

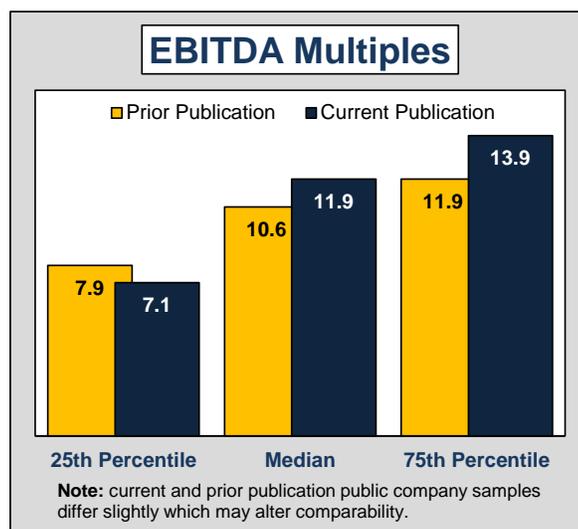


Asset Management Industry Update

Public Insights for Privately Held Managers | As of Dec. 31, 2017

Edelstein & Company's valuation team is pleased to present this second installment of our asset management industry update, with public insights geared towards privately held managers. This piece, intended to be part of an ongoing series of semi-annual updates, is inspired by our frequent work with privately held managers engaging in repurchase transactions, litigation /arbitration, management planning and compensation issues.

The insights provided in this document were sourced from the transparency of public market disclosures and related media of asset management firms reporting annual revenues ranging from approximately \$6 million to \$377 million. These firms represent a somewhat diverse set of players, but in reality, function in similar economic space, which may yield relevant valuation insights when examined in combination with other factors. Some privately held managers reading this might also consider some of these public firms to be quite large. Please refer to our expanded discussion on usefulness of this data, appended to the end of this document.



Median Adjusted EBITDA Margin 29%

Symbol	Company Name	(USD Millions)		MVIC / AUM	MVIC / Revenue	MVIC / EBITDA
		AUM	Revenue			
AINC	Ashford, Inc.	\$ 6,000	\$ 71.4	3.2%	2.7	NM/NR
CNS	Cohen & Steers, Inc.	\$ 61,521	\$ 368.3	3.5%	5.8	13.5
DHIL	Diamond Hill Investment Group, Inc.	\$ 21,455	\$ 147.5	2.8%	4.1	8.8
GBL	Gamco Investors, Inc.	\$ 43,089	\$ 361.8	2.4%	2.9	6.5
HNNA	Hennessy Advisors, Inc.	\$ 6,613	\$ 53.0	2.3%	2.9	6.3
MDLY	Medley Management, Inc.	\$ 5,296	\$ 65.3	2.9%	2.3	4.2
PZN	Pzena Investment Management, Inc.	\$ 35,400	\$ 131.5	2.3%	6.2	13.1
SAMG	Silvercrest Asset Management Group Inc.	\$ 20,600	\$ 88.1	1.1%	2.6	10.8
GROW	U.S. Global Investors, Inc.	\$ 591	\$ 6.3	6.1%	5.7	NM/NR
VRTS	Virtus Investment Partners, Inc.	\$ 90,568	\$ 377.4	1.1%	2.6	14.0
WHG	Westwood Holdings Group, Inc.	\$ 23,624	\$ 131.0	2.3%	4.2	14.5
WETF	WisdomTree Investments, Inc.	\$ 46,369	\$ 226.8	3.4%	7.0	24.9
ZAIS	ZAIS Group Holdings, Inc.	\$ 4,144	\$ 37.5	2.6%	2.9	NM/NR

Low	\$ 591	\$ 6.3	1.1%	2.3	4.2
Median	\$ 21,455	\$ 131.0	2.6%	2.9	11.9
Average	\$ 28,098	\$ 158.9	2.8%	4.0	11.7
High	\$ 90,568	\$ 377.4	6.1%	7.0	24.9

Definitions and Notes:

- "NM/NR" stands for not meaningful or not reportable.
- "MVIC" stands for market value of invested capital. We have computed this as an operating value metric, stripping out the assumed value of any investments not specifically driven by the company revenue stream or EBITDA.
- Market value and financial data is sourced from and adjusted from public filings, press releases, and services such as PitchBook. Given the nature of this publication, the extent of diligence and adjusting procedures performed on the data may not be equivalent to that of procedures performed in our typical valuation engagements. This data provided should not be relied upon under any circumstances without further verification, adjustment and other procedures.

In the course of our research, we have reviewed 10-Ks, 10-Qs, earnings releases, and presentations; listened to conference call replays, and consulted other publicly available resources where possible. It is important to note that a broader list of public managers than that shown above was initially reviewed in providing insights for the narrative below. Additionally, we have consulted with contacts within the industry. Various insights have been summarized below.

Recent Observations

In our latest research, we noted continued expectations in growth of passive investments, and evolution in the asset and wealth management industry. Commentary on fee pressures has been somewhat mixed, although a challenging competitive environment remains an impactful theme among some of the smaller, less diversified managers. Notwithstanding these observations, we note unsurprisingly that active managers still view active management as having ample opportunity to compete, invest wisely, and hope for a long-term resonance in the marketplace from their performance.

Successes in this environment continue to stem from familiar areas – several of the public managers noted a strong investment in areas such as technology / data / IT, investment talent, as well as strategic partnerships and affiliations. Furthermore, many firms continue to position themselves by pursuing both organic growth as well as by cautiously pursuing the right acquisition targets. Multiple firms reported completed acquisitions and/or transactions in process, placing such strategies beyond presentational bullet points and into meaningful action.

One public asset manager recently noted that it expected over the long term its business will consist of more and smaller strategies as opposed to fewer larger strategies. The competitive marketplace and need for differentiated offerings with varied risk and return profiles will continue to drive innovation within the industry both in active and passive management. This observation ties in nicely with another manager's suggestion of a first mover advantage in some of its more innovative low cost offerings.

Both public manager insights and our recent project interactions suggest favorable opportunities in the U.S. wealth management space. As the industry continues to rapidly evolve through technology capabilities and investment product offerings, wealth management firms offering high quality individualized service stand to capitalize on growth opportunities over the next three to five years.

A Note on This Past Hurricane Season

Some commentary was noted on the impact of the 2017 hurricane season on operations and outlook. One manager noted that this past season impacted retail investment flows in multiple geographic markets based on interpretation of their data. While another manager noted the challenges posed by these natural disasters, while expecting a positive impact from rebuilding.



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Transaction Highlights

Hennessy Advisors, Inc. announced at the beginning of December that it completed an acquisition of the assets related to the management of certain Rainier funds. According to its Form 8-K filings and other public disclosures, Hennessy paid \$1.0 million cash at closing for approximately \$122 million in managed assets, based specifically on a 0.85% of AUM valuation.

During Q3 2017, Westwood Holdings Group, Inc. agreed to sell its Omaha-based wealth management operations to Bridges Investment Management. We were unable to ascertain the valuation of this transaction at this time.

In November, WisdomTree Investments, Inc. entered into an agreement to acquire a European ETF business with \$17.6 billion of AUM for total consideration approximating \$611 million at the time of the press release. The release dated November 13, 2017 included discussion points which include substantial strategic considerations behind the transaction, which may impact how one interprets the valuation result. Our valuation computations approximated a 16x EBITDA multiple and 3.5% of AUM statistic.

Appendix: A Discussion on Data Usefulness

The guideline public company group identified on the first page of this document is generally on the smaller end of the spectrum of publicly traded asset managers. We feel the size range presented may provide useful information for privately held clients and perspective clients. Nevertheless, based on the revenue and AUM figures presented on the first page, the size of the companies identified is quite wide ranging and, to some readers, may even be viewed as much larger than the reader's firm, depending on which public company you look at. We also recognize the diversity of this set of companies, as they range from traditional mutual fund managers, to ETF managers, and even some alternative asset managers. Please allow us to bridge any potential gaps between the readers' perceptions of the presented public company group and the group's usefulness.

Business valuation is not an exact science. There are three main approaches that we generally use, and various methods that fall under these approaches. Often for valuing operating companies, the income and market approaches to valuation can provide reasonable indications of value as they yield the cumulative result of both tangible (e.g., receivables, fixed assets, etc.) and intangible (e.g., trademarks, goodwill, etc.) elements of value. A very high-level overview of the three main approaches, and the drivers of value for those approaches, is presented below:

Income	Market	Asset
Performance Indications	Performance Indications	Generally, considers asset and liability values
Growth Profile	Growth Profile	
Risk Profile	Risk Profile	

As the reader can see, the income and market approaches have conceptual overlap as to what drives value. It is because we can examine differences in performance indicators, growth, and risk profiles between groups of public companies (i.e., a subset of market approach data) and a valuation subject company, that we can often use a set of data such as the one presented above, to support a meaningful analysis.

As a hypothetical example, one may note differences between the market data and the subject company and conclude that the subject company's value indication should be based off a 10% discount off the median public company data point from the dataset. Perhaps this is driven by observations that the public company set is generally larger, more diversified (read: less risky) and have better expected growth prospects. Again, this is strictly one hypothetical example.

In summary, if you feel some of the public companies presented are relatively large by comparison to your firm, the data presented on the first page of this document can still provide meaningful data points in valuing your firm. Nevertheless, we will conclude this discussion with a caveat: the usefulness of the data will depend on the specific facts and circumstances of your firm's valuation matter, and such data should not be substituted for separate independently obtained data, professional advice, and judgment.