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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 001-10932

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**WisdomTree Investments, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

245 Park Avenue, 35<sup>th</sup> Floor  
New York, New York  
(Address of principal executive offices)

13-3487784  
(IRS Employer  
Identification No.)

10167  
(Zip Code)

212-801-2080  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class  
Common Stock, \$0.01 par value

Trading Symbol(s)  
WETF

Name of each exchange on which registered  
The NASDAQ Stock Market LLC

As of July 27, 2020, there were 145,875,749 shares of the registrant's Common Stock, \$0.01 par value per share, outstanding.

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**WISDOMTREE INVESTMENTS, INC.**  
**Form 10-Q**  
**For the Quarterly Period Ended June 30, 2020**

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*Unless otherwise indicated, references to “the Company,” “we,” “us,” “our” and “WisdomTree” mean WisdomTree Investments, Inc. and its subsidiaries.*

**WisdomTree® and Modern Alpha® are trademarks of WisdomTree Investments, Inc. in the United States and in other countries. All other trademarks are the property of their respective owners.**

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect our results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in the section entitled "Risk Factors" included in this Report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2020. If one or more of these or other risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. You should read this Report and the documents that we reference in this Report and have filed with the Securities and Exchange Commission, or the SEC, as exhibits to this Report, completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

In particular, forward-looking statements in this Report may include statements about:

- the ultimate duration of the COVID-19 pandemic and its short-term and long-term impact on our business and the global economy;
- anticipated trends, conditions and investor sentiment in the global markets and exchange traded products, or ETPs;
- anticipated levels of inflows into and outflows out of our ETPs;
- our ability to deliver favorable rates of return to investors;
- competition in our business;
- our ability to develop new products and services;
- our ability to maintain current vendors or find new vendors to provide services to us at favorable costs;
- our ability to successfully operate and expand our business in non-U.S. markets; and
- the effect of laws and regulations that apply to our business.

The forward-looking statements in this Report represent our views as of the date of this Report. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent our views as of any date other than the date of this Report.

**PART I: FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**
**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Balance Sheets  
(In Thousands, Except Per Share Amounts)

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b></b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 50,255	\$ 74,972
Securities owned, at fair value (including \$12,929 and \$16,886 invested in WisdomTree ETFs at June 30, 2020 and December 31, 2019, respectively)	13,110	17,319
Accounts receivable (including \$22,026 and \$25,667 due from related parties at June 30, 2020 and December 31, 2019, respectively)	24,372	26,838
Prepaid expenses	5,621	3,724
Other current assets	1,414	207
Total current assets	94,772	123,060
Fixed assets, net		
Notes receivable, net (Note 8)	—	28,172
Indemnification receivable (Note 22)	24,364	32,101
Securities held-to-maturity	581	16,863
Deferred tax assets, net	5,540	7,398
Investments (Note 9)	11,192	11,192
Right of use assets – operating leases (Note 15)	17,230	18,161
Goodwill (Note 24)	85,856	85,856
Intangible assets (Note 24)	601,247	603,294
Other noncurrent assets	184	983
Total assets	\$ 848,801	\$ 935,207
<b>Liabilities and stockholders' equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Fund management and administration payable	\$ 23,240	\$ 22,021
Compensation and benefits payable	7,629	26,501
Deferred consideration – gold payments (Note 11)	16,364	13,953
Securities sold, but not yet purchased, at fair value	—	582
Operating lease liabilities (Note 15)	3,293	3,682
Income taxes payable	2,277	3,372
Accounts payable and other liabilities	9,376	8,930
Total current liabilities	62,179	79,041
Convertible notes (Note 13)	141,479	—
Debt (Note 12)	—	175,956
Deferred consideration – gold payments (Note 11)	182,420	159,071
Operating lease liabilities (Note 15)	18,258	19,057
Other noncurrent liabilities (Note 22)	24,364	32,101
Total liabilities	428,700	465,226
Preferred stock – Series A Non-Voting Convertible, par value \$0.01; 14,750 shares authorized, issued and outstanding; redemption value of \$50,244 and \$71,630 at June 30, 2020 and December 31, 2019, respectively) (Note 14)		
	132,569	132,569
<i>Contingencies (Note 16)</i>		
<b>Stockholders' equity</b>		
Preferred stock, par value \$0.01; 2,000 shares authorized:	—	—
Common stock, par value \$0.01; 250,000 shares authorized; issued and outstanding: 149,796 and 155,264 at June 30, 2020 and December 31, 2019, respectively	1,498	1,553
Additional paid-in capital	325,406	352,658
Accumulated other comprehensive income	260	945
Accumulated deficit	(39,632)	(17,744)
Total stockholders' equity	287,532	337,412
Total liabilities and stockholders' equity	\$ 848,801	\$ 935,207

*The accompanying notes are an integral part of these consolidated financial statements*

**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Operations  
(In Thousands, Except Per Share Amounts)  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Operating Revenues:</b>				
Advisory fees	\$ 57,208	\$ 65,627	\$ 120,158	\$ 130,467
Other income	918	666	1,842	1,311
Total revenues	<u>58,126</u>	<u>66,293</u>	<u>122,000</u>	<u>131,778</u>
<b>Operating Expenses:</b>				
Compensation and benefits	17,455	21,300	34,750	42,601
Fund management and administration	14,461	15,576	28,946	30,742
Marketing and advertising	1,949	2,910	4,417	5,590
Sales and business development	2,181	4,171	5,598	8,593
Contractual gold payments (Note 11)	4,063	3,110	7,823	6,208
Professional and consulting fees	1,357	1,296	2,630	2,778
Occupancy, communications and equipment	1,643	1,548	3,194	3,166
Depreciation and amortization	251	264	507	533
Third-party distribution fees	1,340	1,919	2,695	4,319
Acquisition and disposition-related costs	33	33	416	346
Other	1,596	2,255	3,593	4,308
Total operating expenses	<u>46,329</u>	<u>54,382</u>	<u>94,569</u>	<u>109,184</u>
Operating income	<u>11,797</u>	<u>11,911</u>	<u>27,431</u>	<u>22,594</u>
<b>Other Income/(Expenses):</b>				
Interest expense	(2,044)	(2,910)	(4,463)	(5,802)
(Loss)/gain on revaluation of deferred consideration – gold payments (Note 11)	(23,358)	(4,037)	(25,566)	367
Interest income	119	818	282	1,597
Impairments (Note 7 and 25)	—	—	(19,672)	(572)
Loss on extinguishment of debt (Note 12)	(2,387)	—	(2,387)	—
Other gains and losses, net	1,819	284	(688)	(4,343)
(Loss)/income before income taxes	<u>(14,054)</u>	<u>6,066</u>	<u>(25,063)</u>	<u>13,841</u>
Income tax (benefit)/expense	<u>(804)</u>	<u>3,587</u>	<u>(3,175)</u>	<u>2,538</u>
<b>Net (loss)/income</b>	<u>\$ (13,250)</u>	<u>\$ 2,479</u>	<u>\$ (21,888)</u>	<u>\$ 11,303</u>
(Loss)/earnings per share – basic	<u>\$ (0.09)</u>	<u>\$ 0.01</u>	<u>\$ (0.15)</u>	<u>\$ 0.07</u>
(Loss)/earnings per share – diluted	<u>\$ (0.09)</u>	<u>\$ 0.01</u>	<u>\$ (0.15)</u>	<u>\$ 0.07</u>
Weighted-average common shares – basic	<u>151,623</u>	<u>151,818</u>	<u>152,071</u>	<u>151,722</u>
Weighted-average common shares – diluted	<u>151,623</u>	<u>167,249</u>	<u>152,071</u>	<u>166,855</u>
Cash dividends declared per common share	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**WisdomTree Investments, Inc. and Subsidiaries**Consolidated Statements of Comprehensive (Loss)/Income  
(In Thousands)  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Net (loss)/income</b>	\$ (13,250)	\$ 2,479	\$ (21,888)	\$ 11,303
<b>Other comprehensive income/(loss)</b>				
Reclassification of foreign currency translation adjustment to other gains and losses, net, upon the sale of WisdomTree Asset Management Canada, Inc. ("WTAMC" or "Canadian ETF business") (Note 25)	—	—	(167)	—
Foreign currency translation adjustment	168	(33)	(518)	258
Other comprehensive income/(loss)	168	(33)	(685)	258
<b>Comprehensive (loss)/income</b>	<u>\$ (13,082)</u>	<u>\$ 2,446</u>	<u>\$ (22,573)</u>	<u>\$ 11,561</u>

The accompanying notes are an integral part of these consolidated financial statements

**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Changes in Stockholders' Equity  
(In Thousands)  
(Unaudited)

	For the Three Months Ended June 30, 2020					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares Issued	Par Value				
Balance – April 1, 2020	156,424	\$1,564	\$349,495	\$ 92	\$ (26,382)	\$ 324,769
Restricted stock issued and vesting of restricted stock units, net	110	1	(1)	—	—	—
Shares repurchased	(6,738)	(67)	(24,882)	—	—	(24,949)
Stock-based compensation	—	—	2,920	—	—	2,920
Allocation of equity component related to convertible notes, net of issuance costs of \$128 and deferred taxes of \$1,017	—	—	3,008	—	—	3,008
Other comprehensive income	—	—	—	168	—	168
Dividends	—	—	(5,134)	—	—	(5,134)
Net loss	—	—	—	—	(13,250)	(13,250)
Balance – June 30, 2020	<u>149,796</u>	<u>\$1,498</u>	<u>\$325,406</u>	<u>\$ 260</u>	<u>\$ (39,632)</u>	<u>\$ 287,532</u>
	For the Three Months Ended June 30, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares Issued	Par Value				
Balance – April 1, 2019	155,056	\$1,551	\$364,717	\$ 758	\$ (3,592)	\$363,434
Restricted stock issued and vesting of restricted stock units, net	66	—	—	—	—	—
Shares repurchased	(14)	—	(102)	—	—	(102)
Stock-based compensation	—	—	3,135	—	—	3,135
Other comprehensive loss	—	—	—	(33)	—	(33)
Dividends	—	—	—	—	(5,094)	(5,094)
Net income	—	—	—	—	2,479	2,479
Balance – June 30, 2019	<u>155,108</u>	<u>\$1,551</u>	<u>\$367,750</u>	<u>\$ 725</u>	<u>\$ (6,207)</u>	<u>\$363,819</u>

The accompanying notes are an integral part of these consolidated financial statements



**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Changes in Stockholders' Equity (Continued)  
(In Thousands)  
(Unaudited)

	For the Six Months Ended June 30, 2020					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares Issued	Par Value				
Balance – January 1, 2020	155,264	\$1,553	\$352,658	\$ 945	\$ (17,744)	\$337,412
Restricted stock issued and vesting of restricted stock units, net	1,549	15	(15)	—	—	—
Shares repurchased	(7,124)	(70)	(26,374)	—	—	(26,444)
Exercise of stock options, net	107	—	240	—	—	240
Stock-based compensation	—	—	6,159	—	—	6,159
Allocation of equity component related to convertible notes, net of issuance costs of \$128 and deferred taxes of \$1,017	—	—	3,008	—	—	3,008
Other comprehensive loss	—	—	—	(685)	—	(685)
Dividends	—	—	(10,270)	—	—	(10,270)
Net loss	—	—	—	—	(21,888)	(21,888)
Balance – June 30, 2020	<u>149,796</u>	<u>\$1,498</u>	<u>\$325,406</u>	<u>\$ 260</u>	<u>\$ (39,632)</u>	<u>\$287,532</u>
	For the Six Months Ended June 30, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares Issued	Par Value				
Balance – January 1, 2019	153,202	\$1,532	\$363,655	\$ 467	\$ (7,319)	\$358,335
Restricted stock issued and vesting of restricted stock units, net	2,211	21	(21)	—	—	—
Shares repurchased	(325)	(2)	(2,105)	—	—	(2,107)
Exercise of stock options, net	20	—	14	—	—	14
Stock-based compensation	—	—	6,207	—	—	6,207
Other comprehensive income	—	—	—	258	—	258
Dividends	—	—	—	—	(10,191)	(10,191)
Net income	—	—	—	—	11,303	11,303
Balance – June 30, 2019	<u>155,108</u>	<u>\$1,551</u>	<u>\$367,750</u>	<u>\$ 725</u>	<u>\$ (6,207)</u>	<u>\$363,819</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Cash Flows  
(In Thousands)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Net (loss)/income	\$ (21,888)	\$ 11,303
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Advisory fees received in gold and other precious metals	(29,135)	(22,872)
Loss/(gain) on revaluation of deferred consideration – gold payments	25,566	(367)
Impairments	19,672	572
Contractual gold payments	7,823	6,208
Stock-based compensation	6,159	6,207
Gain on sale – Canadian ETF business	(2,877)	—
Loss on extinguishment of debt	2,387	—
Amortization of right of use asset	1,588	1,590
Amortization of issuance costs – former credit facility	1,328	1,430
Deferred income taxes	832	2,443
Depreciation and amortization	507	533
Amortization of issuance costs – convertible notes	115	—
Paid-in-kind interest income	—	(1,223)
Other	(83)	5
Changes in operating assets and liabilities:		
Securities owned, at fair value	4,209	(222)
Accounts receivable	4,461	1,833
Income taxes payable	(1,046)	(44)
Prepaid expenses	(2,016)	(1,746)
Gold and other precious metals	20,882	16,318
Other assets	(702)	(552)
Fund management and administration payable	1,677	1,231
Compensation and benefits payable	(18,431)	(3,938)
Securities sold, but not yet purchased, at fair value	(582)	(1,155)
Operating lease liabilities	(1,845)	(1,760)
Accounts payable and other liabilities	781	(435)
Net cash provided by operating activities	<u>19,382</u>	<u>15,359</u>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(224)	(15)
Funding of notes receivable	—	(1,540)
Proceeds from held-to-maturity securities maturing or called prior to maturity	16,365	39
Proceeds from the sale of the Company's financial interests in AdvisorEngine Inc.	8,155	—
Proceeds from sale of Canadian ETF business, net	2,774	—
Net cash provided by/(used in) investing activities	<u>27,070</u>	<u>(1,516)</u>
<b>Cash flows from financing activities:</b>		
Repayment of debt	(179,000)	—
Shares repurchased	(26,444)	(2,107)
Dividends paid	(10,270)	(10,191)
Convertible notes issuance costs	(4,611)	—
Proceeds from the issuance of convertible notes (Note 13)	150,000	—
Proceeds from exercise of stock options	240	14
Net cash used in financing activities	<u>(70,085)</u>	<u>(12,284)</u>
(Decrease)/increase in cash flow due to changes in foreign exchange rate	(1,084)	268
(Decrease)/increase in cash and cash equivalents	(24,717)	1,827
Cash and cash equivalents – beginning of period	74,972	77,784
Cash and cash equivalents – end of period	<u>\$ 50,255</u>	<u>\$ 79,611</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for taxes	<u>\$ 2,200</u>	<u>\$ 4,403</u>
Cash paid for interest	<u>\$ 3,390</u>	<u>\$ 4,559</u>

*The accompanying notes are an integral part of these consolidated financial statements*

## WisdomTree Investments, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
(In Thousands, Except Share and Per Share Amounts)

### 1. Organization and Description of Business

WisdomTree Investments, Inc., through its global subsidiaries (collectively, “WisdomTree” or the “Company”), is an exchange traded product (“ETP”) sponsor and asset manager headquartered in New York. WisdomTree offers ETPs covering equity, commodity, fixed income, leveraged and inverse, currency and alternative strategies. The Company has the following wholly-owned operating subsidiaries:

- *WisdomTree Asset Management, Inc.* is a New York based investment adviser registered with the SEC, providing investment advisory and other management services to the WisdomTree Trust (“WTT”) and WisdomTree exchange-traded funds (“ETFs”). The WisdomTree ETFs are issued in the U.S. by WTT. WTT, a non-consolidated third party, is a Delaware statutory trust registered with the SEC as an open-end management investment company. The Company has licensed to WTT the use of certain of its own indexes on an exclusive basis for the WisdomTree ETFs in the U.S.
- *WisdomTree Management Jersey Limited* (“ManJer”) is a Jersey based management company providing management services to eight issuers (the “ManJer Issuers”) in respect of the ETPs issued and listed by the ManJer Issuers covering commodity, currency, cryptocurrency and leveraged-and-inverse strategies.
- *WisdomTree Multi Asset Management Limited* (“WTMAML”) is a Jersey based management company providing management services to WisdomTree Multi Asset Issuer PLC (“WMAI”) in respect of the ETPs issued by WMAI. WMAI, a non-consolidated third party, is a public limited company domiciled in Ireland.
- *WisdomTree Management Limited* (“WML”) is an Ireland based management company providing management services to WisdomTree Issuer ICAV (“WTI”) in respect of the WisdomTree UCITS ETFs issued by WTI. WTI, a non-consolidated third party, is a public limited company domiciled in Ireland.
- *WisdomTree UK Limited* (“WTUK”) is a U.K. based company registered with the Financial Conduct Authority currently providing distribution and support services to ManJer, WTMAML and WML.
- *WisdomTree Europe Limited* is a U.K. based company which is the legacy distributor of the WMAI ETPs and WisdomTree UCITS ETFs. These services are now provided directly by WTUK. WisdomTree Europe Limited is no longer regulated and does not provide any regulated services.
- *WisdomTree Ireland Limited* is an Ireland based company authorized by the Central Bank of Ireland providing distribution services to ManJer, WTMAML and WML.
- *WisdomTree Commodity Services, LLC* (“WTCS”) is a New York based company that serves as the managing owner and commodity pool operator of the WisdomTree Continuous Commodity Index Fund. WTCS is registered with the Commodity Futures Trading Commission and is a member of the National Futures Association.

#### *Sale of Canadian ETF Business*

On February 19, 2020, the Company completed the sale of WTAMC to CI Financial Corp. (Note 25).

### 2. Significant Accounting Policies

#### ***Basis of Presentation***

These consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) and in the opinion of management reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of financial condition, results of operations, and cash flows for the periods presented. The consolidated financial statements include the accounts of the Company’s wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

#### ***Consolidation***

The Company consolidates entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity (“VOE”) or a variable interest entity (“VIE”). The usual condition for a controlling financial interest in a VOE is ownership of a majority voting interest. If the Company has a majority voting interest in a VOE, the entity is consolidated. The Company has a controlling financial interest in a VIE when the Company has a variable interest that provides it with (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

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The Company reassesses its evaluation of whether an entity is a VIE when certain reconsideration events occur.

### ***Segment and Geographic Information***

Effective January 1, 2020, the Company, through its subsidiaries in the U.S. and Europe, conducts business as a single operating segment as an ETP sponsor and asset manager which is based upon the Company's current organizational and management structure, as well as information used by the chief operating decision maker to allocate resources and other factors. Previously, the Company's financial results were reported in its U.S. Business and International Business reportable segments.

### ***Foreign Currency Translation***

Assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar are translated based on the end of period exchange rates from local currency to U.S. dollars. Results of operations are translated at the average exchange rates in effect during the period. The impact of the foreign currency translation adjustment is included in the Consolidated Statements of Comprehensive (Loss)/Income as a component of other comprehensive income/(loss).

### ***Use of Estimates***

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet dates and the reported amounts of revenues and expenses for the periods presented. Actual results could differ materially from those estimates.

### ***Revenue Recognition***

The Company earns substantially all of its revenue in the form of advisory fees from its ETPs and recognizes this revenue over time, as the performance obligation is satisfied. Advisory fees are based on a percentage of the ETPs' average daily net assets. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which the Company has a right to invoice.

### ***Contractual Gold Payments***

Contractual gold payments are measured and paid monthly based upon the average daily spot price of gold (Note 11).

### ***Marketing and Advertising***

Advertising costs, including media advertising and production costs, are expensed when incurred.

### ***Depreciation and Amortization***

Depreciation is provided for using the straight-line method over the estimated useful lives of the related assets as follows:

Equipment	5 years
Furniture and fixtures	15 years

Leasehold improvements are amortized over the term of their respective leases or service lives of the improvements, whichever is shorter. Fixed assets are recorded at cost less accumulated depreciation and amortization.

### ***Stock-Based Awards***

Accounting for stock-based compensation requires the measurement and recognition of compensation expense for all equity awards based on estimated fair values. Stock-based compensation is measured based on the grant-date fair value of the award and is amortized over the relevant service period. Forfeitures are recognized when they occur.

### ***Third-Party Distribution Fees***

The Company pays a percentage of its advisory fee revenues based on incremental growth in assets under management ("AUM"), subject to caps or minimums, to marketing agents to sell WisdomTree ETFs and for including WisdomTree ETFs on third-party customer platforms.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be classified as cash equivalents. The Company maintains deposits with financial institutions in an amount that is in excess of federally insured limits.

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### ***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are customer and other obligations due under normal trade terms. The Company measures credit losses by applying historical loss rates, adjusted for current conditions and reasonable and supportable forecasts to amounts outstanding using the aging method.

### ***Impairment of Long-Lived Assets***

The Company performs a review for the impairment of long-lived assets when events or changes in circumstances indicate that the estimated undiscounted future cash flows expected to be generated by the assets are less than their carrying amounts or when other events occur which may indicate that the carrying amount of an asset may not be recoverable.

### ***Notes Receivable***

Notes receivable are accounted for on an amortized cost basis, including accrued interest and net of original issue discount and impairments, if any. Interest income is accrued over the term of the notes using the effective interest method. Notes receivable are placed on non-accrual status when the Company is in receipt of information indicating collection of interest is doubtful. Cash received on notes receivable placed on non-accrual status is recognized on a cash basis as interest income if and when received.

Effective January 1, 2020, the Company performs a review for the impairment of the notes receivable and accrued interest on a quarterly basis using the current expected credit loss model and provides for an allowance for credit losses by applying an estimated loss rate to amounts outstanding at the balance sheet date. Previously, credit losses were measured using an incurred loss approach.

### ***Securities Owned and Securities Sold, but not yet Purchased (at fair value)***

Securities owned and securities sold, but not yet purchased are securities classified as either trading or available-for-sale (“AFS”). These securities are recorded on their trade date and are measured at fair value. All equity securities are classified by the Company as trading. Debt securities are classified based primarily on the Company’s intent to hold or sell the security. Changes in the fair value of debt securities classified as trading and AFS are reported in other income and other comprehensive income, respectively, in the period the change occurs. Debt securities classified as AFS are assessed for impairment on a quarterly basis and an estimate for credit loss is provided when the fair value of the AFS debt security is below its amortized cost basis. Credit-related impairments are recognized as an allowance with a corresponding adjustment to earnings, while impairments resulting from noncredit-related factors are recognized in other comprehensive income. Amounts recorded in other comprehensive income are reclassified into earnings upon sale of the AFS debt security using the specific identification method.

### ***Securities Held-to-Maturity***

The Company accounts for certain of its securities as held-to-maturity on a trade date basis, which are recorded at amortized cost. For held-to-maturity securities, the Company has the intent and ability to hold these securities to maturity and it is not more-likely-than-not that the Company will be required to sell these securities before recovery of their amortized cost bases, which may be maturity. Held-to-maturity securities are placed on non-accrual status when the Company is in receipt of information indicating collection of interest is doubtful. Cash received on held-to-maturity securities placed on non-accrual status is recognized on a cash basis as interest income if and when received.

Effective January 1, 2020, the Company reviews its portfolio of held-to-maturity securities for impairment on a quarterly basis by applying an estimated loss rate after consideration for the nature of collateral securing the financial asset as well as potential future changes in collateral values and historical loss information for financial assets secured with similar collateral. Previously, these securities were evaluated for impairment on a quarterly basis and if a decline in fair value was deemed to be other-than-temporary, the securities was written down to its fair value through earnings.

Investments in pass-through government-sponsored enterprises (“GSEs”) are determined to have an estimated loss rate of zero due to an implicit U.S. government guarantee.

### ***Investments***

The Company accounts for equity investments that do not have a readily determinable fair value under the measurement alternative prescribed within Accounting Standards Update (“ASU”) 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, to the extent such investments are not subject to consolidation or the equity method. Under the measurement alternative, these financial instruments are carried at cost, less any impairment (assessed quarterly), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. In addition, income is recognized when dividends are received only to the extent they are distributed from net accumulated earnings of the investee. Otherwise, such distributions are considered returns of investment and are recorded as a reduction of the cost of the investment.

### **Goodwill**

Goodwill is the excess of the purchase price over the fair values of the identifiable net assets at the acquisition date. The Company tests goodwill for impairment at least annually and at the time of a triggering event requiring re-evaluation, if one were to occur. Goodwill is considered impaired when the estimated fair value of the reporting unit that was allocated the goodwill is less than its carrying value. If the estimated fair value of such reporting unit is less than its carrying value, goodwill impairment is recognized based on that difference, not to exceed the carrying amount of goodwill. A reporting unit is an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

Goodwill is allocated to the Company's U.S. Business and European Business components. Effective January 1, 2020, for impairment testing purposes, these components are aggregated as a single reporting unit as they fall under the same operating segment and have similar economic characteristics. Previously, these components were tested separately for impairment when Company was operating as more than one operating segment.

Goodwill is assessed for impairment annually on November 30<sup>th</sup>. When performing its goodwill impairment test, the Company considers a qualitative assessment, when appropriate, and the market approach and its market capitalization when determining the fair value of the reporting units, in the aggregate.

### **Intangible Assets**

Indefinite-lived intangible assets are tested for impairment at least annually and are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair values are less than their carrying values.

Finite-lived intangible assets, if any, are amortized over their estimated useful life, which is the period over which the assets are expected to contribute directly or indirectly to the future cash flows of the Company. These intangible assets are tested for impairment at the time of a triggering event, if one were to occur. Finite-lived intangible assets may be impaired when the estimated undiscounted future cash flows generated from the assets are less than their carrying amounts.

The Company may rely on a qualitative assessment when performing its intangible asset impairment test. Otherwise, the impairment evaluation is performed at the lowest level of reasonably identifiable cash flows independent of other assets. The annual impairment testing date for all of the Company's intangible assets is November 30<sup>th</sup>.

### **Leases**

Effective January 1, 2019, the Company accounts for its lease obligations in accordance with Accounting Standards Codification ("ASC") Topic 842, *Leases* (ASC 842), which requires the recognition of both (i) a lease liability equal to the present value of the remaining lease payments and (ii) an offsetting right-of-use asset. The remaining lease payments are discounted using the rate implicit in the lease, if known, or otherwise the Company's incremental borrowing rate. After lease commencement, right-of-use assets are assessed for impairment and otherwise are amortized over the remaining lease term on a straight-line basis. These recognition requirements are not applied to short-term leases which are those with a lease term of 12 months or less. Instead, lease payments associated with short-term leases are recognized as an expense on a straight-line basis over the lease term.

ASC 842 also provides a practical expedient which allows for consideration in a contract to be accounted for as a single lease component rather than allocated between lease and non-lease components. The Company has elected to apply this practical expedient to all lease contracts, where applicable.

Upon adoption of ASC 842 on January 1, 2019, the Company applied the transitional practical expedients to its outstanding leases and therefore the Company did not reassess (i) whether any expired or existing contracts are or contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The Company also elected to apply the new lease requirements at the effective date, rather than the beginning of the earliest comparative period presented.

### **Deferred Consideration – Gold Payments**

Deferred consideration represents the present value of an obligation to pay gold to a third party into perpetuity and is measured using forward-looking gold prices and a selected discount rate (Note 11). Changes in the fair value of this obligation are reported as (loss)/gain on revaluation of deferred consideration – gold payments on the Company's Consolidated Statements of Operations.

### **Convertible Notes and Debt**

Convertible notes and debt are carried at amortized cost, net of debt discounts and debt issuance costs. The convertible notes are required to be separated into their liability and equity components by allocating the issuance proceeds to each of these components. The liability component for convertible instruments that qualify for a derivative scope exception (applicable to the convertible notes) is allocated proceeds equal to the estimated fair value of similar debt instruments without the conversion option. The difference between the gross proceeds received from the issuance of the convertible notes and the proceeds allocated to the liability component represents the residual amount that is recorded in additional paid-in capital. Interest expense is recognized using the effective interest method and includes amortization of debt discounts and debt issuance costs over the life of the debt.

### **Earnings per Share**

Basic earnings per share (“EPS”) is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Net income available to common stockholders represents net income of the Company reduced by an allocation of earnings to participating securities. The Series A non-voting convertible preferred stock (Note 21) and unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS pursuant to the two-class method. Share-based payment awards that do not contain such rights are not deemed participating securities and are included in diluted shares outstanding (if dilutive).

Diluted EPS is calculated under the treasury stock method and the two-class method. The calculation that results in the lowest diluted EPS amount for the common stock is reported in the Company’s consolidated financial statements. The treasury stock method includes the dilutive effect of potential common shares including unvested stock-based awards, the Series A non-voting convertible preferred stock and the convertible notes, if any. Potential common shares associated with the Series A non-voting convertible preferred stock and the convertible notes are computed under the if-converted method. Potential common shares associated with the conversion option embedded in the convertible notes are dilutive when the Company’s average stock price exceeds the conversion price.

### **Income Taxes**

The Company accounts for income taxes using the liability method, which requires the determination of deferred tax assets and liabilities based on the differences between the financial and tax bases of assets and liabilities using the enacted tax rates in effect for the year in which differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not that some portion or all the deferred tax assets will not be realized.

Tax positions are evaluated utilizing a two-step process. The Company first determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, based solely on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company records interest expense and penalties related to tax expenses as income tax expense.

Non-income based taxes are recorded as part of other liabilities and other expenses.

### **Going Concern**

The Company performs a quarterly assessment of its ability to continue as a going concern within one year of the date the financial statements are issued. The Company had previously disclosed in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 that it was actively exploring refinancing and extension alternatives in respect of its outstanding debt of \$174,000 which was scheduled to mature on April 11, 2021. This outstanding debt was repaid on June 16, 2020 in connection with the Company’s issuance of \$150,000 in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 (Note 13).

### **Recently Issued and Pending Accounting Pronouncements**

In June 2020, the FASB approved amendments to ASC 470-20, *Debt – Debt with Conversion and Other Options, Cash Conversion*, and expects to issue an ASU during the third quarter of 2020. Under the upcoming ASU, the accounting for convertible instruments will be simplified by removing major separation models required under current GAAP. Accordingly, more convertible instruments will be reported as a single liability or equity with no separate accounting for embedded conversion features. Certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception will be removed and, as a result, more equity contracts will qualify for the scope exception. The upcoming ASU will also simplify the diluted earnings-per-share calculation in certain areas. The upcoming ASU will be effective for years beginning after December 31, 2021, including interim periods within those fiscal years. Early adoption will be permitted for fiscal periods beginning after December 15, 2020 (including interim periods within the same fiscal year). The upcoming ASU will result in a reduction of interest expense recognized on the Company’s recently issued convertible notes (Note 13) of approximately \$350 per quarter. The Company expects to early adopt the upcoming ASU.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes* (ASU 2019-12). The main objective of the standard is to reduce complexity in the accounting for income taxes by removing the following exceptions: (1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income); (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) exception to the general methodology for calculating income taxes in an



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interim period when a year-to-date loss exceeds the anticipated loss for the year. The standard also simplifies the accounting for income taxes by enacting the following: (a) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount as a non-income-based tax; (b) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered as a separate transaction; (c) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and (d) requiring that an entity reflect the enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. ASU 2019-12 is effective for years beginning after December 15, 2020, including the interim periods within those reporting periods. Early adoption is permitted. The Company has determined that this standard will not have a material impact on its financial statements.

### **Recently Adopted Accounting Pronouncements**

On January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The main objective of the standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. In issuing this standard, the FASB is responding to criticism that prior guidance delayed recognition of credit losses. The standard replaced the prior guidance’s “incurred loss” approach with an “expected loss” model. The new model, referred to as the current expected credit loss (“CECL”) model, applies to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. The standard is applicable to loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, loan commitments and certain other off-balance sheet credit exposures, debt securities (including those held-to-maturity) and other financial assets measured at fair value through other comprehensive income, and beneficial interests in securitized financial assets. The CECL model does not apply to AFS debt securities. For AFS debt securities with unrealized losses, entities measure credit losses in a manner similar to prior guidance, except that the credit losses are recognized as allowances rather than reductions in the amortized cost of the securities. Accordingly, the new methodology is utilized when assessing the Company’s financial instruments for impairment. As a result, entities recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time. The ASU also simplified the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expanded the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the allowance for loan and lease losses. The adoption of this standard, which is applicable to the Company’s trade receivables, notes receivable and held-to-maturity securities did not have a material impact on the Company’s consolidated financial statements.

On January 1, 2020, the Company adopted ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which modified the disclosure requirements on fair value measurements, including removing the requirement to disclose (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (2) the policy for timing of transfers between levels and (3) the valuation processes for Level 3 fair value measurements. ASU 2018-13 also added new disclosures including the requirement to disclose (a) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (b) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This standard only impacted the disclosures pertaining to fair value measurements and were incorporated into the notes to the Company’s consolidated financial statements.

### **3. Cash and Cash Equivalents**

Of the total cash and cash equivalents of \$50,255 and \$74,972 at June 30, 2020 and December 31, 2019, respectively, \$44,269 and \$72,120 were held at two financial institutions. At June 30, 2020 and December 31, 2019, cash equivalents were approximately \$67 and \$317, respectively.

Certain of the Company’s international subsidiaries are required to maintain a minimum level of regulatory capital, which was \$10,561 and \$12,312 at June 30, 2020 and December 31, 2019, respectively. These requirements are generally satisfied by cash on hand.

In addition, the Company collateralized its U.S. office lease through a standby letter of credit totaling \$1,384 which is restricted from further use.

### **4. Fair Value Measurements**

The fair value of financial instruments is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., “the exit price”) in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurements*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices for identical instruments in active markets.



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Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments whose significant drivers are unobservable.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The tables below summarize the categorization of the Company's assets and liabilities measured at fair value. During the three and six months ended June 30, 2020 and 2019, there were no transfers between Levels 2 and 3.

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Recurring fair value measurements:				
Cash equivalents	\$ 67	\$ 67	\$ —	\$ —
Securities owned, at fair value	13,110	13,110	—	—
<b>Total</b>	<b>\$ 13,177</b>	<b>\$ 13,177</b>	<b>—</b>	<b>\$ —</b>
<b>Liabilities:</b>				
Recurring fair value measurements:				
Deferred consideration (Note 11)	\$ 198,784	\$ —	\$ —	\$ 198,784
Non-recurring fair value measurements				
Convertible notes <sup>(1)</sup>	\$ 145,847	\$ —	\$ 145,847	\$ —

(1) Excludes unamortized issuance costs of \$4,368. Fair value determined on June 16, 2020 (Note 13)

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Recurring fair value measurements:				
Cash	\$ 317	\$ 317	\$ —	\$ —
Securities owned, at fair value	17,319	17,319	—	—
<b>Total</b>	<b>\$ 17,636</b>	<b>\$ 17,636</b>	<b>\$ —</b>	<b>\$ —</b>
Non-recurring fair value measurements:				
AdvisorEngine Inc. – Financial interests <sup>(1)</sup>	\$ 28,172	—	—	\$ 28,172
<b>Liabilities:</b>				
Recurring fair value measurements:				
Deferred consideration (Note 11)	\$ 173,024	\$ —	\$ —	\$ 173,024
Securities sold, but not yet purchased	582	582	—	—
<b>Total</b>	<b>\$ 173,606</b>	<b>\$ 582</b>	<b>\$ —</b>	<b>\$ 173,024</b>

(1) Fair value determined on December 31, 2019 (Note 7).

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### **Recurring Fair Value Measurements—Methodology**

**Cash Equivalents (Note 3)** – These financial assets represent cash invested in highly liquid investments with original maturities of less than 90 days. These investments are valued at par, which approximates fair value, and are considered Level 1.

**Securities Owned/Sold but Not Yet Purchased (Note 5)** – Securities owned and sold, but not yet purchased are investments in ETFs. ETFs are generally traded in active, quoted and highly liquid markets and are therefore classified as Level 1 in the fair value hierarchy.

**Deferred Consideration (Note 11)** – Deferred consideration represents the present value of an obligation to pay gold into perpetuity.

The following table presents a reconciliation of beginning and ending balances of recurring fair value measurements classified as Level 3:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Deferred consideration (Note 11)</b>				
Beginning balance	\$175,300	\$157,147	\$173,024	\$161,540
Net realized losses/(gains) <sup>(1)</sup>	4,063	3,110	7,823	6,208
Net unrealized losses/(gains) <sup>(2)</sup>	23,358	4,037	25,556	(367)
Settlements	(3,937)	(3,021)	(7,619)	(6,108)
Ending balance	<u>\$198,784</u>	<u>\$161,273</u>	<u>\$198,784</u>	<u>\$161,273</u>

(1) Recorded as contractual gold payments expense on the Company's Consolidated Statements of Operations.

(2) Recorded as (loss)/gain on revaluation of deferred consideration – gold payments on the Company's Consolidated Statements of Operations.

### **5. Securities Owned/Sold, but Not Yet Purchased**

These securities consist of the following:

	June 30, 2020	December 31, 2019
<b>Securities Owned</b>		
Trading securities	<u>\$13,110</u>	<u>\$ 17,319</u>
<b>Securities Sold, but not yet Purchased</b>		
Trading securities	<u>\$ —</u>	<u>\$ 582</u>

The Company had no AFS debt securities at June 30, 2020 and December 31, 2019.

### **6. Securities Held-to-Maturity**

The following table is a summary of the Company's securities held-to-maturity:

	June 30, 2020	December 31, 2019
Debt instruments: Pass-through GSEs (amortized cost)	<u>\$ 581</u>	<u>\$ 16,863</u>

During the six months ended June 30, 2020 and 2019, the Company received proceeds of \$16,365 and \$39, respectively, from held-to-maturity securities maturing or being called prior to maturity.

The following table summarizes unrealized gains, losses, and fair value (classified as Level 2 within the fair value hierarchy) of securities held-to-maturity:

	June 30, 2020	December 31, 2019
Cost/amortized cost	<u>\$ 581</u>	<u>\$ 16,863</u>
Gross unrealized gains	38	38
Gross unrealized losses	(16)	(297)
Fair value	<u>\$ 603</u>	<u>\$ 16,604</u>

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An allowance for credit losses was not provided on the Company's held-to-maturity securities as all securities are investments in pass-through GSEs which are determined to have an estimated loss rate of zero due to an implicit U.S. government guarantee. In addition, no securities were determined to be other-than-temporarily impaired at December 31, 2019.

The following table sets forth the maturity profile of the securities held-to-maturity; however, these securities may be called prior to maturity date:

	June 30, 2020	December 31, 2019
Due within one year	\$ —	\$ —
Due one year through five years	—	2,000
Due five years through ten years	—	7,494
Due over ten years	581	7,369
Total	<u>\$ 581</u>	<u>\$ 16,863</u>

### 7. AdvisorEngine Inc. – Sale of Financial Interests

On May 4, 2020, the Company closed a transaction to exit its investment in AdvisorEngine Inc. ("AdvisorEngine"). The fair value of upfront consideration payable to the Company was \$9,367 (of which \$8,155 has been paid). The remaining receivable of \$1,212 at June 30, 2020 was included in other current assets on the Consolidated Statements of Financial Condition.

Consideration also includes contingent payments totaling up to \$10,633 which will be payable only upon AdvisorEngine achieving certain revenue milestones during the first through fourth anniversaries of such exit. The fair value of the contingent payments was determined to be insignificant at closing and was measured using a Monte-Carlo simulation whereby forecasted revenue assumed during the first, second, third and fourth years was simulated forward in a risk-neutral framework to determine whether the revenues would exceed the pre-defined revenue targets.

The table below presents the range and weighted averages of significant unobservable inputs utilized in the Monte-Carlo simulation (classified as Level 3 in the fair value hierarchy):

<u>Unobservable Inputs (Initial Recognition)</u>	
Forecasted revenue simulated forward as a percentage of the pre-defined revenue targets	34% - 71% (47% weighted average)
Revenue volatility	25%

The weighted-average forecasted revenue simulated forward as a percentage of the pre-defined revenue targets represents the arithmetic average of the percentages for each of the four years. An increase in the forecasted revenue percentages and revenue volatility input would result in a higher fair value.

The contingent payments are subsequently remeasured when the contingency is resolved and the gain is realized.

Summarized below are the financial interests previously held:

	June 30, 2020		December 31, 2019	
	Amortized Cost, plus Accrued Interest	Net Carrying Value	Amortized Cost, plus Accrued Interest	Net Carrying Value
Unsecured convertible note	\$ —	\$ —	\$ 2,126	\$ 2,126
Unsecured non-convertible note	—	—	31,184	26,046
Subtotal - Notes receivable	—	—	33,310	28,172
Preferred stock	—	—	25,000	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 58,310</u>	<u>\$28,172<sup>(1)</sup></u>

- (1) Net of an impairment of \$30,138 at December 31, 2019. During the six months ended June 30, 2020, the Company recorded an impairment of \$19,672 on the carrying value of the notes receivable. During the three months ended June 30, 2020, the Company recognized a gain of \$868 arising from an adjustment to the estimated fair value of consideration received from the sale of its financial interests in AdvisorEngine. This gain was included in other gains and losses, net on the Consolidated Statements of Operations.

## 8. Notes Receivable

On May 4, 2020, the Company closed a transaction to exit its investment in AdvisorEngine. See Note 7 for additional information.

### Accrued Interest

Effective January 1, 2020, notes receivable were placed on non-accrual status. During the three months ended June 30, 2020 and 2019, the Company recognized interest income of \$0 and \$628, respectively. During the six months ended June 30, 2020 and 2019, the Company recognized interest income of \$0 and \$1,223, respectively.

## 9. Investments

The following table sets forth the Company's investments:

	June 30, 2020	December 31, 2019
Securrency, Inc. – Preferred stock	\$ 8,112	\$ 8,112
Thesys Group, Inc. (“Thesys”) – Preferred stock	3,080	3,080
<b>Total</b>	<b><u>\$ 11,192</u></b>	<b><u>\$ 11,192</u></b>

### Securrency, Inc. – Preferred Stock

On December 27, 2019, the Company made a \$8,112 strategic investment in Securrency, Inc. (“Securrency”), a leading developer of institutional-grade blockchain-based financial and regulatory technology. In consideration of its investment, the Company received 5,178,488 shares of Series A convertible preferred stock representing approximately 25% ownership of Securrency (or approximately 20% on a fully diluted basis). The shares of Series A preferred stock are convertible into common stock at the option of the Company and contain various rights and protections including a non-cumulative 6.0% dividend, payable if and when declared by the board of directors of Securrency, and a liquidation preference that is senior to the holders of common stock. In addition, the Company has redemption rights which provide that, at any time on or after December 31, 2029, upon approval by holders of at least 60% of the Series A preferred stock then outstanding, Securrency will be required to redeem all of the outstanding shares of Series A preferred stock for the original issue price thereof, plus all declared and unpaid dividends.

The investment is accounted for under the measurement alternative prescribed within ASU 2016-01, as it is not considered to be in-substance common stock and is assessed for impairment and similar observable transactions on a quarterly basis. There was no impairment recognized during the three and six months ended June 30, 2020 based upon a qualitative assessment. In addition, there were no observable price changes during the reporting period.

### Thesys

On June 20, 2017, the Company was issued 7,797,533 newly authorized shares of Series Y preferred stock (“Series Y Preferred”) of Thesys in connection with the resolution of a dispute related to the Company's ownership stake in Thesys. The Series Y Preferred represents current ownership of approximately 19% of Thesys on a fully diluted basis (excluding certain reserved shares). In addition, the Company was issued a warrant to purchase 3,898,766 shares of Series Y Preferred.

The Series Y Preferred ranks *pari passu* in priority with Thesys's current preferred stockholders, has a liquidation preference of \$0.231 per share, contains various rights and protections and is convertible into common stock at the option of the Company. The warrant is exercisable for five years after closing, at varying exercise prices that increase over time and set at multiples of a pre-determined Thesys valuation. If a claim is brought against Thesys or the Company relating to the settlement, the warrant will be exercisable for 100% of the number of shares of Series Y Preferred issued to the Company at closing.

The Series Y Preferred is accounted for under the measurement alternative prescribed within ASU 2016-01 as it is not considered to be in-substance common stock and is assessed for impairment and similar observable transactions on a quarterly basis. There was no impairment recognized during the three and six months ended June 30, 2020 and 2019, respectively, based upon qualitative assessments. In addition, there were no observable price changes during the applicable reporting periods.

The carrying value of the Series Y Preferred was \$3,080 at June 30, 2020 and December 31, 2019. The fair value of the warrant was determined to be insignificant. The warrant is not accounted for as a derivative as it cannot be net settled and is not readily convertible to cash.

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### 10. Fixed Assets, net

The following table summarizes fixed assets:

	June 30, 2020	December 31, 2019
Equipment	\$ 2,452	\$ 2,330
Furniture and fixtures	2,225	2,218
Leasehold improvements	10,947	10,989
Less: accumulated depreciation and amortization	(7,789)	(7,410)
Total	<u>\$ 7,835</u>	<u>\$ 8,127</u>

### 11. Deferred Consideration

Deferred consideration represents an obligation the Company assumed in connection with its acquisition of the European exchange-traded commodity, currency and leveraged-and-inverse business of ETFS Capital Limited (“ETFS Capital”) which occurred on April 11, 2018 (“ETFS Acquisition”). The obligation is for fixed payments to ETFS Capital of physical gold bullion equating to 9,500 ounces of gold per year through March 31, 2058 and then subsequently reduced to 6,333 ounces of gold continuing into perpetuity (“Contractual Gold Payments”).

The Contractual Gold Payments are paid from advisory fee income generated by any Company-sponsored financial product backed by physical gold and are subject to adjustment and reduction for declines in advisory fee income generated by such products, with any reduction remaining due and payable until paid in full. ETFS Capital’s recourse is limited to such advisory fee income and it has no recourse back to the Company for any unpaid amounts that exceed advisory fees earned. ETFS Capital ultimately has the right to claw back Gold Bullion Securities Ltd. (a physically backed gold ETP issuer) if the Company fails to remit any amounts due.

The Company determined the present value of the deferred consideration of \$198,784 and \$173,024 at June 30, 2020 and December 31, 2019 using the following assumptions:

	June 30, 2020	December 31, 2019
Forward-looking gold price (low) – per ounce	\$ 1,805	\$ 1,535
Forward-looking gold price (high) – per ounce	\$ 2,595	\$ 2,328
Forward-looking gold price (weighted average) – per ounce	\$ 2,015	\$ 1,757
Discount rate	10.0%	10.0%
Perpetual growth rate	1.0%	1.5%

The forward-looking gold prices at June 30, 2020 were extrapolated from the last observable price (beyond 2026) and the weighted-average price per ounce was derived from the relative present values of the annual payment obligations. This obligation is classified as Level 3 as the discount rate, perpetual growth rate and extrapolated forward-looking gold prices are significant unobservable inputs. An increase in forward-looking gold prices and the perpetual growth rate would result in an increase in deferred consideration, whereas an increase in the discount rate would reduce the fair value.

Current amounts payable were \$16,364 and \$13,953 and long-term amounts payable were \$182,420 and \$159,071, respectively, at June 30, 2020 and December 31, 2019, respectively.

During the three and six months ended June 30, 2020 and 2019, the Company recognized the following in respect of deferred consideration:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Contractual gold payments	\$ 4,063	\$ 3,110	\$ 7,823	\$ 6,208
Contractual gold payments – gold ounces paid	2,375	2,375	4,750	4,750
(Loss)/gain on revaluation of deferred consideration – gold payments <sup>(1)</sup>	\$(23,358)	\$(4,037)	\$(25,566)	\$ 367

(1) Gains/(losses) arise due to (decreases)/increases in the forward-looking price of gold and the magnitude of any gain or loss is highly correlated to the magnitude of the change in the forward-looking price of gold.

## 12. Credit Facility

The following table provides a summary of the Company’s outstanding borrowings under its credit facility:

	June 30, 2020		December 31, 2019	
	Term Loan	Revolver	Term Loan	Revolver
Amount borrowed	\$ 179,000	\$ —	\$200,000	\$ —
Amounts repaid	(179,000) <sup>(1)</sup>	—	(21,000)	—
Amounts outstanding	—	—	179,000	—
Unamortized issuance costs	—	—	(3,044)	671
Carrying amount	\$ —	\$ —	\$175,956	\$ 671
Effective interest rate	4.15%	n/a	5.32%	n/a

(1) Includes \$5,000 and \$174,000 repaid on March 31, 2020 and June 16, 2020, respectively.

On June 16, 2020, the Company terminated its credit facility by repaying \$174,000 that was outstanding under its term loan and terminating the revolver. A loss on extinguishment of debt of \$2,387 was recognized which represented the write-off of the remaining unamortized issuance costs.

Interest expense recognized on the credit facility during the three months ended June 30, 2020 and 2019 was \$1,667 and \$2,910, respectively, and during the six months ended June 30, 2020 and 2019 was \$4,086 and \$5,802, respectively.

## 13. Convertible Notes

On June 16, 2020, the Company issued \$150,000 in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 (the “Convertible Notes”) pursuant to an Indenture (the “Indenture”) between the Company and U.S. Bank National Association, as trustee (the “Trustee”), in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Company used approximately \$23,850 of the net proceeds from the issuance to repurchase 6,445,949 shares of the Company’s common stock at a price of \$3.70 per share.

Key terms of the Convertible Notes are as follows:

- *Maturity date:* June 15, 2023, unless earlier converted, repurchased or redeemed.
- *Interest rate of 4.25%:* Payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020.
- *Conversion price of \$5.92:* Convertible at an initial conversion rate of 168.9189 shares of the Company’s common stock, per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$5.92 per share, which represents a conversion premium of approximately 60% to the last reported sales price of \$3.70 per share of the Company’s common stock on June 9, 2020, the day immediately preceding the pricing date).
- *Conversion:* Holders may convert at their option at any time prior to the close of business on the business day immediately preceding March 15, 2023 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020, if the last reported sale price of the Company’s common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sales price of the Company’s common stock and the conversion rate on each such trading day; (iii) upon a notice of redemption delivered by the Company in accordance with the terms in the Indenture but only with respect to the Convertible Notes called (or deemed called) for redemption; or (iv) upon the occurrence of specified corporate events. On or after March 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances.
- *Cash settlement of principal amount:* Upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted. At its election, the Company will also settle its conversion obligation in excess of the aggregate principal amount to the Convertible Notes being converted in either cash, shares of its common stock or a combination of cash and shares of its common stock.
- *Redemption price of \$7.70:* The Company may redeem for cash all or any portion of the notes, at its option, on or after June 20, 2021 and on or prior to the 55<sup>th</sup> scheduled trading day immediately preceding the maturity date, if the last reported sale price of the Company’s common stock has been at least 130% of the conversion price then in effect for at least 20 trading

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days, including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding the redemption date. No sinking fund is provided for the Convertible Notes.

- *Limited investor put rights:* Holders of the Convertible Notes have the right to require the Company to repurchase for cash all or a portion of their notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of certain change of control transactions or liquidation, dissolution or common stock delisting events.
- *Conversion rate increase in certain customary circumstances:* In certain circumstances, conversions in connection with a “make-whole fundamental change” (as defined in the Indenture) or conversions of Convertible Notes called (or deemed called) for redemption may result in an increase to the conversion rate, provided that the conversion rate will not exceed 270.2702 shares of the Company’s common stock per \$1,000 principal amount of the Convertible Notes (the equivalent of 40,540,530 shares of the Company’s common stock), subject to adjustment.
- *Seniority and Security:* The Convertible Notes are the Company’s senior unsecured obligations, but are subordinated in right of payment to the Company’s obligations to make certain redemption payments (if and when due) in respect of its Series A Non-Voting Convertible Preferred Stock (Note 14).

The Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Convertible Notes outstanding may declare the entire principal amount of all the Convertible Notes to be repurchased, plus any accrued special interest, if any, to be immediately due and payable.

The following table provides a summary of the carrying value of the Convertible Notes at June 30, 2020:

Amount borrowed	\$150,000
Less: Unamortized debt discount and issuance costs	(8,521)
Carrying amount	<u>\$141,479</u>
Effective interest rate <sup>(1)</sup>	<u>6.23%</u>

(1) Includes amortization of discount arising from the bifurcation of the conversion option and issuance costs allocated to the Convertible Notes.

Convertible instruments are required to be separated into their liability and equity components by allocating the issuance proceeds to each of those components. The liability component for convertible instruments that qualify for a derivative scope exception (applicable to the Convertible Notes) is allocated proceeds equal to the estimated fair value of similar debt without the conversion option. The difference between the gross proceeds received from the issuance of the Convertible Notes and the proceeds allocated to the liability component represents the residual amount that is recorded in additional paid-in capital. The debt discount arising from the recognition of this residual amount is amortized as interest expense over the life of the Convertible Notes.

The Company estimated the fair value of the liability component to be \$145,847, which represents the present value of the future contractual payments, discounted using the Company’s estimated nonconvertible debt borrowing rate of 5.33% (classified as level 2 in the fair value hierarchy) on the pricing date. The excess of the gross proceeds received over the estimated fair value of the liability component totaling \$4,153 was allocated to the conversion option (along with a proportional share of issuance costs totaling \$128) and was recorded in additional paid-in capital, net of deferred taxes.

Interest expense recognized during the three months ended June 30, 2020 was \$377 and is inclusive of the amortization of the discount arising from the bifurcation of the conversion option and issuance costs allocated to the Convertible Notes. Interest payable of \$377 at June 30, 2020 is included in accounts payable and other liabilities on the Consolidated Balance Sheets.

The fair value of the Convertible Notes (classified as Level 2 in the fair value hierarchy) was \$142,202 at June 30, 2020. The if-converted value of the Convertible Notes did not exceed the principal amount at June 30, 2020.

## 14. Preferred Shares

On April 10, 2018, the Company filed a Certificate of Designations of Series A Non-Voting Convertible Preferred Stock with the Secretary of State of the State of Delaware establishing the rights, preferences, privileges, qualifications, restrictions, and limitations relating to the Preferred Shares (defined below). The Preferred Shares are intended to provide ETFS Capital with economic rights equivalent to the Company’s common stock on an as-converted basis. The Preferred Shares have no voting rights, are not transferable and have the same priority with regard to dividends, distributions and payments as the common stock.

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As described in the Certificate of Designations, the Company will not issue, and ETFS Capital does not have the right to require the Company to issue, any shares of common stock upon conversion of the Preferred Shares, if, as a result of such conversion, ETFS Capital (together with certain attribution parties) would beneficially own more than 9.99% of the Company's outstanding common stock immediately after giving effect to such conversion.

In connection with the completion of the ETFS Acquisition, the Company issued 14,750 shares of Series A Non-Voting Convertible Preferred Stock (the "Preferred Shares"), which are convertible into an aggregate of 14,750,000 shares of common stock. The fair value of this consideration was \$132,750, based on the closing price of the Company's common stock on April 10, 2018 of \$9.00 per share, the trading day prior to the closing of the acquisition.

The following is a summary of the Preferred Share balance:

	June 30, 2020	December 31, 2019
Issuance of Preferred Shares	\$ 132,750	\$ 132,750
Less: Issuance costs	(181)	(181)
Preferred Shares – carrying value	<u>\$ 132,569</u>	<u>\$ 132,569</u>

Temporary equity classification is required for redeemable instruments for which redemption triggers are outside of the issuer's control. ETFS Capital has the right to redeem all the Preferred Shares specified to be converted during the period of time specified in the Certificate of Designations in the event that: (a) the number of shares of the Company's common stock authorized by its certificate of incorporation is insufficient to permit the Company to convert all of the Preferred Shares requested by ETFS Capital to be converted; or (b) ETFS Capital does not, upon completion of a change of control of the Company, receive the same amount per Preferred Share as it would have received had each outstanding Preferred Share been converted into common stock immediately prior to the change of control. However, the Company will not be obligated to make any such redemption payments to the extent such payments would be a breach of any covenant or obligation the Company owes to any of its secured creditors or is otherwise prohibited by applicable law.

Any such redemption will be at a price per Preferred Share equal to the dollar volume-weighted average price for a share of common stock for the 30-trading day period ending on the date of such attempted conversion or change of control, as applicable, multiplied by 1,000. Such redemption payment will be made in one payment no later than 10 business days following the last day of the Company's first fiscal quarter that begins on a date following the date ETFS Capital exercises such redemption right. The redemption value of the Preferred Shares was \$50,244 and \$71,630 at June 30, 2020 and December 31, 2019, respectively.

The carrying amount of the Preferred Shares was not adjusted as it was not probable that the Preferred Shares would become redeemable.

## 15. Leases

The Company has entered into operating leases for its corporate headquarters and other office facilities, financial data terminals and equipment. The Company has no finance leases.

The following table provides additional information regarding the Company's leases:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2020	2019	2020	2019
<b>Lease cost:</b>				
Operating lease cost	\$ 790	\$ 795	\$ 1,588	\$ 1,590
Short-term lease cost	300	383	642	772
Total lease cost	<u>\$ 1,090</u>	<u>\$ 1,178</u>	<u>\$ 2,230</u>	<u>\$ 2,362</u>
<b>Other information:</b>				
Cash paid for amounts included in the measurement of operating liabilities (operating leases)	\$ 919	\$ 875	\$ 1,845	\$ 1,760
Right-of-use assets obtained in exchange for new operating lease liabilities	n/a	n/a	n/a	n/a
Weighted-average remaining lease term (in years) – operating leases	9.0	9.8	9.0	9.8
Weighted-average discount rate – operating leases	6.3%	6.3%	6.3%	6.3%



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None of the Company's leases include variable payments, residual value guarantees or any restrictions or covenants relating to the Company's ability to pay dividends or incur additional financing obligations.

The Company's lease of its headquarters, which expires on August 20, 2029, includes an option to extend for an additional five years. Rent payable under the option is equal to the fair market rent of the premise as determined by the landlord approximately six months prior to the commencement of the extension term. The lease also includes a cancellation option which is effective on August 21, 2024 and requires notice to be provided to the landlord at least 12 months prior. Triggering this option requires a cancellation payment of \$4,236. The cancellation and extension options were not reasonably certain of being exercised and were therefore not recognized as part of the right-of-use asset and lease liability.

Other leases also include extension, automatic renewal and termination provisions. These provisions were also not reasonably certain of being exercised and were therefore not recognized as part of the right-of-use asset and lease liability.

The following table discloses future minimum lease payments at June 30, 2020 with respect to the Company's operating lease liabilities:

Remainder of 2020	\$ 1,818
2021	2,958
2022	2,958
2023	2,958
2024	3,037
2025 and thereafter	14,604
Total future minimum lease payments (undiscounted)	<u>\$28,333</u>

The following table reconciles the future minimum lease payments (disclosed above) at June 30, 2020 to the operating lease liabilities recognized in the Company's Consolidated Balance Sheet:

Amounts recognized in the Company's Consolidated Balance Sheet	
Lease liability – short term	\$ 3,293
Lease liability – long term	<u>18,258</u>
Subtotal	21,551
Difference between undiscounted and discounted cash flows	<u>6,782</u>
Total future minimum lease payments (undiscounted)	<u>\$28,333</u>

## 16. Contingencies

The Company may be subject to reviews, inspections and investigations by regulatory authorities as well as legal proceedings arising in the ordinary course of business. The Company is not currently party to any litigation that is expected to have a material adverse impact on its business, financial position, results of operations or cash flows.

## 17. Variable Interest Entities

VIEs are entities with any of the following characteristics: (i) the entity does not have enough equity to finance its activities without additional financial support; (ii) the equity holders, as a group, lack the characteristics of a controlling financial interest; or (iii) the entity is structured with non-substantive voting rights.

Consolidation of a VIE is required for the party deemed to be the primary beneficiary, if any. The primary beneficiary is the party who has both (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. The Company is not the primary beneficiary of any entities in which it has a variable interest as it does not have the power to direct the activities that most significantly impact the entities' economic performance. Such power is conveyed through the entities' boards of directors and the Company does not have control over the boards.

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The following table presents information about the Company's variable interests in non-consolidated VIEs:

	June 30, 2020	December 31, 2019
<b>Carrying Amount – Assets (Securrency)</b>		
Preferred stock (Note 9)	\$ 8,112	\$ 8,112
<b>Carrying Amount – Assets (AdvisorEngine)</b>		
Unsecured convertible notes receivable	\$ —	\$ 2,126
Unsecured non-convertible note receivable	—	26,046
Preferred stock	—	—
Total carrying amount (Note 7)	\$ —	\$ 28,172
Total carrying amount – Assets	\$ —	\$ 36,284
Maximum exposure to loss	\$ 8,112	\$ 36,284

## 18. Revenues from Contracts with Customers

The following table presents the Company's total revenues from contracts with customers:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues from contracts with customers:				
Advisory fees	\$ 57,208	\$ 65,627	\$ 120,158	\$ 130,467
Other	918	666	1,842	1,311
Total operating revenues	\$ 58,126	\$ 66,293	\$ 122,000	\$ 131,778

The Company recognizes revenues from contracts with customers when the performance obligation is satisfied, which is when the promised goods or services are transferred to the customer. A good or service is considered to be transferred when the customer obtains control, which is represented by the transfer of rights with regard to the good or service. Transfer of control happens either over time or at a point in time. When a performance obligation is satisfied over time, an entity is required to select a single method of measuring progress for each performance obligation that depicts the entity's performance in transferring control of goods or services to the customer.

Substantially all the Company's revenues from contracts with customers are derived primarily from investment advisory agreements with related parties (Note 19). These advisory fees are recognized over time, are earned from the Company's ETPs and are calculated based on a percentage of the ETPs' average daily net assets. There is no significant judgment in calculating amounts due which are invoiced monthly in arrears and are not subject to any potential reversal. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which the Company has a right to invoice.

There are no contract assets or liabilities that arise in connection with the recognition of advisory fee revenue. In addition, there are no costs incurred to obtain or fulfill the contracts with customers, all of which are investment advisory agreements with related parties.

### Geographic Distribution of Revenue

The following table presents the Company's total revenues geographically as determined by where the respective management companies reside:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues from contracts with customers:				
United States	\$ 31,629	\$ 43,146	\$ 71,499	\$ 85,769
Jersey	25,641	21,368	48,166	42,529
Ireland	856	1,172	1,970	2,327
Canada (Note 25)	—	607	365	1,153
Total operating revenues	\$ 58,126	\$ 66,293	\$ 122,000	\$ 131,778

## 19. Related Party Transactions

The Company's revenues are derived primarily from investment advisory agreements with related parties. Under these agreements, the Company has licensed to related parties the use of certain of its own indexes for the U.S. and WisdomTree UCITS ETFs. The Board of Trustees and Board of Directors (including certain officers of the Company) of the related parties are primarily responsible for overseeing the management and affairs of the entities for the benefit of their stakeholders and have contracted with the Company to provide for general management and administration services. The Company is also responsible for certain expenses of the related parties, including the cost of transfer agency, custody, fund administration and accounting, legal, audit, and other non-distribution services, excluding extraordinary expenses, taxes and certain other expenses, which is included in fund management and administration on the Company's Consolidated Statements of Operations. In exchange, the Company receives fees based on a percentage of the ETPs' average daily net assets. The advisory agreements may be terminated by the related parties upon notice.

The following table summarizes accounts receivable from related parties which are included as a component of accounts receivable on the Company's Consolidated Balance Sheets:

	June 30, 2020	December 31, 2019
Receivable from WTT	\$10,974	\$ 14,765
Receivable from ManJer Issuers	10,159	9,036
Receivable from WMAI and WTI	850	1,559
Receivable from WTAMC (Note 25)	—	227
Receivable from WTCS	43	80
Total	<u>\$22,026</u>	<u>\$ 25,667</u>

The allowance for credit losses on accounts receivable from related parties is insignificant when applying historical loss rates, adjusted for current conditions and supportable forecasts, to the amounts outstanding in the table above. Amounts outstanding are all invoiced in arrears, are less than 30 days aged and are collected shortly after the applicable reporting period.

The following table summarizes revenues from advisory services provided to related parties:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Advisory services provided to WTT	\$31,389	\$42,817	\$ 70,990	\$ 85,040
Advisory services provided to ManJer Issuers	23,670	19,367	43,928	38,640
Advisory services provided to WMAI and WTI	2,014	2,583	4,542	5,087
Advisory services provided to WTAMC	—	607	365	1,153
Advisory services provided to WTCS	135	253	333	547
Total	<u>\$57,208</u>	<u>\$65,627</u>	<u>\$120,158</u>	<u>\$130,467</u>

The Company also has investments in certain WisdomTree ETFs carried at fair value of approximately \$12,929 and \$16,886 at June 30, 2020 and December 31, 2019, respectively. Gains and losses related to these ETFs during the three months ended June 30, 2020 and 2019 were \$298 and (\$205), respectively, and during the six months ended June 30, 2020 and 2019 were \$8 and \$148, respectively.

## 20. Stock-Based Awards

On June 20, 2016, the Company’s stockholders approved a new equity award plan under which the Company can issue up to 10,000,000 shares of common stock (less one share for every share granted under prior plans since March 31, 2016 and inclusive of shares available under the prior plans as of March 31, 2016) in the form of stock options and other stock-based awards.

The Company grants equity awards to employees and directors which include restricted stock awards (“RSAs”), restricted stock units (“RSUs”), performance-based restricted stock units (“PRSUs”) and stock options. Certain awards described below are subject to acceleration under certain conditions.

**Stock options:** Generally issued for terms of ten years and may vest after at least one year of service and have an exercise price equal to the Company’s stock price on the grant date. The Company estimates the fair value of stock options (when granted) using the Black-Scholes option pricing model.

**RSAs/RSUs:** Awards are valued based on the Company’s stock price on grant date and generally vest ratably over three years.

**PRSUs:** These awards cliff vest three years from the grant date and contain a market condition whereby the number of PRSUs ultimately vesting is tied to how the Company’s total shareholder return (“TSR”) compares to a peer group of other publicly traded asset managers over the three-year period. A Monte Carlo simulation is used to value these awards.

The number of PRSUs vesting ranges from 0% to 200% of the target number of PRSUs granted, as follows:

- If the relative TSR is below the 25<sup>th</sup> percentile, then 0% of the target number of PRSUs granted will vest;
- If the relative TSR is at the 25<sup>th</sup> percentile, then 50% of the target number of PRSUs granted will vest; and
- If the relative TSR is above the 25<sup>th</sup> percentile, then linear scaling is applied such that the percent of the target number of PRSUs vesting is 100% at the 50<sup>th</sup> percentile and capped at 200% of the target number of PRSUs granted for performance at the 100<sup>th</sup> percentile.

Stock-based compensation during the three months ended June 30, 2020 and 2019 was \$2,920 and \$3,135, respectively, and during the six months ended June 30, 2020 and 2019 was \$6,159 and \$6,207, respectively.

A summary of unrecognized stock-based compensation expense and average remaining vesting period is as follows:

	<u>June 30, 2020</u>	
	<u>Unrecognized Stock- Based Compensation</u>	<u>Average Remaining Vesting Period (Years)</u>
Employees and directors	\$ 15,337	1.72

A summary of stock-based compensation award activity during the three months ended June 30, 2020 is as follows:

	<u>Stock Options</u>	<u>RSAs</u>	<u>RSUs</u>	<u>PRSUs</u>
Balance at April 1, 2020	315,000	3,720,978	43,056	349,623
Granted	—	136,235	—	—
Exercised/vested	—	(133,404)	—	—
Forfeitures	—	(26,930)	—	—
Balance at June 30, 2020	<u>315,000</u>	<u>3,696,879</u>	<u>43,056</u>	<u>349,623</u>

## 21. Earnings Per Share

The following tables set forth reconciliations of the basic and diluted earnings per share computations for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Basic (Loss)/Earnings per Share</b>				
Net (loss)/income	\$ (13,250)	\$ 2,479	\$ (21,888)	\$ 11,303
Less: Income distributed to participating securities	(552)	(539)	(1,107)	(1,083)
Less: Undistributed income allocable to participating securities	—	—	—	(117)
Net (loss)/income available to common stockholders – Basic EPS	\$ (13,802)	\$ 1,940	\$ (22,995)	\$ 10,103
Weighted average common shares (in thousands)	151,623	151,818	152,071	151,722
Basic (loss)/earnings per share	\$ (0.09)	\$ 0.01	\$ (0.15)	\$ 0.07

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Diluted Earnings per Share</b>				
Net (loss)/income available to common stockholders	\$ (13,802)	\$ 1,940	\$ (22,995)	\$ 10,103
Add back: Undistributed income allocable to participating securities	—	—	—	117
Less: Reallocation of undistributed income allocable to participating securities considered potentially dilutive	—	—	—	(117)
Net (loss)/income available to common stockholders – Diluted EPS	\$ (13,802)	\$ 1,940	\$ (22,995)	\$ 10,103
<b>Weighted Average Diluted Shares (in thousands):</b>				
Weighted average common shares	151,623	151,818	152,071	151,722
Dilutive effect of common stock equivalents, excluding participating securities	—	194	—	192
Weighted average diluted shares, excluding participating securities (in thousands)	151,623	152,012	152,071	151,914
Diluted (loss)/earnings per share	\$ (0.09)	\$ 0.01	\$ (0.15)	\$ 0.07

Diluted (loss)/earnings per share presented above is calculated using the two-class method as this method results in the lowest diluted earnings per share amount for common stock. During the three and six months ended June 30, 2020, there were no dilutive common stock equivalents as the Company reported a net loss for the period. Total antidilutive common stock equivalents were 358,056 and 449,043 during the three and six months ended June 30, 2020, respectively. The Company excluded 59,584 and 56,208 common stock equivalents from its computation of diluted earnings per share for the three and six months ended June 30, 2019, respectively, as they were determined to be antidilutive.

Potential common shares associated with the conversion option embedded in the Convertible Notes were excluded from the computation for the three and six months ended June 30, 2020 as the Company's average stock price during those respective periods was lower than the conversion price of \$5.92 per share.

The following table reconciles weighted average diluted shares as reported on the Company's consolidated statements of operations for the three and six months ended June 30, 2020 and 2019 to the weighted average diluted shares used to calculate diluted (loss)/earnings per share as disclosed in the table above:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Reconciliation of Weighted Average Diluted Shares (in thousands)</b>				
Weighted average diluted shares as disclosed on the consolidated statements of operations	151,623 <sup>(1)</sup>	167,249	152,071(1)	166,855
Less: Participating securities				
Weighted average shares of common stock issuable upon conversion of the Preferred Shares (Note 14)	—	(14,750)	—	(14,750)
Potentially dilutive restricted stock awards	—	(487)	—	(191)
Weighted average diluted shares used to calculate diluted (loss)/earnings per share as disclosed in the table above	151,623	152,012	152,071	151,914

(1) Excludes 15,010,897 and 14,991,139 participating securities for the three and six months ended June 30, 2020 as the Company reported a net loss for those periods. Also excludes 0 and 7,992 potentially dilutive common stock equivalents for the three and six months ended June 30, 2020 as the Company reported a net loss for the period.

## 22. Income Taxes

### *Effective Income Tax Rate – Three and Six Months Ended June 30, 2020*

The Company's effective income tax rate during the three months ended June 30, 2020 of 5.7% resulted in an income tax benefit of \$804. The effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a non-deductible loss on revaluation of deferred consideration. This loss was partly offset by a tax benefit of \$2,842 recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from our debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

The Company's effective income tax rate for the six months ended June 30, 2020 of 12.7% resulted in an income tax benefit of \$3,175. The effective income tax rate differs from the federal statutory rate of 21% primarily due to a valuation allowance on capital losses, a non-deductible loss on revaluation of deferred consideration and tax shortfalls associated with the vesting and exercise of stock-based compensation awards. These items were partly offset by a \$5,981 reduction in unrecognized tax benefits, a \$2,877 non-taxable gain recognized upon sale of the Canadian ETF business in the first quarter, a tax benefit of \$2,842 recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from our debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

### *Effective Income Tax Rate – Three and Six Months Ended June 30, 2019*

The Company's effective income tax rate during the three months ended June 30, 2019 of 59.1% resulted in income tax expense of \$3,587. The effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, non-deductible executive compensation, a non-deductible loss on revaluation of deferred consideration and state and local income taxes, partly offset by a lower tax rate on foreign earnings.

The Company's effective income tax rate during the six months ended June 30, 2019 of 18.3% resulted in income tax expense of \$2,538. The effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a \$4,309 reduction in unrecognized tax benefits, a lower tax rate on foreign earnings and a non-taxable gain on revaluation of deferred consideration, partly offset by a valuation allowance on foreign net operating losses, tax shortfalls associated with the vesting and exercise of stock-based compensation awards, non-deductible executive compensation and state and local income taxes.

### *Deferred Tax Assets*

A summary of the components of the Company's deferred tax assets at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
<b>Deferred tax assets:</b>		
Capital losses	\$ 16,789	\$ 8,226
Operating lease liabilities	5,196	5,529
Interest carryforwards	3,116	2,615
NOLs – International	1,880	6,721
Goodwill and intangible assets	1,574	1,671
Stock-based compensation	1,247	1,754
Accrued expenses	1,044	4,054
NOLs – U.S.	514	642
Outside basis differences	123	123
Other	113	218
Deferred tax assets	<u>31,596</u>	<u>31,553</u>
<b>Deferred tax liabilities:</b>		
Right of use assets – operating leases	4,114	4,400
Fixed assets and prepaid assets	1,370	1,326
Allocated equity component of convertible note	1,004	—
Unrealized gains	776	744
Deferred tax liabilities	<u>7,264</u>	<u>6,470</u>
Total deferred tax assets less deferred tax liabilities	24,332	25,083
Less: valuation allowance	(18,792)	(17,685)
Deferred tax assets, net	<u>\$ 5,540</u>	<u>\$ 7,398</u>

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### **Net Operating and Capital Losses – U.S.**

The Company's tax effected net operating losses ("NOLs") at June 30, 2020 were \$514 which expire in 2024. The net operating loss carryforwards have been reduced by the impact of annual limitations described in the Internal Revenue Code Section 382 that arose as a result of an ownership change.

The Company's tax effected capital losses at June 30, 2020 and December 31, 2019 were \$16,789 and \$8,226, respectively. The change in capital losses is due to the impairment recognized on the Company's financial interests in AdvisorEngine (Note 7) and a capital loss recognized upon sale of the Canadian ETF business.

### **Net Operating Losses and Interest Carryforwards – International**

Certain of the Company's European subsidiaries generated NOLs and interest carryforwards outside the U.S. These tax effected NOLs and interest carryforwards were \$4,996 and \$9,336 at June 30, 2020 and December 31, 2019, respectively. All of these amounts are carried forward indefinitely. The reduction in NOLs was due to the sale of the Company's Canadian ETF business, which occurred on February 19, 2020 (Note 25).

### **Valuation Allowance**

During the three and six months ended June 30, 2020, the Company reduced the valuation allowance on its deferred tax assets by \$2,842 associated with interest carryforwards in the United Kingdom. The Company has determined that it is more likely than not that these interest carryforwards will be utilized as the Company extinguished its term loan on June 16, 2020 and is therefore no longer accumulating non-deductible interest carryforwards in the United Kingdom. The Company also generates profits in that jurisdiction and unused amounts are carried forward indefinitely.

The Company's remaining valuation allowance has been established on its net capital losses, international net operating losses and outside basis differences as it is more-likely-than-not that these deferred tax assets will not be realized.

### **Coronavirus Aid, Relief, and Economic Security Act of 2020 (the "CARES Act")**

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic which included temporary changes to income and non-income based tax laws including: (i) the elimination of the 80% of taxable income limitation by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 and 2020; (ii) allowing NOLs originating in 2018, 2019 and 2020 to be carried back five years; (iii) increasing the net interest expense deduction limit to 50% of adjusted taxable income from 30% for tax years beginning January 1, 2019 and 2020; and (iv) other related provisions. The CARES Act did not have a material impact on the Company's consolidated financial statements.

### **Uncertain Tax Positions**

Tax positions are evaluated utilizing a two-step process. The Company first determines whether any of its tax positions are more-likely-than-not to be sustained upon examination, based solely on the technical merits of the position. Once it is determined that a position meets this recognition threshold, the position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

In connection with the ETFs Acquisition, the Company accrued a liability for uncertain tax positions and interest and penalties at the acquisition date. The table below sets forth the aggregate changes in the balance of these gross unrecognized tax benefits during the three and six months ended June 30, 2020:

	<u>Total</u>	<u>Unrecognized Tax Benefits</u>	<u>Interest and Penalties</u>
Balance on January 1, 2020	\$32,101	\$ 25,998	\$ 6,103
Decrease - Lapse of statute of limitations <sup>(1)</sup>	(5,981)	(4,620)	(1,361)
Increases	76	—	76
Foreign currency translation <sup>(2)</sup>	(1,767)	(1,432)	(335)
Balance at March 31, 2020	\$24,429	\$ 19,946	\$ 4,483
Increases	76	—	76
Foreign currency translation <sup>(2)</sup>	(141)	(115)	(26)
Balance at June 30, 2020	<u>\$24,364</u>	<u>\$ 19,831</u>	<u>\$ 4,533</u>

(1) Recorded as an income tax benefit of \$5,981 during the six months ended June 30, 2020, along with an equal and offsetting amount recorded in other gains and losses, net, to recognize a reduction in the indemnification asset. During the six months ended June 30, 2019, an income tax benefit of \$4,309 was recorded along with an equal and offsetting amount in other gains and losses, net.

(2) The gross unrecognized tax benefits were accrued in British pounds sterling.

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The Company also recorded an offsetting indemnification asset provided by ETFS Capital as part of its agreement to indemnify the Company for any potential claims, for which an amount is being held in escrow. ETFS Capital has also agreed to provide additional collateral by maintaining a minimum working capital balance up to a stipulated amount.

The gross unrecognized tax benefits and interest and penalties totaling \$24,364 and \$32,101 at June 30, 2020 and December 31, 2019, respectively, are included in other non-current liabilities on the Consolidated Balance Sheets. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by \$4,527 (including interest and penalties of \$1,338) in the next 12 months upon lapsing of the statute of limitations.

At June 30, 2020, there were \$24,364 of unrecognized tax benefits (including interest and penalties) that, if recognized, would impact the effective tax rate. The recognition of any unrecognized tax benefits would result in an equal and offsetting adjustment to the indemnification asset which would be recorded in income before taxes due to the indemnity for any potential claims.

### ***Income Tax Examinations***

The Company is subject to U.S. federal income tax as well as income tax of multiple state, local and certain foreign jurisdictions. The Company's federal tax return and ManJer's tax return (a Jersey-based subsidiary) for the year ended December 31, 2016 and the Company's New York state tax return for the years ended December 31, 2015 through 2018 are currently under review by the relevant tax authorities. The Company is indemnified by ETFS Capital for any potential exposure associated with ManJer's tax return under audit.

The Company is not currently under audit in any other income tax jurisdictions. As of June 30, 2020, with few exceptions, the Company was no longer subject to income tax examinations by any taxing authority for years before 2015.

### ***Undistributed Earnings of Foreign Subsidiaries***

Due to the imposition of the Global Intangible Low-Taxed Income ("GILTI") provisions, all unremitted earnings are no longer subject to U.S. federal income tax; however, there could be U.S. state and/or foreign withholding taxes upon distribution of such unremitted earnings. The Company recognizes deferred tax liabilities for withholding taxes that may become payable, where applicable, upon the distribution of earnings and profits from foreign subsidiaries unless considered permanent in duration. As of June 30, 2020, the Company considers all undistributed foreign earnings and profits to be permanent in duration.

## **23. Shares Repurchased**

On April 24, 2019, the Company's Board of Directors extended the term of the Company's share repurchase program for three years through April 27, 2022. Included under this program are purchases to offset future equity grants made under the Company's equity plans and purchases made in open market or privately negotiated transactions. This authority may be exercised from time to time, subject to the terms of the credit agreement described below and regulatory considerations. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, market conditions and other corporate liquidity requirements and priorities. The repurchase program may be suspended or terminated at any time without prior notice. Shares repurchased under this program are returned to the status of authorized and unissued on the Company's books and records.

During the three and six months ended June 30, 2020, the Company repurchased 6,738,313 shares and 7,123,712 shares of its common stock, respectively, under this program for an aggregate cost of \$24,949 and \$26,444, respectively.

During the three and six months ended June 30, 2019, the Company repurchased 14,065 shares and 325,278 shares of its common stock, respectively, under this program for an aggregate cost of \$102 and \$2,107, respectively.

Shares repurchased under this program were returned to the status of authorized and unissued on the Company's books and records. As of June 30, 2020, \$56,945 remained under this program for future repurchases.

## **24. Goodwill and Intangible Assets**

### ***Goodwill***

The table below sets forth the Company's goodwill which is tested annually for impairment on November 30<sup>th</sup>:

	<u>Total</u>
Balance at January 1, 2020	\$85,856
Changes	—
Balance at June 30, 2020	<u>\$85,856</u>

Goodwill arising from the ETFS Acquisition of \$84,057 is not deductible for tax purposes as the acquisition was structured as a stock acquisition occurring in the United Kingdom. The remainder of the goodwill is deductible for U.S. tax purposes.



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### **Intangible Assets (Indefinite-Lived)**

The table below sets forth the Company's intangible assets which are tested annually for impairment on November 30<sup>th</sup>:

	Advisory Agreements (ETFS)	Advisory Agreements (Questrade AUM)	Total
Balance at January 1, 2020	\$ 601,247	\$ 2,047	\$603,294
Decreases <sup>(1)</sup>	—	(1,992)	(1,992)
Foreign currency translation	—	(55)	(55)
Balance at June 30, 2020	<u>\$ 601,247</u>	<u>\$ —</u>	<u>\$601,247</u>

(1) Derecognized upon the sale of the Company's Canadian ETF business (Note 25).

### *ETFS*

In connection with the ETFS Acquisition, which was completed on April 11, 2018, the Company identified intangible assets valued at \$601,247 related to the right to manage AUM through customary advisory agreements. The intangible assets were determined to have indefinite useful lives and are not deductible for tax purposes. The Company has designated November 30<sup>th</sup> as its annual impairment testing date for these intangible assets.

### **25. Exit Activities**

The following table summarizes operating losses recognized by the Company's wholly-owned subsidiaries that have either been sold or liquidated during reporting periods covered by its consolidated financial statements:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
WTAMC	\$ —	\$ 607	\$ 428	\$ 1,384
WisdomTree Japan Inc. ("WTJ") <sup>(1)</sup>	—	35	—	465
Total	<u>\$ —</u>	<u>\$ 642</u>	<u>\$ 428</u>	<u>\$ 1,849</u>

(1) WTJ also recognized an impairment expense of \$572 in connection with the termination of its office lease on March 31, 2019

### *Sale of Canadian ETF Business*

On February 19, 2020, the Company completed the sale of all the outstanding shares of WTAMC to CI Financial Corp. The Company received CDN \$3,720 (USD \$2,774) in cash at closing and will receive additional cash consideration of CDN \$2,000 to \$8,000, depending on the achievement of certain AUM growth targets over the next three years.

During the six months ended June 30, 2020, the Company recognized a \$2,877 gain on sale which was recorded in other gains and losses, net on the Consolidated Statements of Operations and represents the difference between the minimum cash consideration payable to the Company and the carrying value of WTAMC's net assets upon disposition. Contingent payments, if any, are recognized by the Company when the contingency is resolved and the gain is realized.

### *Restructuring of Distribution Strategy in Japan*

In July 2018, the Company determined to restructure its distribution strategy in Japan and expanded its existing relationship with Premia Partners Company Limited to manage distribution of the Company's ETFs in Japan. As a result, WTJ ceased operations and was liquidated in September 2019.

### **26. Subsequent Events**

The Company evaluated subsequent events through the date of issuance of the accompanying consolidated financial statements. There were no events requiring disclosure.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes and the other financial information included elsewhere in this Report. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below. For a more complete description of the risks noted above and other risks that could cause our actual results to materially differ from our current expectations, please see Item 1A "Risk Factors" in this Report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2020. We assume no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.*

### Executive Summary

#### Introduction

We are the only publicly-traded asset management company that focuses exclusively on exchange-traded products, or ETPs, and are a leading global ETP sponsor based on assets under management, or AUM, with AUM of \$57.6 billion globally as of June 30, 2020. An ETP is a pooled investment vehicle that holds a basket of securities, financial instruments or other assets and generally seeks to track (index-based) or outperform (actively managed) the performance of a broad or specific equity, fixed income or alternatives market segment, commodity or currency (or an inverse or multiple thereof). ETPs are listed on an exchange with their shares traded in the secondary market at market prices, generally at approximately the same price as the net asset value of their underlying components. ETP is an umbrella term that includes exchange-traded funds, or ETFs, exchange-traded notes and exchange-traded commodities.

Our family of ETFs includes funds that track our own indexes, funds that track third-party indexes and actively managed funds. Most of our equity-based funds employ a fundamentally weighted investment methodology, which weights securities based on factors such as dividends, earnings or investment factors, whereas most other ETF industry indexes use a capitalization weighted methodology. We distribute our ETFs through all major channels within the asset management industry, including brokerage firms, registered investment advisers, institutional investors, private wealth managers and discount brokers primarily through our sales force. Our sales efforts are not directed towards the retail segment but rather are directed towards financial or investment advisers that act as intermediaries between the end-client and us.

We focus on creating ETFs for investors that offer thoughtful innovation, smart engineering and redefined investing. We have launched many first-to-market ETFs and pioneered alternative weighting methods commonly referred to as "smart beta." However, our U.S. listed ETFs are not beta, but rather an investment approach we call "Modern Alpha," which combines the outperformance potential of active management with the benefits of passive management to offer investors cost-effective funds that are built to perform.

We strive to deliver a better investing experience through innovative solutions. Continued investments in technology-enabled services and our Advisor Solutions program, which includes portfolio construction, asset allocation, practice management services and digital tools for financial advisors, are meant to differentiate us in the market, expand our distribution and further enhance our relationships with financial advisors.

We were incorporated under the laws of the state of Delaware on September 19, 1985 as Financial Data Systems, Inc. and ultimately renamed WisdomTree Investments, Inc. on September 6, 2005.

#### COVID-19 Impact on our Business

Our operating revenues are directly correlated with the AUM that we manage. Our average AUM and revenues declined 6.9% and 9.0% respectively, from the prior quarter due to the severity of the market declines in late March 2020 arising from the COVID-19 pandemic. While our average AUM declined, our ending AUM increased 14.6% from \$50.3 billion at March 31, 2020 to \$57.6 billion at June 30, 2020 due to the market rebound during the current quarter. We continue to benefit from market appreciation as our AUM further increased 5.9% from June 30, 2020 to July 31, 2020.

The sustainability of these recent trends is highly uncertain and we are therefore continuing to manage our expenses, in particular our discretionary spending, such as incentive compensation, marketing, sales and overhead expenses.

The pandemic has not adversely impacted our capital management strategy. In June 2020, we issued \$150.0 million in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 (See Note 13 to our Consolidated Financial Statements), repaid our debt previously outstanding and terminated our former credit facility. We are therefore no longer subject to compliance with financial covenants under our former credit facility or limitations on stock repurchases and dividend payments. In connection with the issuance of our convertible notes, we used \$23.9 million of the proceeds to repurchase approximately 6.4 million shares of our common stock. Additional share repurchases will depend upon our future operating results, available cash on hand and strategic priorities. We are precluded from prepaying principal due on our convertible notes.

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The CARES Act was enacted on March 27, 2020 in response to the COVID-19 pandemic, which provided financial assistance under various programs to help companies cope with economic hardships. We did not apply for any financial assistance afforded by the CARES Act. Throughout the course of the pandemic, our business has been operating remotely without disruption.

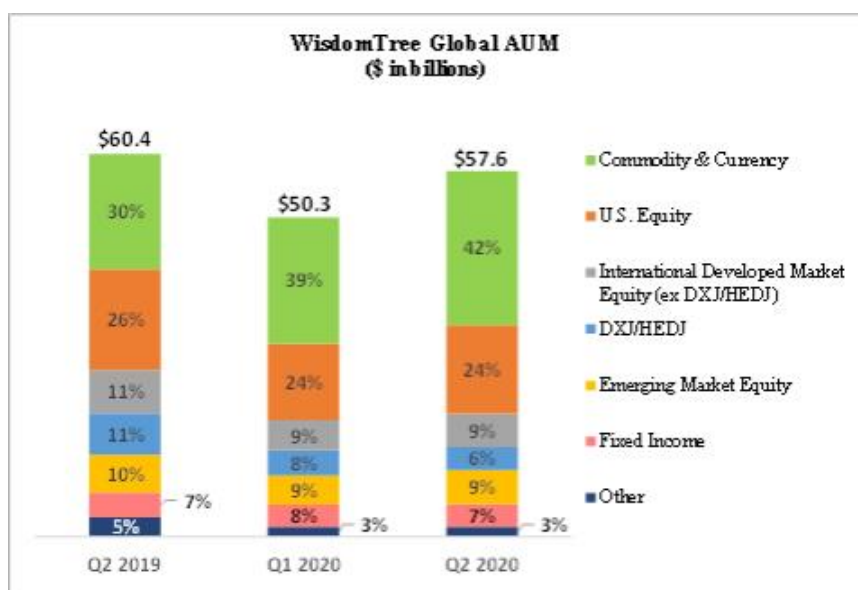
### **Commodity Product Suite Update**

During the first half of 2020, in order to manage counterparty and concentration risk, we temporarily halted creations by authorized participants into certain of our European listed oil related products, including WisdomTree WTI Crude Oil ETC (CRUD), due to the unprecedented volatility in oil prices and related operational challenges. The creation halt on CRUD was lifted on July 1, 2020 and we have taken steps to mitigate risk exposure for CRUD going forward, including implementing a zero floor so that the product automatically terminates if the net asset value goes to zero and changing to a more diversified index to reduce concentration to a single futures contract. We are continuing to explore and implement ways to mitigate risk on four other oil products for which creations remain halted.

### **Assets Under Management**

#### *WisdomTree ETPs*

We offer ETPs covering equity, commodity, fixed income, leveraged-and-inverse, currency and alternative strategies. The chart below sets forth the asset mix of our ETPs at June 30, 2019, March 31, 2020 and June 30, 2020:



During the three months ended June 30, 2020, we experienced a partial recovery of our AUM which was adversely impacted by severe market declines arising from the COVID-19 pandemic toward the end of the prior quarter. This recovery was driven principally by market appreciation, resulting in a 14.6% increase of our AUM.

### **Market Environment**

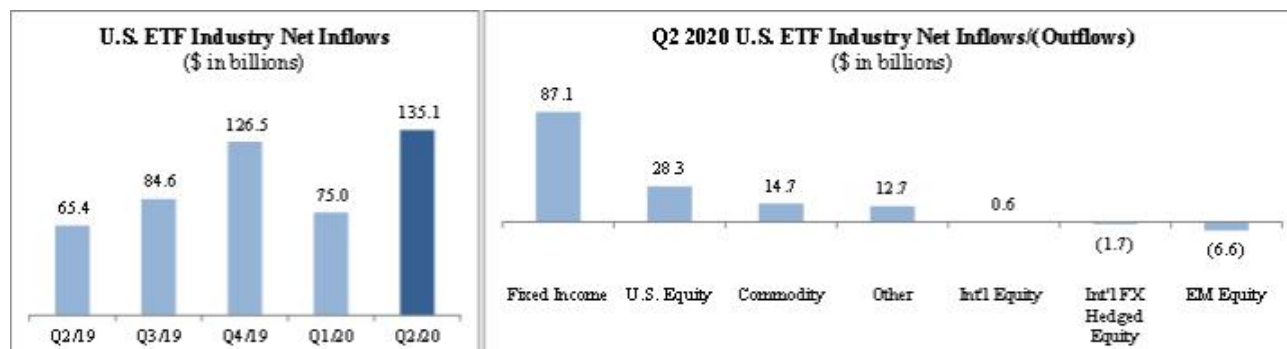
During the second quarter of 2020, global financial markets rebounded as lockdown restrictions to combat the COVID-19 pandemic were eased and various economic stimulus measures were implemented by governments and central banks worldwide. Equity securities across all developed and emerging markets advanced, while government bonds were largely unchanged. Gold prices also appreciated due to the global uncertainty arising from the COVID-19 pandemic.

During the second quarter of 2020, the S&P 500 advanced 20.6%, MSCI EAFE (local currency) advanced 12.8%, MSCI Emerging Markets Index (U.S. dollar) advanced 18.2% and gold prices rose 10.0%. In addition, the European and Japanese equities markets both appreciated with the MSCI EMU Index and MSCI Japan Index increasing 17.5% and 11.6%, respectively, in local currency terms for the quarter. Also, the U.S. dollar strengthened 0.6% and 0.3% versus the British pound and Japanese yen, respectively, while weakening 1.7% versus the euro during the quarter.

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*U.S. listed ETF Industry Flows*

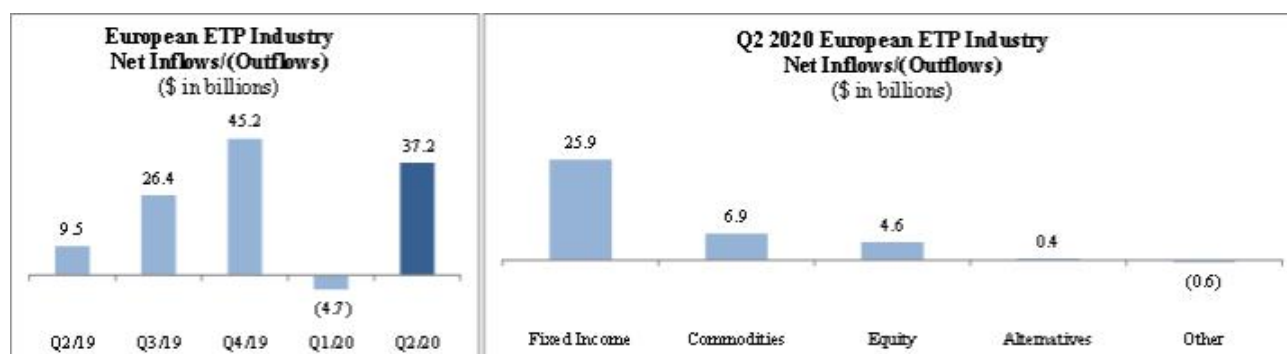
U.S. listed ETF net flows for the three months ended June 30, 2020 were \$135.1 billion. Fixed income and U.S. equity gathered the majority of those flows.



Source: Bloomberg, Investment Company Institute, WisdomTree

*European ETP Industry Flows*

European ETP net flows were \$37.2 billion for the three months ended June 30, 2020. Fixed income gathered the majority of those flows.



Source: Morningstar

**Our Operating and Financial Results**

We operate as an ETP sponsor and asset manager providing investment advisory services globally through our subsidiaries in the United States and Europe.

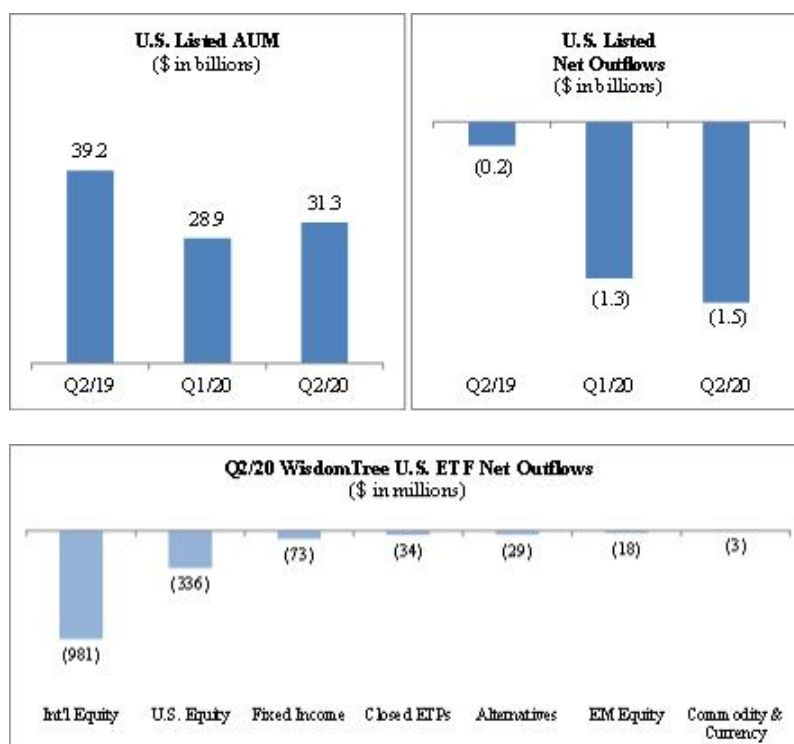
On February 19, 2020, we completed the sale of all of the outstanding shares of our wholly-owned Canadian subsidiary, WisdomTree Asset Management Canada, Inc., or Canadian ETF business, to CI Financial Corp. We received CDN \$3.7 million (USD \$2.8 million) in cash at closing and will receive additional cash consideration of CDN \$2.0 million to \$8.0 million, depending on the achievement of certain AUM growth targets over the next three years.

Our Canadian ETF business reported operating losses during the six months ended June 30, 2020 of \$0.4 million and during the three and six months ended June 30, 2019 of \$0.6 million and \$1.4 million, respectively.

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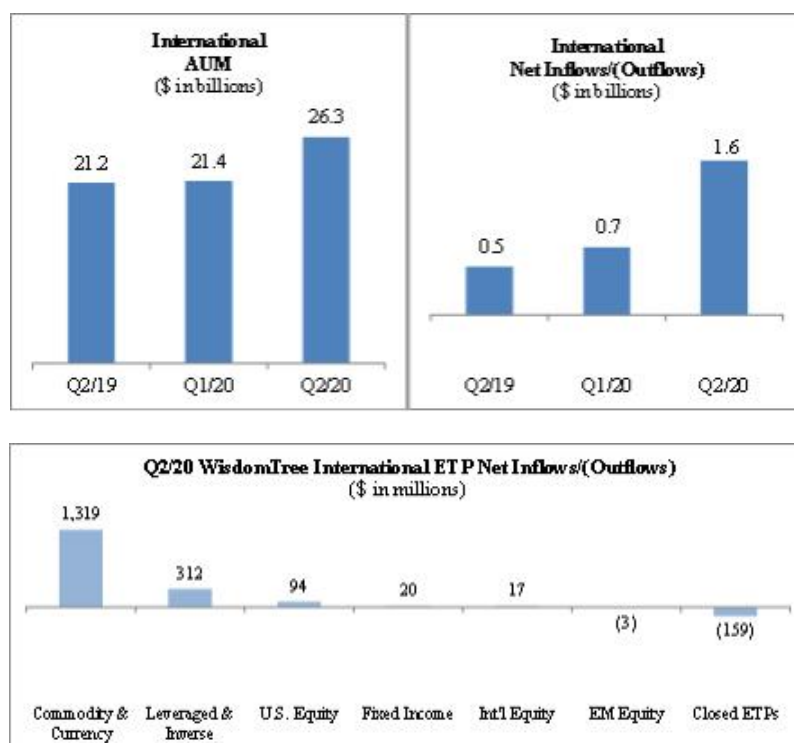
**U.S. Listed ETFs**

Our U.S. listed ETFs' AUM increased from \$28.9 billion at March 31, 2020 to \$31.3 billion at June 30, 2020 due to market appreciation, partly offset by net outflows.



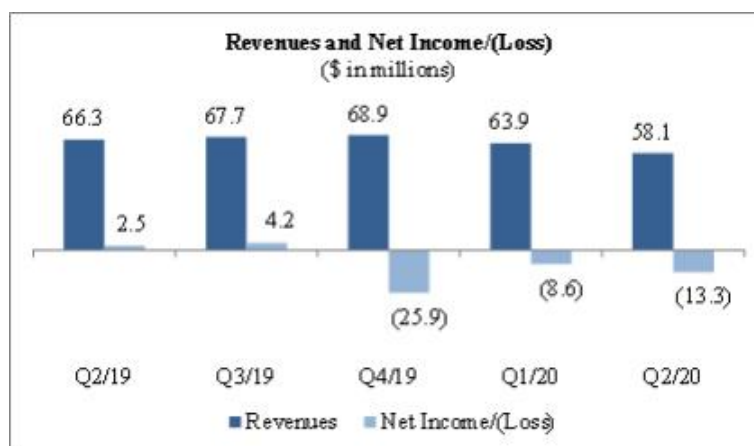
**International Listed ETPs**

Our international ETPs' AUM increased from \$21.4 billion at March 31, 2020 to \$26.3 billion at June 30, 2020 due to market appreciation and net inflows.



### Consolidated Operating Results

The following table sets forth our revenues and net income/(loss) for the most recent five quarters:



- *Revenues* – We recorded operating revenues of \$58.1 million during the three months ended June 30, 2020, down 12.3% from the three months ended June 30, 2019 due to lower average AUM of our U.S. listed products arising from market depreciation and net outflows, as well as a 4 basis point decline in our average global advisory fee due to AUM mix shift. These declines were partly offset by higher average AUM of our international listed products arising from net inflows and market appreciation.
- *Operating Expenses* – Total operating expenses decreased 14.8% from the three months ended June 30, 2019 to \$46.3 million largely due to lower compensation accruals as well as \$1.5 million of severance included in the prior year, lower fund management and administration costs due to lower average AUM and lower sales and business development costs, marketing expenses and third-party distribution costs. These declines were partly offset by higher contractual gold payments due to higher average gold prices.
- *Other Income/(Expenses)* – Other income/(expenses) includes interest income and interest expense, (losses)/gains on revaluation of deferred consideration – gold payments, impairments, loss on extinguishment of debt and other gains and losses. For the three months ended June 30, 2020 and 2019, the (losses)/gains on revaluation of deferred consideration – gold payments were (\$23.4) million and (\$4.0) million, respectively.
- *Net (loss)/income* – We reported a net loss of (\$13.3) million during the three months ended June 30, 2020, compared to net income of \$2.5 million during the three months ended June 30, 2019. The net loss in the current period includes the loss on revaluation of deferred consideration – gold payments of \$23.4 million. The net loss was also impacted by the change in revenues and expenses described above.

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**Key Operating Statistics**

The following table presents key operating statistics that serve as indicators for the performance of our business:

	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>GLOBAL ETPs (in millions)</b>					
Beginning of period assets	\$50,323	\$ 63,615	\$59,112	\$63,615	\$54,094
Assets sold	—	(778)	—	(778)	—
Inflows/(outflows)	126	(536)	343	(410)	904
Market appreciation/(depreciation)	7,494	(11,958)	934	(4,464)	5,478
Fund closures	(296)	(20)	—	(316)	(87)
End of period assets	<u>\$57,647</u>	<u>\$ 50,323</u>	<u>\$60,389</u>	<u>\$57,647</u>	<u>\$60,389</u>
Average assets during the period	\$55,689	\$ 59,819	\$58,575	\$57,754	\$58,129
Average ETP advisory fee during the period	0.41%	0.42%	0.45%	0.42%	0.45%
Revenue days	91	91	91	182	181
Number of ETPs – end of period	311	331	536	311	536
<b>U.S. LISTED ETFs (in millions)</b>					
Beginning of period assets	\$28,893	\$ 40,600	\$39,366	\$40,600	\$35,486
Inflows/(outflows)	(1,474)	(1,273)	(166)	(2,747)	(19)
Market appreciation/(depreciation)	4,039	(10,424)	20	(6,385)	3,840
Fund closures	(114)	(10)	—	(124)	(87)
End of period assets	<u>\$31,344</u>	<u>\$ 28,893</u>	<u>\$39,220</u>	<u>\$31,344</u>	<u>\$39,220</u>
Average assets during the period	\$30,607	\$ 36,936	\$38,945	\$33,771	\$38,503
Average ETF advisory fee during the period	0.41%	0.43%	0.44%	0.42%	0.45%
Number of ETFs – end of the period	67	77	79	67	79
<b>INTERNATIONAL LISTED ETPs (in millions)</b>					
Beginning of period assets	\$21,430	\$ 23,015	\$19,746	\$23,015	\$18,608
Assets sold	—	(778)	—	(778)	—
Inflows/(outflows)	1,600	737	509	2,337	923
Market appreciation/(depreciation)	3,455	(1,534)	914	1,921	1,638
Fund closures	(182)	(10)	—	(192)	—
End of period assets	<u>\$26,303</u>	<u>\$ 21,430</u>	<u>\$21,169</u>	<u>\$26,303</u>	<u>\$21,169</u>
Average assets during the period	\$25,082	\$ 22,883	\$19,630	\$23,983	\$19,626
Average ETP advisory fee during the period	0.41%	0.41%	0.46%	0.41%	0.47%
Number of ETPs – end of period	244	254	457	244	457
<b>PRODUCT CATEGORIES (in millions)</b>					
<b>Commodity &amp; Currency</b>					
Beginning of period assets	\$19,823	\$ 20,074	\$16,689	\$20,074	\$15,976
Inflows/(outflows)	1,316	592	611	1,908	843
Market appreciation/(depreciation)	3,121	(843)	904	2,278	1,385
End of period assets	<u>\$24,260</u>	<u>\$ 19,823</u>	<u>\$18,204</u>	<u>\$24,260</u>	<u>\$18,204</u>
Average assets during the period	\$23,037	\$ 20,407	\$16,643	\$21,722	\$16,685
<b>U.S. Equity</b>					
Beginning of period assets	\$12,159	\$ 17,746	\$15,759	\$17,746	\$13,222
Inflows/(outflows)	(242)	(285)	108	(527)	747
Market appreciation/(depreciation)	2,090	(5,302)	36	(3,212)	1,934
End of period assets	<u>\$14,007</u>	<u>\$ 12,159</u>	<u>\$15,903</u>	<u>\$14,007</u>	<u>\$15,903</u>
Average assets during the period	\$13,312	\$ 16,022	\$15,690	\$14,667	\$15,256
<b>International Developed Market Equity</b>					
Beginning of period assets	\$ 8,653	\$ 13,043	\$14,092	\$13,043	\$14,261
Inflows/(outflows)	(964)	(1,100)	(736)	(2,064)	(2,308)
Market appreciation/(depreciation)	1,158	(3,290)	(10)	(2,132)	1,393
End of period assets	<u>\$ 8,847</u>	<u>\$ 8,653</u>	<u>\$13,346</u>	<u>\$ 8,847</u>	<u>\$13,346</u>
Average assets during the period	\$ 8,783	\$ 11,474	\$13,628	\$10,129	\$13,929

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	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Emerging Market Equity</b>					
Beginning of period assets	\$4,610	\$ 6,417	\$5,644	\$ 6,417	\$5,220
Inflows/(outflows)	(21)	65	344	44	243
Market appreciation/(depreciation)	840	(1,872)	(7)	(1,032)	518
End of period assets	<u>\$5,429</u>	<u>\$ 4,610</u>	<u>\$5,981</u>	<u>\$ 5,429</u>	<u>\$5,981</u>
Average assets during the period	\$5,143	\$ 5,933	\$5,691	\$ 5,538	\$5,560
<b>Fixed Income</b>					
Beginning of period assets	\$3,527	\$ 3,585	\$3,692	\$ 3,585	\$2,245
Inflows/(outflows)	(53)	21	235	(32)	1,656
Market appreciation/(depreciation)	56	(79)	19	(23)	45
End of period assets	<u>\$3,530</u>	<u>\$ 3,527</u>	<u>\$3,946</u>	<u>\$ 3,530</u>	<u>\$3,946</u>
Average assets during the period	\$3,523	\$ 3,653	\$3,796	\$ 3,588	\$3,490
<b>Leveraged &amp; Inverse</b>					
Beginning of period assets	\$ 883	\$ 995	\$1,060	\$ 995	\$ 963
Inflows/(outflows)	312	12	(55)	324	67
Market appreciation/(depreciation)	153	(124)	(16)	29	(41)
End of period assets	<u>\$1,348</u>	<u>\$ 883</u>	<u>\$ 989</u>	<u>\$ 1,348</u>	<u>\$ 989</u>
Average assets during the period	\$1,162	\$ 1,009	\$1,042	\$ 1,085	\$1,048
<b>Alternatives</b>					
Beginning of period assets	\$ 244	\$ 359	\$ 515	\$ 359	\$ 583
Inflows/(outflows)	(29)	(66)	(80)	(95)	(163)
Market appreciation/(depreciation)	11	(49)	(1)	(38)	14
End of period assets	<u>\$ 226</u>	<u>\$ 244</u>	<u>\$ 434</u>	<u>\$ 226</u>	<u>\$ 434</u>
Average assets during the period	\$ 227	\$ 328	\$ 476	\$ 278	\$ 503
<b>Closed ETPs</b>					
Beginning of period assets	\$ 424	\$ 1,396	\$1,661	\$ 1,396	\$1,624
Assets sold	—	(778)	—	(778)	—
Inflows/(outflows)	(193)	225	(84)	32	(181)
Market appreciation/(depreciation)	65	(399)	9	(334)	230
Fund closures	(296)	(20)	—	(316)	(87)
End of period assets	<u>\$ —</u>	<u>\$ 424</u>	<u>\$1,586</u>	<u>\$ —</u>	<u>\$1,586</u>
Average assets during the period	\$ 502	\$ 993	\$1,609	\$ 747	\$1,658
<b>Headcount:</b>	214	210	214	214	214

Note: Previously issued statistics may be restated due to fund closures and trade adjustments

Source: WisdomTree



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**Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019**
**Selected Operating and Financial Information**

	Three Months Ended June 30,		Change	Percent Change
	2020	2019		
<b>Global AUM (in millions)</b>				
Average global AUM	\$55,689	\$58,575	\$(2,886)	(4.9%)
<b>Operating Revenues (in thousands)</b>				
Advisory fees	\$57,208	\$65,627	\$(8,419)	(12.8%)
Other income	918	666	252	37.8%
Total revenues	<u>\$58,126</u>	<u>\$66,293</u>	<u>\$(8,167)</u>	<u>(12.3%)</u>

**Average Global AUM**

Our average global AUM decreased 4.9% from \$58.6 billion at June 30, 2019 to \$55.7 billion at June 30, 2020 due to market depreciation over the trailing twelve months and net outflows. Over the trailing twelve months net outflows were \$0.7 billion, primarily due to \$2.4 billion of outflows from our two largest currency hedged products, HEDJ and DXJ. These outflows were offset by net inflows, principally into our commodity ETPs.

**Operating Revenues**
*Advisory fees*

Advisory fee revenues decreased 12.8% from \$65.6 million during the three months ended June 30, 2019 to \$57.2 million in the comparable period in 2020 due to lower average AUM of our U.S. listed products arising from market depreciation and net outflows, as well as a 4 basis point decline in our average global advisory fee due to AUM mix shift. These declines were partly offset by higher average AUM of our international listed products arising from net inflows and market appreciation. Our average global advisory fee was 0.45% and 0.41% during the three months ended June 30, 2019 and 2020, respectively.

*Other income*

Other income increased 37.8% from \$0.7 million during the three months ended June 30, 2019 to \$0.9 million in the comparable period in 2020 primarily due to higher creation/redemption fees associated with our international listed products.

**Operating Expenses**

(in thousands)	Three Months Ended June 30,		Change	Percent Change
	2020	2019		
Compensation and benefits	\$17,455	\$21,300	\$(3,845)	(18.1%)
Fund management and administration	14,461	15,576	(1,115)	(7.2%)
Marketing and advertising	1,949	2,910	(961)	(33.0%)
Sales and business development	2,181	4,171	(1,990)	(47.7%)
Contractual gold payments	4,063	3,110	953	30.6%
Professional and consulting fees	1,357	1,296	61	4.7%
Occupancy, communications and equipment	1,643	1,548	95	6.1%
Depreciation and amortization	251	264	(13)	(4.9%)
Third-party distribution fees	1,340	1,919	(579)	(30.2%)
Acquisition and disposition-related costs	33	33	—	—
Other	1,596	2,255	(659)	(29.2%)
Total operating expenses	<u>\$46,329</u>	<u>\$54,382</u>	<u>\$(8,053)</u>	<u>(14.8%)</u>

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<b>As a Percent of Revenues:</b>	<b>Three Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Compensation and benefits	30.0%	32.1%
Fund management and administration	24.9%	23.5%
Marketing and advertising	3.3%	4.4%
Sales and business development	3.8%	6.3%
Contractual gold payments	7.0%	4.7%
Professional and consulting fees	2.3%	1.9%
Occupancy, communications and equipment	2.8%	2.3%
Depreciation and amortization	0.4%	0.4%
Third-party distribution fees	2.3%	2.9%
Acquisition and disposition-related costs	0.1%	0.1%
Other	2.8%	3.4%
Total operating expenses	<u>79.7%</u>	<u>82.0%</u>

### *Compensation and benefits*

Compensation and benefits expense decreased 18.1% from \$21.3 million during the three months ended June 30, 2019 to \$17.5 million in the comparable period in 2020 due to lower incentive compensation accruals as well as \$1.5 million of severance expense included in the prior year period. Headcount was 214 at June 30, 2020, unchanged from June 30, 2019.

### *Fund management and administration*

Fund management and administration expense decreased 7.2% from \$15.6 million during the three months ended June 30, 2019 to \$14.5 million in the comparable period in 2020 primarily due to lower variable fees associated with lower average AUM of our U.S. listed products, partly offset by higher average AUM of our international listed products. These expenses were also lower due to the sale of our Canadian ETF business which was completed in February 2020. We had 79 U.S. listed ETFs and 457 international listed ETPs at June 30, 2019 compared to 67 U.S. listed ETFs and 244 international listed ETPs at June 30, 2020.

### *Marketing and advertising*

Marketing and advertising expense decreased 33.0% from \$2.9 million during the three months ended June 30, 2019 to \$1.9 million in the comparable period in 2020 primarily due to lower discretionary spending resulting from the COVID-19 pandemic.

### *Sales and business development*

Sales and business development expense decreased 47.7% from \$4.2 million during the three months ended June 30, 2019 to \$2.2 million in the comparable period in 2020 primarily due to lower discretionary spending resulting from the COVID-19 pandemic.

### *Contractual gold payments*

Contractual gold payments expense increased 30.6% from \$3.1 million during the three months ended June 30, 2019 to \$4.1 million in the comparable period in 2020. This expense was associated with the payment of 2,375 ounces of gold and was calculated using the average daily spot price of \$1,309 and \$1,711 per ounce during the three months ended June 30, 2019 and 2020, respectively.

### *Professional and consulting fees*

Professional and consulting fees were essentially unchanged from the three months ended June 30, 2019.

### *Occupancy, communications and equipment*

Occupancy, communications and equipment expense was essentially unchanged from the three months ended June 30, 2019.

### *Depreciation and amortization*

Depreciation and amortization expense was essentially unchanged from the three months ended June 30, 2019.

### *Third-party distribution fees*

Third-party distribution fees decreased 30.2% from \$1.9 million during the three months ended June 30, 2019 to \$1.3 million in the comparable period in 2020 primarily due to lower fees for platform relationships.

### *Acquisition and disposition-related costs*

Acquisition and disposition-related costs were essentially unchanged from the three months ended June 30, 2019.

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### *Other*

Other expenses decreased 29.2% from \$2.3 million during the three months ended June 30, 2019 to \$1.6 million in the comparable period in 2020 primarily due to lower office-related and travel expenses as a result of our employees working remotely.

### *Other Income/(Expenses)*

<i>(in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2020	2019		
Interest expense	\$ (2,044)	\$ (2,910)	\$ 866	(29.8%)
Loss on revaluation of deferred consideration – gold payments	(23,358)	(4,037)	(19,321)	478.6%
Interest income	119	818	(699)	(85.5%)
Loss on extinguishment of debt	(2,387)	—	(2,387)	n/a
Other gains, net	1,819	284	1,535	540.5%
Total other expenses, net	<u>\$ (25,851)</u>	<u>\$ (5,845)</u>	<u>\$ (20,006)</u>	<u>342.3%</u>

<i>As a Percent of Revenues:</i>	Three Months Ended June 30,	
	2020	2019
Interest expense	(3.5%)	(4.4%)
Loss on revaluation of deferred consideration – gold payments	(40.2%)	(6.1%)
Interest income	0.2%	1.3%
Loss on extinguishment of debt	(4.1%)	—
Other gains, net	3.1%	0.4%
Total other expenses, net	<u>(44.5%)</u>	<u>(8.8%)</u>

### *Interest expense*

Interest expense decreased 29.8% from \$2.9 million during the three months ended June 30, 2019 to \$2.0 million in the comparable period in 2020 due to a lower level of debt outstanding as well as lower interest rates. Our effective interest rate during the three months ended June 30, 2019 and 2020 was 5.5% and 4.5%, respectively, and includes our cost of borrowing and amortization of debt discount and issuance costs.

### *Loss on revaluation of deferred consideration*

We recognized a loss on revaluation of deferred consideration of (\$4.0) million during the three months ended June 30, 2019 as compared to a loss of (\$23.4) million during the three months ended June 30, 2020. The loss in the current quarter was due to an increase in the forward-looking price of gold when compared to the forward-looking gold curve on March 31, 2020, the date on which the deferred consideration was last measured. The magnitude of any gain or loss is highly correlated to the magnitude of the change in the forward-looking price of gold.

### *Interest income*

Interest income decreased 85.5% from \$0.8 million during the three months ended June 30, 2019 to \$0.1 million in the comparable period in 2020 as paid-in-kind interest income was accrued in the prior period on our former AdvisorEngine notes receivable.

### *Loss on extinguishment of debt*

During the three months ended June 30, 2020, we recognized a non-cash loss on extinguishment of debt of \$2.4 million arising from the acceleration of debt issuance cost amortization in connection with the termination of our former credit facility on June 16, 2020 (See Note 12 to our Consolidated Financial Statements).

### *Other gains, net*

Other gains, net were \$0.3 million and \$1.8 million during the three months ended June 30, 2019 and 2020, respectively. Included in other gains, net during the three months ended June 30, 2020 is a gain of \$0.9 million arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine. Gains and losses generally arise from the sale of gold earned from management fees paid by our physically-backed gold ETPs, foreign exchange fluctuations, securities owned and other miscellaneous items.

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### **Income taxes**

Our effective income tax rate for the three months ended June 30, 2020 of 5.7% resulted in an income tax benefit of \$0.8 million. Our tax rate differs from the federal statutory tax rate of 21% due to a non-deductible loss on revaluation of deferred consideration. This loss was partly offset by a tax benefit of \$2.8 million recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from our debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

Our effective income tax rate for the three months ended June 30, 2019 of 59.1% resulted in income tax expense of \$3.6 million. Our effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, non-deductible executive compensation, a non-deductible loss on revaluation of deferred consideration and state and local taxes, partly offset by a lower tax rate on foreign earnings.

### **Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019**

#### **Selected Operating and Financial Information**

	Six Months Ended June 30,		Change	Percent Change
	2020	2019		
<b>Global AUM (in millions)</b>				
Average global AUM	\$ 57,754	\$ 58,129	\$ (375)	0.6%
<b>Revenues (in thousands)</b>				
Advisory fees	\$120,158	\$130,467	\$(10,309)	(7.9%)
Other income	1,842	1,311	531	40.5%
Total revenues	<u>\$122,000</u>	<u>\$131,778</u>	<u>\$(9,778)</u>	<u>(7.4%)</u>

#### **Average Global AUM**

Our average global AUM was essentially unchanged from the six months ended June 30, 2019.

#### **Operating Revenues**

##### *Advisory fees*

Advisory fee revenues decreased 7.9% from \$130.5 million during the six months ended June 30, 2019 to \$120.2 million in the comparable period in 2020 due to lower average AUM of our U.S. listed products and a 3 basis point decline in our average global advisory fee due to AUM mix shift. These declines were partly offset by higher average AUM of our international listed products. Our average global ETP advisory fee declined from 0.45% during the six months ended June 30, 2019 to 0.42% during the six months ended June 30, 2020.

##### *Other income*

Other income increased 40.5% from \$1.3 million during the six months ended June 30, 2019 to \$1.8 million in the comparable period in 2020 primarily due to higher creation/redemption fees associated with our international listed products.

#### **Operating Expenses**

<i>(in thousands)</i>	Six Months Ended June 30,		Change	Percent Change
	2020	2019		
Compensation and benefits	\$34,750	\$ 42,601	\$ (7,851)	(18.4%)
Fund management and administration	28,946	30,742	(1,796)	(5.8%)
Marketing and advertising	4,417	5,590	(1,173)	(21.0%)
Sales and business development	5,598	8,593	(2,995)	(34.9%)
Contractual gold payments	7,823	6,208	1,615	26.0%
Professional and consulting fees	2,630	2,778	(148)	(5.3%)
Occupancy, communications and equipment	3,194	3,166	28	0.9%
Depreciation and amortization	507	533	(26)	(4.9%)
Third-party distribution fees	2,695	4,319	(1,624)	(37.6%)
Acquisition and disposition-related costs	416	346	70	20.2%
Other	3,593	4,308	(715)	(16.6%)
Total operating expenses	<u>\$94,569</u>	<u>\$109,184</u>	<u>\$(14,615)</u>	<u>(13.4%)</u>

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<b>As a Percent of Revenues:</b>	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Compensation and benefits	28.5%	32.3%
Fund management and administration	23.7%	23.3%
Marketing and advertising	3.6%	4.3%
Sales and business development	4.6%	6.5%
Contractual gold payments	6.4%	4.7%
Professional and consulting fees	2.2%	2.1%
Occupancy, communications and equipment	2.6%	2.4%
Depreciation and amortization	0.4%	0.4%
Third-party distribution fees	2.2%	3.3%
Acquisition and disposition-related costs	0.3%	0.3%
Other	3.0%	3.3%
Total operating expenses	<u>77.5%</u>	<u>82.9%</u>

### *Compensation and benefits*

Compensation and benefits expense decreased 18.4% from \$42.6 million during the six months ended June 30, 2019 to \$34.8 million in the comparable period in 2020 due to lower incentive compensation accruals as well as \$3.5 million of severance expense included in the prior period.

### *Fund management and administration*

Fund management and administration expense decreased 5.8% from \$30.7 million during the six months ended June 30, 2019 to \$28.9 million in the comparable period in 2020 primarily due to lower variable fees associated with lower average AUM of our U.S. listed products, partly offset by higher average AUM of our international listed products. These expenses were also lower as a result of the sale of our Canadian ETF business in February 2020.

### *Marketing and advertising*

Marketing and advertising expense decreased 21.0% from \$5.6 million during the six months ended June 30, 2019 to \$4.4 million in the comparable period in 2020 primarily due to lower discretionary spending resulting from the COVID-19 pandemic.

### *Sales and business development*

Sales and business development expense decreased 34.9% from \$8.6 million during the six months ended June 30, 2019 to \$5.6 million in the comparable period in 2020 primarily due to lower discretionary spending resulting from the COVID-19 pandemic.

### *Contractual gold payments*

Contractual gold payments expense increased 26.0% from \$6.2 million during the six months ended June 30, 2019 to \$7.8 million in the comparable period in 2020. This expense was associated with the payment of 4,750 ounces of gold and was calculated using the average daily spot price of \$1,307 and \$1,647 per ounce during the six months ended June 30, 2019 and 2020, respectively.

### *Professional and consulting fees*

Professional and consulting fees were essentially unchanged from the six months ended June 30, 2019.

### *Occupancy, communications and equipment*

Occupancy, communications and equipment expense was essentially unchanged from the six months ended June 30, 2019.

### *Depreciation and amortization*

Depreciation and amortization expense was essentially unchanged from the six months ended June 30, 2019.

### *Third-party distribution fees*

Third-party distribution fees decreased 37.6% from \$4.3 million during the six months ended June 30, 2019 to \$2.7 million in the comparable period in 2020 primarily due to lower fees for platform relationships.

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### Acquisition and disposition-related costs

Acquisition and disposition-related costs increased 20.2% from \$0.3 million during the six months ended June 30, 2019 to \$0.4 million in the comparable period in 2020 due to the sale of our Canadian ETF business which was completed in February 2020.

### Other

Other expenses decreased 16.6% from \$4.3 million during the six months ended June 30, 2019 to \$3.6 million in the comparable period in 2020 primarily due to lower office-related and travel expenses as a result of our employees working remotely.

### Other Income/(Expenses)

(in thousands)	Six Months Ended June 30,		Change	Percent Change
	2020	2019		
Interest expense	\$ (4,463)	\$ (5,802)	\$ 1,339	(23.1%)
(Loss)/gain on revaluation of deferred consideration – gold payments	(25,566)	367	(25,933)	(7,066.2%)
Interest income	282	1,597	(1,315)	(82.3%)
Impairments	(19,672)	(572)	(19,100)	3,339.2%
Loss on extinguishment of debt	(2,387)	—	(2,387)	n/a
Other losses, net	(688)	(4,343)	3,655	(84.2%)
Total other expenses, net	<u>\$ (52,494)</u>	<u>\$ (8,753)</u>	<u>\$ (43,741)</u>	<u>499.7%</u>

As a Percent of Revenues:	Six Months Ended June 30,	
	2020	2019
Interest expense	(3.6%)	(4.4%)
(Loss)/gain on revaluation of deferred consideration – gold payments	(21.0%)	0.3%
Interest income	0.2%	1.2%
Impairments	(16.1%)	(0.4%)
Loss on extinguishment of debt	(2.0%)	—
Other losses, net	(0.5%)	(3.3%)
Total other expenses, net	<u>(43.0%)</u>	<u>(6.6%)</u>

### Interest expense

Interest expense decreased 23.1% from \$5.8 million during the six months ended June 30, 2019 to \$4.5 million in the comparable period in 2020 due to a lower level of debt outstanding as well as lower interest rates. Our effective interest rate during the six months ended June 30, 2019 and 2020 was 5.5% and 4.7%, respectively, and includes our cost of borrowing and amortization of debt discount and issuance costs.

### (Loss)/gain on revaluation of deferred consideration

We recognized a gain on revaluation of deferred consideration of \$0.4 million during the six months ended June 30, 2019 as compared to a loss of (\$25.6) million during the six months ended June 30, 2020. The loss in the current period was due to an increase in the forward-looking price of gold when compared to the forward-looking gold curve on December 31, 2019. The magnitude of any gain or loss is highly correlated to the magnitude of the change in the forward-looking price of gold.

### Interest income

Interest income decreased 82.3% from \$1.6 million during the six months ended June 30, 2019 to \$0.3 million in the comparable period in 2020 as paid-in-kind interest income was accrued in the prior period on our former AdvisorEngine notes receivable.

### Impairments

During the six months ended June 30, 2020, we recognized a non-cash impairment charge of \$19.7 million on our investment in AdvisorEngine (See Note 7 to our Consolidated Financial Statements). During the six months ended June 30, 2019, we recognized a non-cash impairment charge of \$0.6 million in connection with the termination of our Japan office lease.

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### *Loss on extinguishment of debt*

During the six months ended June 30, 2020, we recognized a non-cash loss on extinguishment of debt of \$2.4 million arising from the acceleration of debt issuance cost amortization in connection with the termination of our former credit facility on June 16, 2020. See Note 12 to our Consolidated Financial Statements.

### *Other losses, net*

Other losses, net were \$4.3 million and \$0.7 million during the six months ended June 30, 2019 and 2020, respectively. Included in the loss recognized during the six months ended June 30, 2019 and 2020 is a charge of \$4.3 million and \$6.0 million, respectively, arising from the release of a tax-related indemnification asset upon the expiration of the statute of limitations. An equal and offsetting benefit has been recognized in income tax expense. In addition, during the six months ended June 30, 2020, we recognized a gain of \$2.9 million associated with the sale of our Canadian ETF business (See Note 25 to our Consolidated Financial Statements) and a gain of \$0.9 million arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine. Gains and losses also generally arise from the sale of gold earned from management fees paid by our physically-backed gold ETPs, foreign exchange fluctuations, securities owned and other miscellaneous items.

### *Income taxes*

Our effective income tax rate for the six months ended June 30, 2020 of 12.7% resulted in an income tax benefit of \$3.2 million. Our tax rate differs from the federal statutory rate of 21% primarily due to a valuation allowance on capital losses, a non-deductible loss on revaluation of deferred consideration and tax shortfalls associated with the vesting and exercise of stock-based compensation awards. These items were partly offset by a \$6.0 million reduction in unrecognized tax benefits, a \$2.9 million non-taxable gain recognized upon sale of our Canadian ETF business in the first quarter, a tax benefit of \$2.8 million recognized in connection with the release of a deferred tax asset valuation allowance on interest carryforwards arising from our debt previously held in the United Kingdom and a lower tax rate on foreign earnings.

Our effective income tax rate for the six months ended June 30, 2019 of 18.3% resulted in income tax expense of \$2.5 million. Our effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a \$4.3 million reduction in unrecognized tax benefits, a lower tax rate on foreign earnings and a non-taxable gain on revaluation of deferred consideration, partly offset by a valuation allowance on foreign net operating losses, tax shortfalls associated with the vesting and exercise of stock-based compensation awards, non-deductible executive compensation and state and local income taxes.

### **Non-GAAP Financial Measurements**

In an effort to provide additional information regarding our results as determined by GAAP, we also disclose certain non-GAAP information which we believe provides useful and meaningful information. Our management reviews these non-GAAP financial measurements when evaluating our financial performance and results of operations; therefore, we believe it is useful to provide information with respect to these non-GAAP measurements so as to share this perspective of management. Non-GAAP measurements do not have any standardized meaning, do not replace nor are superior to GAAP financial measurements and are unlikely to be comparable to similar measures presented by other companies. These non-GAAP financial measurements should be considered in the context with our GAAP results. The non-GAAP financial measurements contained in this Report include:

- *Adjusted net income and adjusted diluted earnings per share.* We disclose adjusted net income and adjusted diluted earnings per share as non-GAAP financial measurements in order to report our results exclusive of items that are non-recurring or not core to our operating business. We believe presenting these non-GAAP financial measures provides investors with a consistent way to analyze our performance. These non-GAAP financial measures exclude the following:
  - *Unrealized gains or losses on the revaluation of deferred consideration:* Deferred consideration is an obligation we assumed in connection with the ETFs acquisition that is carried at fair value. This item represents the present value of an obligation to pay fixed ounces of gold into perpetuity and is measured using forward-looking gold prices. Changes in the forward-looking price of gold may have a material impact on the carrying value of the deferred consideration and our reported financial results. We exclude this item when arriving at adjusted net income and adjusted diluted earnings per share as it is not core to our operating business. The item is not adjusted for income taxes as the obligation was assumed by a wholly-owned subsidiary of ours that is based in Jersey, a jurisdiction where we are subject to a zero percent tax rate.
  - *Tax shortfalls and windfalls upon vesting and exercise of stock-based compensation awards:* GAAP requires the recognition of tax windfalls and shortfalls within income tax expense. These items arise upon the vesting and exercise of stock-based compensation awards and the magnitude is directly correlated to the number of awards vesting/exercised as well as the difference between the price of our stock on the date the award was granted and the date the award vested or was exercised. We exclude these items when determining adjusted net income and adjusted diluted earnings per share as they introduce volatility in earnings and are not core to our operating business.

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- Interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes:* GAAP requires convertible instruments to be separated into their liability and equity components by allocating the issuance proceeds to each of those components. The liability component for convertible instruments that qualify for a derivative scope exception (applicable to our convertible notes) is allocated proceeds equal to the estimated fair value of similar debt without the conversion option. The difference between the gross proceeds received from the issuance of the convertible instrument and the proceeds allocated to the liability component represents the residual amount that is classified in equity. The discount arising from the recognition of the residual amount classified in equity is amortized as interest expense over the life of the instrument. We exclude this item when calculating our non-GAAP financial measurements as it is non-cash and distorts our actual cost of borrowing. In addition, in June 2020, the FASB approved amendments to ASC 470-20, *Debt – Debt with Conversion and Other Options, Cash Conversion* and once issued, will include the elimination of the requirement to bifurcate conversion options qualifying for a derivative scope exception. Once effective, this interest expense will no longer be recognized.
- Other items:* Loss on extinguishment of debt, the release of a deferred tax asset valuation allowance recognized on interest carryforwards arising from our debt previously outstanding in the United Kingdom, a gain arising from an adjustment to the estimated fair value of consideration received from the exit of our investment in AdvisorEngine, impairment charges, a gain recognized upon sale of our Canadian ETF business, severance expense and acquisition and disposition-related costs are excluded when determining adjusted net income and adjusted earnings per share.

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Adjusted Net Income and Diluted Earnings per Share:</b>				
Net (loss)/income, as reported	\$ (13,250)	\$ 2,479	\$ (21,888)	\$ 11,303
Add back/(deduct): Loss/(gain) on revaluation of deferred consideration	23,358	4,037	25,566	(367)
Add back: Loss on extinguishment of debt, net of income taxes	1,910	—	1,910	—
Deduct: Release of a deferred tax asset valuation allowance recognized on interest carryforwards arising from debt previously outstanding in the United Kingdom	(2,842)	—	(2,842)	—
Add back: Interest expense from the amortization of discount arising from the bifurcation of the conversion option embedded in the convertible notes, net of income taxes	42	—	42	—
Deduct: Gain arising from an adjustment to the estimated fair value of consideration received from the exit of investment in AdvisorEngine	(868)	—	(868)	—
Add back: Impairments, net of income taxes	—	—	19,672	572
Deduct: Gain recognized upon sale of Canadian ETF business	—	—	(2,877)	—
Add back: Tax shortfalls upon vesting and exercise of stock-based compensation awards	119	76	620	1,047
Add back: Acquisition and disposition-related costs, net of income taxes	25	27	383	280
Add back: Severance expense, net of income taxes	—	1,194	—	2,715
Adjusted net income	<u>\$ 8,494</u>	<u>\$ 7,813</u>	<u>\$ 19,718</u>	<u>\$ 15,550</u>
Deduct: Income distributed to participating securities	(552)	(539)	(1,107)	(1,083)
Deduct: Undistributed income allocable to participating securities	(364)	(288)	(1,020)	(565)
Adjusted net income available to common stockholders	<u>\$ 7,578</u>	<u>\$ 6,986</u>	<u>\$ 17,591</u>	<u>\$ 13,902</u>
Weighted average diluted shares, excluding participating securities (in thousands) (See Note 21 to our Consolidated Financial Statements)	<u>151,623</u>	<u>152,012</u>	<u>152,079</u>	<u>151,914</u>
Adjusted earnings per share – diluted	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.12</u>	<u>\$ 0.09</u>



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### Liquidity and Capital Resources

The following table summarizes key data regarding our liquidity, capital resources and use of capital to fund our operations:

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b><u>Balance Sheet Data (in thousands):</u></b>		
Cash and cash equivalents	\$ 50,255	\$ 74,972
Accounts receivable	24,372	26,838
Securities owned, at fair value	13,110	17,319
Securities held-to-maturity	581	16,863
Total: Liquid assets	88,318	135,992
Less: Total current liabilities	(62,179)	(79,041)
Less: Regulatory capital requirement – certain international subsidiaries	(10,561)	(12,312)
Subtotal	15,578	44,639
Plus: Revolving credit facility – available capacity	— <sup>(1)</sup>	27,908
Total: Available liquidity	<u>\$ 15,578</u>	<u>\$ 72,547</u>

(1) Terminated on June 16, 2020.

	<u>Six Months Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<b><u>Cash Flow Data (in thousands):</u></b>		
Operating cash flows	\$ 19,382	\$ 15,359
Investing cash flows	27,070	(1,516)
Financing cash flows	(70,085)	(12,284)
Foreign exchange rate effect	(1,084)	268
(Decrease)/increase in cash and cash equivalents	<u>\$ (24,717)</u>	<u>\$ 1,827</u>

### Liquidity

We consider our available liquidity to be our liquid assets, less our current liabilities and regulatory capital requirements of certain international subsidiaries. Liquid assets consist of cash and cash equivalents, accounts receivable, securities held-to-maturity and securities owned, at fair value. Our securities owned, at fair value are highly liquid investments. Certain securities are accounted for as held-to-maturity securities and we have the intention and ability to hold them to maturity. However, these securities are also readily traded and, if needed, could be sold for liquidity. Accounts receivable are current assets and primarily represent receivables from advisory fees we earn from our ETPs. Our current liabilities consist primarily of payments owed to vendors and third parties in the normal course of business, deferred consideration and accrued incentive compensation for employees.

Cash and cash equivalents decreased \$24.7 million during the six months ended June 30, 2020 due to \$179.0 million used to repay our debt, \$26.4 million used to repurchase our common stock, \$10.3 million used to pay dividends on our common stock, \$4.6 million used to pay convertible notes issuance costs and \$1.2 million used in other activities. These decreases were partly offset by \$150.0 million of proceeds from the issuance of convertible notes, \$19.4 million of net cash provided by operating activities, \$16.4 million of proceeds from held-to-maturity securities maturing or called prior to maturity, \$8.2 million of proceeds from the sale of our financial interests in AdvisorEngine and \$2.8 million of net proceeds from the sale of our Canadian ETF business.

Cash and cash equivalents increased \$1.8 million during the six months ended June 30, 2019 due to net cash provided by operating activities of \$15.4 million and \$0.3 million from changes in foreign exchange rates. These increases were partly offset by \$10.2 million used to pay dividends on our common stock, \$2.1 million used to repurchase our common stock and \$1.5 million used to fund the AdvisorEngine unsecured convertible note receivable and \$0.1 million used for other activities.

### Issuance of Convertible Notes

On June 16, 2020, we issued \$150.0 million in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 (the “Convertible Notes”) pursuant to an Indenture (the “Indenture”) between us and U.S. Bank National Association, as trustee (the “Trustee”), in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

Key terms of the Convertible Notes are as follows:

- *Maturity date*: June 15, 2023, unless earlier converted, repurchased or redeemed.
- *Interest rate of 4.25%*: Payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020.
- *Conversion price of \$5.92*: Convertible at an initial conversion rate of 168.9189 shares of our common stock, per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$5.92 per share, which represents a conversion premium of approximately 60% to the last reported sales price of \$3.70 per share of our common stock on June 9, 2020, the day immediately preceding the pricing date).
- *Conversion*: Holders may convert at their option at any time prior to the close of business on the business day immediately preceding March 15, 2023 only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020, if the last reported sale price of our common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 principal amount of the Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sales price of our common stock and the conversion rate on each such trading day; (iii) upon a notice of redemption that we deliver in accordance with the terms in the Indenture but only with respect to the Convertible Notes called (or deemed called) for redemption; or (iv) upon the occurrence of specified corporate events. On or after March 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances.
- *Cash settlement of principal amount*: Upon conversion, we will pay cash up to the aggregate principal amount of the Convertible Notes to be converted. At our election, we will also settle our conversion obligation in excess of the aggregate principal amount to the Convertible Notes being converted in either cash, shares of our common stock or a combination of cash and shares of its common stock.
- *Redemption price of \$7.70*: We may redeem for cash all or any portion of the notes, at our option, on or after June 20, 2021 and on or prior to the 55<sup>th</sup> scheduled trading day immediately preceding the maturity date, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provides notice of redemption, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding the redemption date. No sinking fund is provided for the Convertible Notes.
- *Limited investor put rights*: Holders of the Convertible Notes have the right to require us to repurchase for cash all or a portion of their notes at 100% of their principal amount, plus any accrued and unpaid interest, upon the occurrence of certain change of control transactions or liquidation, dissolution or common stock delisting events.
- *Conversion rate increase in certain customary circumstances*: In certain circumstances, conversions in connection with a “make-whole fundamental change” (as defined in the Indenture) or conversions of Convertible Notes called (or deemed called) for redemption may result in an increase to the conversion rate, provided that the conversion rate will not exceed 270.2702 shares of our common stock per \$1,000 principal amount of the Convertible Notes (the equivalent of 40,540,530 shares of our common stock), subject to adjustment.
- *Seniority and Security*: The Convertible Notes are the Company’s senior unsecured obligations, but are subordinated in right of payment to the Company’s obligations to make certain redemption payments (if and when due) in respect of its Series A Non-Voting Convertible Preferred Stock (See Note 14 to our Consolidated Financial Statements).

The Indenture contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Convertible Notes outstanding may declare the entire principal amount of all the Convertible Notes to be repurchased, plus any accrued special interest, if any, to be immediately due and payable.

#### ***Termination of Former Credit Facility***

On June 16, 2020 and in connection with the issuance of the Convertible Notes, we repaid our debt previously outstanding and terminated our former credit facility. We are therefore no longer subject to compliance with financial covenants under our former credit facility or limitations on stock repurchases and dividend payments.

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### **Capital Resources**

Our principal source of financing is our operating cash flow. We believe that current cash flows generated by our operating activities and existing cash balances should be sufficient for us to fund our operations for at least the next 12 months.

### **Use of Capital**

Our business does not require us to maintain a significant cash position. However, certain of our international subsidiaries are required to maintain a minimum level of regulatory capital, which at June 30, 2020 was approximately \$10.6 million in the aggregate. Notwithstanding these regulatory capital requirements, we expect that our main uses of cash will be to fund the ongoing operations of our business. We also maintain a capital return program which includes a \$0.03 per share quarterly cash dividend and authority to purchase our common stock through April 27, 2022, including purchases to offset future equity grants made under our equity plans.

During the three months ended June 30, 2020, we repurchased 6,738,313 shares of our common stock under the repurchase program for an aggregate cost of \$24.9 million. At June 30, 2020, \$56.9 million remained under this program for future purchases.

### **Contractual Obligations**

The following table summarizes our future payments associated with contractual obligations as of June 30, 2020:

	Total	Payments Due by Period (in thousands)			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Convertible Notes <sup>(1)</sup>	\$ 150,000	\$ —	\$ —	\$ 150,000	\$ —
Deferred consideration – gold payments <sup>(2)</sup>	198,784	16,364	29,246	24,274	128,900
Operating leases	28,333	3,293	5,916	6,090	13,034
Total	<u>\$ 377,117</u>	<u>\$ 19,657</u>	<u>\$ 35,162</u>	<u>\$ 180,364</u>	<u>\$ 141,934</u>

- (1) Conditional conversions or a requirement to repurchase the convertible notes upon the occurrence of a fundamental change may accelerate payment (See Note 13 to our Consolidated Financial Statements).
- (2) Paid from advisory fee income generated by any Company-sponsored financial product backed by physical gold with no recourse back to us for any unpaid amounts that exceed advisory fees earned (See Note 11 to our Consolidated Financial Statements).

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet financing or other arrangements and have neither created nor are party to any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business.

### **Critical Accounting Policies**

#### **Business Combinations**

We account for business combinations under the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, *Business Combinations*, which requires an allocation of the consideration we paid to the identifiable assets, intangible assets and liabilities based on the estimated fair values as of the closing date of the acquisition. The excess of the fair value of purchase price over the fair values of these identifiable assets, intangible assets and liabilities is recorded as goodwill.

#### **Goodwill and Intangible Assets**

Goodwill is the excess of the purchase price over the fair values of the identifiable net assets at the acquisition date. We test goodwill for impairment at least annually and at the time of a triggering event requiring re-evaluation, if one were to occur. Goodwill is considered impaired when the estimated fair value of the reporting unit that was allocated the goodwill is less than its carrying value. If the estimated fair value of such reporting unit is less than its carrying value, goodwill impairment is recognized based on that difference, not to exceed the carrying amount of goodwill. A reporting unit is an operating segment or a component of an operating segment provided that the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component.

Goodwill is allocated to our U.S. Business and European Business components. Effective January 1, 2020, for impairment testing purposes, these components are aggregated as a single reporting unit as they fall under the same operating segment and have similar economic characteristics. Previously, these components were tested separately for impairment when we were operating as more than one operating segment.

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Goodwill is assessed for impairment annually on November 30<sup>th</sup>. When performing our goodwill impairment test, we consider a qualitative assessment, when appropriate, and the market approach and its market capitalization when determining the fair value of the reporting units, in the aggregate.

Indefinite-lived intangible assets are tested for impairment at least annually and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets are impaired if their estimated fair value is less than their carrying value. We may rely on a qualitative assessment when performing our intangible asset impairment test. Otherwise, the impairment evaluation is performed at the lowest level of reasonably identifiable cash flows independent of other assets. The annual impairment testing date for all of our intangible assets is November 30<sup>th</sup>.

### **Investments**

We account for equity investments that do not have a readily determinable fair value under the measurement alternative prescribed within ASU 2016-01, *Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities*, to the extent such investments are not subject to consolidation or the equity method. Under the measurement alternative, these financial instruments are carried at cost, less any impairment (assessed quarterly), plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. In addition, income is recognized when dividends are received only to the extent they are distributed from net accumulated earnings of the investee. Otherwise, such distributions are considered returns of investment and are recorded as a reduction of the cost of the investment.

### **Revenue Recognition**

We earn substantially all of our revenue in the form of advisory fees from our ETPs and recognize this revenue over time, as the performance obligation is satisfied. Advisory fees are based on a percentage of the ETPs' average daily net assets. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which we have a right to invoice.

### **Recently Issued and Pending Accounting Pronouncements**

In June 2020, the FASB approved amendments to ASC 470-20, *Debt – Debt with Conversion and Other Options, Cash Conversion*, and expects to issue an ASU during the third quarter of 2020. Under the upcoming ASU, the accounting for convertible instruments will be simplified by removing major separation models required under current GAAP. Accordingly, more convertible instruments will be reported as a single liability or equity with no separate accounting for embedded conversion features. Certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception will be removed and, as a result, more equity contracts will qualify for the scope exception. The upcoming ASU will also simplify the diluted earnings-per-share calculation in certain areas. The upcoming ASU will be effective for years beginning after December 31, 2021, including interim periods within those fiscal years. Early adoption will be permitted for fiscal periods beginning after December 15, 2020 (including interim periods within the same fiscal year). The upcoming ASU will result in a reduction of interest expense recognized on our recently issued convertible notes (See Note 13 to our Consolidated Financial Statements) of approximately \$0.3 million per quarter. We expect to early adopt the upcoming ASU.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes* (ASU 2019-12). The main objective of the standard is to reduce complexity in the accounting for income taxes by removing the following exceptions: (1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income); (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The standard also simplifies the accounting for income taxes by enacting the following: (a) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount as a non-income-based tax; (b) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered as a separate transaction; (c) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and (d) requiring that an entity reflect the enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. ASU 2019-12 is effective for years beginning after December 15, 2020, including the interim periods within those reporting periods. Early adoption is permitted. We have determined that this standard will not have a material impact on our financial statements.

### **Recently Adopted Accounting Pronouncements**

On January 1, 2020, we adopted ASU 2016-13, *Financial Instruments–Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The main objective of the standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. In issuing the standard, the FASB is responding to criticism that prior guidance delayed recognition of credit losses. The standard replaced the prior guidance’s “incurred loss” approach with an “expected loss” model. The new model, referred to as the current expected credit loss (“CECL”) model, applies to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. The standard is applicable to loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, loan commitments and certain other off-balance sheet credit exposures, debt securities (including those held-to-maturity) and other financial assets measured at fair value through other comprehensive income, and beneficial interests in securitized financial assets. The CECL model does not apply to available-for-sale debt securities. For available-for-sale debt securities with unrealized losses, entities measure credit losses in a manner similar to prior guidance, except that the credit losses are recognized as allowances rather than reductions in the amortized cost of the securities. Accordingly, the new methodology is utilized when assessing our financial instruments for impairment. As a result, entities recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time. The ASU also simplified the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expanded the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the allowance for loan and lease losses. The adoption of this standard, which is applicable to our trade receivables, notes receivable and held-to-maturity securities did not have a material impact on our consolidated financial statements.

On January 1, 2020, we adopted ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which modified the disclosure requirements on fair value measurements, including removing the requirement to disclose (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (2) the policy for timing of transfers between levels and (3) the valuation processes for Level 3 fair value measurements. ASU 2018-13 also added new disclosures including the requirement to disclose (a) the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (b) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This standard only impacted the disclosures pertaining to fair value measurements and were incorporated into the notes to our consolidated financial statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The following information, together with information included in other parts of this Management’s Discussion and Analysis of Financial Condition and Results of Operations, describes key aspects of our market risk.

#### **Market Risk**

Market risk to us generally represents the risk of changes in the value of our ETPs that results from fluctuations in securities or commodity prices, foreign currency exchange rates against the U.S. dollar, and interest rates. Nearly all our revenues are derived from advisory agreements for the WisdomTree ETPs. Under these agreements, the advisory fee we receive is based on the average market value of the assets in the WisdomTree ETP portfolios we manage.

Fluctuations in the value of the ETPs are common and are generated by numerous factors such as market volatility, the overall economy, inflation, changes in investor strategies and sentiment, availability of alternative investment vehicles, government regulations and others. Accordingly, changes in any one or a combination of these factors may reduce the value of investment securities and, in turn, the underlying AUM on which our revenues are earned. These declines may cause investors to withdraw funds from our ETPs in favor of investments that they perceive as offering greater opportunity or lower risk, thereby compounding the impact on our revenues. We believe challenging and volatile market conditions will continue to be present in the foreseeable future.

#### **Interest Rate Risk**

We invest our corporate cash in short-term interest earning assets, primarily money market instruments at a commercial bank, federal agency debt instruments and other securities which totaled \$33.9 million and \$13.8 million as of December 31, 2019 and June 30, 2020, respectively. We do not anticipate that changes in interest rates will have a material impact on our financial condition, operating results or cash flows.

In addition, our Convertible Notes bear interest at a fix rate of interest of 4.25%. Therefore, we have no direct financial statement risk associated with changes in interest rates. However, the fair value of the Convertible Notes changes primarily when the market price of our common stock fluctuates or interest rates change.

#### **Exchange Rate Risk**

We are subject to currency translation exposure on the results of our non-U.S. operations, primarily in the United Kingdom and Europe. Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating foreign entities’ statements of earnings and balance sheets from functional currency to our reporting currency (the U.S. dollar) for consolidation purposes. The advisory fees earned on our international listed ETPs are predominantly in U.S. dollars (and also paid in gold ounces, as described below), however, expenses for corporate overhead are generally incurred in British pounds. Currently, we do not enter into derivative financial instruments aimed at offsetting certain exposures in the statement of operations or the balance sheet but may seek to do so in the future.

Exchange rate risk associated with the euro is not considered to be significant.

### **Commodity Price Risk**

Fluctuations in the prices of commodities that are linked to certain of our ETPs could have a material adverse effect on our AUM and revenues. In addition, a portion of the advisory fee revenues we receive on our ETPs backed by gold are paid in gold ounces. In addition, we pay gold ounces to satisfy our deferred consideration obligation (Note 11 to our Consolidated Financial Statements). While we may readily sell the gold that we earn under these advisory contracts, we still may maintain a position. We currently do not enter into arrangements to hedge against fluctuations in the price of gold and any hedging we may undertake in the future may not be cost-effective or sufficient to hedge against this gold exposure.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

As of June 30, 2020, our management, with the participation of our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that, as of June 30, 2020, our disclosure controls and procedures were effective at a reasonable assurance level in ensuring that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules, regulations and forms of the SEC, including ensuring that such material information is accumulated by and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

During the quarter ended June 30, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II: OTHER INFORMATION**

## **ITEM 1. LEGAL PROCEEDINGS**

None.

## **ITEM 1A. RISK FACTORS**

In addition to the risk factors and other information set forth below and elsewhere in this Report, you should carefully consider the information set forth in Part 1, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

### ***We may not have the ability to raise the funds necessary to settle conversions of the Convertible Notes or to repurchase the Convertible Notes upon a fundamental change.***

Holders of the Convertible Notes have the right to require us to repurchase their notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, as described in the Indenture. In addition, upon conversion of the notes, we will be required to make cash payments in respect of the notes being converted as described in the Indenture. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or notes being converted. In addition, our ability to repurchase the notes or to pay cash upon conversions of the notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Further, if the fundamental change also constitutes a change of control under the Certificate of Designations for our Series A Preferred Stock and we are required to make other redemption payments as a result of the change of control, we would be required to satisfy that obligation before making any payments on the notes. Our failure to repurchase notes at a time when the repurchase is required by the Indenture or to pay any cash payable on future conversions of the notes as required by the Indenture would constitute a default under the Indenture.

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**The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and liquidity.**

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of notes will be entitled to convert the notes at any time during specified periods at their option, as described in the Indenture. If one or more holders elect to convert their notes, we would be required to settle any converted principal through the payment of cash, which could adversely affect our liquidity.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

### **Recent sales of Unregistered Securities**

On June 16, 2020 we issued \$150.0 million in aggregate principal amount of 4.25% Convertible Senior Notes due 2023 which was previously disclosed in our Current Report on Form 8-K filed with the SEC on June 17, 2020.

### **Use of Proceeds**

Refer to our Current Report on Form 8-K filed with the SEC on June 17, 2020.

### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table provides information with respect to purchases made by or on behalf of the Company or any “affiliated purchaser” of shares of our common stock.

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs<sup>(1)</sup></u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)</u>
April 1, 2020 to April 30, 2020	5,103	\$ 2.94	5,103	
May 1, 2020 to May 31, 2020	9,025	\$ 3.05	9,025	
June 1, 2020 to June 30, 2020	6,724,185	\$ 3.70	6,724,185	
Total	<u>6,738,313</u>	\$ 3.70	<u>6,738,313</u>	<u>\$ 56,945</u>

- (1) On April 24, 2019, our Board of Directors extended the term of our share repurchase program for three years through April 27, 2022. During the three months ended June 30, 2020, we repurchased 6,738,313 shares of our common stock under this program for an aggregate cost of approximately \$24.9 million. As of June 30, 2020, \$56.9 million remained under this program for future repurchases.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **ITEM 5. OTHER INFORMATION**

None.



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### ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	<a href="#">Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)</a>
3.2	<a href="#">Certificate of Designations of Series A Non-Voting Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on April 13, 2018)</a>
3.3	<a href="#">Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on February 26, 2019)</a>
4.1	<a href="#">Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)</a>
4.2	<a href="#">Amended and Restated Stockholders Agreement among the Registrant and certain investors dated December 21, 2006 (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)</a>
4.3	<a href="#">Securities Purchase Agreement among the Registrant and certain investors dated December 21, 2006 (incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)</a>
4.4	<a href="#">Securities Purchase Agreement among the Registrant and certain investors dated October 15, 2009 (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)</a>
4.5	<a href="#">Third Amended and Restated Registration Rights Agreement dated October 15, 2009 (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)</a>
4.6	<a href="#">Investor Rights Agreement, dated April 11, 2018, between the Registrant and ETFS Capital (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed with the SEC on April 13, 2018)</a>
31.1 (1)	<a href="#">Certification of Chief Executive Officer and Principal Executive Officer pursuant to Rule 13a-14 of the Exchange Act</a>
31.2 (1)	<a href="#">Certification of Chief Financial Officer and Principal Financial Officer pursuant to Rule 13a-14 of the Exchange Act</a>
31.3 (1)	<a href="#">Certification of Chief Accounting Officer and Principal Accounting Officer pursuant to Rule 13a-14 of the Exchange Act</a>
32 (1)	<a href="#">Section 1350 Certification</a>
101 (1)	Financial Statements from the Quarterly Report on Form 10-Q of the Company for the three months ended June 30, 2020, formatted in XBRL: (i) Consolidated Balance Sheets at June 30, 2020 (Unaudited) and December 31, 2019; (ii) Consolidated Statements of Operations and Comprehensive (Loss)/Income for the three and six months ended June 30, 2020 and June 30, 2019 (Unaudited); (iii) Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2020 and June 30, 2019 (Unaudited) (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2020 and June 30, 2019 (Unaudited); and (v) Notes to Consolidated Financial Statements, as blocks of text and in detail.
101.SCH (1)	Inline XBRL Taxonomy Extension Schema Document
101.CAL (1)	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB (1)	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104 (1)	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*)

(1) Filed herewith.



**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized on this 7<sup>th</sup> day of August 2020.

WISDOMTREE INVESTMENTS, INC.

By: /s/ Jonathan Steinberg

Jonathan Steinberg  
*Chief Executive Officer*  
*(Principal Executive Officer)*

WISDOMTREE INVESTMENTS, INC.

By: /s/ Amit Muni

Amit Muni  
*Chief Financial Officer*  
*(Principal Financial Officer)*

WISDOMTREE INVESTMENTS, INC.

By: /s/ Bryan Edmiston

Bryan Edmiston  
*Chief Accounting Officer*  
*(Principal Accounting Officer)*

## CERTIFICATION

I, Jonathan Steinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WisdomTree Investments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jonathan Steinberg

Jonathan Steinberg  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 7, 2020

## CERTIFICATION

I, Amit Muni, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WisdomTree Investments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Amit Muni

Amit Muni  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 7, 2020

## CERTIFICATION

I, Bryan Edmiston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WisdomTree Investments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Bryan Edmiston

Bryan Edmiston  
Chief Accounting Officer  
(Principal Accounting Officer)

Date: August 7, 2020

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WisdomTree Investments, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), we, Jonathan Steinberg, Chief Executive Officer of the Company, Amit Muni, Chief Financial Officer of the Company, and Bryan Edmiston, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished and not filed, and shall not be incorporated into any documents for any purpose, under the Exchange Act of 1934, as amended. A signed original of this written statement require by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

By: /s/ Jonathan Steinberg

Jonathan Steinberg  
*Chief Executive Officer*  
*(Principal Executive Officer)*

By: /s/ Amit Muni

Amit Muni  
*Chief Financial Officer*  
*(Principal Financial Officer)*

By: /s/ Bryan Edmiston

Bryan Edmiston  
*Chief Accounting Officer*  
*(Principal Accounting Officer)*

Date: August 7, 2020