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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 September 30, 2019

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)

**13-3487784**  
(IRS Employer  
Identification No.)

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

**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, anon-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

Accelerated filer

Non-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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	WETF	The NASDAQ Stock Market LLC

As of October 28, 2019, there were 155,212,821 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 September 30, 2019

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

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**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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. 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:

- 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)

	September 30, 2019 (Unaudited)	December 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 88,575	\$ 77,784
Securities owned, at fair value	3,376	8,873
Accounts receivable	24,381	25,834
Income taxes receivable	—	1,181
Prepaid expenses	5,297	4,441
Other current assets	1,134	163
Total current assets	122,763	118,276
Fixed assets, net	8,354	9,122
Notes receivable, net (Note 8)	32,368	28,722
Indemnification receivable (Note 21)	29,985	34,876
Securities held-to-maturity	17,796	20,180
Deferred tax assets, net	5,655	7,042
Investments, carried at cost (Note 9)	28,080	28,080
Right of use assets – operating leases (Note 14)	18,543	—
Goodwill (Note 23)	85,856	85,856
Intangible assets (Note 23)	603,268	603,209
Other noncurrent assets	1,076	2,155
Total assets	<u>\$ 953,744</u>	<u>\$ 937,518</u>
<b>Liabilities and stockholders' equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Fund management and administration payable	\$ 22,024	\$ 22,508
Compensation and benefits payable	19,810	18,453
Deferred consideration – gold payments (Note 11)	13,403	11,765
Securities sold, but not yet purchased, at fair value	568	1,698
Operating lease liabilities (Note 14)	3,671	—
Income taxes payable	3,122	—
Accounts payable and other liabilities	8,879	8,377
Total current liabilities	71,477	62,801
Long-term debt (Note 12)	181,359	194,592
Deferred consideration – gold payments (Note 11)	154,237	149,775
Operating lease liabilities (Note 14)	19,581	—
Deferred rent payable	—	4,570
Other noncurrent liabilities (Note 21)	29,985	34,876
Total liabilities	456,639	446,614
Preferred stock – Series A Non-Voting Convertible, par value \$0.01; 14,750 shares authorized, issued and outstanding (Note 13)	132,569	132,569
Contingencies (Note 15)		
<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: 154,819 and 153,202 at September 30, 2019 and December 31, 2018, respectively	1,548	1,532
Additional paid-in capital	370,103	363,655
Accumulated other comprehensive income	35	467
Accumulated deficit	(7,150)	(7,319)
Total stockholders' equity	364,536	358,335
Total liabilities and stockholders' equity	<u>\$ 953,744</u>	<u>\$ 937,518</u>

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

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WisdomTree Investments, Inc. and Subsidiaries

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Operating Revenues:</b>				
Advisory fees	\$ 67,006	\$ 71,679	\$197,473	\$203,913
Other income	712	891	2,023	2,336
Total revenues	<u>67,718</u>	<u>72,570</u>	<u>199,496</u>	<u>206,249</u>
<b>Operating Expenses:</b>				
Compensation and benefits	18,880	17,544	61,481	55,677
Fund management and administration	15,110	15,292	45,852	40,825

Marketing and advertising	3,022	3,239	8,612	10,212
Sales and business development	4,354	3,801	12,947	12,117
Contractual gold payments (Note 11)	3,502	2,880	9,710	5,595
Professional and consulting fees	1,259	1,934	4,037	5,130
Occupancy, communications and equipment	1,549	1,722	4,715	4,659
Depreciation and amortization	259	306	792	998
Third-party distribution fees	1,503	1,407	5,822	4,798
Acquisition-related costs (Note 3)	190	456	536	10,446
Other	1,959	2,281	6,267	6,332
Total expenses	<u>51,587</u>	<u>50,862</u>	<u>160,771</u>	<u>156,789</u>
Operating income	16,131	21,708	38,725	49,460
<b>Other Income/(Expenses):</b>				
Interest expense	(2,832)	(2,747)	(8,634)	(5,103)
(Loss)/gain on revaluation of deferred consideration – gold payments (Note 11)	(6,306)	7,732	(5,939)	17,630
Interest income	799	719	2,396	2,293
Impairment (Note 14)	—	—	(572)	—
Other gains and losses, net	843	118	(3,500)	(644)
Income before income taxes	<u>8,635</u>	<u>27,530</u>	<u>22,476</u>	<u>63,636</u>
Income tax expense	<u>4,483</u>	<u>5,481</u>	<u>7,021</u>	<u>15,439</u>
<b>Net income</b>	<u>\$ 4,152</u>	<u>\$ 22,049</u>	<u>\$ 15,455</u>	<u>\$ 48,197</u>
Earnings per share—basic	<u>\$ 0.02</u>	<u>\$ 0.13</u>	<u>\$ 0.09</u>	<u>\$ 0.31</u>
Earnings per share—diluted	<u>\$ 0.02</u>	<u>\$ 0.13</u>	<u>\$ 0.09</u>	<u>\$ 0.31</u>
Weighted-average common shares—basic	<u>151,897</u>	<u>150,892</u>	<u>151,782</u>	<u>145,149</u>
Weighted-average common shares—diluted	<u>167,163</u>	<u>166,622</u>	<u>166,944</u>	<u>155,584</u>
Cash dividends declared per common share	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>\$ 0.09</u>	<u>\$ 0.09</u>

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

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**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Comprehensive Income

(In Thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Net income</b>	\$ 4,152	\$ 22,049	\$ 15,455	\$ 48,197
<b>Other comprehensive (loss)/income</b>				
Change in unrealized gains on available-for-sale debt securities, net of tax	—	—	—	477
Foreign currency translation adjustment	(293)	(88)	(35)	(395)
Reclassification of foreign currency translation adjustment to other gains and losses, net, upon the liquidation of WisdomTree Japan Inc. (Note 1)	(397)	—	(397)	—
Other comprehensive (loss)/income	<u>(690)</u>	<u>(88)</u>	<u>(432)</u>	<u>82</u>
<b>Comprehensive income</b>	<u>\$ 3,462</u>	<u>\$ 21,961</u>	<u>\$ 15,023</u>	<u>\$ 48,279</u>

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

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**WisdomTree Investments, Inc. and Subsidiaries**

Consolidated Statements of Changes in Stockholders' Equity

(In Thousands)

(Unaudited)

	For the Three Months Ended September 30, 2019					
	Common Stock Shares Issued	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings/ (Accumulated Deficit)	Total
Balance—July 1, 2019	155,108	\$ 1,551	\$367,750	\$ 725	\$ (6,207)	\$ 363,819
Restricted stock issued and vesting of restricted stock units, net	(301)	(3)	3	—	—	—
Shares repurchased	(13)	—	(80)	—	—	(80)
Exercise of stock options, net	25	—	56	—	—	56
Stock-based compensation	—	—	2,374	—	—	2,374
Other comprehensive loss	—	—	—	(690)	—	(690)
Dividends	—	—	—	—	(5,095)	(5,095)
Net income	—	—	—	—	4,152	4,152
Balance—September 30, 2019	<u>154,819</u>	<u>\$ 1,548</u>	<u>\$370,103</u>	<u>\$ 35</u>	<u>\$ (7,150)</u>	<u>\$ 364,536</u>

For the Three Months Ended September 30, 2018

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings/ (Accumulated Deficit)	Total
	Shares Issued	Par Value				
Balance—July 1, 2018	153,142	\$ 1,531	\$359,066	\$ 461	\$ (7,735)	\$ 353,323
Restricted stock issued and vesting of restricted stock units, net	(36)	—	—	—	—	—
Shares repurchased	(48)	(1)	(423)	—	—	(424)
Exercise of stock options, net	25	1	17	—	—	18
Stock-based compensation	—	—	3,240	—	—	3,240
Other comprehensive loss	—	—	—	(88)	—	(88)
Dividends	—	—	—	—	(5,035)	(5,035)
Net income	—	—	—	—	22,049	22,049
Balance—September 30, 2018	<u>153,083</u>	<u>\$ 1,531</u>	<u>\$361,900</u>	<u>\$ 373</u>	<u>\$ 9,279</u>	<u>\$ 373,083</u>

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

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**WisdomTree Investments, Inc. and Subsidiaries**  
Consolidated Statements of Changes in Stockholders' Equity (Continued)  
(In Thousands)  
(Unaudited)

	For the Nine Months Ended September 30, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings/ (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	1,910	18	(18)	—	—	—
Shares repurchased	(338)	(2)	(2,185)	—	—	(2,187)
Exercise of stock options, net	45	—	70	—	—	70
Stock-based compensation	—	—	8,581	—	—	8,581
Other comprehensive loss	—	—	—	(432)	—	(432)
Dividends	—	—	—	—	(15,286)	(15,286)
Net income	—	—	—	—	15,455	15,455
Balance—September 30, 2019	<u>154,819</u>	<u>\$ 1,548</u>	<u>\$ 370,103</u>	<u>\$ 35</u>	<u>\$ (7,150)</u>	<u>\$ 364,536</u>

	For the Nine Months Ended September 30, 2018					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings/ (Accumulated Deficit)	Total
	Shares Issued	Par Value				
Balance—January 1, 2018	136,996	\$ 1,370	\$ 216,006	\$ 291	\$ (24,716)	\$ 192,951
Common stock issued (Note 3)	15,250	153	137,097	—	—	137,250
Restricted stock issued and vesting of restricted stock units, net	789	7	(7)	—	—	—
Shares repurchased	(135)	(1)	(1,429)	—	—	(1,430)
Exercise of stock options, net	183	2	155	—	—	157
Stock-based compensation	—	—	10,078	—	—	10,078
Other comprehensive income	—	—	—	82	—	82
Dividends	—	—	—	—	(14,202)	(14,202)
Net income	—	—	—	—	48,197	48,197
Balance—September 30, 2018	<u>153,083</u>	<u>\$ 1,531</u>	<u>\$ 361,900</u>	<u>\$ 373</u>	<u>\$ 9,279</u>	<u>\$ 373,083</u>

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

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**WisdomTree Investments, Inc. and Subsidiaries**  
Consolidated Statements of Cash Flows  
(In Thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income	\$ 15,455	\$ 48,197
Adjustments to reconcile net income to net cash provided by operating activities:		
Advisory fees received in gold and other precious metals	(36,306)	(21,998)
Contractual gold payments (Note 11)	9,710	5,595
Stock-based compensation	8,581	10,078
Loss/(gain) on revaluation of deferred consideration – gold payments (Note 11)	5,939	(17,630)
Amortization of right of use asset	2,379	—
Amortization of credit facility issuance costs	2,159	1,360
Paid-in-kind interest income (Note 8)	(1,856)	(1,373)
Deferred income taxes	1,383	(1,251)

Depreciation and amortization	792	998
Impairment (Note 14)	572	—
Other	(330)	810
<b>Changes in operating assets and liabilities:</b>		
Securities owned, at fair value	5,497	(2,735)
Accounts receivable	2,358	3,771
Income taxes receivable/payable	4,350	7,654
Prepaid expenses	(888)	(621)
Gold and other precious metals	25,751	18,472
Other assets	(571)	954
Fund management and administration payable	(366)	1,998
Compensation and benefits payable	1,476	(21,025)
Securities sold, but not yet purchased, at fair value	(1,130)	1,068
Operating lease liabilities	(2,662)	—
Accounts payable and other liabilities	788	(4,122)
<b>Net cash provided by operating activities</b>	<b>43,081</b>	<b>30,200</b>
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(25)	(45)
Funding of notes receivable (Note 8)	(1,790)	(8,000)
Proceeds from held-to-maturity securities maturing or called prior to maturity	2,313	1,096
Proceeds from sales and maturities of debt securities available-for-sale	—	64,498
Cash paid for acquisition, net of cash acquired (Note 3)	—	(239,313)
<b>Net cash provided by/(used in) investing activities</b>	<b>498</b>	<b>(181,764)</b>
<b>Cash flows from financing activities:</b>		
Dividends paid	(15,286)	(14,202)
Repayment of long-term debt	(15,000)	—
Shares repurchased	(2,187)	(1,430)
Credit facility issuance costs	—	(8,690)
Preferred stock issuance costs	—	(181)
Proceeds from the issuance of long-term debt (Note 12)	—	200,000
Proceeds from exercise of stock options	70	157
<b>Net cash (used in)/provided by financing activities</b>	<b>(32,403)</b>	<b>175,654</b>
Decrease in cash flow due to changes in foreign exchange rate	(385)	(1,158)
<b>Net increase in cash and cash equivalents</b>	<b>10,791</b>	<b>22,932</b>
Cash and cash equivalents—beginning of period	77,784	54,193
<b>Cash and cash equivalents—end of period</b>	<b>\$ 88,575</b>	<b>\$ 77,125</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for taxes	\$ 5,439	\$ 8,759
Cash paid for interest	\$ 6,997	\$ 3,351

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### NON-CASH ACTIVITIES

On January 1, 2019, the Company recognized a right-of-use asset and lease liability of \$19,827 and \$24,817, respectively, upon the implementation of Accounting Standards Update 2016-02, *Leases*. See Note 14 for additional information.

In April 2018, the Company issued 14,750 shares of preferred stock and 15,250,000 shares of common stock to ETFs Capital in connection with the ETFs Acquisition which were collectively valued at \$270,000 (Note 3). In addition, a wholly-owned subsidiary of the Company assumed a deferred consideration obligation which was valued at \$172,746 on the acquisition date (Note 11).

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

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### 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”), formerly ETFs Management Company (Jersey) Limited, is a Jersey based management company providing management services to seven issuers (the “ManJer Issuers”) in respect of the ETPs issued and listed by the ManJer Issuers covering commodity, currency and leveraged-and-inverse strategies.
- *WisdomTree Multi Asset Management Limited* (“WTMAML”), formerly Boost Management Limited, is a Jersey based management company providing management services to WisdomTree Multi Asset Issuer PLC (“WMAI”) in respect of 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 plc (“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 Asset Management Canada, Inc.* (“WTAMC”) is a Canada based investment fund manager registered with the Ontario Securities Commission providing fund management services to locally-listed WisdomTree Canadian ETFs.
- *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.

#### *Acquisition of ETFS*

On April 11, 2018, the Company acquired the European exchange-traded commodity, currency and leveraged-and-inverse business (“ETFS”) of ETFS Capital Limited (“ETFS Capital”, formerly known as ETF Securities Limited). This acquisition is referred to throughout the consolidated financial statements as the ETFS Acquisition. See Note 3 for additional information.

#### *Restructuring of Distribution Strategy in Japan*

In July 2018, the Company determined to restructure its distribution strategy in Japan and has expanded its existing relationship with Premia Partners Company Limited to manage distribution of the Company’s ETFs in Japan. As a result, WisdomTree Japan Inc. (“WTJ”) has ceased operations. During the three months ended September 30, 2019, WTJ was liquidated and the foreign currency translation adjustment of \$397 previously recorded in accumulated other comprehensive income was recognized in other gains and losses, net in the Consolidated Statements of Operations.

WTJ reported operating losses during the three months ended September 30, 2019 and 2018 of \$5 and \$1,342, respectively, and during the nine months ended September 30, 2019 and 2018 of \$550 and \$3,698, respectively. WTJ also recognized an impairment expense of \$72 in connection with the termination of its office lease during the nine months ended September 30, 2019.

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### **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.

The financial results of ETFS are included in the Company’s consolidated financial statements since the acquisition date, April 11, 2018 (Note 3).

#### ***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.

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

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

The Company operates as an ETP sponsor and asset manager providing investment advisory services globally. These activities are reported in the Company’s U.S. Business and International Business reportable segments. The International Business reportable segment includes the results of the Company’s European operations and Canadian operations.

The financial results of ETFS are included in the International Business reportable segment as of the acquisition date.

#### ***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 Income as a component of other comprehensive (loss)/income.

#### ***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. ETP 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.

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### ***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 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.

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

Accounts receivable are customer and other obligations due under normal trade terms. An allowance for doubtful accounts is not provided since, in the opinion of management, all accounts receivable recorded are deemed current and collectible.

### ***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, net of original issue discount. Interest income is accrued over the term of the notes using the effective interest method. The Company performs a review for the impairment of the notes receivable on a quarterly basis and provides for an allowance for credit losses if all or a portion of the notes are determined to be uncollectible.

### ***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. 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 securities classified as trading are reported in other income in the period the change occurs. Unrealized gains and losses of securities classified as available-for-sale are included in other comprehensive income. Once sold, amounts reclassified out of accumulated other comprehensive income and into earnings are determined using the specific identification method. Available-for-sale securities are assessed for impairment on a quarterly basis.

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

The Company accounts for certain of its investments as held-to-maturity on a trade date basis, which are recorded at amortized cost. For held-to-maturity investments, the Company has the intent and ability to hold investments to maturity and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity. On a quarterly basis, the Company reviews its portfolio of investments for impairment. If a decline in fair value is deemed to be other-than-temporary, the security is written down to its fair value through earnings.



### ***Investments, Carried at Cost***

The Company accounts for equity investments that do not have a readily determinable fair value as cost method investments 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 fair value of the purchase price over the fair values of the identifiable net assets at the acquisition date. The Company tests its goodwill for impairment at least annually and at the time of a triggering event requiring re-evaluation, if one were to occur, in accordance with ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The Company early adopted the revised guidance for the impairment tests performed after January 1, 2017. Under the revised guidance, 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.

For impairment testing purposes, goodwill has been allocated to the Company’s U.S. Business reporting unit which is assessed annually for impairment on April 30<sup>th</sup>. In addition, goodwill arising from the ETFs Acquisition (Note 3) has been allocated to the European Business reporting unit, included within the International Business reportable segment and is assessed annually for impairment 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 its reporting units.

### ***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 (Note 14). 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.

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### ***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.

### ***Long-Term Debt***

Long-term debt is carried at amortized cost, net of debt issuance costs. Interest expense is recognized using the effective interest method and includes amortization of 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 preferred stock issued in connection with the ETFs Acquisition (Note 13) 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) under the treasury stock method.

Diluted EPS is calculated under the treasury stock and if-converted 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.

### 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.

### Recently Issued Accounting Pronouncements

In June 2016, the FASB issued 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 today’s guidance delays recognition of credit losses. The standard will replace today’s “incurred loss” approach with an “expected loss” model. The new model, referred to as the current expected credit loss (“CECL”) model, will apply 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 will measure credit losses in a manner similar to what they do today, except that the credit losses will be recognized as allowances rather than reductions in the amortized cost of the securities. Accordingly, the new methodology will be utilized when assessing the Company’s financial instruments for impairment. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the allowance for loan and lease losses. ASU 2016-13 is effective for years beginning after December 15, 2019, including interim periods within those fiscal years under a modified retrospective approach. Early adoption is permitted for the periods beginning after December 15, 2018. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and plans to adopt this standard on January 1, 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which modifies 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

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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. ASU 2018-13 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2019 and early adoption is permitted. This standard will only impact the disclosures pertaining to fair value measurements. The Company plans to adopt this standard on January 1, 2020.

### 3. Business Combination

#### Summary

On April 11, 2018, the Company acquired from ETFS Capital its European exchange-traded commodity, currency and leveraged-and-inverse business for a purchase price consisting of \$253,000 in cash and a fixed number of shares of the Company’s capital stock, consisting of (i) 15,250,000 shares of common stock (the “Common Shares”) and (ii) 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. ETFS Capital is subject to a standstill restriction and has registration rights with respect to the Common Shares and shares issuable upon conversion of the Preferred Shares.

Also on April 11, 2018 and in connection with the acquisition, the Company entered into a credit agreement, pursuant to which the lenders extended a \$200,000 term loan (the “Term Loan”) and made available a \$50,000 revolving credit facility (the “Revolver” and, together with the Term Loan, the “Credit Facility”) (Note 12).

#### Purchase Price Allocation

The ETFS Acquisition has been accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*, which requires an allocation of the consideration paid by the Company to the identifiable assets and liabilities of ETFS based on the estimated fair values as of the closing date of the acquisition. An allocation of the consideration transferred is presented below and includes the Company’s valuation of the fair value of tangible and intangible assets acquired and liabilities assumed.

The following table summarizes the allocation of the purchase price as of the acquisition date:

<b>Purchase price</b>	
Preferred Shares issued	14,750
Conversion ratio	1,000
Common stock equivalents	14,750,000
Common Shares issued	15,250,000
Total shares issued	30,000,000
WisdomTree stock price <sup>(1)</sup>	9.00
	\$
Equity portion of purchase price	\$ 270,000

Cash portion of purchase price	
Term Loan (Note 12)	200,000
Cash on hand	53,000
<b>Purchase price</b>	<b>523,000</b>
Deferred consideration (Note 11)	172,746
<b>Total</b>	<b>\$ 695,746</b>
<b>Allocation of consideration</b>	
Cash and cash equivalents	13,687
Receivables and other current assets	14,069
Intangible assets <sup>(2)</sup>	601,247
Other current liabilities	(17,314)
Fair value of net assets acquired	611,689
<b>Goodwill resulting from the ETFS Acquisition<sup>(3)</sup></b>	<b>\$ 84,057</b>

- (1) The closing price of the Company's common stock on April 10, 2018, the trading day prior to the closing date of the acquisition.

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- (2) Represents purchase price allocated to customary advisory agreements. The fair value of the intangible assets was determined using an income approach (discounted cash flow analysis) which relied upon significant unobservable inputs including a revenue growth multiple of 3% to 4% and a weighted average cost of capital of 11.6%. These intangible assets were determined to have an indefinite useful life and are not deductible for tax purposes. A deferred tax liability associated with these intangible assets was not recognized as the intangibles arose in Jersey, a jurisdiction where the Company is subject to a zero percent tax rate.
- (3) Goodwill arising from the ETFS Acquisition represents the value of synergies created from combining the operations of ETFS and the Company. The goodwill is not deductible for tax purposes as the transaction was structured as a stock acquisition occurring in the United Kingdom.

#### Acquisition-Related Costs

During the three and nine months ended September 30, 2019, the Company incurred acquisition-related costs of \$90 and \$536, respectively, which were predominantly associated with the integration of ETFS and costs incurred in connection with the rationalization of the Company's product offering in Europe following the ETFS Acquisition.

During the three and nine months ended September 30, 2018, the Company incurred acquisition-related costs of \$56 and \$10,446, respectively, which included professional advisor fees, severance and other compensation costs, a write-off of the Company's office lease and other integration costs.

#### Operating Results of ETFS

The Company's Consolidated Statements of Operations include the following operating results of ETFS since the acquisition date of April 11, 2018 through September 30, 2018:

Revenues:	\$37,137
Income before income taxes:	\$33,496 (including a gain on revaluation of deferred consideration of \$17,630)

#### Supplemental Unaudited Pro Forma Financial Information

The following table presents unaudited pro forma financial information of the Company as if the ETFS Acquisition had been consummated on January 1, 2018. The information was derived from the historical financial results of the Company and ETFS for all periods presented and was adjusted to give effect to pro forma events that are directly attributable to the acquisition, factually supportable and expected to have a continuing impact on the combined results following the acquisition.

	Nine Months Ended September 30, 2018
Revenues:	\$ 229,674
Net income:	\$ 48,088

Included within the proforma financial information above is a gain on revaluation of deferred consideration \$,670 during the nine months ended September 30, 2018. Significant adjustments to the unaudited pro forma financial information above include the recognition of interest expense associated with the Credit Facility for the periods presented, eliminating acquisition-related costs directly attributable to the acquisition and adjusting consolidated income tax expense based upon the Company's anticipated normalized consolidated effective tax rate.

The unaudited pro forma financial information above is not necessarily indicative of what the combined results of the Company would have been had the acquisition been completed as of January 1, 2018 and does not purport to project the future results of the combined company. In addition, the unaudited pro forma financial information does not reflect any future planned cost savings initiatives following the completion of the acquisition.

#### 4. Cash and Cash Equivalents

Of the total cash and cash equivalents of \$88,575 and \$77,784 at September 30, 2019 and December 31, 2018, respectively, \$72,967 and \$60,779 were held at two financial institutions. At September 30, 2019 and December 31, 2018, cash equivalents were approximately \$10,216 and \$24, respectively.

In addition, certain of the Company's subsidiaries of its International Business segment are required to maintain a minimum level of net liquid assets, which was \$12,106 and \$11,005 at September 30, 2019 and December 31, 2018, respectively. These requirements are generally satisfied by cash on hand.

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**5. 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.
- 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 nine months ended September 30, 2019 and 2018 there were no transfers between Levels 1, 2 and 3.

	September 30, 2019			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Recurring fair value measurements:				
Cash equivalents	\$ 10,216	\$ 10,216	\$ —	\$ —
Securities owned, at fair value	3,376	3,376	—	—
<b>Total</b>	<b>\$ 13,592</b>	<b>\$ 13,592</b>	<b>—</b>	<b>\$ —</b>
<b>Liabilities:</b>				
Recurring fair value measurements:				
Deferred consideration (Note 11)	\$ 167,640	\$ —	\$ —	\$ 167,640
Securities sold, but not yet purchased	568	568	—	—
<b>Total</b>	<b>\$ 168,208</b>	<b>\$ 568</b>	<b>\$ —</b>	<b>\$ 167,640</b>

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	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Recurring fair value measurements:				
Cash and cash equivalents	\$ 24	\$ 24	\$ —	\$ —
Securities owned, at fair value	8,873	8,873	—	—
<b>Total</b>	<b>\$ 8,897</b>	<b>\$ 8,897</b>	<b>\$ —</b>	<b>\$ —</b>
Non-recurring fair value measurements:				
Thesys Group, Inc. – Series Y preferred stock <sup>(1)</sup>	\$ 3,080	—	—	\$ 3,080
<b>Total</b>	<b>\$ 3,080</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,080</b>
<b>Liabilities:</b>				
Recurring fair value measurements:				
Deferred consideration (Note 11)	\$ 161,540	\$ —	\$ —	\$ 161,540
Securities sold, but not yet purchased	1,698	1,698	—	—
<b>Total</b>	<b>\$ 163,238</b>	<b>\$ 1,698</b>	<b>\$ —</b>	<b>\$ 161,540</b>

(1) Fair value determined on December 31, 2018 (Note 9)

**Recurring Fair Value Measurements—Methodology**

**Cash Equivalents (Note 4)** – 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 6)** – 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** – Deferred consideration represents the present value of an obligation to pay gold into perpetuity and was measured at September 30, 2019 using forward-looking gold prices ranging from \$1,467 per ounce to \$2,277 per ounce (\$1,294 per ounce to \$2,621 per ounce at December 31, 2018) which are extrapolated from the last observable price (beyond 2025), discounted at a rate of 10% and includes a perpetual growth rate of 1.5%. 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 would result in an increase in deferred consideration, whereas an increase in the discount rate would reduce the fair value. See Note 11 for additional information.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2019	2018	September 30, 2019	2018
<b>Deferred consideration (Note 11)</b>				
Beginning balance	\$ 161,273	\$ 162,848	\$ 161,540	\$ 172,746

Net realized losses <sup>(1)</sup>	3,502	2,880	9,710	5,595
Net unrealized losses/(gains) <sup>(2)</sup>	6,306	(7,732)	5,939	(17,630)
Settlements	(3,441)	(1,941)	(9,549)	(4,656)
Ending balance	<u>\$ 167,640</u>	<u>\$ 156,055</u>	<u>\$ 167,640</u>	<u>\$ 156,055</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.

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**6. Securities Owned/Sold, but Not Yet Purchased**

These securities consist of the following:

	September 30, 2019	December 31, 2018
<b>Securities Owned</b>		
Trading securities	\$ 3,376	\$ 8,873
<b>Securities Sold, but not yet Purchased</b>		
Trading securities	\$ 568	\$ 1,698

The Company had no available-for-sale debt securities at September 30, 2019 and December 31, 2018. During the three and nine months ended September 30, 2018, the Company received \$0 and \$64,498, respectively, of proceeds from the sale and maturity of available-for-sale securities and recognized gross realized losses of \$0 and \$739, respectively. Those losses were reclassified out of accumulated other comprehensive income and into the Consolidated Statements of Operations.

**7. Securities Held-to-Maturity**

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

	September 30, 2019	December 31, 2018
Federal agency debt instruments (amortized cost)	\$ 17,796	\$ 20,180

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

	September 30, 2019	December 31, 2018
Cost/amortized cost	\$ 17,796	\$ 20,180
Gross unrealized gains	74	5
Gross unrealized losses	(77)	(1,679)
Fair value	<u>\$ 17,793</u>	<u>\$ 18,506</u>

The Company assesses these securities for other-than-temporary impairment on a quarterly basis. No securities were determined to be other-than-temporarily impaired at September 30, 2019 or December 31, 2018. The Company does not intend to sell these securities and it is not more-likely-than-not that the Company will be required to sell the securities before recovery of their amortized cost bases, which may be maturity.

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

	September 30, 2019	December 31, 2018
Due within one year	\$ —	\$ —
Due one year through five years	2,000	—
Due five years through ten years	7,494	7,521
Due over ten years	8,302	12,659
Total	<u>\$ 17,796</u>	<u>\$ 20,180</u>

**8. Notes Receivable**

The following table sets forth the Company's notes receivable:

	September 30, 2019	December 31, 2018
AdvisorEngine Inc. – Unsecured non-convertible note	\$ 30,556	\$ 28,722
AdvisorEngine Inc. – Unsecured convertible note	1,812	—
Total	<u>\$ 32,368</u>	<u>\$ 28,722</u>

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During the three months ended September 30, 2019 and 2018, the Company recognized interest income of \$633 and \$533, respectively. During the nine months ended September 30, 2019 and 2018, the Company recognized interest income of \$1,856 and \$1,373, respectively. Interest income included original issue discount ("OID") amortization and accrued paid-in-kind ("PIK") interest. The Company determined that an allowance for credit loss was not necessary at September 30, 2019 and December 31, 2018 as there have been no adverse events or circumstances since the notes were issued which may indicate that their carrying amounts may not be recoverable.

The Company has an outstanding unsecured promissory note from AdvisorEngine Inc. (“AdvisorEngine”). All principal amounts under the note bear interest from the date such amounts are advanced until repaid at a rate of 5% per annum, provided that immediately upon the occurrence and during the continuance of an event of default (as defined), interest will be increased to 10% per annum. All accrued and unpaid interest is treated as PIK by capitalizing such amount and adding it to the principal amount of the original note. AdvisorEngine has the option to prepay the note, in whole or in part, at any time without premium or penalty. All borrowings under the promissory note mature on December 29, 2021.

The following is a summary of the outstanding unsecured non-convertible note receivable balance:

	September 30, 2019	December 31, 2018
Note receivable (face value)	\$ 30,000	\$ 30,000
Less: OID, unamortized	(1,956)	(2,582)
Plus: PIK interest	2,512	1,304
Total note receivable, net	<u>\$ 30,556</u>	<u>\$ 28,722</u>

The fair value of the note receivable (classified as Level 2 within the fair value hierarchy and determined using high yield credit spreads) was \$30,288 and \$27,618 at September 30, 2019 and December 31, 2018, respectively.

#### *Unsecured Convertible Note*

In April and September 2019, the Company participated in a private convertible note financing round of AdvisorEngine by advancing \$,790 in consideration for a convertible note, which was issued as part of a series of convertible notes pursuant to a Convertible Note Purchase Agreement entered into among AdvisorEngine, the Company and the other purchasers thereto. The convertible note bears interest at a rate of 3% per annum, with all or any unpaid portion being treated as PIK by capitalizing such amount and adding it to the principal amount outstanding, is unsecured, and matures on April 11, 2021. All principal (and, at the option of AdvisorEngine if not paid in cash, accrued interest) under the convertible note will automatically convert into a class or series of preferred stock substantially identical to that issued in a qualified financing (as defined), but at a price per share equal to 80% of the price per share sold in such transaction. In the event of a corporate transaction (as defined), the convertible note would be repaid in cash from the proceeds of such transaction in the amount of 1.5 times the outstanding principal amount, plus any accrued and unpaid interest. If neither a qualified financing nor a corporate transaction occurs prior to the maturity date, the convertible note is repaid at a rate of 1.25 times the outstanding principal amount, plus accrued and unpaid interest. The convertible note may not be prepaid by AdvisorEngine without the prior consent of the requisite holders (which includes the Company).

The following is a summary of the outstanding unsecured convertible note receivable balance:

	September 30, 2019
Note receivable (face value)	\$ 1,790
Plus: PIK interest	22
Total note receivable, net	<u>\$ 1,812</u>

The fair value of the note receivable approximates fair value at September 30, 2019 due to its short-term nature.

## 9. Investments, Carried at Cost

The following table sets forth the Company’s investments, carried at cost:

	September 30, 2019	December 31, 2018
AdvisorEngine – Preferred stock	\$ 25,000	\$ 25,000
Thesys Group, Inc. (“Thesys”)	3,080	3,080
Total	<u>\$ 28,080</u>	<u>\$ 28,080</u>

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### *AdvisorEngine*

#### *Preferred Stock*

The Company owns approximately 46% (or 41% on a fully-diluted basis) of AdvisorEngine, a digital wealth management platform, through strategic investments totaling \$25,000. In consideration of its investment, the Company received 11,811,856 shares and 2,646,062 shares of Series A and Series A-1 convertible preferred stock, respectively. The Series A and Series A-1 preferred shares have substantially the same terms, 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, and a liquidation preference that is senior to all other holders of capital stock of AdvisorEngine. The Company and AdvisorEngine also entered into an agreement whereby the Company’s asset allocation models are made available through AdvisorEngine’s open architecture platform and the Company actively introduces the platform to its distribution network.

The investment is accounted for under the cost method of accounting as it is not considered to be-in-substance common stock. The Company quantitatively assessed its investment for impairment at December 31, 2018. The table below presents the ranges and weighted averages of significant unobservable inputs used in this assessment:

	Range (Weighted Average)
<b>Market Approach</b>	
Revenue multiple	4.7x - 5.4x (5.0x)
<b>Income Approach</b>	
Weighted average cost of capital (“WACC”)	26.0%

An increase in the revenue multiple would result in a higher enterprise value, whereas an increase in the WACC would reduce fair value. The results of the quantitative assessment noted no impairment at December 31, 2018. In addition, no impairment existed at September 30, 2019 based upon a qualitative assessment. There were also no observable price changes during the applicable reporting periods.

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 (or new valuation if Thesys completes a qualified financing, as defined, within two years). 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 cost method of accounting as it is not considered to be substance common stock. The Company quantitatively assessed its investment for impairment at December 31, 2018. The table below presents the ranges and weighted averages of significant unobservable inputs used in this assessment:

Income Approach <sup>(1)</sup>	Range (Weighted Average)
WACC	3.8% - 15.5% (14.1%)

(1) The inputs selected varied, based upon the Thesys business line being valued. An increase in the WACC would result in a lower enterprise value.

The quantitative assessment performed resulted in the recognition of an impairment in the fourth quarter of 2018. No additional impairment was recognized at September 30, 2019 based upon a qualitative assessment. There were also no observable price changes during the applicable reporting periods.

The carrying value of the Series Y Preferred was \$3,080 at September 30, 2019 and December 31, 2018, respectively. 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:

	September 30, 2019	December 31, 2018
Equipment	\$ 2,224	\$ 2,244
Furniture and fixtures	2,218	2,218
Leasehold improvements	10,947	10,964
Less: accumulated depreciation and amortization	(7,035)	(6,304)
Total	<u>\$ 8,354</u>	<u>\$ 9,122</u>

### 11. Deferred Consideration

Deferred consideration represents an obligation the Company assumed in connection with the 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 \$167,640 and \$161,540 at September 30, 2019 and December 31, 2018, respectively, using forward-looking gold prices which were extrapolated from the last observable price (beyond 2025), discounted at a rate of 10.0% and a perpetual growth rate of 1.5%. Current amounts payable were \$13,403 and \$11,765 and long-term amounts payable were \$154,237 and \$149,775, respectively, at September 30, 2019 and December 31, 2018, respectively.

During the three and nine months ended September 30, 2019 and 2018, the Company recognized the following in respect of deferred consideration:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Contractual Gold Payments	\$ 3,502	\$ 2,880	\$ 9,710	\$ 5,595
Contractual Gold Payments – gold ounces paid	2,375	2,375	7,125	4,460 <sup>(1)</sup>
(Loss)/gain on revaluation of deferred consideration – gold payments <sup>(2)</sup>	\$ (6,306)	\$ 7,732	\$ (5,939)	\$ 17,630

- Represents payments during the period April 11, 2018 through September 30, 2018.
- 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. See Note 5 for a reconciliation of changes in the deferred consideration balances.

### 12. Long-Term Debt

On April 11, 2018 and in connection with the ETFS Acquisition, the Company entered into the Credit Facility pursuant to which the lenders extended a \$200,000 Term Loan and made available a \$50,000 Revolver. Interest on the Term Loan accrues at an annual rate equal to LIBOR, plus up to 2.00% (commencing at LIBOR, plus 1.75%), and interest on the Revolver accrues at an annual rate equal to LIBOR, plus up to 1.50% (commencing at LIBOR, plus 1.25%), in each case, with the exact interest rate margin determined based on the Total Leverage Ratio (as defined below). The Revolver is also subject to a facility fee equal to an annual rate of up to 0.50% of the actual daily amount of the aggregate commitments (whether used or unused) under the Revolver, with the exact facility fee rate determined based on the Total Leverage Ratio. The Credit Facility matures on April 11, 2021. The Term Loan does not amortize and the entire principal balance is due in a single payment on the maturity date.

In connection with the Company's capital management strategy, \$15,000 of available capital was used during the three months ended September 30, 2019 to begin to pay down the Company's long-term debt.

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The following table provides a summary of the Company's outstanding borrowings under the Credit Facility:

	September 30, 2019		December 31, 2018	
	Term Loan	Revolver <sup>(1)</sup>	Term Loan	Revolver <sup>(1)</sup>
Amount borrowed	\$ 200,000	\$ —	\$ 200,000	\$ —
Amount repaid	(15,000)	—	—	—
Unamortized issuance costs	(3,641)	803	(5,408)	1,195
Carrying amount	\$ 181,359	\$ 803	\$ 194,592	\$ 1,195
Effective interest rate <sup>(2)</sup>	5.24%	n/a	5.09%	n/a

(1) The available capacity under the Revolver is subject to compliance with the Total Leverage Ratio.

(2) Includes amortization of issuance costs.

Interest expense recognized on the Credit Facility during the three months ended September 30, 2019 and 2018 was \$2,832 and \$2,747, respectively, and during the nine months ended September 30, 2019 and 2018 was \$8,634 and \$5,103, respectively. Unamortized issuance costs related to the Revolver of \$803 and \$1,195 at September 30, 2019 and December 31, 2018, respectively, are included in other noncurrent assets on the Consolidated Balance Sheet. The fair value of the Company's long-term debt (classified as Level 2 within the fair value hierarchy) was \$182,919 and \$196,126 at September 30, 2019 and December 31, 2018, respectively.

The credit agreement includes a financial covenant that requires that the Company maintain a Total Leverage Ratio (as defined below), calculated as of the last day of each fiscal quarter, equal to or less than the ratio set forth opposite such fiscal quarter:

Fiscal Quarter Ending	Total Leverage Ratio
September 30, 2019	2.50:1.00
December 31, 2019	2.50:1.00
March 31, 2020	2.25:1.00
June 30, 2020	2.25:1.00
September 30, 2020 and each subsequent fiscal quarter ending on or before the maturity date	2.00:1.00

Total Leverage Ratio means, as of the last day of any fiscal quarter, the ratio of Consolidated Total Debt of the Company and its restricted subsidiaries (as defined in the credit agreement) as of such date to Consolidated EBITDA of the Company and its restricted subsidiaries (as defined in the credit agreement) for the four consecutive fiscal quarters ended on such date.

The Company's obligations under the Term Loan and Revolver are unconditionally guaranteed by the Company and certain of its subsidiaries and secured by substantially all of the present and future property and assets of the Company and such subsidiaries, in each case, subject to customary exceptions and exclusions.

The credit agreement contains customary affirmative covenants for transactions of this type and other affirmative covenants agreed to by the parties, including, among others, the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters. The credit agreement contains customary negative covenants, including among others, restrictions on the incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchasing equity interests of the Company, entering into affiliate transactions and asset sales. The credit agreement also provides for a number of customary events of default, including, among others, payment, bankruptcy, covenant, representation and warranty, change of control and judgment defaults.

The Company is in compliance with its covenants under the credit agreement.

**13. 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. 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.

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.

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In connection with the completion of the ETFS Acquisition, the Company issued 14,750 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:

	September 30, 2019	December 31, 2018
Issuance of Preferred Shares	\$ 132,750	\$ 132,750
Less: Issuance costs	(181)	(181)
Preferred Shares – carrying value	\$ 132,569	\$ 132,569



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

#### 14. 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.

Upon the adoption of ASC 842 on January 1, 2019, the Company recognized a right-of-use asset and lease liability of \$19,827 and \$24,817, respectively. The right-of-use asset was equal to the lease liability, less accrued lease payments and remaining unamortized lease incentives.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Lease cost:</b>				
Operating lease cost	\$ 789	\$ 874	\$ 2,379	\$ 2,474
Short-term lease cost	322	561	1,094	1,277
Total lease cost	<u>\$ 1,111</u>	<u>\$ 1,435</u>	<u>\$ 3,473</u>	<u>\$ 3,751</u>
<b>Other information:</b>				
Cash paid for amounts included in the measurement of operating liabilities (operating leases)	\$ 902	n/a	\$ 2,662	n/a
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	9.6	n/a	9.6	n/a
Weighted-average discount rate – operating leases	6.3%	n/a	6.3%	n/a

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.

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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 September 30, 2019 with respect to the Company's operating lease liabilities:

Remainder of 2019	\$ 918
2020	3,653
2021	2,958
2022	2,958
2023	2,958
2024 and thereafter	17,641
Total future minimum lease payments (undiscounted)	<u>\$31,086</u>

The following table reconciles the future minimum lease payments (disclosed above) at September 30, 2019 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	\$ 3,671
Lease liability – long term	19,581
Subtotal	23,252
Difference between undiscounted and discounted cash flows	7,834
Total future minimum lease payments (undiscounted)	<u>\$31,086</u>

The following table discloses the future minimum lease payments at September 30, 2018 (prior period), which is required as the Company elected to apply the new lease requirements at the effective date, rather than the beginning of the earliest comparative period presented:

Remainder of 2018	\$ 921
2019	3,764

2020	3,516
2021	3,146
2022	2,958
2023 and thereafter	20,599
Total future minimum lease payments (undiscounted)	<u>\$34,904</u>

#### Lease Termination – Japan Office

During the nine months ended September 30, 2019, the Company recognized an impairment expense of \$72 in connection with the termination of its Japan office lease.

#### Letter of Credit

The Company collateralized its U.S. office lease through a standby letter of credit totaling \$1,384. The collateral is included in cash and cash equivalents on the Company's Consolidated Balance Sheets.

#### 15. 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.

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#### 16. Variable Interest Entity

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. The Company determined that AdvisorEngine has the characteristics of a VIE.

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 AdvisorEngine as it does not have the power to direct the activities that most significantly impact AdvisorEngine's economic performance. Such power is conveyed through AdvisorEngine's board of directors and the Company does not have control over the board.

The following table presents information about the Company's variable interests in AdvisorEngine (anon-consolidated VIE):

	September 30, 2019	December 31, 2018
<b>Carrying Amount—Assets</b>		
Preferred stock	\$ 25,000	\$ 25,000
Unsecured non-convertible note receivable	30,556	28,722
Unsecured convertible note receivable	1,812	—
Total carrying amount—Assets	<u>\$ 57,368</u>	<u>\$ 53,722</u>
Maximum exposure to loss	<u>\$ 57,368</u>	<u>\$ 53,722</u>

#### 17. Revenues from Contracts with Customers

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues from contracts with customers:				
Advisory fees	\$ 67,006	\$ 71,679	\$ 197,473	\$ 203,913
Other	712	891	2,023	2,336
Total operating revenues	<u>\$ 67,718</u>	<u>\$ 72,570</u>	<u>\$ 199,496</u>	<u>\$ 206,249</u>

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 18). 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.

See Note 18 for further information including disaggregation of advisory fee revenue and amounts due from customers, all of which are derived from related parties. Advisory fee revenues are also reported by segment as disclosed in Note 24.

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## 18. 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 Canadian WisdomTree ETFs 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:

	September 30, 2019	December 31, 2018
Receivable from WTT	\$ 13,514	\$ 14,678
Receivable from ManJer Issuers	8,308	8,779
Receivable from WMAI and WTI	1,340	951
Receivable from WTAMC	201	167
Receivable from WTCS	71	95
Total	<u>\$ 23,434</u>	<u>\$ 24,670</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Advisory services provided to WTT	\$41,721	\$ 49,900	\$126,761	\$157,693
Advisory services provided to ManJer Issuers	21,758	18,442	60,398	36,161
Advisory services provided to WMAI and WTI	2,670	2,532	7,757	7,883
Advisory services provided to WTAMC	628	489	1,781	1,204
Advisory services provided to WTCS	229	316	776	972
Total	<u>\$67,006</u>	<u>\$ 71,679</u>	<u>\$197,473</u>	<u>\$203,913</u>

The Company also has investments in certain WisdomTree ETFs of approximately \$2,927 and \$7,117 at September 30, 2019 and December 31, 2018, respectively. Gains related to these ETFs during the three months ended September 30, 2019 and 2018 were \$64 and \$76, respectively, and during the nine months ended September 30, 2019 and 2018 were \$212 and \$17, respectively.

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### 19. 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 also has issued from time to time stock-based awards outside a plan.

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 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: <ul style="list-style-type: none"> <li>• If the relative TSR is below the 25<sup>th</sup> percentile, then 0% of the target number of PRSUs granted will vest;</li> <li>• If the relative TSR is at the 25<sup>th</sup> percentile, then 50% of the target number of PRSUs granted will vest; and</li> <li>• 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.</li> </ul>

Stock-based compensation during the three months ended September 30, 2019 and 2018 was \$2,374 and \$3,240, respectively, and during the nine months ended September 30, 2019 and 2018 was \$8,581 and \$10,078, respectively.

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

	September 30, 2019	
	Unrecognized Stock- Based Compensation	Average Remaining Vesting Period (Years)
Employees and directors	\$ 16,134	1.89

A summary of stock-based compensation award activity during the three months ended September 30, 2019 is as follows:

	Stock Options	RSAs	RSUs	PRSUs
Balance at July 1, 2019	550,537	3,231,253	40,436	270,872 <sup>(1)</sup>
Granted	—	—	—	—
Exercised/vested	(25,000)	(37,607)	(1,158)	—
Forfeitures	(1)	(301,826)	—	(38,262)
Balance at September 30, 2019	525,536	2,891,820	39,278	232,610 <sup>(1)</sup>

- (1) Represents the target number of PRSUs granted and outstanding. The number of PRSUs that ultimately vest ranges from 0% to 200% of this amount. A Monte Carlo simulation was used to value these awards using the following assumptions for the Company and the peer group: (i) beginning 90-day average stock prices; (ii) valuation date stock prices; (iii) historical stock price volatilities ranging from 22% to 42% (average 28%); (iv) correlation coefficients based upon the price data used to calculate the historical volatilities; (v) a risk free interest rate of 2.56%; and (vi) an expected dividend yield of 0%.

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### 20. 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Basic Earnings per Share</b>				
Net income	\$ 4,152	\$ 22,049	\$ 15,455	\$ 48,197
Less: Income distributed to participating securities	(539)	(507)	(1,622)	(1,091)
Less: Undistributed income allocable to participating securities	—	(1,719)	(18)	(2,518)
Net income available to common stockholders	\$ 3,613	\$ 19,823	\$ 13,815	\$ 44,588
Weighted average common shares (in thousands)	151,897	150,892	151,782	145,149
Basic earnings per share	\$ 0.02	\$ 0.13	\$ 0.09	\$ 0.31
<b>Diluted Earnings per Share</b>				
Net income	\$ 4,152	\$ 22,049	\$ 15,455	\$ 48,197
<b>Weighted Average Diluted Shares (in thousands):</b>				
Weighted average common shares	151,897	150,892	151,782	145,149
Dilutive effect of common stock equivalents	15,266	15,730	15,162	10,435
Weighted average diluted shares (in thousands)	167,163	166,622	166,944	155,584
Diluted earnings per share	\$ 0.02	\$ 0.13	\$ 0.09	\$ 0.31

Diluted earnings per share presented above is calculated using the treasury stock and if-converted method and results in the same dilutive earnings per share amount for common stock when calculated under the two-class method. The Company excluded 857,836 and 1,243,549 common stock equivalents from its computation of diluted earnings per share for the three months ended September 30, 2019 and 2018, respectively, and 1,417,375 and 1,406,844 common stock equivalents from its computation of diluted earnings per share for the nine months ended September 30, 2019 and 2018, respectively, as they were determined to be anti-dilutive.

### 21. Income Taxes

#### Effective Income Tax Rate – Three and Nine Months Ended September 30, 2019

The Company's effective income tax rate during the three months ended September 30, 2019 of 51.9% resulted in income tax expense of \$4,483. The Company's effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, a non-deductible loss on revaluation of deferred consideration, non-deductible executive compensation 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 nine months ended September 30, 2019 of 31.2% resulted in income tax expense of \$7,021. The Company's effective income tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, a non-deductible loss on revaluation of deferred consideration, state and local income taxes and tax shortfalls associated with the vesting and exercise of stock-based compensation awards, partly offset by a \$4,309 reduction in unrecognized tax benefits and a lower tax rate on foreign earnings.

#### Effective Income Tax Rate – Three and Nine Months Ended September 30, 2018

The Company's effective income tax rate for the three months ended September 30, 2018 of 19.9% resulted in income tax expense of \$5,481. The Company's tax rate differs from the federal statutory tax rate of 21% primarily due to the non-taxable gain on revaluation of deferred consideration and a lower tax rate on foreign earnings, partly offset by a valuation allowance on foreign net operating losses and state and local income taxes.

The Company's effective income tax rate for the nine months ended September 30, 2018 of 24.3% resulted in income tax expense of \$15,439. The Company's tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, state and local income taxes and non-deductible acquisition-related costs, partly offset by the gain on revaluation of deferred consideration and a lower tax rate on foreign earnings.

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### Deferred Tax Assets

A summary of the components of the Company's deferred tax assets at September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
<b>Deferred tax assets:</b>		
NOLs – International	\$ 8,776	\$ 6,605
Accrued expenses	2,729	2,699
Goodwill and intangible assets	1,718	1,841
Stock-based compensation	1,399	2,673
Net lease liability	1,153	1,184
Capital losses	803	794
NOLs – U.S.	642	762
Other	242	40
Deferred tax assets	<u>17,462</u>	<u>16,598</u>
<b>Deferred tax liabilities:</b>		
Fixed assets and prepaid assets	1,451	1,433
Unrealized gains	777	724
Deferred tax liabilities	<u>2,228</u>	<u>2,157</u>
Total deferred tax assets less deferred tax liabilities	15,234	14,441
Less: valuation allowance	(9,579)	(7,399)
Deferred tax assets, net	<u>\$ 5,655</u>	<u>\$ 7,042</u>

#### **Net Operating Losses – U.S.**

The Company's tax effected federal net operating losses ("NOLs") at September 30, 2019 were \$642, 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 September 30, 2019 were \$803. A full valuation allowance was established as it is more-likely-than-not that the deferred tax assets will not be realized.

#### **Net Operating Losses – International**

Certain of the Company's European subsidiaries and its Canadian subsidiary generated NOLs outside the U.S. These tax effected NOLs were \$8,776 and \$6,605 at September 30, 2019 and December 31, 2018, respectively. The Company established a full valuation allowance related to these NOLs as it is more-likely-than-not that the deferred tax assets will not be realized. Approximately \$4,575 of these NOLs at September 30, 2019 expire between 2036 and 2039. The remainder is carried forward indefinitely.

#### **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.

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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 nine months ended September 30, 2019:

	Total	Unrecognized Tax Benefits	Interest and Penalties
Balance on January 1, 2019	\$ 34,876	\$ 28,101	\$ 6,775
Decrease—Lapse of statute of limitations	(4,309)	(2,999)	(1,310)
Increases	101	—	101
Foreign currency translation <sup>(1)</sup>	925	745	180
Balance at March 31, 2019	<u>\$ 31,593</u>	<u>\$ 25,847</u>	<u>\$ 5,746</u>
Increases	101	—	101
Foreign currency translation <sup>(1)</sup>	(817)	(668)	(149)
Balance at June 30, 2019	<u>\$ 30,877</u>	<u>\$ 25,179</u>	<u>\$ 5,698</u>
Increases	102	—	102
Foreign currency translation <sup>(1)</sup>	(994)	(810)	(184)
Balance at September 30, 2019	<u>\$ 29,985</u>	<u>\$ 24,369</u>	<u>\$ 5,616</u>

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

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 decrease resulting from the lapsing of the statute of limitations of \$4,309, was recorded as an income tax benefit and an equal and offsetting amount to reduce the indemnification asset was recorded in other gains and losses, net, during the nine months ended September 30, 2019.

The gross unrecognized tax benefits and interest and penalties totaling \$29,985 and \$34,876 at September 30, 2019 and December 31, 2018, respectively, are included in other non-current liabilities on the Consolidated Balance Sheet. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, the Company does not expect the change to have a material impact on its consolidated financial statements.

At September 30, 2019, there were \$24,369 of unrecognized tax benefits 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 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 September 30, 2019, 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**

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 September 30, 2019, the Company considers all undistributed foreign earnings and profits to be permanent in duration.

## **22. 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.

As more fully disclosed in Note 3, the Company completed the ETFS Acquisition on April 11, 2018. To partially finance the acquisition, the Company entered into a credit agreement which contains customary negative covenants, including, among others, a covenant which may restrict the Company's ability to repurchase equity interests. Share repurchases only are permitted to the extent the Total Leverage Ratio (as defined in the credit agreement) does not exceed 1.75 to 1.00 and no event of default (as defined in the credit agreement) has occurred and is continuing at the time the share repurchase is made. However, the Company's ability to purchase shares of its common stock withheld pursuant to the terms of equity awards granted to employees to satisfy tax withholding obligations is not restricted.

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During the three and nine months ended September 30, 2019, the Company repurchased 13,300 shares and 338,578 shares of its common stock, respectively, under this program for an aggregate cost of \$80 and \$2,187, respectively.

During the three and nine months ended September 30, 2018, the Company repurchased 47,816 shares and 135,041 shares of its common stock, respectively, under this program for an aggregate cost of \$424 and \$1,430, respectively.

As of September 30, 2019, \$83,542 remained under this program for future purchases.

## **23. Goodwill and Intangible Assets**

### **Goodwill**

The table below sets forth goodwill by reporting unit. Goodwill allocated to the U.S. Business reporting unit is tested annually for impairment on April 30<sup>th</sup>. Goodwill allocated to the European Business reporting unit is tested annually for impairment on November 30<sup>th</sup>.

	Reporting Unit		
	European Business <sup>(1)</sup>	U.S. Business	Total
Balance at January 1, 2019	\$ 84,057	\$ 1,799	\$85,856
Changes	—	—	—
Balance at September 30, 2019	\$ 84,057	\$ 1,799	\$85,856

(1) The European Business is included in the Company's International Business reportable segment.

The goodwill allocated to the European Business reporting unit is not deductible for tax purposes as the ETFS Acquisition was structured as a stock acquisition occurring in the United Kingdom. The goodwill allocated to the U.S. Business reporting unit is deductible for tax purposes.

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

	Advisory Agreements (ETFS)	Advisory Agreements (Questrade AUM)	Total
	Balance at January 1, 2019	\$ 601,247	\$ 1,962
Foreign currency translation	—	59	59
Balance at September 30, 2019	\$ 601,247	\$ 2,021	\$603,268

### **ETFS**

In connection with the ETFS Acquisition which was completed on April 11, 2018 (Note 3), the Company identified intangible assets valued at \$601,247 related to the right to manage AUM through customary advisory agreements. The fair value of the intangible assets was determined using an income approach (discounted cash flow analysis) which relied upon significant unobservable inputs including a revenue growth multiple of 3% to 4% and a weighted average cost of capital of 11.6%. 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.

### **Questrade ETFs**

During the fourth quarter of 2017, the Company acquired eight Canadian-listed ETFs from Questrade, Inc. (the "Questrade ETFs"). The entire purchase price was allocated to the Company's right to manage AUM in the form of advisory contracts. These intangible assets are translated based on the end of period exchange rates from local currency to U.S. dollars.

Most of the Questrade ETFs were merged into the Company's existing Canadian-listed ETFs. The intangible assets (which are deductible for tax purposes) were determined to have an indefinite useful life. The Company has designated November 30<sup>th</sup> as its annual impairment testing date for these intangible assets.

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**24. Segment Reporting**

The Company operates as an ETP sponsor and asset manager providing investment advisory services globally. These activities are reported in the Company's U.S. Business and International Business reportable segments. The U.S. Business segment includes the results of the Company's U.S. operations and wind down costs associated with the Japan sales office. The results of the Company's European and Canadian operations are reported as the International Business segment.

Information concerning these reportable segments are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
<b><u>U.S. Business Segment</u></b>				
<b>Operating revenues</b>				
Advisory fees	\$ 41,950	\$ 50,216	\$ 127,537	\$ 158,665
Other income	81	173	263	482
Total operating revenues	\$ 42,031	\$ 50,389	\$ 127,800	\$ 159,147
Total operating expenses	\$ (33,477)	\$ (33,774)	\$ (107,060)	\$ (115,442)
<b>Other income/(expenses)</b>				
Interest expense	\$ (197)	\$ (196)	\$ (583)	\$ (369)
Interest income	793	719	2,390	2,293
Impairment	—	—	(572)	—
Other gains, net	235	318	326	26
Total other income/(expenses)	\$ 831	\$ 841	\$ 1,561	\$ 1,950
<b>Total income before taxes (U.S. Business Segment)</b>	<b>\$ 9,385</b>	<b>\$ 17,456</b>	<b>\$ 22,301</b>	<b>\$ 45,655</b>
<b><u>International Business Segment (1)</u></b>				
<b>Operating revenues</b>				
Advisory fees	\$ 25,056	\$ 21,463	\$ 69,936	\$ 45,248
Other income	631	718	1,760	1,854
Total operating revenues	\$ 25,687	\$ 22,181	\$ 71,696	\$ 47,102
Total operating expenses	\$ (18,110)	\$ (17,088)	\$ (53,711)	\$ (41,347)
<b>Other income/(expenses)</b>				
Interest expense	\$ (2,635)	\$ (2,551)	\$ (8,051)	\$ (4,734)
(Loss)/gain on revaluation of deferred consideration – gold payments	(6,306)	7,732	(5,939)	17,630
Interest income	6	—	6	—
Other gains/(losses), net	608	(200)	(3,826)	(670)
Total other income/(expenses)	\$ (8,327)	\$ 4,981	\$ (17,810)	\$ 12,226
<b>Total (loss)/income before taxes (International Business Segment)</b>	<b>\$ (750)</b>	<b>\$ 10,074</b>	<b>\$ 175</b>	<b>\$ 17,981</b>
<b>Income/(loss) before income taxes</b>				
U.S. Business segment	\$ 9,385	\$ 17,456	\$ 22,301	\$ 45,655
International Business segment	(750)	10,074	175	17,981
<b>Total income before income taxes</b>	<b>\$ 8,635</b>	<b>\$ 27,530</b>	<b>\$ 22,476</b>	<b>\$ 63,636</b>

Assets are not reported by segment as such information is not utilized by the chief operating decision maker.

- (1) The financial results of ETFs are included in the International Business reportable segment as of April 11, 2018.

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**25. Subsequent Events**

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

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**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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. 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 one of the leading ETP sponsors in the world based on assets under management, or AUM, with AUM of \$60.0 billion globally as of September 30, 2019. 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.

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

Through our operating subsidiaries, we provide investment advisory and other management services to our ETPs collectively offering ETPs covering equity, commodity, fixed income, leveraged-and-inverse, currency and alternative strategies. In exchange for providing these services, we receive advisory fee revenues based on a percentage of the ETPs’ average daily AUM. Our expenses are predominantly related to selling, operating and marketing our ETPs. We have contracted with third parties to provide certain operational services for the ETPs. We distribute our ETPs 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 strive to deliver a better investing experience through innovative solutions. Continued investments in technology-enabled services and the launch of our Advisor Solutions program in October 2017, which includes portfolio construction, asset allocation, practice management services and wealth management technology, have been made 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.

## **Acquisition of ETFS**

In April 2018, we acquired the European exchange-traded commodity, currency and leveraged-and-inverse business of ETFS Capital Limited, or ETFS Capital. Throughout this Report, we refer to the acquired business as ETFS and the acquisition as the ETFS Acquisition. Following the ETFS Acquisition we became the largest global independent ETP provider based on AUM, with significant scale and presence in the U.S. and Europe, the two largest ETP markets.

Our operating results for the prior periods reported in this Report are not directly comparable to the current periods as the ETFS Acquisition was completed on April 11, 2018.

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### **Industry Developments**

#### *Custodial Platforms*

Recently, several of the largest custodial platforms and online brokerage firms announced their decision to eliminate trading commissions for ETFs. Our arrangements with these platforms had offered us preferred or exclusive access for our products, enabling investors to purchase our ETFs without paying commissions. While exclusivity is no longer available, the elimination of commissions removes a component of trading costs previously affecting ETFs and is therefore a positive development for the ETF industry. ETF sponsors are also now better positioned to target access to all platforms, thereby creating additional opportunities. We expect cost savings going forward from the elimination of these arrangements.

#### *ETF Rule Approved*

On September 26, 2019, the SEC approved Rule 6c-11, commonly referred to as the “ETF Rule,” which is designed to simplify the rules governing ETFs. The ETF Rule includes several items that will level the playing field for ETF issuers, including removing the need to file for exemptive relief in order to issue ETFs, removing the regulatory distinction between actively managed and index-based ETFs (including removing specific requirements associated with self-indexed ETFs) and making custom baskets available to all issuers subject to policy and procedure requirements. The rule also requires issuers to disclose a number of items in a standardized format on daily basis, including portfolio holdings and median bid-ask spread over the prior 30-day period. The rule will go into effect in December 2019 and issuers have one year to implement all necessary changes.

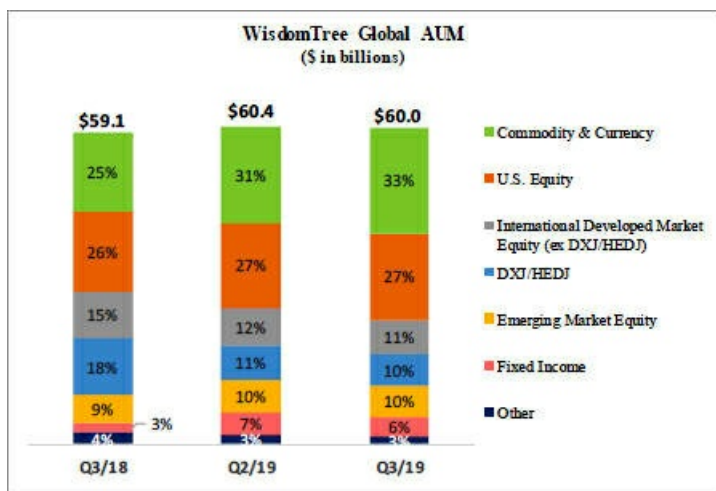
While the ETF Rule will further lower barriers to entry, we view the passage of the rule positively. The ETF Rule will allow for enhancements in indexes that we create and for broader product development opportunities associated with ETFs tracking such indexes. Wider use of custom baskets will promote efficiency in the creation and redemption process, which could lead to greater tax efficiency and liquidity and tighter bid-ask spreads. Enhanced and uniform data disclosures also will increase transparency and help investors understand the costs and benefits of investing in ETFs.

### **Assets Under Management**

#### *WisdomTree ETPs*

The chart below sets forth the asset mix of our ETPs at September 30, 2018, June 30, 2019 and September 30, 2019:





Over the last few years, concentrations in HEDJ, our European equity ETF which hedges exposure to the euro, and DXJ, our Japanese equity ETF which hedges exposure to the yen, have declined dramatically as negative investor sentiment toward these products has led to considerable net outflows. Recently, these outflows have largely been offset by strong inflows into our commodity, fixed income, U.S. equity and emerging markets products. During the nine months ended September 30, 2019 net inflows were \$0.2 billion, or \$2.7 billion excluding outflows from HEDJ and DXJ.

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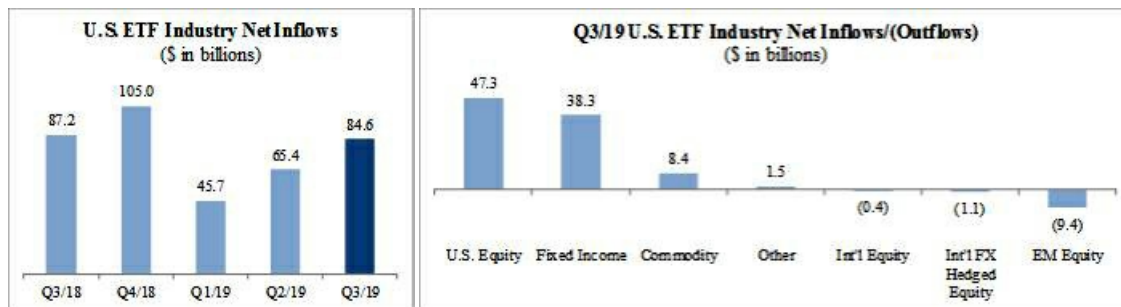
**Market Environment**

U.S., European and Japanese markets posted modest gains during the third quarter of 2019 as central banks continued providing accommodative monetary policies in the wake of global trade uncertainties and growth concerns. U.S. interest rates were reduced by 50 bps and Europe announced a new round of quantitative easing. Global growth concerns led investors to gravitate to safe investments, adversely impacting emerging markets and favorably impacting the price of gold.

During the third quarter of 2019, gold prices rose 5.4%, the S&P 500 rose 1.7% and the MSCI EAFE (local currency) rose 1.8%, while the MSCI Emerging Markets Index (U.S. dollar) declined 4.1%. In addition, the European and Japanese equities markets appreciated with the MSCI EMU Index and MSCI Japan Index rising 2.6% and 3.6%, respectively, both in local currency terms for the quarter. Also, the U.S. dollar strengthened 3.9% and 3.3% versus the euro and British pound, respectively, and was essentially unchanged versus the yen during the quarter.

*U.S. listed ETF Industry Flows*

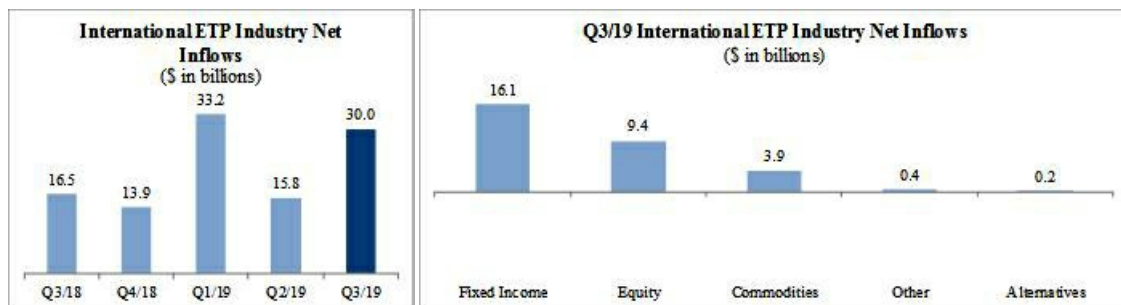
As the charts below reflect, U.S. listed ETF net flows for the three months ended September 30, 2019 were \$84.6 billion. U.S. equity, fixed income and commodities gathered the majority of those flows.



Source: Bloomberg, Investment Company Institute, WisdomTree

*International ETP Industry Flows*

As the charts below reflect, international ETP net flows were \$30.0 billion for the three months ended September 30, 2019. Fixed income and equities gathered the majority of those flows.



Source: Morningstar

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**Business Segments**

We operate as an ETP sponsor and asset manager providing investment advisory services globally. These activities are reported in our U.S. Business and International Business segments.

*U.S. Business Segment*

Our U.S. Business segment included our Japan sales office, WTJ, which engaged in selling our U.S. listed ETFs to Japanese institutions. In July 2018, we determined to restructure our distribution strategy in Japan and expanded our existing relationship with Premia Partners Company Limited to manage distribution of our ETFs in Japan. As a result, WTJ has ceased operations and was liquidated during the three months ended September 30, 2019.

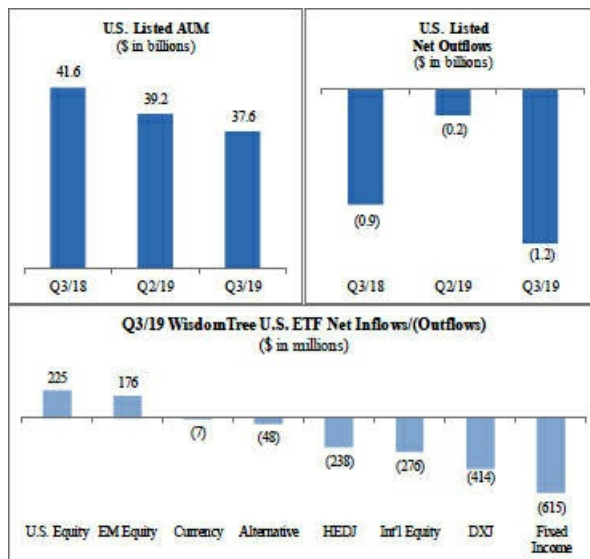
WTJ reported operating losses for the three months ended September 30, 2019 and 2018 of \$0.1 million and \$1.3 million, respectively, and for the nine months ended September 30, 2019 and 2018 of \$0.6 million and \$3.7 million, respectively. WTJ also recognized an impairment expense of \$0.6 million in connection with the termination of its office lease during the nine months ended September 30, 2019.

*International Business Segment*

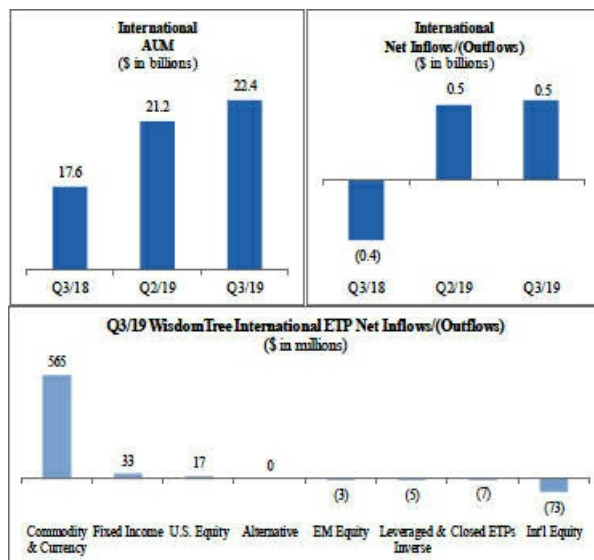
The International Business segment includes our European business and our Canadian business.

**Our Operating and Financial Results**
*U.S. Business Segment*

Our U.S. listed ETFs' AUM decreased from \$39.2 billion at June 30, 2019 to \$37.6 billion at September 30, 2019 primarily due to net outflows and market depreciation.

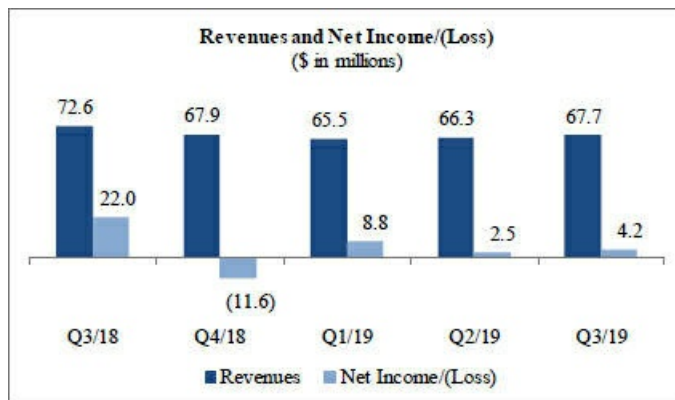

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**International Business Segment**

Our international ETPs' AUM increased from \$21.2 billion at June 30, 2019 to \$22.4 billion at September 30, 2019 due to market appreciation and net inflows.



### Consolidated Operating Results

The following table sets forth our revenues and net income for the most recent five quarters.



- **Revenues** – We recorded operating revenues of \$67.7 million during the three months ended September 30, 2019, down 6.7% from the three months ended September 30, 2018 primarily due to lower average AUM of our U.S. Business segment, partly offset by higher average AUM of our International Business segment.
- **Expenses** – Total operating expenses of \$51.6 million for the three months ended September 30, 2019 were essentially unchanged from the three months ended September 30, 2018.
- **Other Income/(Expenses)** – Other income/(expenses) includes interest income and interest expense, (losses)/gains on revaluation of deferred consideration – gold payments, impairment and other gains and losses. For the three months ended September 30, 2018 and September 30, 2019, the gains/(losses) on revaluation of deferred consideration – gold payments were \$7.7 million and (\$6.3) million, respectively.
- **Net income** – Net income decreased 81.2% from the three months ended September 30, 2018 to \$4.2 million, which was impacted by the change in revenues and expenses described above as well as a change in the (loss)/gain on revaluation of deferred consideration – gold payments of (\$14.0) million.

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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			Nine Months Ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>GLOBAL ETPs (in millions)</b>					
Beginning of period assets	\$ 60,389	\$59,111	\$ 59,970	\$ 54,094	\$ 48,936
Assets acquired	—	—	—	—	17,641
Inflows/(outflows)	(670)	337	(1,233)	227	(4,676)
Market appreciation/(depreciation)	474	941	403	5,959	(2,713)
Fund closures	(181)	—	—	(268)	(48)
End of period assets	\$ 60,012	\$60,389	\$ 59,140	\$ 60,012	\$ 59,140
Average assets during the period	\$ 60,314	\$58,569	\$ 59,460	\$ 58,856	\$ 56,162
Average ETF advisory fee during the period	0.44%	0.45%	0.48%	0.45%	0.49%
Number of ETFs – end of the period	366	536	535	366	535
<b>U.S. LISTED ETFs (in millions)</b>					
Beginning of period assets	\$ 39,220	\$39,366	\$ 41,340	\$ 35,486	\$ 46,827
Inflows/(outflows)	(1,197)	(166)	(878)	(1,217)	(4,276)

Market appreciation/(depreciation)	(431)	20	1,094	3,410	(947)
Fund closures	—	—	—	(87)	(48)
End of period assets	\$ 37,592	\$39,220	\$ 41,556	\$ 37,592	\$ 41,556
Average assets during the period	\$ 37,857	\$38,945	\$ 41,555	\$ 38,288	\$ 43,546
Average ETF advisory fee during the period	0.44%	0.44%	0.48%	0.45%	0.49%
Number of ETFs – end of the period	80	79	84	80	84
<b>INTERNATIONAL LISTED ETPs (in millions)</b>					
Beginning of period assets	\$ 21,169	\$19,745	\$ 18,630	\$ 18,608	\$ 2,109
Assets acquired	—	—	—	—	17,641
Inflows/(outflows)	527	503	(355)	1,444	(400)
Market appreciation/(depreciation)	905	921	(691)	2,549	(1,766)
Fund closures	(181)	—	—	(181)	—
End of period assets	\$ 22,420	\$21,169	\$ 17,584	\$ 22,420	\$ 17,584
Average assets during the period	\$ 22,457	\$19,624	\$ 17,905	\$ 20,568	\$ 12,616
Average ETP advisory fee during the period	0.44%	0.46%	0.48%	0.46%	0.48%
Number of ETPs—end of period	286	457	451	286	451
<b>PRODUCT CATEGORIES (in millions)</b>					
<b>Commodity &amp; Currency</b>					
Beginning of period assets	\$ 18,446	\$16,978	\$ 16,115	\$ 16,214	\$ 426
Assets acquired	—	—	—	—	16,778
Inflows/(outflows)	558	563	(418)	1,347	(510)
Market appreciation/(depreciation)	973	905	(699)	2,416	(1,696)
End of period assets	\$ 19,977	\$18,446	\$ 14,998	\$ 19,977	\$ 14,998
Average assets during the period	\$ 19,804	\$16,906	\$ 15,330	\$ 17,902	\$ 10,334
<b>U.S. Equity</b>					
Beginning of period assets	\$ 16,021	\$15,880	\$ 14,301	\$ 13,334	\$ 14,234
Inflows/(outflows)	242	103	347	977	507
Market appreciation/(depreciation)	153	38	538	2,105	445
End of period assets	\$ 16,416	\$16,021	\$ 15,186	\$ 16,416	\$ 15,186
Average assets during the period	\$ 16,004	\$15,808	\$ 14,950	\$ 15,586	\$ 14,364
<b>International Developed Market Equity</b>					
Beginning of period assets	\$ 13,690	\$14,416	\$ 20,218	\$ 14,532	\$ 25,836
Inflows/(outflows)	(1,001)	(729)	(1,277)	(3,283)	(5,492)
Market appreciation/(depreciation)	(145)	3	647	1,295	(756)
End of period assets	\$ 12,544	\$13,690	\$ 19,588	\$ 12,544	\$ 19,588
Average assets during the period	\$ 12,750	\$13,960	\$ 19,796	\$ 13,744	\$ 22,137

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	Three Months Ended			Nine Months Ended	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
<b>Emerging Market Equity</b>					
Beginning of period assets	\$ 6,090	\$ 5,730	\$ 5,643	\$ 5,278	\$ 5,887
Inflows/(outflows)	173	367	(216)	456	88
Market appreciation/(depreciation)	(449)	(7)	(81)	80	(629)
End of period assets	\$ 5,814	\$ 6,090	\$ 5,346	\$ 5,814	\$ 5,346
Average assets during the period	\$ 5,851	\$ 5,785	\$ 5,548	\$ 5,712	\$ 5,974
<b>Fixed Income</b>					
Beginning of period assets	\$ 4,258	\$ 4,023	\$ 1,400	\$ 2,570	\$ 844
Inflows/(outflows)	(582)	208	329	1,044	930
Market appreciation/(depreciation)	(21)	27	(9)	41	(54)
End of period assets	\$ 3,655	\$ 4,258	\$ 1,720	\$ 3,655	\$ 1,720
Average assets during the period	\$ 4,050	\$ 4,119	\$ 1,536	\$ 3,893	\$ 1,249
<b>Leveraged &amp; Inverse</b>					
Beginning of period assets	\$ 1,149	\$ 1,226	\$ 1,340	\$ 1,083	\$ 930
Assets acquired	—	—	—	—	863
Inflows/(outflows)	(5)	(63)	(70)	14	(245)
Market appreciation/(depreciation)	(6)	(14)	(20)	41	(298)
End of period assets	\$ 1,138	\$ 1,149	\$ 1,250	\$ 1,138	\$ 1,250
Average assets during the period	\$ 1,170	\$ 1,199	\$ 1,294	\$ 1,194	\$ 1,193
<b>Alternatives</b>					
Beginning of period assets	\$ 514	\$ 628	\$ 578	\$ 755	\$ 582
Inflows/(outflows)	(48)	(108)	72	(296)	68
Market appreciation/(depreciation)	2	(6)	24	9	24
End of period assets	\$ 468	\$ 514	\$ 674	\$ 468	\$ 674
Average assets during the period	\$ 490	\$ 574	\$ 628	\$ 577	\$ 579
<b>Closed ETPs</b>					
Beginning of period assets	\$ 221	\$ 230	\$ 375	\$ 328	\$ 197
Inflows/(outflows)	(7)	(4)	—	(32)	(22)
Market appreciation/(depreciation)	(33)	(5)	3	(28)	251
Fund closures	(181)	—	—	(268)	(48)
End of period assets	\$ —	\$ 221	\$ 378	\$ —	\$ 378
Average assets during the period	\$ 195	\$ 218	\$ 378	\$ 247	\$ 332
<b>Headcount: U.S. Business Segment</b>	142	143	151	142	151
<b>Headcount: International Business Segment</b>	70	71	76	70	76

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

[Table of Contents](#)**Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018****Selected Operating and Financial Information**

	Three Months Ended September 30,		Change	Percent Change
	2019	2018		
<b>Global AUM (in millions)</b>				
Average global AUM	\$60,314	\$59,460	\$ 854	1.4%
<b>Operating Revenues (in thousands)</b>				
Advisory fees	\$67,006	\$71,679	\$(4,673)	(6.5%)
Other income	712	891	(179)	(20.1%)
Total revenues	<u>\$67,718</u>	<u>\$72,570</u>	<u>\$(4,852)</u>	<u>(6.7%)</u>

**Average Global AUM**

Our average global AUM increased 1.4% from \$59.5 billion at September 30, 2018 to \$60.3 billion at September 30, 2019 due to market appreciation and net inflows. Over the trailing twelve months net inflows were \$0.5 million, primarily due to inflows into our commodity, fixed income, U.S. equity and emerging market ETPs, largely offset by \$4.3 billion of outflows from HEDJ and DXJ.

**Operating Revenues***Advisory fees*

Advisory fee revenues decreased 6.5% from \$71.7 million during the three months ended September 30, 2018 to \$67.0 million in the comparable period in 2019 due to lower average AUM of our U.S. Business segment, partly offset by higher average AUM of our International Business segment. Our average global ETP advisory fee declined 4 basis points, from 0.48% during the three months ended September 30, 2018 to 0.44% during the three months ended September 30, 2019 primarily due to a change in product mix in our U.S. Business segment.

*Other income*

Other income decreased 20.1% from \$0.9 million during the three months ended September 30, 2018 to \$0.7 million in the comparable period in 2019 primarily due to lower creation/redemption fees of our International Business segment.

**Operating Expenses**

<i>(in thousands)</i>	Three Months Ended September 30,		Change	Percent Change
	2019	2018		
Compensation and benefits	\$18,880	\$ 17,544	\$ 1,336	7.6%
Fund management and administration	15,110	15,292	(182)	(1.2%)
Marketing and advertising	3,022	3,239	(217)	(6.7%)
Sales and business development	4,354	3,801	553	14.5%
Contractual gold payments	3,502	2,880	622	21.6%
Professional and consulting fees	1,259	1,934	(675)	(34.9%)
Occupancy, communications and equipment	1,549	1,722	(173)	(10.0%)
Depreciation and amortization	259	306	(47)	(15.4%)
Third-party distribution fees	1,503	1,407	96	6.8%
Acquisition-related costs	190	456	(266)	(58.3%)
Other	1,959	2,281	(322)	(14.1%)
Total expenses	<u>\$51,587</u>	<u>\$ 50,862</u>	<u>\$ 725</u>	<u>1.4%</u>

<b>As a Percent of Revenues:</b>	Three Months Ended September 30,	
	2019	2018
Compensation and benefits	27.9%	24.2%
Fund management and administration	22.3%	21.1%
Marketing and advertising	4.5%	4.4%
Sales and business development	6.5%	5.2%

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<b>As a Percent of Revenues:</b>	Three Months Ended September 30,	
	2019	2018
Contractual gold payments	5.2%	4.0%
Professional and consulting fees	1.9%	2.7%
Occupancy, communications and equipment	2.2%	2.4%
Depreciation and amortization	0.4%	0.4%
Third-party distribution fees	2.2%	2.0%
Acquisition-related costs	0.2%	0.6%
Other	2.9%	3.1%
Total expenses	<u>76.2%</u>	<u>70.1%</u>

*Compensation and benefits*

Compensation and benefits expense increased 7.6% from \$17.5 million during the three months ended September 30, 2018 to \$18.9 million in the

comparable period in 2019 due to higher incentive compensation. Headcount of our U.S. Business segment was 151 and our International Business segment was 76 at September 30, 2018 compared to 142 and 70, respectively, at September 30, 2019.

#### *Fund management and administration*

Fund management and administration expense decreased 1.2% from \$15.3 million during the three months ended September 30, 2018 to \$15.1 million in the comparable period in 2019 primarily due to lower variable fees associated with lower average AUM of our U.S. Business segment, partly offset by higher average AUM of our International Business segment. We had 84 U.S. listed ETFs and 451 International listed ETPs at September 30, 2018 compared to 80 U.S. listed ETFs and 286 International listed ETPs at September 30, 2019.

#### *Marketing and advertising*

Marketing and advertising expense decreased 6.7% from \$3.2 million during the three months ended September 30, 2018 to \$3.0 million in the comparable period in 2019 due to lower spending in our International Business segment.

#### *Sales and business development*

Sales and business development expense increased 14.5% from \$3.8 million during the three months ended September 30, 2018 to \$4.4 million in the comparable period in 2019 primarily due to higher spending on sales related activities in our U.S. Business segment.

#### *Contractual gold payments*

Contractual gold payments expense increased 21.6% from \$2.9 million during the three months ended September 30, 2018 to \$3.5 million in the comparable period in 2019. This expense was associated with the payment of 2,375 ounces of gold and was calculated using the average daily spot price of \$1,213 and \$1,474 per ounce during the three months ended September 2018 and 2019, respectively.

#### *Professional and consulting fees*

Professional and consulting fees decreased 34.9% from \$1.9 million during the three months ended September 30, 2018 to \$1.3 million in the comparable period in 2019 due to lower spending on corporate consulting-related expenses.

#### *Occupancy, communications and equipment*

Occupancy, communications and equipment expense decreased 10.0% from \$1.7 million during the three months ended September 30, 2018 to \$1.5 million in the comparable period in 2019 due to the closure of our office in Japan.

#### *Depreciation and amortization*

Depreciation and amortization expense decreased 15.4% from the three months ended September 30, 2018 to \$0.3 million primarily due to the closure of our office in Japan.

#### *Third-party distribution fees*

Third-party distribution fees were essentially unchanged from the three months ended September 30, 2018.

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### *Acquisition-related costs*

Acquisition-related costs decreased 58.3% from \$0.5 million during the three months ended September 30, 2018 to \$0.2 million in the comparable period in 2019 as the integration of ETFS is essentially complete. Costs incurred during the current period were associated with the rationalization of our product offering in Europe following our acquisition of ETFS.

### *Other*

Other expenses decreased 14.1% from the three months ended September 30, 2018 to \$2.0 million primarily due to lower levels of administrative spending.

### ***Other Income/(Expenses)***

<i>(in thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Change</b>	<b>Percent Change</b>
	<b>2019</b>	<b>2018</b>		
Interest expense	\$ (2,832)	\$ (2,747)	\$ (85)	3.1%
(Loss)/gain on revaluation of deferred consideration	(6,306)	7,732	(14,038)	n/a
Interest income	799	719	80	11.1%
Other gains, net	843	118	725	614.4%
Total other income/(expenses)	<u>\$ (7,496)</u>	<u>\$ 5,822</u>	<u>\$(13,318)</u>	<u>n/a</u>

<b>As a Percent of Revenues:</b>	<b>Three Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Interest expense	(4.2%)	(3.8%)
(Loss)/gain on revaluation of deferred consideration	(9.3%)	10.7%
Interest income	1.1%	1.0%
Other gains, net	1.2%	0.1%
Total other income/(expenses)	<u>(11.2%)</u>	<u>8.0%</u>

### *Interest expense*

Interest expense increased 3.1% from \$2.7 million during the three months ended September 30, 2018 to \$2.8 million in the comparable period in

2019 due to higher interest rates. Our effective interest rate during the three months ended September 30, 2018 and September 30, 2019 was 5.1% and 5.2%, respectively, and includes our cost of borrowing and amortization of issuance costs.

*(Loss)/gain on revaluation of deferred consideration – gold payments*

We recognized a gain on revaluation of deferred consideration of \$7.7 million during the three months ended September 30, 2018 as compared to a loss of (\$6.3) million during the three months ended September 30, 2019. The loss in the current quarter was due to an increase in the price of gold and the steepening of the forward-looking gold curve when compared to the forward-looking gold curve on June 30, 2019, 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 increased 11.1% from \$0.7 million during the three months ended September 30, 2018 to \$0.8 million in the comparable period in 2019 primarily due to higher paid-in-kind interest, or PIK, on notes receivable from AdvisorEngine.

*Other gains, net*

Other gains, net were \$0.1 million and \$0.8 million during the three months ended September 30, 2018 and 2019, respectively. Included in the three months ended September 30, 2019 is a gain of \$0.4 million from the recognition of the foreign currency translation adjustment upon the liquidation of our Japan business. In addition, 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.

*Income taxes*

Our effective income tax rate for the three months ended September 30, 2019 of 51.9% resulted in income tax expense of \$4.5 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, a non-deductible loss on revaluation of deferred consideration, non-deductible executive compensation and state and local taxes, partly offset by a lower tax rate on foreign earnings.

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Our effective income tax rate for the three months ended September 30, 2018 of 19.9% resulted in income tax expense of \$5.5 million. Our tax rate differs from the federal statutory tax rate of 21% primarily due to the non-taxable gain on revaluation of deferred consideration and a lower tax rate on foreign earnings, partly offset by a valuation allowance on foreign net operating losses and state and local income taxes.

**Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018**

***Selected Operating and Financial Information***

	<b>Nine Months Ended September 30,</b>		<b>Change</b>	<b>Percent Change</b>
	<b>2019</b>	<b>2018</b>		
<b>Global AUM (in millions)</b>				
Average global AUM	\$ 58,856	\$ 56,162	\$ 2,694	4.8%
<b>Operating Revenues (in thousands)</b>				
Advisory fees	\$197,473	\$203,913	\$(6,440)	(3.2%)
Other income	2,023	2,336	(313)	(13.4%)
Total revenues	<u>\$199,496</u>	<u>\$206,249</u>	<u>\$(6,753)</u>	(3.3%)

***Average Global AUM***

Our average global AUM increased 4.8% from \$56.2 billion during the nine months ended September 30, 2018 to \$58.9 billion in the comparable period in 2019 primarily due to the inclusion of AUM from ETFs for the entire nine months of 2019, market appreciation and net inflows into our commodity, fixed income, U.S. equity and emerging market ETPs, largely offset by outflows from HEDJ and DXJ.

***Operating Revenues***

*Advisory fees*

Advisory fee revenues decreased 3.2% from \$203.9 million during the nine months ended September 30, 2018 to \$197.5 million in the comparable period in 2019 due to a 4 basis point decline in our average global ETP advisory fee and lower average AUM of our U.S. Business segment, partly offset by higher revenues earned from the ETFs acquired business, which were recognized for the entire nine months of 2019.

*Other income*

Other income decreased 13.4% from \$2.3 million during the nine months ended September 30, 2018 to \$2.0 million in the comparable period in 2019 primarily due lower licensing fee revenues of our U.S. Business segment.

***Operating Expenses***

<i>(in thousands)</i>	<b>Nine Months Ended September 30,</b>		<b>Change</b>	<b>Percent Change</b>
	<b>2019</b>	<b>2018</b>		
Compensation and benefits	\$ 61,481	\$ 55,677	\$ 5,804	10.4%
Fund management and administration	45,852	40,825	5,027	12.3%
Marketing and advertising	8,612	10,212	(1,600)	(15.7%)
Sales and business development	12,947	12,117	830	6.8%
Contractual gold payments	9,710	5,595	4,115	73.5%
Professional and consulting fees	4,037	5,130	(1,093)	(21.3%)

Occupancy, communications and equipment	4,715	4,659	56	1.2%
Depreciation and amortization	792	998	(206)	(20.6%)
Third-party distribution fees	5,822	4,798	1,024	21.3%
Acquisition-related costs	536	10,446	(9,910)	(94.9%)
Other	6,267	6,332	(65)	(1.0%)
Total expenses	<u>\$160,771</u>	<u>\$156,789</u>	<u>\$ 3,982</u>	<u>2.5%</u>

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As a Percent of Revenues:	Nine Months Ended September 30,	
	2019	2018
Compensation and benefits	30.8%	27.0%
Fund management and administration	23.0%	19.8%
Marketing and advertising	4.3%	5.0%
Sales and business development	6.5%	5.9%
Contractual gold payments	4.9%	2.7%
Professional and consulting fees	2.0%	2.4%
Occupancy, communications and equipment	2.4%	2.3%
Depreciation and amortization	0.4%	0.4%
Third-party distribution fees	2.9%	2.3%
Acquisition-related costs	0.3%	5.1%
Other	3.1%	3.1%
Total expenses	<u>80.6%</u>	<u>76.0%</u>

*Compensation and benefits*

Compensation and benefits expense increased 10.4% from \$55.7 million during the nine months ended September 30, 2018 to \$61.5 million in the comparable period in 2019 primarily due severance expense of \$3.5 million, the effect of the ETFs Acquisition for the entire nine months of 2019, and higher incentive compensation, partly offset by lower headcount related expenses.

*Fund management and administration*

Fund management and administration expense increased 12.3% from \$40.8 million during the nine months ended September 30, 2018 to \$45.9 million in the comparable period in 2019 primarily due to the effect of the ETFs Acquisition for the entire nine months of 2019, partly offset by lower average AUM of our U.S. Business segment.

*Marketing and advertising*

Marketing and advertising expense decreased 15.7% from \$10.2 million during the nine months ended September 30, 2018 to \$8.6 million in the comparable period in 2019 primarily due to lower spending in our U.S. Business segment.

*Sales and business development*

Sales and business development expense increased 6.8% from \$12.1 million during the nine months ended September 30, 2018 to \$12.9 million in the comparable period in 2019 primarily due to the effect of the ETFs Acquisition for the entire nine months of 2019.

*Contractual gold payments*

Contractual gold payments expense increased 73.5% from \$5.6 million during the period April 11, 2018 through September 30, 2018 to \$9.7 million during the nine months ended September 30, 2019. This expense was associated with the payment of 7,125 ounces of gold (4,460 ounces for the period April 11 through September 30, 2018) and was calculated using the average daily spot price of \$1,255 and \$1,363 per ounce during the year to date periods of 2018 and 2019, respectively.

*Professional and consulting fees*

Professional and consulting fees decreased 21.3% from \$5.1 million during the nine months ended September 30, 2018 to \$4.0 million in the comparable period in 2019 due to lower spending on corporate consulting-related expenses of our U.S. Business segment.

*Occupancy, communications and equipment*

Occupancy, communications and equipment expense was essentially unchanged from the nine months ended September 30, 2018.

*Depreciation and amortization*

Depreciation and amortization expense decreased 20.6% from \$1.0 million during the nine months ended September 30, 2018 to \$0.8 million in the comparable period in 2019 primarily due to the closure of our office in Japan.

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*Third-party distribution fees*

Third-party distribution fees increased 21.3% from \$4.8 million during the nine months ended September 30, 2018 to \$5.8 million in the comparable period in 2019 primarily due to higher fees paid for platform relationships partly offset by lower fees paid to our third-party marketing agent in Latin America.

*Acquisition-related costs*

Acquisition-related costs decreased 94.9% from \$10.4 million during the nine months ended September 30, 2018 to \$0.5 million in the comparable



period in 2019 as the integration of ETFS is essentially complete.

*Other*

Other expenses were essentially unchanged from the nine months ended September 30, 2018.

**Other Income/(Expenses)**

<i>(in thousands)</i>	Nine Months Ended September 30,		Change	Percent Change
	2019	2018		
Interest expense	\$ (8,634)	\$(5,103)	\$ (3,531)	69.2%
(Loss)/gain on revaluation of deferred consideration	(5,939)	17,630	(23,569)	n/a
Interest income	2,396	2,293	103	4.5%
Impairments	(572)	—	(572)	n/a
Other losses, net	(3,500)	(644)	(2,856)	443.5%
Total other income/(expenses)	<u>\$ (16,249)</u>	<u>\$ 14,176</u>	<u>\$ (30,425)</u>	<u>n/a</u>

<b>As a Percent of Revenues:</b>	Nine Months Ended September 30,	
	2019	2018
Interest expense	(4.3%)	(2.5%)
(Loss)/gain on revaluation of deferred consideration	(3.0%)	8.5%
Interest income	1.2%	1.1%
Impairment	(0.3%)	n/a
Other losses, net	(1.7%)	(0.3%)
Total other income/(expenses)	<u>(8.1%)</u>	<u>6.8%</u>

*Interest expense*

Interest expense increased 69.2% from \$5.1 million during the nine months ended September 30, 2018 to \$8.6 million in the comparable period in 2019 as borrowing under our term loan commenced on April 11, 2018. In addition, the increase was attributable to higher interest rates. Our effective interest rate during April 11, 2018 through September 30, 2018 and during the nine months ended September 30, 2019 was 5.0% and 5.2%, respectively, and includes our cost of borrowing and amortization of issuance costs.

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

We recognized a gain on revaluation of deferred consideration of \$17.6 million during the nine months ended September 30, 2018 as compared to a loss of (\$5.9) million during the nine months ended September 30, 2019. The loss in the current year was due to an increase in the price of gold, partly offset by the flattening of the forward-looking curve when compared to the forward-looking curve on December 31, 2018. 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 was essentially unchanged from the nine months ended September 30, 2018 as PIK interest received on notes receivable from AdvisorEngine was offset by the maturity of our short-term investment grade portfolio which occurred in the prior year.

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*Impairment*

We recognized a \$0.6 million impairment during the nine months ended September 30, 2019 in connection with the termination of our Japan office lease.

*Other losses, net*

Other losses, net were \$0.6 million and \$3.5 million during the nine months ended September 30, 2018 and 2019, respectively. Included in the loss recognized during the nine months ended September 30, 2019 is a charge of \$4.3 million arising from the release of a tax-related indemnification asset upon the expiration of the statute of limitations in connection with the ETFS Acquisition. An equal and offsetting benefit has been recognized in income tax expense. Also included in the nine months ended September 30, 2019 is a gain of \$0.4 million from the recognition of the foreign currency translation adjustment upon the liquidation of our Japan business. In addition, 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.

**Income taxes**

Our effective income tax rate during the nine months ended September 30, 2019 of 31.2% resulted in income tax expense of \$7.0 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, a non-deductible loss on revaluation of deferred consideration, state and local income taxes and tax shortfalls associated with the vesting and exercise of stock-based compensation awards, partly offset by a \$4.3 million reduction in unrecognized tax benefits and a lower tax rate on foreign earnings.

Our effective income tax rate for the nine months ended September 30, 2018 of 24.3% resulted in income tax expense of \$15.4 million. Our tax rate differs from the federal statutory tax rate of 21% primarily due to a valuation allowance on foreign net operating losses, state and local income taxes and non-deductible acquisition-related costs, partly offset by the non-taxable gain on revaluation of deferred consideration and a lower tax rate on foreign earnings.

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**Segment Results**

The table below presents the results of our U.S. Business and International Business reportable segments (in thousands, except for average assets during the period, which are in millions).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b><i>U.S. Business Segment</i></b>				
<b><i>Operating revenues</i></b>				
Advisory fees	\$ 41,950	\$ 50,216	\$ 127,537	\$ 158,665
Other income	81	173	263	482
Total operating revenues	\$ 42,031	\$ 50,389	\$ 127,800	\$ 159,147
Total operating expenses	\$ (33,477)	\$ (33,774)	\$ (107,060)	\$ (115,442)
<b><i>Other income/(expenses)</i></b>				
Interest expense	\$ (197)	\$ (196)	\$ (583)	\$ (369)
Interest income	793	719	2,390	2,293
Impairment	—	—	(572)	—
Other gains, net	235	318	326	26
Total other income	\$ 831	\$ 841	\$ 1,561	\$ 1,950
<b>Total income before income taxes (U.S. Business Segment)</b>	<b>\$ 9,385</b>	<b>\$ 17,456</b>	<b>\$ 22,301</b>	<b>\$ 45,655</b>
Average assets during the period (in millions)	\$ 37,857	\$ 41,555	\$ 38,288	\$ 43,546
Average ETF advisory fee during the period	0.44%	0.48%	0.45%	0.49%
<b><i>International Business Segment</i></b>				
<b><i>Operating revenues</i></b>				
Advisory fees	\$ 25,056	\$ 21,463	\$ 69,936	\$ 45,248
Other income	631	718	1,760	1,854
Total operating revenues	\$ 25,687	\$ 22,181	\$ 71,696	\$ 47,102
Total operating expenses	\$ (18,110)	\$ (17,088)	\$ (53,711)	\$ (41,347)
<b><i>Other income/(expenses)</i></b>				
Interest expense	\$ (2,635)	\$ (2,551)	\$ (8,051)	\$ (4,734)
(Loss)/gain on revaluation of deferred consideration – gold payments	(6,306)	7,732	(5,939)	17,630
Interest income	6	—	6	—
Other gains and losses, net	608	(200)	(3,826)	(670)
Total other income/(expenses)	\$ (8,327)	\$ 4,981	\$ (17,810)	\$ 12,226
<b>Total (loss)/income before income taxes (International Business Segment)</b>	<b>\$ (750)</b>	<b>\$ 10,074</b>	<b>\$ 175</b>	<b>\$ 17,981</b>
Average assets during the period (in millions)	\$ 22,457	\$ 17,905	\$ 20,568	\$ 12,616
Average ETP advisory fee during the period	0.44%	0.48%	0.46%	0.48%
<b>Income/(loss) before income taxes</b>				
U.S. Business segment	\$ 9,385	\$ 17,456	\$ 22,301	\$ 45,655
International Business segment	(750)	10,074	175	17,981
<b>Total income before income taxes</b>	<b>\$ 8,635</b>	<b>\$ 27,530</b>	<b>\$ 22,476</b>	<b>\$ 63,636</b>

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### Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

#### *U.S. Business segment*

Operating revenues decreased 16.6% from \$50.4 million during the three months ended September 30, 2018 to \$42.0 million in the comparable period in 2019. The decrease was attributable to lower average AUM due to net outflows from HEDJ and DXJ, market depreciation and lower average U.S. listed ETF advisory fees due to a change in product mix. These decreases were partly offset by net inflows into our fixed income, U.S. equity and emerging markets ETFs. Our average U.S. ETF advisory fee was 0.48% and 0.44% during the three months ended September 30, 2018 and 2019, respectively.

Operating expenses of \$33.5 million during the three months ended September 30, 2019 were essentially unchanged from the three months ended September 30, 2018 as lower fund management and administration expenses and professional fees were largely offset by higher incentive compensation and higher sales and business development expenses. Headcount of our U.S. Business segment was 151 and 142 at September 30, 2018 and 2019, respectively.

Other income/(expenses) were \$0.8 million during the three months ended September 30, 2019, which were comprised of interest income of \$0.8 million and other net gains of \$0.2 million which were partly offset by interest expense of (\$0.2) million. Other income/(expenses) for the three months ended September 30, 2018 were \$0.8 million, which were comprised of interest income of \$0.7 million and other net gains of \$0.3 million, partly offset by interest expense of (\$0.2) million.

#### *International Business segment*

Operating revenues increased 15.8% from \$22.2 million during the three months ended September 30, 2018 to \$25.7 million in the comparable period in 2019. The increase was attributable to higher average AUM due to net inflows into our commodity ETPs and market appreciation. These increases were partly offset by lower average International listed ETP advisory fees due to a change in product mix. Our average International listed ETP advisory fee was 0.48% and 0.44% during the three months ended September 30, 2018 and 2019, respectively.

Operating expenses increased 6.0% from \$17.1 million during the three months ended September 30, 2018 to \$18.1 million in the comparable period in 2019 primarily due to higher fund management and administration expenses and higher contractual gold payments. Headcount of our International Business segment was 76 and 70 at September 30, 2018 and 2019, respectively.

Other income/(expenses) were (\$8.3) million during the three months ended September 30, 2019, which were comprised of a loss on revaluation of deferred consideration of (\$6.3) million and interest expense of (\$2.6) million, partly offset by and other net gains of \$0.6 million. Other income/(expenses) for the three months ended September 30, 2018 were \$5.0 million and were comprised of a gain on revaluation of deferred consideration of \$7.7 million, partly offset by interest expense of (\$2.5) million and other net losses of (\$0.2) million.

### Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

#### *U.S. Business segment*

Operating revenues decreased 19.7% from \$159.1 million during the nine months ended September 30, 2018 to \$127.8 million in the comparable period in 2019. The decrease was attributable due to lower average AUM and a 4 basis point decrease in our average U.S. listed ETF advisory fees due to a change in product mix. See “Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018” above for additional information. Our average U.S. ETF advisory fee was 0.49% and 0.45% during the nine months ended September 30, 2018 and 2019, respectively.

Operating expenses decreased 7.3% from \$115.4 million during the nine months ended September 30, 2018 to \$107.1 million in the comparable period in 2019 primarily due to lower acquisition-related costs, lower fund management and administration expense, and lower marketing and advertising expense. These decreases were partly offset by severance expense of \$3.4 million, higher incentive compensation and higher third-party distribution fees.

Other income/(expenses) were \$1.6 million during the nine months ended September 30, 2019, which were comprised of interest income of \$2.4 million and other net gains of \$0.3 million, partly offset by an impairment of (\$0.6) million recognized in connection with the termination of our Japan office lease and interest expense of (\$0.6) million. Other income/(expenses) for the nine months ended September 30, 2018 were \$1.9 million and were comprised of interest income of \$2.3 million, partly offset by interest expense of (\$0.4) million.

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*International Business segment*

Operating revenues increased 52.2% from \$47.1 million during the nine months ended September 30, 2018 to \$71.7 million in the comparable period in 2019 primarily due higher revenues earned from ETFS, which were recognized for the entire nine months of 2019. This increase was partly offset by a 2 basis point decrease in our average International listed ETP advisory fee due to a change in product mix. Our average International listed ETP advisory fee was 0.48% and 0.46% during the nine months ended September 30, 2018 and 2019, respectively.

Operating expenses increased 29.9% from \$41.3 million during the nine months ended September 30, 2018 to \$53.7 million in the comparable period in 2019 primarily due to higher expenses from ETFS, which were recognized for the entire nine months of 2019. These increases were partly offset by lower acquisition-related costs.

Other income/(expenses) were (\$17.8) million during the nine months ended September 30, 2019, which were comprised of interest expense of (\$8.1) million, a loss on revaluation of deferred consideration of (\$5.9) million and other net losses of (\$3.8) million. Other net losses primarily arose from the reduction of a tax-related indemnification asset upon the expiration of the statute of limitations. Other income/(expenses) for the nine months ended September 30, 2018 were \$12.2 million and were comprised of a gain on revaluation of deferred consideration of \$17.6 million, partly offset by interest expense of (\$4.7) million and other net losses of (\$0.7) million.

**Liquidity and Capital Resources**

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

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Balance Sheet Data (in thousands):</b>		
Cash and cash equivalents	\$ 88,575	\$ 77,784
Accounts receivable	24,381	25,834
Securities held-to-maturity	17,796	20,180
Securities owned, at fair value	3,376	8,873
Total: Liquid assets	134,128	132,671
Less: Total current liabilities	(71,477)	(62,801)
Less: Net liquid asset requirement – certain subsidiaries (International Business segment)	(12,106)	(11,005)
Subtotal	50,545	58,865
Plus: Revolving credit facility – available capacity	15,810	50,000
Total: Available liquidity	<u>\$ 66,355</u>	<u>\$ 108,865</u>
<b>Cash Flow Data (in thousands):</b>		
Operating cash flows	\$ 43,081	\$ 30,200
Investing cash flows	498	(181,764)
Financing cash flows	(32,403)	175,654
Foreign exchange rate effect	(385)	(1,158)
Increase in cash and cash equivalents	<u>\$ 10,791</u>	<u>\$ 22,932</u>

**Liquidity**

We consider our available liquidity to be our liquid assets and available borrowings under our revolving credit facility, less our current liabilities and net liquid asset requirements of certain subsidiaries of our International Business segment. 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.

See the section below titled “Credit Facility” for a discussion of our revolving credit facility.

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Cash and cash equivalents increased \$10.8 million during the nine months ended September 30, 2019 due to net cash provided by operating activities of \$43.1 million and \$2.3 million from held-to-maturity securities called or maturing during the period. These increases were partly offset by \$15.3 million used to pay dividends on our common stock, \$15.0 million used to partially repay our long-term debt, \$2.2 million used to repurchase our common stock and \$1.8 million used to fund AdvisorEngine notes receivable and \$0.3 million used for other activities.

Cash and cash equivalents increased \$22.9 million in the nine months ended September 30, 2018 due to \$200.0 of million proceeds from the issuance of long-term debt, \$64.5 million from sales and maturities of debt securities available-for-sale, \$30.2 million of cash generated by our operating activities and \$1.1 million from held-to-maturity securities called or maturing during the period. These increases were partly offset by \$239.3 million of cash paid upon closing of the ETFS Acquisition, net of cash acquired, \$14.2 million used to pay dividends on our common stock, \$8.7 million used to pay credit facility issuance costs, \$8.0 million used to fund the AdvisorEngine unsecured non-convertible note receivable, \$1.4 million used to repurchase our common stock and \$1.3 million used for other activities.

### **Credit Facility**

On April 11, 2018 and in connection with the ETFS Acquisition, we entered into a credit agreement with Credit Suisse AG and certain other lenders. Under the credit agreement, the lenders extended us a \$200.0 million Term Loan, the net cash proceeds of which were used, together with other cash on hand, to complete the acquisition and pay certain related fees, costs and expenses, and made a \$50.0 million revolving credit facility, or the Revolver, available to us for revolving borrowings from time to time for working capital, capital expenditures and general corporate purposes. The Term Loan, together with the Revolver, are referred to in this Report as the Credit Facility. The available capacity under the Revolver is subject to compliance with the Total Leverage Ratio as further described below.

In connection with our capital management strategy, we used \$15.0 million of our available capital during the three months ended September 30, 2019 to begin to pay down our long-term debt.

Interest on the Term Loan accrues at an annual rate equal to LIBOR, plus up to 2.00% (commencing at LIBOR, plus 1.75%), and interest on the Revolver accrues at an annual rate equal to LIBOR, plus up to 1.50% (commencing at LIBOR, plus 1.25%), in each case, with the exact interest rate margin determined based on the Total Leverage Ratio (as defined below). The Revolver is also subject to a facility fee equal to an annual rate of up to 0.50% of the actual daily amount of the aggregate commitments (whether used or unused) under the Revolver, with the exact facility fee rate determined based on the Total Leverage Ratio. The Credit Facility matures on April 11, 2021. The Term Loan does not amortize and the entire principal balance is due in a single payment on the maturity date.

The credit agreement governing the terms of the Credit Facility includes a financial covenant that requires that we maintain a Total Leverage Ratio, calculated as of the last day of each fiscal quarter, equal to or less than the ratio set forth opposite such fiscal quarter:

<b>Fiscal Quarter Ending</b>	<b>Total Leverage Ratio</b>
September 30, 2019	2.50:1.00
December 31, 2019	2.50:1.00
March 31, 2020	2.25:1.00
June 30, 2020	2.25:1.00
September 30, 2020 and each subsequent fiscal quarter ending on or before the maturity date	2.00:1.00

Total Leverage Ratio means, as of the last day of any fiscal quarter, the ratio of Consolidated Total Debt of ours and our restricted subsidiaries (as defined in the credit agreement) as of such date to Consolidated EBITDA of ours and our restricted subsidiaries (as defined in the credit agreement) for the four consecutive fiscal quarters ended on such date.

The credit agreement contains customary affirmative covenants for transactions of this type and other affirmative covenants agreed to by the parties, including, among others, the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters. The credit agreement contains customary negative covenants, including among others, restrictions on the incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchasing equity interests of ours, entering into affiliate transactions and asset sales. The credit agreement also provides for a number of customary events of default, including, among others, payment, bankruptcy, covenant, representation and warranty, change of control and judgment defaults.

We are in compliance with our covenants under the credit agreement.

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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. In addition, we have access to the Revolver for working capital, capital expenditures and general corporate purposes. No amounts are currently outstanding under the Revolver.

### **Use of Capital**

Our business does not require us to maintain a significant cash position. However, certain of our subsidiaries of our International Business segment are required to maintain a minimum level of net liquid assets, which at September 30, 2019 was approximately \$12.1 million in the aggregate. Notwithstanding these net liquid asset requirements, we expect that our main uses of cash will be to fund the ongoing operations of our business. As part of our capital management, we use available capital to pay down our long-term debt. 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. As previously mentioned, under the terms of the credit agreement, we are subject to various covenants including compliance with the Total Leverage Ratio. A quarterly dividend payment in excess of \$0.03 per share and repurchases of our common stock (excluding purchases of our common stock withheld pursuant to the terms of equity awards granted to employees to satisfy tax withholding obligations) are permitted only to the extent the Total Leverage Ratio does not exceed 1.75 to 1.00 and no event of default (as defined in the credit agreement) has occurred and is continuing at the time the cash dividend payment or stock repurchase is made.

During the three months ended September 30, 2019, we repurchased 13,300 shares of our common stock under the repurchase program for an aggregate cost of \$0.1 million. At September 30, 2019, \$83.5 million remained under this program for future purchases.

### **Contractual Obligations**

The following table summarizes our future cash payments associated with contractual obligations as of September 30, 2019:

<b>Total</b>	<b>Payments Due by Period</b>			
	<b>(in thousands)</b>			
	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>

Term Loan	\$185,000	\$ —	\$ 185,000	\$ —	\$ —
Operating leases	31,086	3,671	6,076	5,948	15,391
Total	\$216,086	\$ 3,671	\$ 191,076	\$ 5,948	\$ 15,391

### 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 fair value of the purchase price over the fair values of the identifiable net assets at the acquisition date. We test our goodwill for impairment at least annually and at the time of a triggering event requiring re-evaluation, if one were to occur, in accordance with Accounting Standards Update, or ASU, 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. We early adopted the revised guidance for impairment tests performed after January 1, 2017. Under the revised guidance, 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.

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For impairment testing purposes, goodwill has been allocated to our U.S. Business reporting unit which is assessed annually for impairment on April 30<sup>th</sup>. In addition, goodwill arising from the ETFs Acquisition (Note 3 to our Consolidated Financial Statements) has been allocated to the European Business reporting unit included in the International Business reportable segment and assessed annually for impairment on November 30<sup>th</sup>. When performing our goodwill impairment test, we consider a qualitative assessment, when appropriate, and the market approach and our market capitalization when determining the fair value of our reporting units. Goodwill allocated to our U.S. Business reporting unit was assessed for impairment as of April 30, 2019. The results of this analysis indicated no impairment.

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 our intangible assets is November 30<sup>th</sup>.

#### Investments, Carried at Cost

We account for equity investments that do not have a readily determinable fair value as cost method investments 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. ETP 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 Accounting Pronouncements

In June 2016, the FASB issued 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 today's guidance delays recognition of credit losses. The standard will replace today's "incurred loss" approach with an "expected loss" model. The new model, referred to as the current expected credit loss, or CECL, model, will apply 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 will measure credit losses in a manner similar to what they do today, except that the credit losses will be recognized as allowances rather than reductions in the amortized cost of the securities. Accordingly, the new methodology will be utilized when assessing our financial instruments for impairment. As a result, entities will recognize improvements to estimated credit losses immediately in earnings rather than as interest income over time, as they do today. The ASU also simplifies the accounting model for purchased credit-impaired debt securities and loans. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. ASU 2016-13 is effective for years beginning after December 15, 2019, including interim periods within those fiscal years under a modified retrospective approach. Early adoption is permitted for the periods beginning after December 15, 2018. We are currently evaluating the impact that this standard will have on our consolidated financial statements and plan to adopt this standard on January 1, 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which modifies 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. ASU 2018-13 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2019 and early adoption is permitted. This standard will only impact the disclosures pertaining to fair value measurements. We plan to adopt this standard on January 1, 2020.

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**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 \$27.4 million and \$30.8 million as of December 31, 2018 and September 30, 2019, 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, in connection with the ETFS Acquisition, we obtained a \$250.0 million Credit Facility. Interest rate risk is not significant as borrowings under these facilities accrue interest at variable rates (Note 12 to our Consolidated Financial Statements).

***Exchange Rate Risk***

Over the last few years, we have expanded our business globally and are subject to currency translation exposure on the results of our U.S. operations, primarily in Europe and Canada. 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. Historically we generated the vast majority of our revenues and expenses in the U.S. dollar. However, upon completion of the ETFS Acquisition our exposure to exchange rate risk has increased. While the advisory fees earned by ETFS are predominantly in U.S. dollars (and also paid in gold ounces, as described below), 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 and Canadian dollar is not considered to be significant.

***Commodity Price Risk***

The completion of the ETFS Acquisition has provided us with an industry leading position in European-listed gold and commodity products. Fluctuations in the prices of commodities that are linked to certain of these ETPs could have a material adverse effect on ETFS's 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 that we assumed in connection with the ETFS Acquisition (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.

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**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of September 30, 2019, 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 September 30, 2019, 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 September 30, 2019, 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

You should carefully consider the information set forth in this Report, as well as the information in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

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

#### Recent sales of Unregistered Securities

None.

#### Use of Proceeds

Not applicable.

#### 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>
July 1, 2019 to July 31, 2019	9,789	\$ 6.31	9,789	
August 1, 2019 to August 31, 2019	—	\$ —	—	
September 1, 2019 to September 30, 2019	3,511	\$ 5.13	3,511	
Total	<u>13,300</u>	\$ 6.00	<u>13,300</u>	\$ 83,542

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- (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 September 30, 2019, we repurchased 13,300 shares of our common stock under this program for an aggregate cost of approximately \$0.1 million. As of September 30, 2019, \$83.5 million remained under this program for future purchases. Under the terms of the credit agreement, share repurchases are permitted only to the extent the Total Leverage Ratio does not exceed 1.75 to 1.00 and no event of default (as defined in the credit agreement) has occurred and is continuing at the time the stock repurchase is made. However, our ability to purchase shares of our common stock withheld pursuant to the terms of equity awards granted to employees to satisfy tax withholding obligations is not restricted.

### 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="#">Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form 10, filed with the SEC on March 31, 2011)</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 [Securities Purchase Agreement among the Registrant and certain investors dated December 21, 2006 \(incorporated by reference to Exhibit 4.3 of the Registrant’s Registration Statement on Form 10, filed with the SEC on March 31, 2011\)](#)
- 4.4 [Securities Purchase Agreement among the Registrant and certain investors dated October 15, 2009 \(incorporated by reference to Exhibit 4.4 of the Registrant’s Registration Statement on Form 10, filed with the SEC on March 31, 2011\)](#)
- 4.5 [Third Amended and Restated Registration Rights Agreement dated October 15, 2009 \(incorporated by reference to Exhibit 4.5 of the Registrant’s Registration Statement on Form 10, filed with the SEC on March 31, 2011\)](#)
- 4.6 [Investor Rights Agreement, dated April 11, 2018, between the Registrant and ETFs Capital \(incorporated by reference to Exhibit 4.1 of the Registrant’s Current Report on Form 8-K filed with the SEC on April 13, 2018\)](#)
- 31.1 (1) [Certification of Chief Executive Officer and Principal Executive Officer pursuant to Rule 13a-14 of the Exchange Act](#)
- 31.2 (1) [Certification of Chief Financial Officer and Principal Financial Officer pursuant to Rule 13a-14 of the Exchange Act](#)
- 31.3 (1) [Certification of Chief Accounting Officer and Principal Accounting Officer pursuant to Rule 13a-14 of the Exchange Act](#)
- 32 (1) [Section 1350 Certification](#)
- 101 (1) Financial Statements from the Quarterly Report on Form 10-Q of the Company for the three months ended September 30, 2019, formatted in XBRL: (i) Consolidated Balance Sheets at September 30, 2019 (Unaudited) and December 31, 2018; (ii) Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2019 and September 30, 2018 (Unaudited); (iii) Consolidated Statements of Changes in Stockholders’ Equity for the three and nine months ended September 30, 2019 and September 30, 2018 (Unaudited) (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2019 and September 30, 2018 (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.

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**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 1<sup>st</sup> day of November 2019.

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(c) 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: November 1, 2019

## 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(c) 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: November 1, 2019

## 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(c) 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: November 1, 2019

**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 Form10-Q for the period ended September 30, 2019 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: November 1, 2019