8 bps, reflecting average fee rates of:
 - 64.7 bps on sales
 - 50.5 bps on redemptions

Metrics							
Long-Term Net Fee Rate ¹ – BPS							
	48.3	44.8	45.4	46.0	46.7	49.6	46.3
Long-Term Average AUM - (\$Bn)							
	\$60.7	\$86.0	\$87.8	\$88.9	\$88.8	\$53.5	\$88.8

\$ 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.

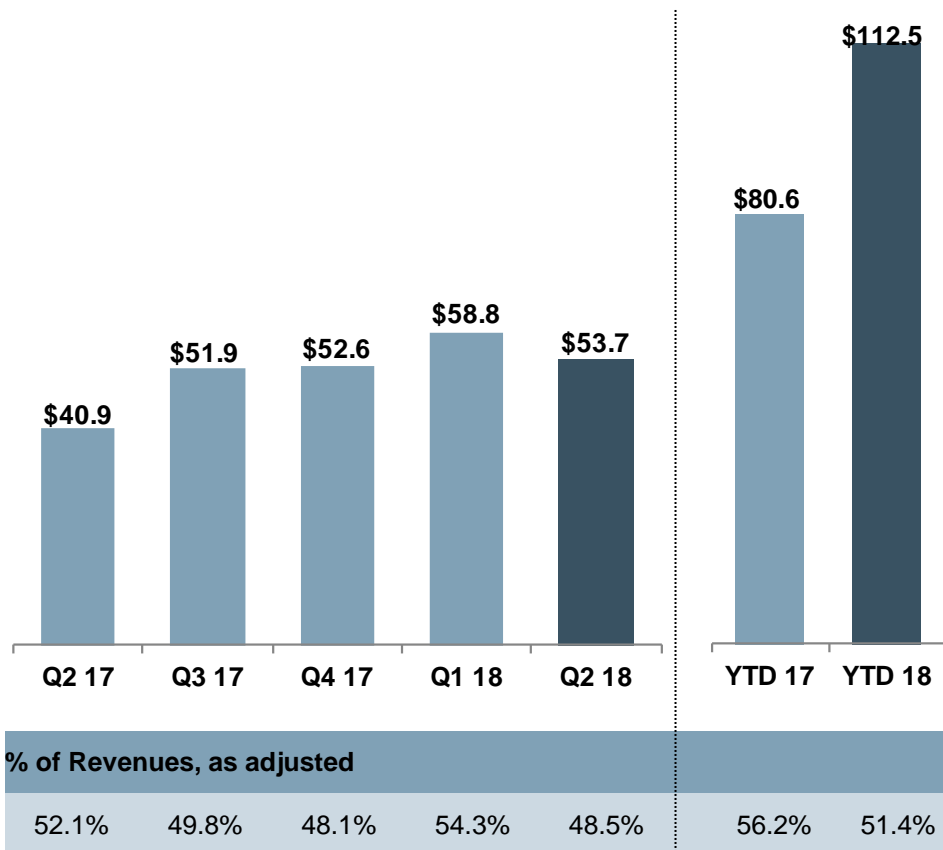
See the financial supplement for U.S. GAAP to Non-GAAP ("as adjusted") reconciliations and related notes

EMPLOYMENT EXPENSES, AS ADJUSTED

Quarterly Results

Year to Date

Commentary



- Employment expenses, as adjusted, decreased \$5.1 million, or 8.7%, sequentially due to:
 - \$6.8 million of seasonally higher employment expenses in the prior quarter
 - Partially offset by higher sales and profit-based compensation
- Employment expense as a percentage of revenues, as adjusted, of 48.5% decreased 580 bps from prior quarter and 360 bps from prior year

\$ in millions

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

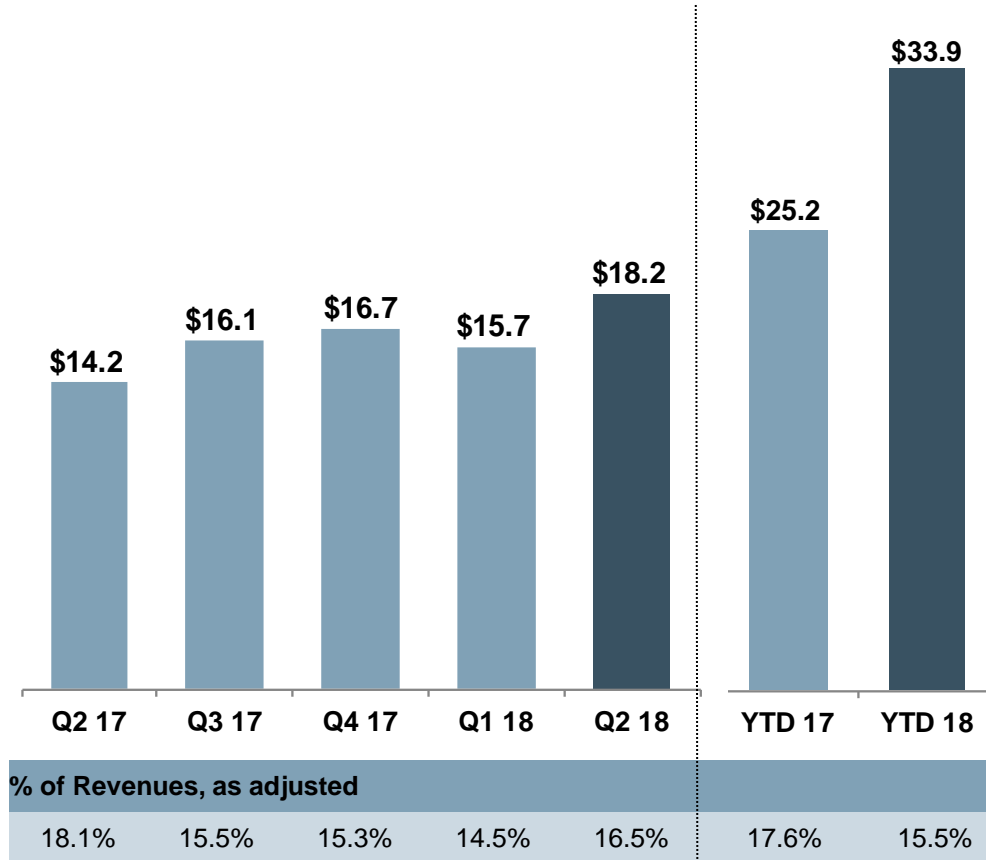
OTHER OPERATING EXPENSES, AS ADJUSTED



Quarterly Results

Year to Date

Commentary



- Other operating expenses, as adjusted, increased \$2.5 million, or 16%, from prior quarter due primarily to:
 - \$1.2 million of higher sales and marketing costs
 - \$0.8 million of annual director grants

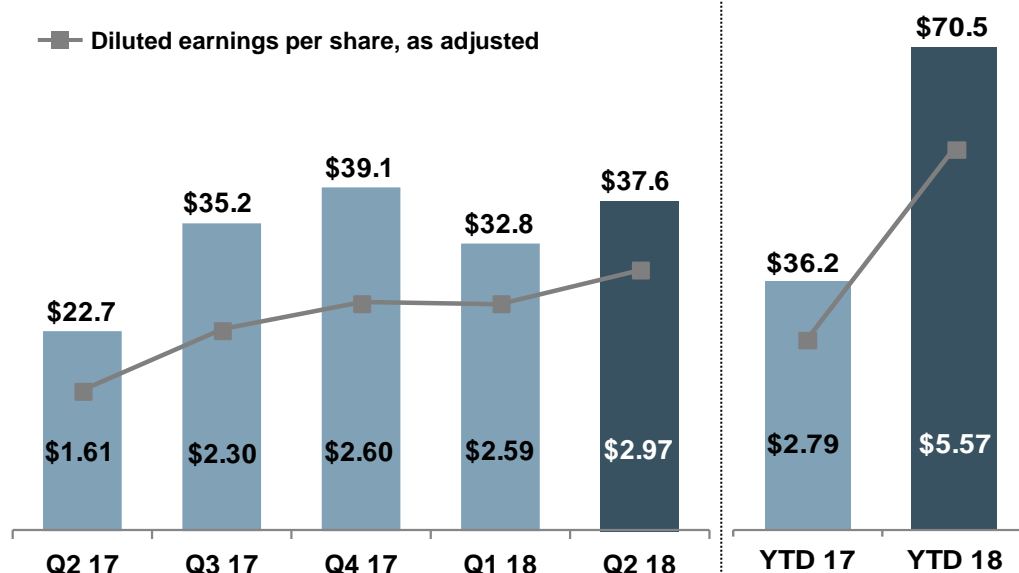
\$ in millions
See the financial supplement for U.S. GAAP to Non-GAAP (“as adjusted”) reconciliations and related notes

NON-GAAP RESULTS

Quarterly Results

Operating Income, As Adjusted

■ Diluted earnings per share, as adjusted



Year to Date

Commentary

- Diluted EPS, as adjusted, of \$2.97 increased by \$0.38, or 14.7%, sequentially and \$1.36, or 84%, from the prior year
 - Excludes \$4.6 million, or \$0.39 per share, of dividends and interest earned on seed and CLO investments
- Operating income, as adjusted, increased \$4.8 million, or 14.7%, from the prior quarter
- Operating margin, as adjusted, of 34% increased 370 bps from prior quarter

Metrics		Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	YTD 17	YTD 18
Net Income, As Adjusted		\$13.4	\$19.5	\$21.9	\$21.8	\$25.0	\$22.0	46.8
Operating Margin, As Adjusted		28.8%	33.8%	35.7%	30.3%	34.0%	25.2%	32.2%

\$ 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

	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
Cash and cash equivalents	\$128	\$165	\$132	\$81	\$139
Seed capital investments ¹	\$104	\$109	\$118	\$116	\$107
Investments - other ²	\$92	\$93	\$112	\$137	\$107
Goodwill and intangible assets, net	\$483	\$477	\$472	\$467	\$462
Deferred taxes, net	\$55	\$49	\$32	\$32	\$31
Debt ³	\$248	\$249	\$248	\$245	\$245
Contingent consideration	\$52	\$52	\$0	\$0	\$0
Total equity attributable to stockholders	\$574	\$584	\$589	\$609	\$625
<i>Working capital (WC)⁴</i>	<i>\$47</i>	<i>\$65</i>	<i>\$74</i>	<i>\$80</i>	<i>\$94</i>
<i>Common shares outstanding</i>	<i>7.218</i>	<i>7.158</i>	<i>7.160</i>	<i>7.217</i>	<i>7.166</i>
<i>Hypothetical conversion of preferred shares⁵</i>	<i>1.045</i>	<i>1.035</i>	<i>0.980</i>	<i>0.900</i>	<i>0.880</i>
<i>Common shares outstanding, as adjusted⁵</i>	<i>8.263</i>	<i>8.193</i>	<i>8.140</i>	<i>8.117</i>	<i>8.046</i>
Metrics:					
Net Debt ⁶	\$184	\$147	\$127	\$178	\$119
Gross Debt ⁷ to Bank EBITDA ⁸	1.5x	1.5x	1.5x	1.5x	1.4x
Net Debt to Bank EBITDA	1.1x	0.9x	0.7x	1.0x	0.7x

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 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 on debt 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 total debt outstanding on seven-year term loan

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

- Repurchased 60,622 shares for \$7.5 million, representing of 0.8% outstanding common shares, as adjusted
- Seed and other investments declined by \$38.4 million, or 15%, primarily due to:
 - Sale of \$37.8 million of investments in two CLOs
 - Sale of \$9.5 million of seed investments; partially offset by
 - Investment of \$7.5 million to commence new CLO warehouse



Financial Supplement

NON-GAAP INFORMATION



Income Statement¹

(Unaudited)

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Revenues, As Adjusted							
Investment management fees, as adjusted	\$74,272	\$98,402	\$102,114	\$102,047	\$104,559	\$133,785	\$206,606
Distribution and service fees, as adjusted	10,446	11,486	11,623	12,611	13,553	21,239	26,164
Administration and shareholder service fees, as adjusted	9,495	14,709	15,849	15,739	15,995	18,510	31,734
Other income and fees, as adjusted	155	199	119	207	248	896	455
Distribution and other asset-based expenses, as adjusted	(15,764)	(20,552)	(20,348)	(22,291)	(23,721)	(31,087)	(46,012)
Total revenues, as adjusted	\$78,604	\$104,244	\$109,357	\$108,313	\$110,634	\$143,343	\$218,947
Operating Expenses, As Adjusted							
Employment expenses, as adjusted	\$40,933	\$51,884	\$52,593	\$58,793	\$53,660	\$80,574	\$112,453
Other operating expenses, as adjusted	14,233	16,131	16,690	15,693	18,227	25,161	33,920
Depreciation and other amortization, as adjusted	776	1,038	1,019	1,015	1,100	1,440	2,115
Total operating expenses, as adjusted	\$55,942	\$69,053	\$70,302	\$75,501	\$72,987	\$107,175	\$148,488
Operating Income (Loss), As Adjusted	\$22,662	\$35,191	\$39,055	\$32,812	\$37,647	\$36,168	\$70,459

\$ 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.

NON-GAAP INFORMATION



Income Statement¹ (continued)

(Unaudited)

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</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	\$ -	(\$61)
Other income, net, as adjusted	46	436	506	1,319	455	692	1,774
Total other income (expense), as adjusted	\$46	\$436	\$506	\$1,121	\$592	\$692	\$1,713
Interest Income (Expense), As Adjusted							
Interest expense, as adjusted	(\$1,453)	(\$4,116)	(\$3,909)	(\$3,818)	(\$3,849)	(\$1,696)	(\$7,667)
Interest and dividend income, as adjusted	279	198	258	268	268	394	536
Total interest income (expense), net, as adjusted	(\$1,174)	(\$3,918)	(\$3,651)	(\$3,550)	(\$3,581)	(\$1,302)	(\$7,131)
Pre-Tax Income (Loss), As Adjusted	\$21,534	\$31,709	\$35,910	\$30,383	\$34,658	\$35,558	\$65,041
Income tax expense (benefit), as adjusted	8,181	12,173	14,035	8,557	9,708	13,588	18,265
Net Income (Loss), As Adjusted	\$13,353	\$19,536	\$21,875	\$21,826	\$24,950	\$21,970	\$46,776

\$ in thousands

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NON-GAAP INFORMATION



Balance Sheet¹

(Unaudited)

	<u>06/30/17</u>	<u>09/30/17</u>	<u>12/31/17</u>	<u>03/31/18</u>	<u>06/30/18</u>
Assets:					
Cash and cash equivalents	\$127,571	\$164,867	\$132,150	\$80,765	\$138,827
Investments – seed capital	104,076	108,511	118,443	115,848	107,217
Investments – other	91,739	92,676	112,105	136,821	107,030
Investments – long term	18,325	18,309	18,729	20,014	20,064
Accounts receivable, net	60,557	62,668	66,982	64,267	68,710
Furniture, equipment, and leasehold improvements, net	12,295	11,557	10,833	11,396	11,409
Intangible assets, net	312,081	307,017	301,954	296,918	291,893
Goodwill	171,170	170,153	170,153	170,153	170,153
Deferred taxes, net	54,655	49,002	32,428	31,875	31,134
Other assets	26,532	25,863	35,772	36,777	40,091
Total Assets	\$979,001	\$1,010,623	\$999,549	\$964,834	\$986,528

\$ 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)

	<u>06/30/17</u>	<u>09/30/17</u>	<u>12/31/17</u>	<u>03/31/18</u>	<u>06/30/18</u>
Liabilities and Equity					
Liabilities:					
Accrued compensation and benefits	\$51,978	\$69,833	\$86,658	\$27,471	\$45,187
Accounts payable and accrued liabilities	29,167	31,677	29,607	28,214	25,805
Dividends payable	6,173	6,318	6,528	6,479	6,688
Other liabilities	18,280	18,356	39,895	48,476	39,236
Contingent consideration	51,690	51,690	-	-	-
Debt	248,111	248,540	248,320	245,402	245,147
Total Liabilities	\$405,399	\$426,414	\$411,008	\$356,042	\$362,063
Equity:					
Equity attributable to stockholders	\$573,602	\$584,209	\$588,541	\$608,792	\$624,465
Total Liabilities and Equity	\$979,001	\$1,010,623	\$999,549	\$964,834	\$986,528
Working Capital²	\$46,519	\$65,417	\$73,739	\$80,268	\$94,252

\$ in thousands

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(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 on debt 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>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Revenues							
Investment management fees	\$74,062	\$97,295	\$100,447	\$100,476	\$103,168	\$133,333	\$203,644
Distribution and service fees	10,439	11,482	11,618	12,607	13,549	21,222	26,156
Administration and shareholder service fees	9,476	14,699	15,840	15,738	15,967	18,457	31,705
Other income and fees	155	199	119	207	248	896	455
Total revenues	\$94,132	\$123,675	\$128,024	\$129,028	\$132,932	\$173,908	\$261,960
Operating Expenses							
Employment expenses	\$42,992	\$54,159	\$54,602	\$60,696	\$54,868	\$82,633	\$115,564
Distribution and other asset-based expenses	15,764	20,552	20,348	22,291	23,721	31,087	46,012
Other operating expenses	20,236	17,733	18,215	16,862	19,128	33,462	35,990
Other operating expenses of consolidated investment products	473	6,757	659	511	1,783	1,115	2,294
Restructuring and severance	8,894	1,584	102	-	-	8,894	-
Depreciation expense	776	1,038	1,019	1,015	1,100	1,440	2,115
Amortization expense	1,813	5,063	5,064	5,036	5,024	2,046	10,060
Total operating expenses	\$90,948	\$106,886	\$100,009	\$106,411	\$105,624	\$160,677	\$212,035
Operating Income (Loss)	\$3,184	\$16,789	\$28,015	\$22,617	\$27,308	\$13,231	\$49,925

\$ in thousands

U.S. GAAP INFORMATION



Income Statement (continued)

(Unaudited)

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Other Income (Expense)							
Realized and unrealized gain (loss) on investments, net	\$1,287	\$1,367	\$22	\$438	\$960	\$1,584	\$1,398
Realized and unrealized gain (loss) of consolidated investment products, net	(1,424)	13,465	(2,932)	2,259	(1,779)	3,020	480
Other income (expense), net	47	436	506	1,319	455	693	1,774
Total other income (expense), net	(\$90)	\$15,268	(\$2,404)	\$4,016	(\$364)	\$5,297	\$3,652
Interest Income (Expense)							
Interest expense	(\$3,739)	(\$4,116)	(\$3,909)	(\$3,858)	(\$4,469)	(\$3,982)	(\$8,327)
Interest and dividend income	446	679	847	721	1,818	634	2,539
Interest and dividend income of consolidated investment products	5,102	17,778	20,787	21,403	23,679	10,758	45,082
Interest expense of consolidated investment products	(2,995)	(16,249)	(13,142)	(14,549)	(15,278)	(5,852)	(29,827)
Total interest income (expense), net	(\$1,186)	(\$1,908)	\$4,583	\$3,717	\$5,750	\$1,558	\$9,467
Income (Loss) Before Income Taxes	\$1,908	\$30,149	\$30,194	\$30,350	\$32,694	\$20,086	\$63,044
Income tax expense (benefit)	1,880	9,626	24,551	6,523	9,465	6,313	15,988
Net Income (Loss)	\$28	\$20,523	\$5,643	\$23,827	\$23,229	\$13,773	\$47,056
Noncontrolling interests	(333)	(1,731)	(145)	(527)	(159)	(1,051)	(686)
Net Income (Loss) Attributable to Stockholders	(\$305)	\$18,792	\$5,498	\$23,300	\$23,070	\$12,722	\$46,370
Preferred stockholder dividends	(2,084)	(2,084)	(2,084)	(2,084)	(2,084)	(4,168)	(4,168)
Net Income (Loss) Attributable to Common Stockholders	(\$2,389)	\$16,708	\$3,414	\$21,216	\$20,986	\$8,554	\$42,202

\$ in thousands

ASSETS UNDER MANAGEMENT



Assets: Product and Asset Class

	<u>06/30/17</u>	<u>09/30/17</u>	<u>12/31/17</u>	<u>03/31/18</u>	<u>06/30/18</u>
Assets by Product					
Retail Funds	\$40,421.0	\$41,325.4	\$41,949.9	\$42,092.7	\$43,322.6
UCITS ¹	66.6	79.4	122.3	127.2	115.7
Variable Insurance Funds	965.2	992.9	1,005.4	982.6	981.0
<i>Total – Open-End Funds</i>	<i>\$41,452.8</i>	<i>\$42,397.7</i>	<i>\$43,077.6</i>	<i>\$43,202.5</i>	<i>\$44,419.3</i>
Closed-End Funds	\$6,707.2	\$6,735.4	\$6,666.2	\$6,132.7	\$6,295.0
Exchange Traded Funds	\$968.8	\$955.7	\$1,039.2	\$980.2	\$1,029.9
Intermediary Sold Managed Accounts	\$9,045.2	\$9,577.7	\$10,260.7	\$10,535.2	\$11,062.6
Private Client	3,305.9	3,479.5	3,676.1	3,477.1	3,615.8
<i>Total – Retail Separate Accounts</i>	<i>\$12,351.1</i>	<i>\$13,057.2</i>	<i>\$13,936.8</i>	<i>\$14,012.3</i>	<i>\$14,678.4</i>
Institutional Accounts	20,639.1	20,630.5	20,815.9	19,411.2	19,726.6
Structured Products	2,899.8	3,360.0	3,298.8	3,704.6	3,684.4
<i>Total – Long-Term</i>	<i>\$85,018.8</i>	<i>\$87,136.5</i>	<i>\$88,834.5</i>	<i>\$87,443.5</i>	<i>\$89,833.6</i>
Liquidity ²	\$3,570.6	\$3,431.4	\$2,128.7	\$1,641.6	\$1,784.9
Total	\$88,589.4	\$90,567.9	\$90,963.2	\$89,085.1	\$91,618.5
Assets by Asset Class					
Equity	\$41,672.6	\$43,147.9	\$45,779.8	\$45,892.8	\$48,894.8
<i>% of total</i>	<i>49.0%</i>	<i>49.5%</i>	<i>51.5%</i>	<i>52.5%</i>	<i>54.4%</i>
Fixed Income ²	39,102.1	39,741.7	38,740.0	37,999.2	37,176.0
<i>% of total</i>	<i>46.0%</i>	<i>45.6%</i>	<i>43.6%</i>	<i>43.4%</i>	<i>41.4%</i>
Alternatives ³	4,244.1	4,246.9	4,314.7	3,551.5	3,762.8
<i>% of total</i>	<i>5.0%</i>	<i>4.9%</i>	<i>4.9%</i>	<i>4.1%</i>	<i>4.2%</i>
Total – Long-Term	\$85,018.8	\$87,136.5	\$88,834.5	\$87,443.5	\$89,833.6

\$ in millions

(1) Represents assets under management of Undertakings for Collective Investments in Transferable Securities (“UCITS”)

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

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

ASSETS UNDER MANAGEMENT



Asset Flows: Total/Long-term

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Long-term							
Beginning balance	\$48,019.8	\$85,018.8	\$87,136.5	\$88,834.5	\$87,443.5	\$45,366.3	\$88,834.5
Inflows	3,452.3	4,565.2	4,115.7	5,431.0	6,643.1	6,717.6	12,074.1
Outflows	(3,652.9)	(4,331.0)	(4,886.8)	(6,161.6)	(5,353.8)	(6,398.7)	(11,515.4)
Net Flows	(200.6)	234.2	(771.1)	(730.6)	1,289.3	318.9	558.7
Market performance	1,743.4	2,135.8	2,732.6	(387.9)	1,517.1	4,105.7	1,129.2
Other ¹	35,456.2	(252.3)	(263.5)	(272.5)	(416.3)	35,227.9	(688.8)
Ending Balance - Long-Term	\$85,018.8	\$87,136.5	\$88,834.5	\$87,443.5	\$89,833.6	\$85,018.8	\$89,833.6
Ending Balance - Liquidity	3,570.6	3,431.4	2,128.7	1,641.6	1,784.9	3,570.6	1,784.9
Ending Balance - Total	\$88,589.4	\$90,567.9	\$90,963.2	\$89,085.1	\$91,618.5	\$88,589.4	\$91,618.5

\$ 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

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Retail Funds							
Beginning balance	\$23,710.4	\$40,421.0	\$41,325.4	\$41,949.9	\$42,092.7	\$22,452.1	\$41,949.9
Inflows	2,217.3	2,821.5	2,619.0	3,754.2	4,335.6	4,233.6	8,089.8
Outflows	(2,236.0)	(2,836.9)	(3,236.6)	(3,617.5)	(3,157.1)	(4,331.0)	(6,774.6)
Net Flows	(18.7)	(15.4)	(617.6)	136.7	1,178.5	(97.4)	1,315.2
Market performance	1,167.9	985.4	1,369.4	64.5	137.5	2,563.3	202.0
Other ¹	15,561.4	(65.6)	(127.3)	(58.4)	(86.1)	15,503.0	(144.5)
Ending Balance	\$40,421.0	\$41,325.4	\$41,949.9	\$42,092.7	\$43,322.6	\$40,421.0	\$43,322.6
UCITS²							
Beginning balance	\$57.6	\$66.6	\$79.4	\$122.3	\$127.2	\$48.9	\$122.3
Inflows	23.2	13.5	21.9	19.3	14.1	32.8	33.4
Outflows	(1.9)	(2.2)	(5.0)	(6.9)	(27.3)	(3.5)	(34.2)
Net Flows	21.3	11.3	16.9	12.4	(13.2)	29.3	(0.8)
Market performance	0.8	1.6	1.1	(0.3)	2.0	1.6	1.7
Other ¹	(13.1)	(0.1)	24.9	(7.2)	(0.3)	(13.2)	(7.5)
Ending Balance	\$66.6	\$79.4	\$122.3	\$127.2	\$115.7	\$66.6	\$115.7

\$ 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")

ASSETS UNDER MANAGEMENT



Asset Flows: Product

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Variable Insurance Funds							
Beginning balance	\$948.8	\$965.2	\$992.9	\$1,005.4	\$982.6	\$931.8	\$1,005.4
Inflows	13.4	7.5	6.9	10.1	6.9	20.2	17.0
Outflows	(40.7)	(33.6)	(33.4)	(37.8)	(36.2)	(78.8)	(74.0)
Net Flows	(27.3)	(26.1)	(26.5)	(27.7)	(29.3)	(58.6)	(57.0)
Market performance	43.6	53.7	39.0	5.6	31.0	91.9	36.6
Other ¹	0.1	0.1	-	(0.7)	(3.3)	0.1	(4.0)
Ending Balance	\$965.2	\$992.9	\$1,005.4	\$982.6	\$981.0	\$965.2	\$981.0
Subtotal – Open-End Funds							
Beginning balance	\$24,716.8	\$41,452.8	\$42,397.7	\$43,077.6	\$43,202.5	\$23,432.8	\$43,077.6
Inflows	2,253.9	2,842.5	2,647.8	3,783.6	4,356.6	4,286.6	8,140.2
Outflows	(2,278.6)	(2,872.7)	(3,275.0)	(3,662.2)	(3,220.6)	(4,413.3)	(6,882.8)
Net Flows	(24.7)	(30.2)	(627.2)	121.4	1,136.0	(126.7)	1,257.4
Market performance	1,212.3	1,040.7	1,409.5	69.8	170.5	2,656.8	240.3
Other ¹	15,548.4	(65.6)	(102.4)	(66.3)	(89.7)	15,489.9	(156.0)
Ending Balance	\$41,452.8	\$42,397.7	\$43,077.6	\$43,202.5	\$44,419.3	\$41,452.8	\$44,419.3

\$ 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>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Closed-End Funds							
Beginning balance	\$6,814.3	\$6,707.2	\$6,735.4	\$6,666.2	\$6,132.7	\$6,757.4	\$6,666.2
Inflows	-	-	-	-	0.5	-	0.5
Outflows	(31.2)	-	-	-	-	(112.8)	-
Net Flows	(31.2)	-	-	-	0.5	(112.8)	0.5
Market performance	16.4	124.4	22.8	(406.1)	250.0	297.2	(156.1)
Other ¹	(92.3)	(96.2)	(92.0)	(127.4)	(88.2)	(234.6)	(215.6)
Ending Balance	\$6,707.2	\$6,735.4	\$6,666.2	\$6,132.7	\$6,295.0	\$6,707.2	\$6,295.0
Exchange Traded Funds							
Beginning balance	\$863.3	\$968.8	\$955.7	\$1,039.2	\$980.2	\$596.8	\$1,039.2
Inflows	185.1	104.1	177.7	139.5	86.5	450.8	226.0
Outflows	(51.3)	(28.9)	(49.4)	(63.2)	(71.7)	(74.3)	(134.9)
Net Flows	133.8	75.2	128.3	76.3	14.8	376.5	91.1
Market performance	(8.5)	4.2	(8.8)	(77.5)	65.2	26.1	(12.3)
Other ¹	(19.8)	(92.5)	(36.0)	(57.8)	(30.3)	(30.6)	(88.1)
Ending Balance	\$968.8	\$955.7	\$1,039.2	\$980.2	\$1,029.9	\$968.8	\$1,029.9

\$ 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 (continued)

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Intermediary Sold Managed Accounts							
Beginning balance	\$6,035.2	\$9,045.2	\$9,577.7	\$10,260.7	\$10,535.2	\$5,403.5	\$10,260.7
Inflows	500.3	541.5	551.5	576.3	632.3	981.2	1,208.6
Outflows	(214.0)	(409.7)	(455.8)	(557.4)	(499.5)	(378.0)	(1,056.9)
Net Flows	286.3	131.8	95.7	18.9	132.8	603.2	151.7
Market performance	233.1	400.7	587.3	255.6	394.6	547.9	650.2
Other ¹	2,490.6	-	-	-	-	2,490.6	-
Ending Balance	\$9,045.2	\$9,577.7	\$10,260.7	\$10,535.2	\$11,062.6	\$9,045.2	\$11,062.6
Private Client							
Beginning balance	\$3,276.9	\$3,305.9	\$3,479.5	\$3,676.1	\$3,477.1	\$3,070.0	\$3,676.1
Inflows	155.9	162.9	129.0	125.0	104.4	364.2	229.4
Outflows	(241.7)	(70.4)	(56.7)	(229.1)	(75.8)	(375.6)	(304.9)
Net Flows	(85.8)	92.5	72.3	(104.1)	28.6	(11.4)	(75.5)
Market performance	108.5	77.6	135.1	(94.9)	105.1	247.5	10.2
Other ¹	6.3	3.5	(10.8)	-	5.0	(0.2)	5.0
Ending Balance	\$3,305.9	\$3,479.5	\$3,676.1	\$3,477.1	\$3,615.8	\$3,305.9	\$3,615.8
Total Retail Separate Accounts							
Beginning balance	\$9,312.1	\$12,351.1	\$13,057.2	\$13,936.8	\$14,012.3	\$8,473.5	\$13,936.8
Inflows	656.2	704.4	680.5	701.3	736.7	1,345.4	1,438.0
Outflows	(455.7)	(480.1)	(512.5)	(786.5)	(575.3)	(753.6)	(1,361.8)
Net Flows	200.5	224.3	168.0	(85.2)	161.4	591.8	76.2
Market performance	341.6	478.3	722.4	160.7	499.7	795.4	660.4
Other ¹	2,496.9	3.5	(10.8)	-	5.0	2,490.4	5.0
Ending Balance	\$12,351.1	\$13,057.2	\$13,936.8	\$14,012.3	\$14,678.4	\$12,351.1	\$14,678.4

\$ 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>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Institutional Accounts							
Beginning balance	\$5,711.3	\$20,639.1	\$20,630.5	\$20,815.9	\$19,411.2	\$5,492.7	\$20,815.9
Inflows	357.1	439.9	609.7	423.0	1,425.0	634.8	1,848.0
Outflows	(612.1)	(893.7)	(1,000.4)	(1,649.7)	(1,465.8)	(804.0)	(3,115.5)
Net Flows	(255.0)	(453.8)	(390.7)	(1,226.7)	(40.8)	(169.2)	(1,267.5)
Market performance	168.1	451.1	581.9	(172.7)	486.4	306.4	313.7
Other ¹	15,014.7	(5.9)	(5.8)	(5.3)	(130.2)	15,009.2	(135.5)
Ending Balance	\$20,639.1	\$20,630.5	\$20,815.9	\$19,411.2	\$19,726.6	\$20,639.1	\$19,726.6
Structured Products							
Beginning balance	\$602.0	\$2,899.8	\$3,360.0	\$3,298.8	\$3,704.6	\$613.1	\$3,298.8
Inflows	-	474.3	-	383.6	37.8	-	421.4
Outflows	(224.0)	(55.6)	(49.5)	-	(20.4)	(240.7)	(20.4)
Net Flows	(224.0)	418.7	(49.5)	383.6	17.4	(240.7)	401.0
Market performance	13.5	37.1	4.8	37.9	45.3	23.8	83.2
Other ¹	2,508.3	4.4	(16.5)	(15.7)	(82.9)	2,503.6	(98.6)
Ending Balance	\$2,899.8	\$3,360.0	\$3,298.8	\$3,704.6	\$3,684.4	\$2,899.8	\$3,684.4
Liquidity							
Beginning balance	\$ -	\$3,570.6	\$3,431.4	\$2,128.7	\$1,641.6	\$ -	\$2,128.7
Other ¹	3,570.6	(139.2)	(1,302.7)	(487.1)	143.3	3,570.6	(343.8)
Ending Balance	\$3,570.6	\$3,431.4	\$2,128.7	\$1,641.6	\$1,784.9	\$3,570.6	\$1,784.9

\$ 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: Open-End Funds¹ by Asset Class

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Domestic Equity Funds							
Beginning balance	\$4,574.5	\$11,164.9	\$11,513.3	\$12,023.3	\$12,516.4	\$4,335.4	\$12,023.3
Inflows	458.5	815.1	764.6	1,386.9	2,320.4	833.9	3,707.3
Outflows	(469.0)	(863.1)	(896.0)	(1,011.3)	(863.2)	(872.2)	(1,874.5)
Net Flows	(10.5)	(48.0)	(131.4)	375.6	1,457.2	(38.3)	1,832.8
Market performance	328.5	423.9	666.2	100.6	699.0	585.8	799.6
Other ²	6,272.4	(27.5)	(24.8)	16.9	4.5	6,282.0	21.4
Ending Balance	\$11,164.9	\$11,513.3	\$12,023.3	\$12,516.4	\$14,677.1	\$11,164.9	\$14,677.1
International Equity Funds							
Beginning balance	\$9,196.9	\$10,151.0	\$10,595.4	\$11,296.0	\$11,267.3	\$8,300.3	\$11,296.0
Inflows	813.0	682.8	625.7	853.7	704.4	1,601.2	1,558.1
Outflows	(722.0)	(620.2)	(471.6)	(887.5)	(798.8)	(1,610.4)	(1,686.3)
Net Flows	91.0	62.6	154.1	(33.8)	(94.4)	(9.2)	(128.2)
Market performance	782.8	380.0	562.4	11.1	(616.6)	1,804.8	(605.5)
Other ²	80.3	1.8	(15.9)	(6.0)	(23.9)	55.1	(29.9)
Ending Balance	\$10,151.0	\$10,595.4	\$11,296.0	\$11,267.3	\$10,532.4	\$10,151.0	\$10,532.4
Total Equity Funds							
Beginning balance	\$13,771.4	\$21,315.9	\$22,108.7	\$23,319.3	\$23,783.7	\$12,635.7	\$23,319.3
Inflows	1,271.5	1,497.9	1,390.3	2,240.6	3,024.8	2,435.1	5,265.4
Outflows	(1,191.0)	(1,483.3)	(1,367.6)	(1,898.8)	(1,662.0)	(2,482.6)	(3,560.8)
Net Flows	80.5	14.6	22.7	341.8	1,362.8	(47.5)	1,704.6
Market performance	1,111.3	803.9	1,228.6	111.7	82.4	2,390.6	194.1
Other ²	6,352.7	(25.7)	(40.7)	10.9	(19.4)	6,337.1	(8.5)
Ending Balance	\$21,315.9	\$22,108.7	\$23,319.3	\$23,783.7	\$25,209.5	\$21,315.9	\$25,209.5

\$ in millions

(1) Represents assets under management and net management fees of U.S. 1940 Act mutual funds and Undertakings for Collective Investments in Transferable Securities ("UCITS")

(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)

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Taxable Bond Funds²							
Beginning balance	\$9,138.2	\$17,518.3	\$17,754.4	\$17,363.0	\$17,241.8	\$8,918.8	\$17,363.0
Inflows	834.2	1,238.8	1,160.1	1,418.6	1,197.5	1,559.8	2,616.1
Outflows	(913.9)	(1,168.5)	(1,652.3)	(1,517.7)	(1,334.8)	(1,528.8)	(2,852.5)
Net Flows	(79.7)	70.3	(492.2)	(99.1)	(137.3)	31.0	(236.4)
Market performance	73.7	200.2	135.4	49.3	0.8	218.2	50.1
Other ³	8,386.1	(34.4)	(34.6)	(71.4)	(60.6)	8,350.3	(132.0)
Ending Balance	\$17,518.3	\$17,754.4	\$17,363.0	\$17,241.8	\$17,044.7	\$17,518.3	\$17,044.7
Non-Taxable Bond Funds							
Beginning balance	\$196.9	\$1,015.6	\$998.5	\$933.5	\$886.7	\$196.1	\$933.5
Inflows	25.8	32.0	32.2	52.9	60.1	36.2	113.0
Outflows	(33.5)	(56.3)	(97.8)	(86.5)	(91.4)	(49.7)	(177.9)
Net Flows	(7.7)	(24.3)	(65.6)	(33.6)	(31.3)	(13.5)	(64.9)
Market performance	0.9	7.5	5.6	(10.5)	4.9	3.6	(5.6)
Other ³	825.5	(0.3)	(5.0)	(2.7)	(6.3)	829.4	(9.0)
Ending Balance	\$1,015.6	\$998.5	\$933.5	\$886.7	\$854.0	\$1,015.6	\$854.0
Total Fixed Income Funds							
Beginning balance	\$9,335.1	\$18,533.9	\$18,752.9	\$18,296.5	\$18,128.5	\$9,114.9	\$18,296.5
Inflows	860.0	1,270.8	1,192.3	1,471.5	1,257.6	1,596.0	2,729.1
Outflows	(947.4)	(1,224.8)	(1,750.1)	(1,604.2)	(1,426.2)	(1,578.5)	(3,030.4)
Net Flows	(87.4)	46.0	(557.8)	(132.7)	(168.6)	17.5	(301.3)
Market performance	74.6	207.7	141.0	38.8	5.7	221.8	44.5
Other ³	9,211.6	(34.7)	(39.6)	(74.1)	(66.9)	9,179.7	(141.0)
Ending Balance	\$18,533.9	\$18,752.9	\$18,296.5	\$18,128.5	\$17,898.7	\$18,533.9	\$17,898.7

\$ in millions

- (1) Represents assets under management and net management fees of U.S. 1940 Act mutual funds and Undertakings for Collective Investments in Transferable Securities ("UCITS")
- (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>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Alternative Funds²							
Beginning balance	\$1,610.3	\$1,603.0	\$1,536.1	\$1,461.8	\$1,290.3	\$1,682.2	\$1,461.8
Inflows	122.4	73.8	65.2	71.5	74.2	255.5	145.7
Outflows	(140.2)	(164.6)	(157.3)	(159.2)	(132.4)	(352.2)	(291.6)
Net Flows	(17.8)	(90.8)	(92.1)	(87.7)	(58.2)	(96.7)	(145.9)
Market performance	26.4	29.1	39.9	(80.7)	82.4	44.4	1.7
Other ^{1,3}	(15.9)	(5.2)	(22.1)	(3.1)	(3.4)	(26.9)	(6.5)
Ending Balance	\$1,603.0	\$1,536.1	\$1,461.8	\$1,290.3	\$1,311.1	\$1,603.0	\$1,311.1

\$ in millions

- (1) Represents assets under management and net management fees of U.S. 1940 Act mutual funds and Undertakings for Collective Investments in Transferable Securities ("UCITS")
- (2) Consists of real estate securities, master-limited partnerships, option 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 and AUM

(Unaudited)

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Average Net Management Fees¹ <i>(in basis points, annualized)</i>							
Retail Funds	50.5	47.7	49.8	50.2	51.6	50.4	50.9
UCITS ²	15.4	27.9	-	-	33.8	13.0	-
Variable Insurance Funds	60.1	59.0	65.8	65.3	63.7	60.6	64.5
<i>Total Open-End Funds</i>	<i>50.7</i>	<i>47.9</i>	<i>50.1</i>	<i>50.3</i>	<i>51.8</i>	<i>50.7</i>	<i>51.1</i>
Closed-End Funds	65.8	66.0	66.0	66.3	66.1	66.0	66.2
Exchange Traded Funds	27.2	27.0	15.7	18.2	14.7	29.3	16.4
Intermediary Sold Managed Accounts	38.1	36.2	35.8	37.0	37.4	39.5	37.2
Private Client	74.0	74.9	74.6	77.2	81.6	75.2	79.4
<i>Total Retail Separate Accounts</i>	<i>49.7</i>	<i>46.6</i>	<i>46.1</i>	<i>47.6</i>	<i>48.4</i>	<i>51.7</i>	<i>48.0</i>
Institutional Accounts	32.7	31.0	31.2	31.8	31.7	34.3	31.8
Structured Products ³	33.5	47.1	38.8	39.2	36.2	33.6	37.7
<i>Total Long-Term Assets</i>	<i>48.3</i>	<i>44.8</i>	<i>45.4</i>	<i>46.0</i>	<i>46.7</i>	<i>49.6</i>	<i>46.3</i>
Liquidity ⁴	11.4	6.0	8.5	11.8	9.5	11.4	10.7
Total	47.5	43.4	43.9	45.3	46.0	49.2	45.7

\$ 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 June 30, 2018 for Open-End Funds and All Products by 0.4 and 0.3 basis points, respectively.

(2) Represents assets under management and net management fees of Undertakings for Collective Investments in Transferable Securities ("UCITS")

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

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

ASSETS UNDER MANAGEMENT



Average Net Fees and AUM (continued)

(Unaudited)

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Average Assets by Product¹							
Retail Funds	\$29,625.3	\$41,027.9	\$41,744.8	\$42,607.8	\$42,889.1	\$26,388.0	\$42,748.4
UCITS ²	59.1	72.0	93.0	128.1	118.4	56.5	123.2
Variable Insurance Funds	967.2	981.0	1,002.3	1,015.5	993.3	960.1	1,004.4
<i>Total – Open-End Funds</i>	<i>\$30,651.6</i>	<i>\$42,080.9</i>	<i>\$42,840.1</i>	<i>\$43,751.4</i>	<i>\$44,000.8</i>	<i>\$27,404.6</i>	<i>\$43,876.0</i>
Closed-End Funds	\$6,809.6	\$6,758.1	\$6,726.0	\$6,346.1	\$6,167.0	\$6,797.9	\$6,256.6
Exchange Traded Funds	\$900.8	\$945.0	\$958.3	\$1,045.7	\$1,026.8	\$830.0	\$1,036.3
Intermediary Sold Managed Accounts	\$6,866.7	\$9,039.6	\$9,572.4	\$10,247.2	\$10,521.9	\$6,130.2	\$10,384.5
Private Client	3,277.0	3,305.9	3,479.5	3,676.1	3,477.1	3,173.5	3,576.7
<i>Total – Retail Separate Accounts</i>	<i>\$10,143.7</i>	<i>\$12,345.5</i>	<i>\$13,051.9</i>	<i>\$13,923.3</i>	<i>\$13,999.0</i>	<i>\$9,303.7</i>	<i>\$13,961.2</i>
Institutional Accounts	\$10,795.1	\$20,728.6	\$20,933.1	\$20,165.8	\$19,942.3	\$8,199.1	\$20,054.0
Structured Products	1,392.9	3,111.1	3,304.0	3,619.1	3,681.5	998.1	3,650.3
<i>Total – Long-Term Assets</i>	<i>\$60,693.7</i>	<i>\$85,969.2</i>	<i>\$87,813.4</i>	<i>\$88,851.4</i>	<i>\$88,817.4</i>	<i>\$53,533.4</i>	<i>\$88,834.4</i>
Liquidity ³	\$1,328.6	\$3,331.1	\$3,635.1	\$1,787.6	\$1,699.3	\$664.3	\$1,743.5
Total	\$62,022.3	\$89,300.3	\$91,448.5	\$90,639.0	\$90,516.7	\$54,197.7	\$90,577.9

\$ 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 and net management fees of Undertakings for Collective Investments in Transferable Securities (“UCITS”)

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

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)

	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	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



Q2 2017

(Unaudited)

	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	Acquisition and integration expenses	Other	
Revenues									
Investment management fees	\$ 74,062	\$ -	\$ 210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,272
Distribution and services fees	10,439	-	7	-	-	-	-	-	10,446
Administration and transfer agent fees	9,476	-	19	-	-	-	-	-	9,495
Other income and fees	155	-	-	-	-	-	-	-	155
Distribution and other asset-based expenses	-	(15,764)	-	-	-	-	-	-	(15,764)
Total revenues	94,132	(15,764)	236	-	-	-	-	-	78,604
Operating Expenses									
Employment expenses	42,992	-	-	-	-	-	(2,059)	-	40,933
Distribution and other asset-based expenses	15,764	(15,764)	-	-	-	-	-	-	-
Other operating expense	20,236	-	-	-	-	-	(5,629)	(374)	14,233
Other operating expenses of consolidated investment products	473	-	(473)	-	-	-	-	-	-
Restructuring and severance	8,894	-	-	-	(255)	-	(8,639)	-	-
Depreciation and other amortization	776	-	-	-	-	-	-	-	776
Amortization expense	1,813	-	-	(1,813)	-	-	-	-	-
Total operating expenses	90,948	(15,764)	(473)	(1,813)	(255)	-	(16,327)	(374)	55,942
Operating Income	3,184	-	709	1,813	255	-	16,327	374	22,662
Other (Expense)/Income									
Realized and unrealized gain/(loss) on investments, net of consolidated investment products, net	1,287	-	397	-	-	(1,684)	-	-	-
Other income, net	(1,424)	-	1,424	-	-	-	-	-	-
Total other (expense)/income, net	47	-	(1,944)	-	-	1,943	-	-	46
	(90)	-	(123)	-	-	259	-	-	46
Interest (Expense)/Income									
Interest expense	(3,739)	-	-	-	-	-	2,286	-	(1,453)
Interest and dividend income	446	-	1,188	-	-	(1,355)	-	-	279
Interest and dividend income of investments of consolidated investment products, net	5,102	-	(5,102)	-	-	-	-	-	-
Interest expense of consolidated investment products	(2,995)	-	2,995	-	-	-	-	-	-
Total (expense)/income, net	(1,186)	-	(919)	-	-	(1,355)	2,286	-	(1,174)
Income Before Income Taxes									
Income tax expense	1,908	-	(333)	1,813	255	(1,096)	18,613	374	21,534
Income tax expense	1,880	-	-	689	97	(237)	7,073	(1,321)	8,181
Net Income	28	-	(333)	1,124	158	(859)	11,540	1,695	13,353
Preferred stockholder dividends	(2,084)	-	-	-	-	-	-	2,084	-
Noncontrolling interests	(333)	-	333	-	-	-	-	-	-
Net (Loss)/Income Attributable to Common Stockholders	\$ (2,389)	\$ -	\$ -	\$ 1,124	\$ 158	\$ (859)	\$ 11,540	\$ 3,779	\$ 13,353
(Loss)/Earnings Per Share - Diluted	\$ (0.34)								\$ 1.61
Weighted Average Shares Outstanding - Diluted (in thousands)	7,064								8,311

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

U.S. GAAP TO NON-GAAP RECONCILIATION



YTD 2018

(Unaudited)

	Reclassifications		Adjustments				Other	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		
Revenues								
Investment management fees	\$ 203,644	\$ -	\$ 2,962	\$ -	\$ -	\$ -	\$ -	\$ 206,606
Distribution and services fees	26,156	-	8	-	-	-	-	26,164
Administration and transfer agent fees	31,705	-	29	-	-	-	-	31,734
Other income and fees	455	-	-	-	-	-	-	455
Distribution and other asset-based expenses	-	(46,012)	-	-	-	-	-	(46,012)
Total revenues	261,960	(46,012)	2,999	-	-	-	-	218,947
Operating Expenses								
Employment expenses	115,564	-	-	-	-	(3,111)	-	112,453
Distribution and other asset-based expenses	46,012	(46,012)	-	-	-	-	-	-
Other operating expense	35,990	-	-	-	-	(1,957)	(113)	33,920
Other operating expenses of consolidated investment products	2,294	-	(2,294)	-	-	-	-	-
Depreciation expense	2,115	-	-	-	-	-	-	2,115
Amortization expense	10,060	-	-	(10,060)	-	-	-	-
Total operating expenses	212,035	(46,012)	(2,294)	(10,060)	-	(5,068)	(113)	148,488
Operating Income (Loss)	49,925	-	5,293	10,060	-	5,068	113	70,459
Other Income (Expense)								
Realized and unrealized gain (loss) on investments, net	1,398	-	(151)	-	(1,308)	-	-	(61)
Realized and unrealized gain (loss) of consolidated investment products, net	480	-	(480)	-	-	-	-	-
Other income (expense), net	1,774	-	3,922	-	(3,922)	-	-	1,774
Total other income (expense), net	3,652	-	3,291	-	(5,230)	-	-	1,713
Interest Income (Expense)								
Interest expense	(8,327)	-	-	-	-	660	-	(7,667)
Interest and dividend income	2,539	-	5,985	-	(7,988)	-	-	536
Interest and dividend income of investments of consolidated investment products, net	45,082	-	(45,082)	-	-	-	-	-
Interest expense of consolidated investment products	(29,827)	-	29,827	-	-	-	-	-
Total interest income (expense), net	9,467	-	(9,270)	-	(7,988)	660	-	(7,131)
Income (Loss) Before Income Taxes	63,044	-	(686)	10,060	(13,218)	5,728	113	65,041
Income tax expense (benefit)	15,988	-	-	2,817	(2,501)	1,604	357	18,265
Net Income (Loss)	47,056	-	(686)	7,243	(10,717)	4,124	(244)	46,776
Noncontrolling interests	(686)	-	686	-	-	-	-	-
Net Income (Loss) Attributable to Stockholders	\$ 46,370	\$ -	\$ -	\$ 7,243	\$ (10,717)	\$ 4,124	\$ (244)	\$ 46,776
Preferred stockholder dividends	(4,168)	-	-	-	-	-	4,168	-
Net Income (Loss) Attributable to Common Stockholders	\$ 42,202	\$ -	\$ -	\$ 7,243	\$ (10,717)	\$ 4,124	\$ 3,924	\$ 46,776
Earnings (Loss) Per Share - Diluted	\$ 5.52							\$ 5.57
Weighted Average Shares Outstanding - Diluted (Thousands)	8,396							8,396

\$ 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 products	Amortization of intangible assets	Restructuring and severance	Seed capital and CLO investments	Acquisition and integration expenses	Other	
Revenues									
Investment management fees	\$ 133,333	\$ -	\$ 452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,785
Distribution and services fees	21,222	-	17	-	-	-	-	-	21,239
Administration and transfer agent fees	18,457	-	53	-	-	-	-	-	18,510
Other income and fees	896	-	-	-	-	-	-	-	896
Distribution and other asset-based expenses	-	(31,087)	-	-	-	-	-	-	(31,087)
Total revenues	173,908	(31,087)	522	-	-	-	-	-	143,343
Operating Expenses									
Employment expenses	82,633	-	-	-	-	-	(2,059)	-	80,574
Distribution and other asset-based expenses	31,087	(31,087)	-	-	-	-	-	-	-
Other operating expense	33,462	-	-	-	-	-	(7,258)	(1,043)	25,161
Other operating expenses of consolidated investment products	1,115	-	(1,115)	-	-	-	-	-	-
Restructuring and severance	8,894	-	-	-	(255)	-	(8,639)	-	-
Depreciation and other amortization	1,440	-	-	-	-	-	-	-	1,440
Amortization expense	2,046	-	-	(2,046)	-	-	-	-	-
Total operating expenses	160,677	(31,087)	(1,115)	(2,046)	(255)	-	(17,956)	(1,043)	107,175
Operating Income	13,231	-	1,637	2,046	255	-	17,956	1,043	36,168
Other (Expense)/Income									
Realized and unrealized gain/(loss) on investments, net of consolidated investment products, net	1,584	-	3,910	-	-	(5,494)	-	-	-
Other income, net	3,020	-	(3,020)	-	-	-	-	-	-
Other income, net	693	-	(520)	-	-	519	-	-	692
Total other (expense)/income, net	5,297	-	370	-	-	(4,975)	-	-	692
Interest (Expense)/Income									
Interest expense	(3,982)	-	-	-	-	-	2,286	-	(1,696)
Interest and dividend income	634	-	1,848	-	-	(2,088)	-	-	394
Interest and dividend income of investments of consolidated investment products, net	10,758	-	(10,758)	-	-	-	-	-	-
Interest expense of consolidated investment products	(5,852)	-	5,852	-	-	-	-	-	-
Total (expense)/income, net	1,558	-	(3,058)	-	-	(2,088)	2,286	-	(1,302)
Income Before Income Taxes	20,086	-	(1,051)	2,046	255	(7,063)	20,242	1,043	35,558
Income tax expense	6,313	-	-	779	97	(525)	7,701	(777)	13,588
Net Income	13,773	-	(1,051)	1,267	158	(6,538)	12,541	1,820	21,970
Preferred stockholder dividends	(4,168)	-	-	-	-	-	-	4,168	-
Noncontrolling interests	(1,051)	-	1,051	-	-	-	-	-	-
Net (Loss)/Income Attributable to Common Stockholders	\$ 8,554	\$ -	\$ -	\$ 1,267	\$ 158	\$ (6,538)	\$ 12,541	\$ 5,988	\$ 21,970
(Loss)/Earnings Per Share - Diluted	\$ 1.22	\$ -	\$ -	\$ 1.267	\$ 0.158	\$ (6.538)	\$ 12.541	\$ 5.988	\$ 2.197
Weighted Average Shares Outstanding - Diluted (in thousands)	7,020								7,887

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. 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>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Acquisition and Integration Expenses							
Employment expenses	\$2,059	\$2,275	\$2,009	\$1,903	\$1,208	\$2,059	\$3,111
Restructuring and severance	8,639	1,447	102	-	-	8,639	-
Other operating expenses	5,629	1,196	1,269	1,189	768	7,258	1,957
Total Acquisition and Integration Operating Expenses	\$16,327	\$4,918	\$3,380	\$3,092	\$1,976	17,956	\$5,068
Interest expense	2,286	-	-	40	620	2,286	660
Total Acquisition and Integration Expenses	\$18,613	\$4,918	\$3,380	\$3,132	\$2,596	20,242	\$5,728

	<u>Q2:17</u>	<u>Q3:17</u>	<u>Q4:17</u>	<u>Q1:18</u>	<u>Q2:18</u>	<u>YTD:17</u>	<u>YTD:18</u>
Other							
Occupancy related expenses	\$ -	\$ -	\$ -	\$ -	\$111	\$ -	\$111
Tax impact of occupancy related expenses	-	-	-	-	(31)	-	(31)
System transition expenses	374	406	256	(20)	22	1,043	2
Tax impact of system transition expenses	(141)	(156)	(100)	6	(6)	(399)	-
Tax impact of Tax Cuts and Jobs Act	-	-	13,059	-	-	-	-
Other discrete tax adjustments	1,462	(183)	(910)	(894)	568	1,176	(326)
Preferred stockholder dividends	2,084	2,084	2,084	2,084	2,084	4,168	4,168
Total Other	\$3,779	\$2,151	\$14,389	\$1,176	\$2,748	5,988	\$3,924

\$ in thousands

VIRTUS
INVESTMENT PARTNERS