

WisdomTree Investments Inc (WETF)

Alert: Ending The Third Quarter On A Strong Note (W/E 9/28)

Company Update

- Ending the third quarter on a strong note** — WETF posted updated AUM/flow disclosure through 9/28 and we view the data favorable as: 1) flows accelerated to end the quarter on a strong note; 2) organic growth rate remains among best in-class among Traditionals; and 3) we see EPS leverage as AUM/flows are above our current 9/30 forecasts.
- Solid AUM/flow update for W/E 9/28** — WETF produced \$188M net inflows during the W/E 9/28, or a 58% annualized growth rate (Figure 1). In 3Q, WETF produced \$1.035B inflows (~\$250M above our 9/30 forecast), or a 28% annualized organic growth rate. We believe the 28% organic growth rate for 3Q continues to outpace peers, particularly in equities as WETF remains a share gainer, in our view. YTD WETF has produced net inflows of \$3.7B, or a 40% annualized growth rate, comparing favorably to the 2% annualized loss rate in equities for the US MF industry (\$70B in equities outflows). We continue to see WETF: 1) among the more robust flow stories among Traditionals relative to the uneven flow pictures for most of our coverage universe; and, 2) taking share in equities from active managers – particularly should the “risk-on” trade sustain.
- AUM up ~12% Q/Q while fee rate holds steady** — AUM of \$16.8B at 9/28 were up ~12% Q/Q while down 50 bps W/W. Additionally, AUM at 9/28 of \$16.8B are nearly \$900M (~5%) above our current 9/30 forecast of \$15.9B. The fee rate held steady at 54 bps for the seventh consecutive week, reinforcing favorable mix impacts, in our view.
- Maintain Buy; TPL! and Global Focus Five selections; and, \$8.50 12-month price target** — We see WETF as: a) the best play on the structural growth of ETFs among our global coverage – see our 9/20 report, [Global Diversified Financials Perspective Volume IV - Adding Yield And More Mega-Trend Exposure; Adding OZM.N And WETF.O To The Global Focus Five; Removing AMG.N](#); b) a share gainer, particularly among equities; c) offering solid leverage to building AUM; and, d) having a possible change of control premium associated with a potential strategic sale. We are encouraged by seemingly robust equities volumes against a paucity of inflows more generally, and see the solid equities flows as boding well should markets further appreciate.

Buy	1
Price (28 Sep 12)	US\$6.70
Target price	US\$8.50
Expected share price return	26.9%
Expected dividend yield	0.0%
Expected total return	26.9%
Market Cap	US\$835M

Price Performance (RIC: WETF.O, BB: WETF US)



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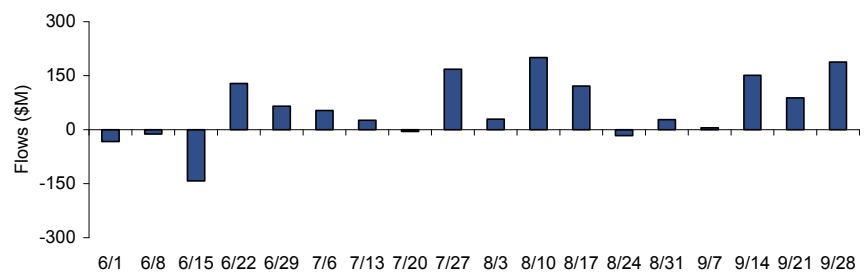
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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Figure 1. Ending The Third Quarter On A Strong Note (W/E 9/28)



Source: Company reports, Citi Research

WisdomTree Investments Inc

Valuation

We value WETF using the target P/E method. Our \$8.50 12-month target equates to a 6% market capitalization to AUM ratio, which is applied to our YE2013 estimate and discounted back six months at a 15% discount rate. While the 6% market capitalization/AUM target is well ahead of the 1-2% median for traditional asset managers, we believe a premium valuation is warranted in light of: a) superior organic growth prospects and faster than average AUM build; b) among best in class EPS growth potential; and, c) likely still depressed EPS given net income only inflected positively and the franchise offers high earnings leverage potential. Such growth across multiple metrics is well ahead of likely industry norms.

Risks

In addition to low liquidity, the central risks to our price target are: 1) scale; 2) organic growth; 3) and adverse market depreciation.

Additionally, if the impact from any of the following factors proves to be greater than we expect, the share price may have difficulty reaching our target price. If market condition improve faster than anticipated, the share price may outperform our target.

Financial market risk — Changes in markets have a direct impact on AUM and investment management fees.

Performance risk — An inability to meet relevant investment benchmarks could result in clients withdrawing assets and in prospective clients choosing to invest with competitors. This could potentially result in lower revenue.

Redemption risk — Investors can sell ETFs without notice. A significant increase in redemption rates could have a material adverse effect on revenues, financial condition, results of operations, and business prospects.

Och-Ziff Capital Management

(OZM.N; US\$9.76; 1)

Valuation

We value OZM at \$11.50 using a blended methodology based on: 1) 25% sum-of-the-parts approach that combines target P/FRE, book value, and NPV of performance fees; and, 75% distributable earnings discount model (DEDM). In turn, our SOTP factors: 1) target P/E multiple of 14x to our 2012 FRE estimate of \$0.45; 2) adding \$6 for our estimated probabilistic value to OZM's potential performance fee revenue stream; and, 3) subtracting net debt of ~\$0.50. Our base-case DEDM factors a 12% cost of capital; 80% payout ratio; and specific growth assumptions. Our 14x target P/E is in-line with industry peers.

Risks

The three central risks to our price target reflect deteriorating investment performance, slowing organic growth and major change in carried interest taxation.

Additionally, if the impact from any of the following factors proves to be greater than we expect, the stock price may have difficulty reaching our target price. If market conditions improve faster than anticipated, the stock price may outperform our target.

Financial market risk — Changes in markets could impact AUM and investment advisory fees.

Performance risk — An inability to meet relevant investment benchmarks could result in clients withdrawing assets and in prospective clients choosing to invest with competitors. This could also result in lower investment management fees, which could result in a decline in revenue.

Redemption risk — Investors can redeem their investments with notice. A significant increase in redemption rates could have a material adverse effect on revenues, financial condition, results of operations and business prospects.

Performance fees — The lack of positive investment performance in OZM's hedge funds would limit the company to generate performance fees (incentive carry) and grow DEPS.

Affiliated Managers Group

(AMG.N; US\$122.88; 1)

Valuation

We value the shares of AMG using the target P/E method. Our \$135 target reflects a 14.5x target P/E against our 2013 economic EPS estimate. The 14.5x target is in-line to AMG's median historical 14x-15x FTM P/E.

Risks

AMG's manager of managers model collars downside market and EPS risk reflecting revenue, income, and equity sharing arrangements across an increasingly global footprint. The two central risks to our price target reflect a delay in the closing of deals and sustained below trend capital markets which might reduce our EPS expectations and temper P/E multiple expansion.

If the impact from any of the following factors proves to be greater than we expect, the stock may have difficulty reaching our target price. If market conditions improve faster than anticipated, the stock may outperform our target.

Financial market risk — Changes in markets have a direct impact on AUM and investment advisory and services fees.

Performance risk — An inability to meet relevant investment benchmarks could result in clients withdrawing assets and in prospective clients choosing to invest with competitors. This could also result in lower investment management fees, including minimal or no performance-based fees, which could result in a decline in revenue.

Redemption risk — Investors can redeem their investments without notice. A significant increase in redemption rates could have a material adverse effect on revenues, financial condition, results of operations and business prospects.

Appendix A-1

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IMPORTANT DISCLOSURES

WisdomTree Investments Inc (WETF)

Ratings and Target Price History Fundamental Research

Analyst: William R Katz
Covered since July 18 2011



	Date	Rating	Target Price	Closing Price
1	18-Jul-11	*1H	*10.00	7.31
2	1-Sep-11	1H	*11.00	9.00
3	8-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
4	8-Oct-11	*1	11.00	5.78
5	12-Oct-11	1	*9.00	6.19
6	13-Feb-12	1	*8.50	6.55

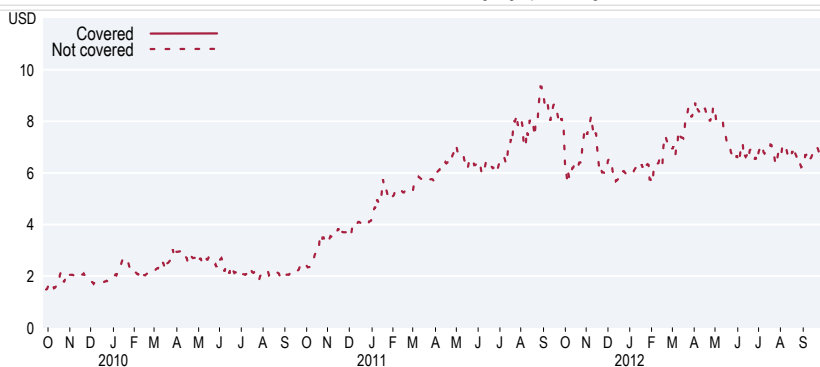
	Date	Rating	Target Price	Closing Price
7	8-Mar-12	1	*9.50	7.03
8	29-Jun-12	1	*8.50	6.57

Rating/target price changes above reflect Eastern Standard Time

WisdomTree Investments Inc (WETF)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: William R Katz
Covered since July 18 2011



* Indicates change

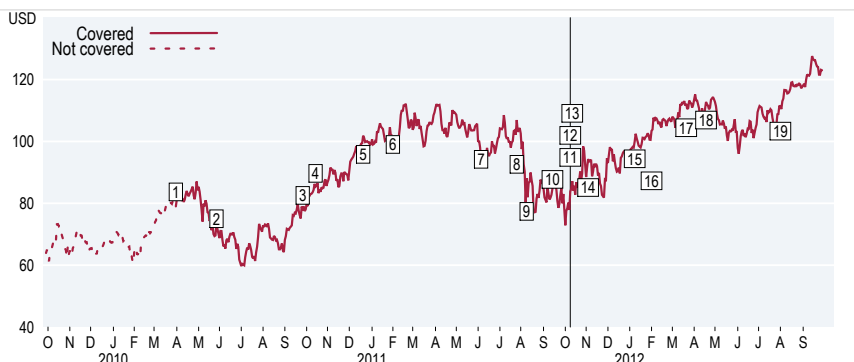
Rating/target price changes above reflect Eastern Standard Time

Affiliated Managers Group (AMG)

Ratings and Target Price History Fundamental Research

Analyst: William R Katz

Covered since March 31 2010



	Date	Rating	Target Price	Closing Price
1	31-Mar-10	*1M	*105.00	79.00
2	27-May-10	1M	*100.00	73.68
3	27-Sep-10	1M	*104.00	77.71
4	14-Oct-10	1M	*106.00	85.42
5	21-Dec-10	1M	*123.00	101.86
6	1-Feb-11	1M	*128.00	100.01
7	6-Jun-11	1M	*122.00	94.22

* Indicates change

	Date	Rating	Target Price	Closing Price
8	26-Jul-11	1M	*125.00	106.92
9	9-Aug-11	1M	*110.00	88.07
10	14-Sep-11	1M	*107.00	84.71
11	8-Oct-11	Stock rating system changed		
12	8-Oct-11	*1	107.00	77.85
13	12-Oct-11	1	*105.00	87.15
14	3-Nov-11	1	*110.00	94.30

	Date	Rating	Target Price	Closing Price
15	9-Jan-12	1	*115.00	99.99
16	1-Feb-12	1	*120.00	103.41
17	21-Mar-12	1	*129.00	112.19
18	18-Apr-12	1	*132.00	112.76
19	1-Aug-12	1	*135.00	111.26

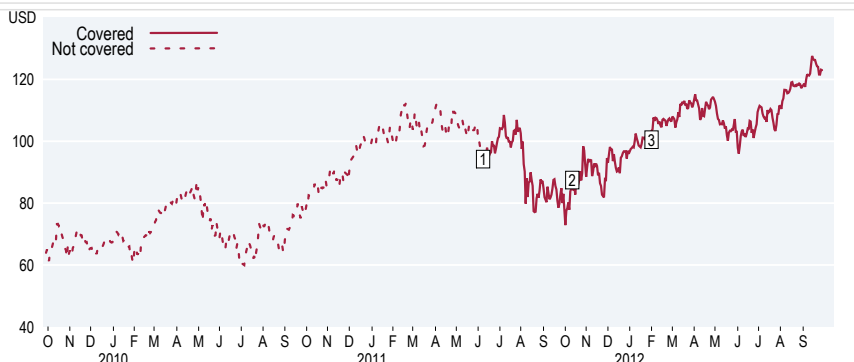
Rating/target price changes above reflect Eastern Standard Time

Affiliated Managers Group (AMG)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: William R Katz

Covered since March 31 2010



	Date	Rating	Target Price	Closing Price
1	8-Jun-11	*ADD MP	-	94.59

* Indicates change

	Date	Rating	Target Price	Closing Price
2	12-Oct-11	*REM MP	-	87.15

	Date	Rating	Target Price	Closing Price
3	1-Feb-12	*ADD MP	-	103.41

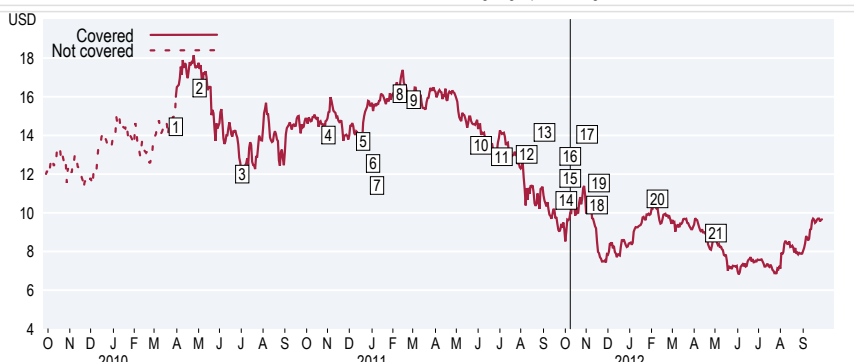
Rating/target price changes above reflect Eastern Standard Time

Och-Ziff Capital Management (OZM)

Ratings and Target Price History Fundamental Research

Analyst: William R Katz

Covered since March 31 2010



	Date	Rating	Target Price	Closing Price
1	31-Mar-10	*1H	*20.00	16.00
2	4-May-10	1H	*22.00	17.44
3	2-Jul-10	1H	*21.00	12.30
4	2-Nov-10	1H	*19.00	15.20
5	21-Dec-10	1H	*21.00	14.66
6	4-Jan-11	1H	*20.00	15.26
7	10-Jan-11	1H	*21.00	15.66

* Indicates change

	Date	Rating	Target Price	Closing Price
8	10-Feb-11	1H	*22.00	16.56
9	2-Mar-11	1H	*21.00	15.96
10	6-Jun-11	1H	*20.00	14.03
11	5-Jul-11	1H	*19.00	14.08
12	9-Aug-11	1H	*16.00	11.26
13	2-Sep-11	1H	*15.50	10.63
14	4-Oct-11	1H	*14.00	9.03

	Date	Rating	Target Price	Closing Price
15	8-Oct-11	Stock rating system changed		
16	8-Oct-11	*1	14.00	9.66
17	2-Nov-11	1	*13.00	10.07
18	16-Nov-11	1	*12.00	8.50
19	18-Nov-11	1	*11.00	7.91
20	9-Feb-12	1	*12.00	10.26
21	2-May-12	1	*11.50	8.72

Rating/target price changes above reflect Eastern Standard Time

Och-Ziff Capital Management (OZM)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: William R Katz

Covered since March 31 2010



* Indicates change

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12 Month Rating			Relative Rating		
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44%	43%	40%	48%	43%	45%

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William R Katz; Neil Stratton, CFA; Steven J Fullerton

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