



Hamilton Lane®



# Fiscal Year 2018 First Quarter Results

Earnings Presentation - August 8, 2017



**Mario Giannini**  
Chief Executive Officer



**Erik Hirsch**  
Vice Chairman



**Randy Stilman**  
Chief Financial Officer



**Demetrius Sidberry**  
Head of Investor Relations

## Business Performance

- Total asset footprint (assets under management/advisement) reached a record amount of \$359 billion, growing 14% compared to June 30, 2016
- Assets under management and fee-earning assets under management were \$46 billion and \$28 billion, respectively, as of June 30, 2017, increases of 17% and 12%, respectively, compared to June 30, 2016

## Financial Results

*USD in millions except per share amounts*

	Q1 FY18	vs. Q1 FY17	vs. Q4 FY17
Management and advisory fees	\$51.7	38%	11%
GAAP net income	\$5.5	N/A <sup>1</sup>	N/M <sup>2</sup>
GAAP EPS	\$0.30	N/A <sup>1</sup>	N/M <sup>2</sup>
Non-GAAP EPS <sup>3</sup>	\$0.33	N/A <sup>1</sup>	32%
Fee Related Earnings <sup>3</sup>	\$23.8	50%	27%
Adjusted EBITDA <sup>3</sup>	\$26.5	43%	27%

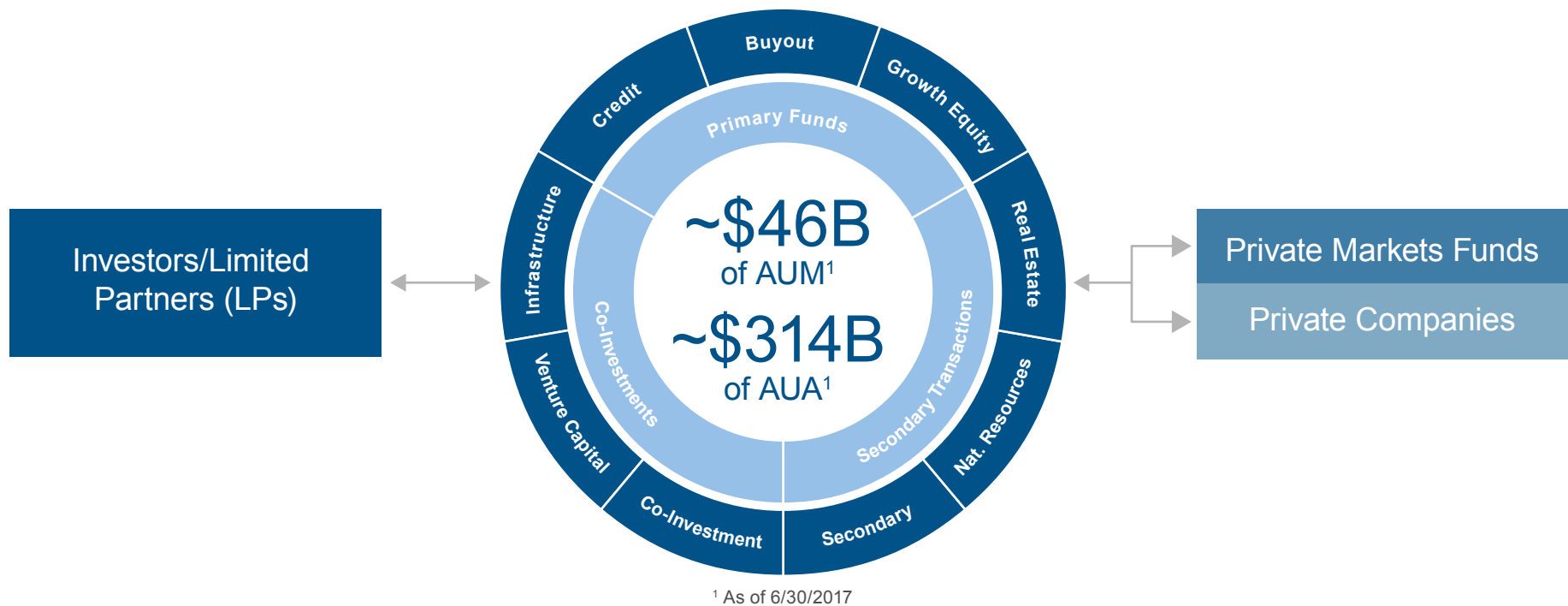
## Dividend

- Declared a quarterly dividend of \$0.175 per share of Class A common stock to record holders at the close of business on September 15, 2017

<sup>1</sup> Figures not available as a result of the company going public after the stated period.

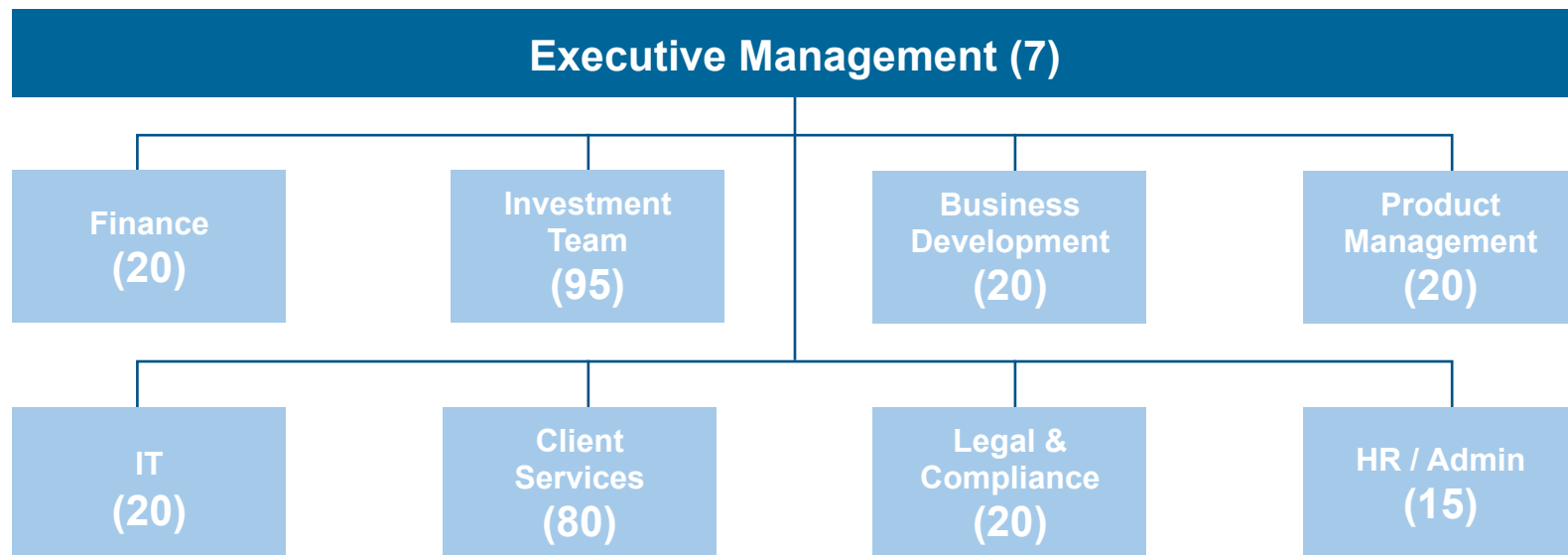
<sup>2</sup> Figures based on a stub period post the IPO.

<sup>3</sup> Non-GAAP earnings per share, Fee Related Earnings and Adjusted EBITDA are non-GAAP financial measures. For the reconciliations of our non-GAAP financial measures to the most directly comparable GAAP financial measures, see pages 21 and 27 of the appendix.



- Founded in 1991, we are one of the largest allocators of capital to private markets worldwide with nearly \$360B of AUM / AUA
  - Over 290 professionals dedicated to the private markets (substantially all are stockholders)
  - 14 offices in key markets globally
  - ~350 sophisticated clients globally (in 35 countries)
  - Significant proprietary databases and suite of analytical tools
  - \$49B of discretionary commitments since 2000

We operate at the epicenter of a large, fast-growing and highly desirable asset class, helping a wide array of investors around the world navigate, access and succeed in the private markets



## Key Stats

- Over 290 employees globally
- ~70% of the team is less than 40 years of age
- Women compose ~40% of the employee base and ~30% of all senior roles

## Beyond the Business

- HL in Action – Volunteerism and Matching Gifts Program
- HL Wellness Committee
- Hamilton Lane matching gifts program
- HL Women’s Exchange
- HL Diversity & Inclusion Council

## Awards



**Widespread employee ownership**

Source: Company data. Employee figures as of 6/30/2017

## Our value proposition

### **Customized Separate Accounts**

Tailored solutions through managed investment accounts

### **Specialized Funds**

Primaries, secondaries, direct/co-investments, fund-of-funds and white-label products

### **Distribution Management**

Active portfolio management of private markets distributions

### **Advisory Services**

Partnering with large institutions with in-house resources to assist across the complex landscape

### **Reporting, Monitoring, Data and Analytics**

Customized, technology-driven reporting, monitoring & analytics services



---

## Key Business Highlights





### Customized Separate Accounts



Diverse mix of existing and prospective clients seeking to further or establish relationship with Hamilton Lane

### Specialized Funds



Select funds in market:

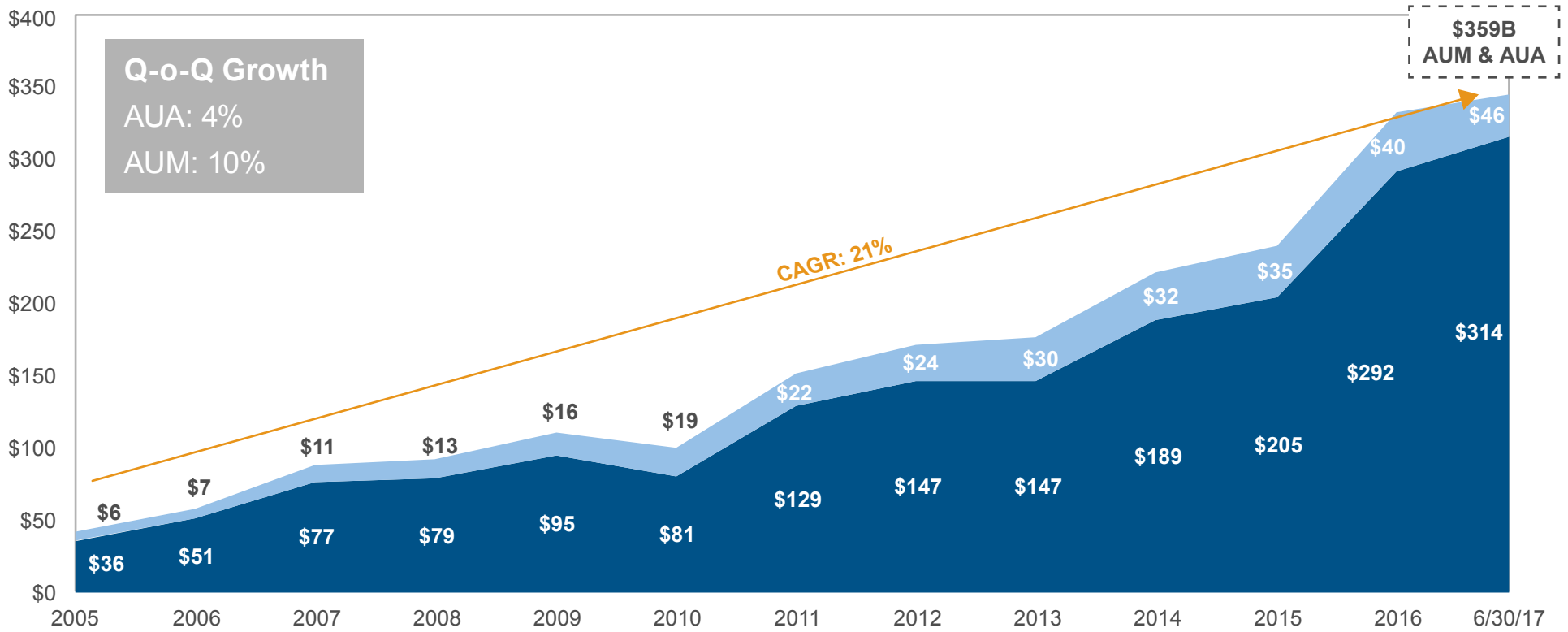
- Co-Investment Fund
- Strategic Opportunities Fund
- Private Equity Fund of Funds

### Advisory Services



Typically larger clients with wide-ranging mandates; opportunity set continues to be robust

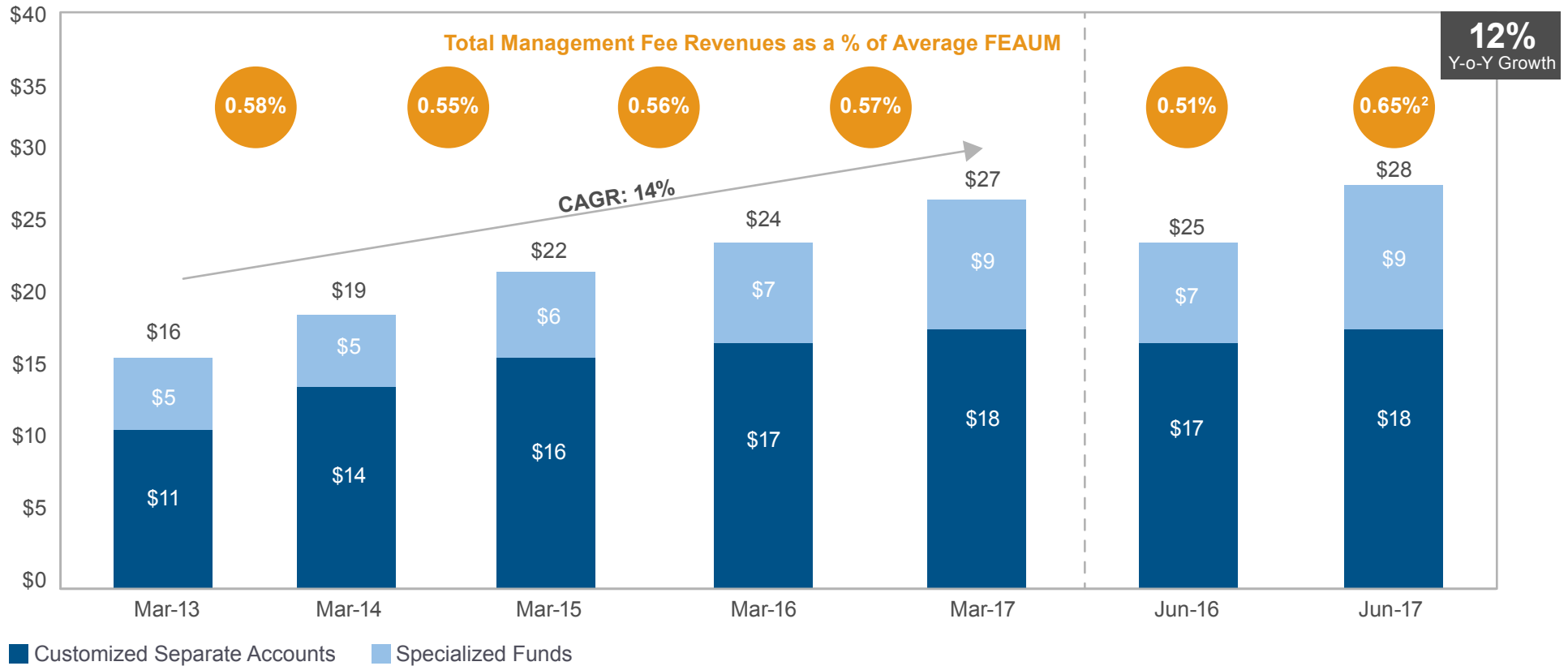
### Total Assets Under Management/Advisement (\$B)<sup>1</sup>



■ Total AUA ■ Total AUM

<sup>1</sup> Data as of calendar year end 12/31 unless noted otherwise. Numbers may not tie due to rounding.

### Total Fee-Earning Assets Under Management (\$B)<sup>1</sup>



<sup>1</sup> Data as of fiscal year end 3/31; unless otherwise noted

<sup>2</sup> Reflects retroactive fees of \$5.8M

...and annual fee rates are stable

#### Drivers of Growth:

##### \* Customized Separate Accounts:

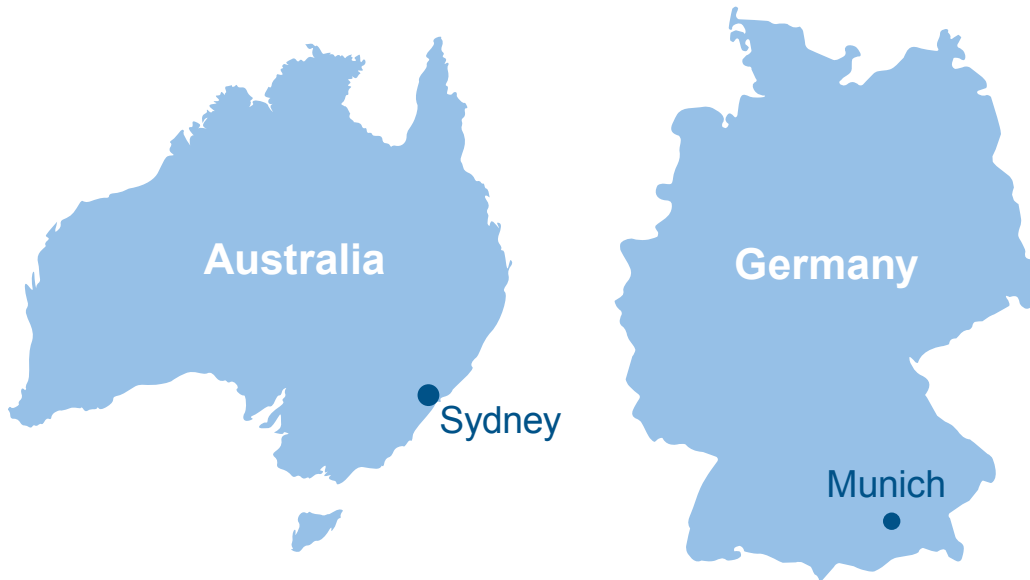
- New client wins
- Client re-ups

#### Specialized Funds:

##### \* Final Closes:

- Secondary Fund IV
- Strategic Opportunities 2017

**International**



**United States**



## **On June 20, 2017, Hamilton Lane announced the acquisition of Real Asset Portfolio Management LLC (“RAPM”)**

### **Overview**

- RAPM is an investment advisory firm focused exclusively on real assets
- Established in 2011 and headquartered in Portland, OR, RAPM manages and advises on approximately \$4 billion of real asset investments for institutional clients
- RAPM serves as a fiduciary to clients on investments related to fund manager selection, co-investment and secondary transactions
- Services include portfolio construction, investment due diligence and other services

### **Strategic Rationale**

- Adds to Hamilton Lane’s ability to address increasing client demand for extensive real assets capabilities, a growing vertical within alternatives
- Expands Hamilton Lane’s real assets team by adding a highly regarded team in the real assets space that is a strong cultural fit
- Adds to Hamilton Lane’s blue chip client roster
- Allows RAPM to leverage Hamilton Lane’s back-office capabilities and sales efforts

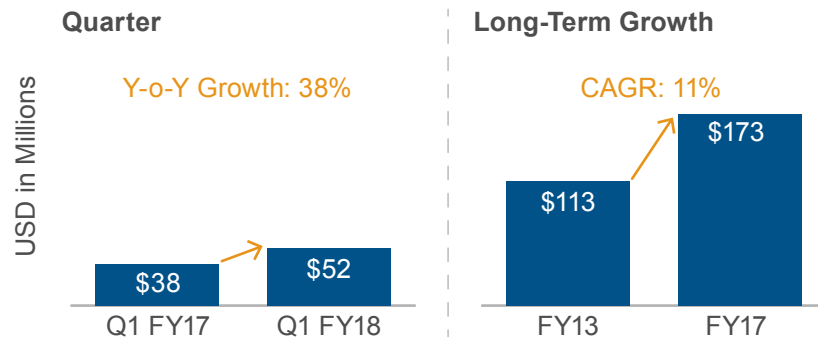


---

## Financial Highlights

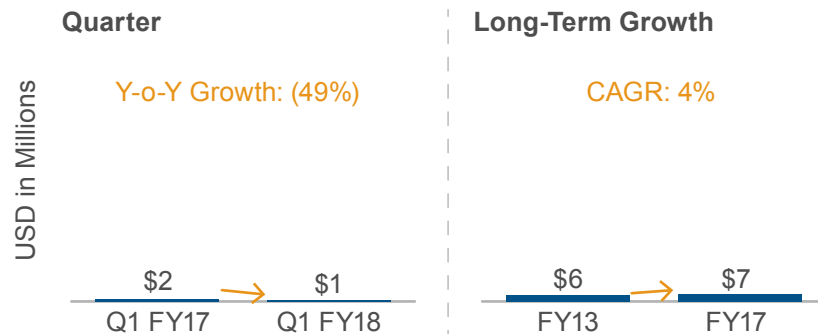
## Revenues continue to be driven primarily by management and advisory fees

### Management and Advisory Fees



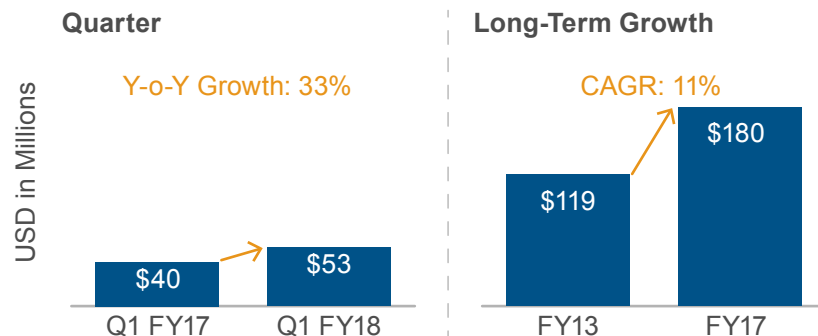
- Represented an average of 93% of total revenues over the past five fiscal years
- Y-o-Y growth of 38%; Q-o-Q growth of 11%
- Growth across all management and advisory fee offerings
- 83% Y-o-Y growth in specialized funds management fees driven by \$0.5B raised in Secondary Fund IV during the three months ended June 30, 2017; final close resulted in retroactive fees of \$5.8M during the quarter

### Incentive Fees



- Incentive fees derived from a highly diversified pool of assets and funds
- Off balance sheet allocated carried interest of \$266M as of 6/30/17 diversified across +3,000 assets and ~40 funds

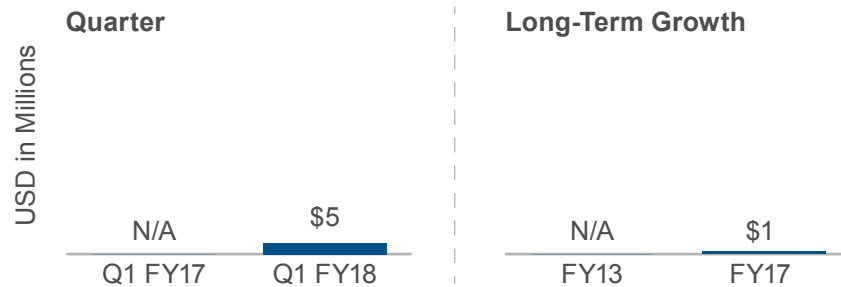
### Total Revenues



- Total revenues increased by 33%, driven by growth across core offerings

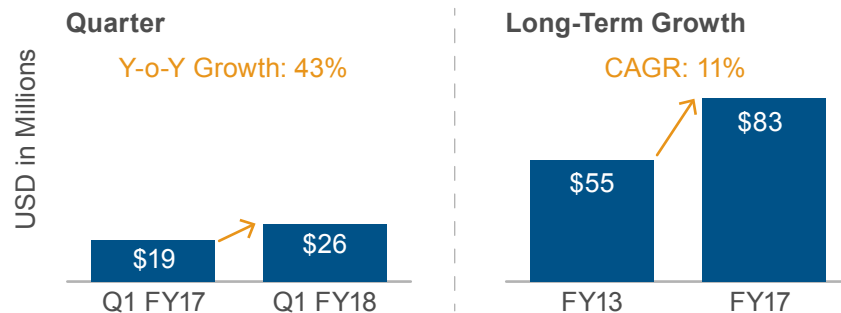
## Profitability stable and growing

### Net Income Attributable to HLI



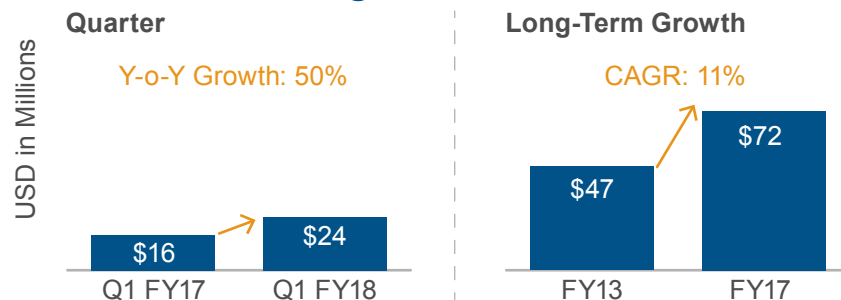
- \$5M in net income attributable to HLI for the quarter
- No comparable measure in prior period as that was before the Company's IPO

### Adjusted EBITDA<sup>1</sup>



- Y-o-Y growth of 43%; Q-o-Q growth of 27%
- Incremental margin gained during the quarter due to retro fees

### Fee Related Earnings<sup>1</sup>



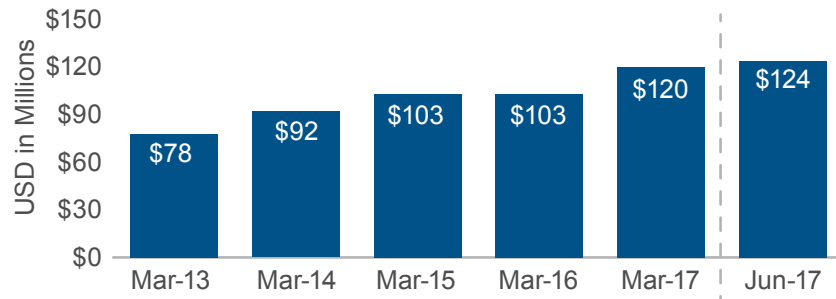
- Y-o-Y growth of 50%; Q-o-Q growth of 27%
- Long-term double digit growth in Fee Related Earnings

<sup>1</sup> Adjusted EBITDA and Fee Related Earnings are non-GAAP financial measures. For a reconciliation from GAAP financial measures to non-GAAP financial measures, see page 27 in Appendix



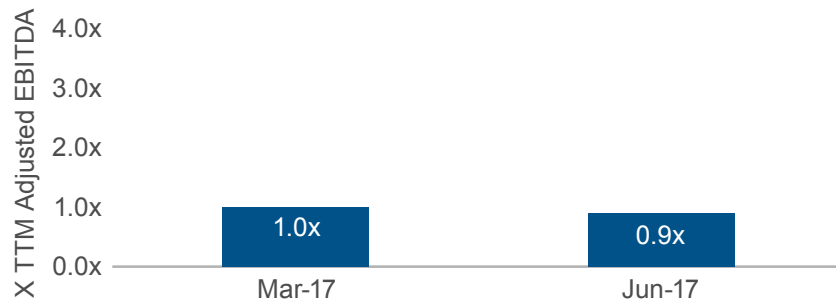
**Strong balance sheet with investments in our own products and a modest amount of leverage...**

**Investments**



- Vast majority of our investments are those made alongside our clients
- For 6/30/17, the total investment balance consisted of ~\$107M in equity method investments in our funds and ~\$17M in technology related investments

**Gross Leverage Profile<sup>1</sup>**



- Senior secured term loan payable of \$85.5M as of 6/30/17

<sup>1</sup> Ratio of senior secured term loan payable to trailing twelve months Adjusted EBITDA. See page 28 for additional detail on calculation of gross leverage ratio.



Hamilton Lane®



# Fiscal Year 2018 First Quarter Results

Earnings Presentation - August 8, 2017



---

## Appendix

	Three Months Ended,			YoY % Change	QoQ % Change
	June 30, 2016	March 31, 2017	June 30, 2017		
<i>(Dollars in thousands except share and per share amounts)</i>					
<b>Revenues</b>					
Management and advisory fees	\$37,583	\$46,401	\$51,684	38%	11%
Incentive fees	1,983	278	1,017	(49)%	266%
<b>Total revenues</b>	<b>39,566</b>	<b>46,679</b>	<b>52,701</b>	<b>33%</b>	<b>13%</b>
<b>Expenses</b>					
Compensation and benefits	15,936	18,955	19,962	25%	5%
General, administrative and other	6,770	8,664	8,458	25%	(2)%
<b>Total expenses</b>	<b>22,706</b>	<b>27,619</b>	<b>28,420</b>	<b>25%</b>	<b>3%</b>
<b>Other income (expense)</b>					
Equity in income of investees	1,966	3,919	5,919	201%	51%
Interest expense	(2,902)	(5,785)	(1,106)	(62)%	(81)%
Interest income	66	161	316	379%	96%
Other non-operating income (loss)	-	(149)	(106)	N/A	(29)%
<b>Total other income (expense)</b>	<b>(870)</b>	<b>(1,854)</b>	<b>5,023</b>	<b>N/A</b>	<b>N/A</b>
<b>Income before income taxes</b>	<b>15,990</b>	<b>17,206</b>	<b>29,304</b>	<b>83%</b>	<b>70%</b>
Income tax expense (benefit)	(401)	580	3,692	N/A	537%
<b>Net income</b>	<b>16,391</b>	<b>16,626</b>	<b>25,612</b>	<b>56%</b>	<b>54%</b>
Less: Income attributable to non-controlling interests in general partnerships	545	168	898	65%	435%
Less: Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C.	15,846	15,846	19,250	21%	21%
<b>Net income attributable to Hamilton Lane Incorporated</b>	<b>\$-</b>	<b>\$612</b>	<b>\$5,464</b>	<b>N/A</b>	<b>793%</b>
Basic earnings per share of Class A common stock <sup>1</sup>		\$0.03	\$0.30		
Diluted earnings per share of Class A common stock <sup>1</sup>		\$0.03	\$0.30		
Weighted-average shares of Class A common stock outstanding - basic		17,788,363	17,981,601		
Weighted-average shares of Class A common stock outstanding - diluted		18,341,079	18,459,415		

<sup>1</sup> There were no shares of Class A common stock outstanding prior to March 6, 2017; therefore, no earnings per share information has been presented for any period prior to that date. The earnings per share for the three months ended March 31, 2017 is for the period from March 6, 2017 through March 31, 2017, the period following our initial public offering.

	Three Months Ended,			YoY % Change	QoQ % Change
	June 30, 2016	March 31, 2017	June 30, 2017		
<i>(Dollars in thousands except share and per share amounts)</i>					
<b>Adjusted EBITDA</b>					
Management and advisory fees	\$37,583	\$46,401	\$51,684	38%	11%
Total expenses	22,706	27,619	28,420	25%	3%
Less:					
Incentive fee related compensation <sup>1</sup>	(974)	88	(499)	(49)%	(667)%
Management fee related expenses	21,732	27,707	27,921	28%	1%
<b>Fee Related Earnings</b>	<b>\$15,851</b>	<b>\$18,694</b>	<b>\$23,763</b>	<b>50%</b>	<b>27%</b>
Incentive fees	1,983	278	1,017	(49)%	266%
Incentive fee related compensation <sup>1</sup>	(974)	88	(499)	(49)%	(667)%
Interest income	66	161	316	379%	96%
Equity-based compensation	1,094	1,175	1,416	29%	21%
Depreciation and amortization	487	475	437	(10)%	(8)%
<b>Adjusted EBITDA</b>	<b>\$18,507</b>	<b>\$20,871</b>	<b>\$26,450</b>	<b>43%</b>	<b>27%</b>
<b>Adjusted EBITDA margin</b>	<b>47%</b>	<b>45%</b>	<b>50%</b>		
<b>Non-GAAP earnings per share</b>					
<b>Net income attributable to Hamilton Lane Incorporated</b>		<b>\$612</b>	<b>\$5,464</b>		
Income attributable to non-controlling interests in general partnerships		168	898		
Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C.		15,846	19,250		
Income tax expense		580	3,692		
IPO related expenses <sup>2</sup>		1,935	-		
Write-off of deferred financing costs <sup>3</sup>		3,359	-		
<b>Adjusted pre-tax net income</b>		<b>22,500</b>	<b>29,304</b>		
Adjusted income taxes <sup>4</sup>		(9,054)	(11,792)		
<b>Adjusted net income</b>		<b>\$13,446</b>	<b>\$17,512</b>		
<b>Adjusted shares<sup>5</sup></b>		<b>52,779,748</b>	<b>52,898,084</b>		
<b>Non-GAAP earnings per share</b>		<b>\$0.25</b>	<b>\$0.33</b>		

<sup>1</sup> Incentive fee related compensation includes incentive fee compensation expense as well as bonus and other revenue sharing allocated to carried interest classified as base compensation.

<sup>2</sup> Represents accrual of one-time payments to induce members of HLA to exchange their HLA units for HLI Class A common stock in the reorganization in connection with the IPO.

<sup>3</sup> Represents write-down of unamortized discount and debt issuance costs due to the \$160 million paydown of outstanding indebtedness under the Term Loan with proceeds from the IPO.

<sup>4</sup> Represents corporate income taxes at assumed effective tax rate of 40.24% applied to adjusted pre-tax net income. The 40.24% is based on a federal tax statutory rate of 35.00% and a combined state income tax rate net of federal benefits of 5.24%.

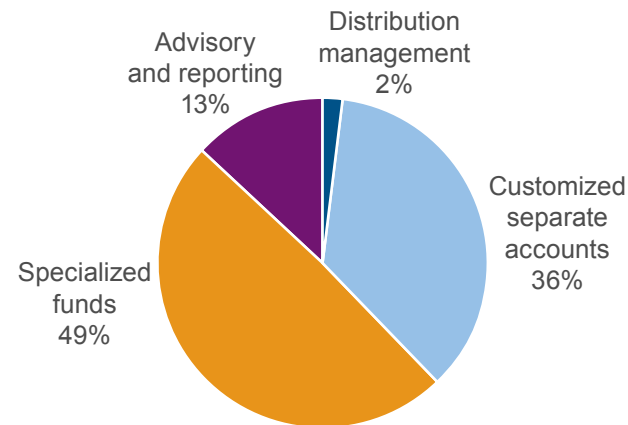
<sup>5</sup> Assumes the full exchange of HLA Class B and Class C units in HLA for HLI Class A common stock.

See page 27 for additional reconciliation to GAAP financial measures

*(Dollars in thousands)*

	Three Months Ended,			YoY % Change	QoQ % Change
	June 30, 2016	March 31, 2017	June 30, 2017		
<b>Management and advisory fees</b>					
Customized separate accounts	\$17,504	\$18,467	\$18,784	7%	2%
Specialized funds	13,752	21,268	25,206	83%	19%
Advisory and reporting	5,767	6,118	6,650	15%	9%
Distribution management	560	548	1,044	86%	91%
<b>Total management and advisory fees</b>	<b>\$37,583</b>	<b>\$46,401</b>	<b>\$51,684</b>	<b>38%</b>	<b>11%</b>

**Three Months Ended June 30, 2017**



<i>(Dollars in thousands)</i>	Three Months Ended,			YoY % Change	QoQ % Change
	June 30, 2016	March 31, 2017	June 30, 2017		
<b>Incentive fees</b>					
Secondary Fund II	\$900	\$183	\$638	(29)%	249%
Other specialized funds	569	28	(40)	(107)%	(243)%
Customized separate accounts	514	67	419	(18)%	525%
<b>Incentive fees</b>	<b>\$1,983</b>	<b>\$278</b>	<b>\$1,017</b>	<b>(49)%</b>	<b>266%</b>

	As of			YoY % Change	QoQ % Change
	June 30, 2016	March 31, 2017	June 30, 2017		
<b>Allocated carried interest</b>					
Secondary Fund II	\$9,004	\$8,476	\$7,513	(17)%	(11)%
Secondary Fund III	21,357	29,844	30,306	42%	2%
Secondary Fund IV	578	3,041	4,730	718%	56%
Co-investment Fund I	1,703	715	1,050	(38)%	47%
Co-investment Fund II	88,804	97,313	106,208	20%	9%
Co-investment Fund III	-	14,070	20,031	N/A	42%
Other specialized funds	9,516	14,632	18,614	96%	27%
Customized separate accounts	50,105	68,766	77,922	56%	13%
<b>Total allocated carried interest</b>	<b>\$181,067</b>	<b>\$236,857</b>	<b>\$266,374</b>	<b>47%</b>	<b>12%</b>

<i>(Dollars in millions)</i>	Three Months Ended,			YoY % Change	QoQ % Change
	June 30, 2016	March 31, 2017	June 30, 2017		
<b>Assets under management / advisement</b>					
Assets under management	\$39,032	\$41,794	\$45,788	17%	10%
Assets under advisement	276,682	300,426	313,652	13%	4%
<b>Total assets under management / advisement</b>	<b>\$315,714</b>	<b>\$342,220</b>	<b>\$359,440</b>	<b>14%</b>	<b>5%</b>
<b>Fee-earning assets under management</b>					
<b>Customized separate accounts</b>					
<b>Balance, beginning of period</b>	\$16,976	\$17,737	\$18,028	6%	2%
Contributions	921	1,410	997	8%	(29)%
Distributions	(444)	(1,142)	(754)	70%	(34)%
Foreign exchange, market value and other	(87)	23	(85)	(2)%	(470)%
<b>Balance, end of period</b>	<b>\$17,366</b>	<b>\$18,028</b>	<b>\$18,186</b>	<b>5%</b>	<b>1%</b>
<b>Specialized funds</b>					
<b>Balance, beginning of period</b>	\$7,019	\$8,487	\$8,793	25%	4%
Contributions	392	418	759	94%	82%
Distributions	(20)	(115)	(113)	465%	(2)%
Foreign exchange, market value and other	7	3	(2)	(129)%	(167)%
<b>Balance, end of period</b>	<b>\$7,398</b>	<b>\$8,793</b>	<b>\$9,437</b>	<b>28%</b>	<b>7%</b>
<b>Total</b>					
<b>Balance, beginning of period</b>	\$23,995	\$26,224	\$26,821	12%	2%
Contributions	1,313	1,828	1,756	34%	(4)%
Distributions	(464)	(1,257)	(867)	87%	(31)%
Foreign exchange, market value and other	(80)	26	(87)	9%	(435)%
<b>Balance, end of period</b>	<b>\$24,764</b>	<b>\$26,821</b>	<b>\$27,623</b>	<b>12%</b>	<b>3%</b>



(Dollars in thousands except share and per share amounts)

	As of,	
	March 31, 2017	June 30, 2017
<b>Assets</b>		
Cash and cash equivalents	\$32,286	\$46,471
Restricted cash	1,849	1,857
Fees receivable	12,113	19,474
Prepaid expenses	2,593	2,719
Due from related parties	3,313	2,951
Furniture, fixtures and equipment, net	4,063	4,014
Investments	120,147	124,027
Deferred income taxes	61,223	59,435
Other assets	3,030	3,595
<b>Total assets</b>	<b>\$240,617</b>	<b>\$264,543</b>
<b>Liabilities and Equity</b>		
Accounts payable	\$1,366	\$1,326
Accrued compensation and benefits	3,417	11,543
Deferred incentive fee revenue	45,166	45,166
Senior secured term loan payable		
Principal amount	86,100	85,450
Less: unamortized discount and debt issuance costs	1,790	1,705
Senior secured term loan payable, net	84,310	83,745
Accrued members' distributions	2,385	4,598
Accrued dividend payable	-	3,167
Payable to related parties pursuant to tax receivable agreement	10,734	10,734
Other liabilities	6,612	6,670
<b>Total liabilities</b>	<b>153,990</b>	<b>166,949</b>
Preferred stock, \$0.001 par value, 10,000,000 authorized, none issued	-	-
Class A common stock, \$0.001 par value, 300,000,000 authorized; 19,256,873 and 19,151,033 issued and 19,265,873 and 19,036,504 outstanding as of June 30, 2017 and March 31, 2017, respectively	19	19
Class B common stock, \$0.001 par value, 50,000,000 authorized; 27,935,255 issued and outstanding as of June 30, 2017 and March 31, 2017	28	28
Additional paid-in-capital	61,845	60,220
Accumulated other comprehensive loss	(311)	(299)
Retained earnings	612	2,909
Less: Treasury stock, at cost, 114,529 shares of class A common stock as of March 31, 2017	(2,151)	-
<b>Total Hamilton Lane Incorporated stockholders' equity</b>	<b>60,042</b>	<b>62,877</b>
Non-controlling interests in general partnerships	9,901	9,705
Non-controlling interests in Hamilton Lane Advisors, L.L.C.	16,684	25,012
<b>Total equity</b>	<b>86,627</b>	<b>97,594</b>
<b>Total liabilities and equity</b>	<b>\$240,617</b>	<b>\$264,543</b>

<i>(Dollars in thousands)</i>	Three Months Ended,	
	June 30, 2016	June 30, 2017
<b>Operating activities</b>		
Net income	\$16,391	\$25,612
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	488	437
Change in deferred income taxes	(410)	1,903
Amortization of deferred financing costs	214	85
Equity-based compensation	1,094	1,416
Equity in income of investees	(1,966)	(5,919)
Proceeds received from investments	950	5,176
Changes in operating assets and liabilities	675	347
Other	-	129
<b>Net cash provided by operating activities</b>	<b>\$17,436</b>	<b>\$29,186</b>
<b>Investing activities</b>		
Purchase of furniture, fixtures and equipment	(363)	(388)
Distributions received from investments	1,487	3,465
Contributions to investments	(8,069)	(6,589)
<b>Net cash (used in) investing activities</b>	<b>\$(6,945)</b>	<b>\$(3,512)</b>
<b>Financing activities</b>		
Repayments of senior secured term loan	(650)	(650)
Contributions from non-controlling interest in Partnerships	84	40
Distributions to non-controlling interest in Partnerships	-	(1,134)
Sale of membership interests	2,434	-
Purchase of Class A shares for tax withholdings	-	(663)
Purchase of membership interests	(1,028)	-
Proceeds received from option exercises	217	313
Members' distributions	(18,281)	(9,387)
<b>Net cash (used in) financing activities</b>	<b>\$(17,224)</b>	<b>\$(11,481)</b>
<b>Increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>(6,733)</b>	<b>14,193</b>
Cash, cash equivalents, and restricted cash at beginning of the period	70,382	34,135
<b>Cash, cash equivalents, and restricted cash at end of the period</b>	<b>\$63,649</b>	<b>\$48,328</b>

## Reconciliation from Net Income

*(Dollars in thousands)*

	Three Months Ended,		
	June 30, 2016	March 31, 2017	June 30, 2017
<b>Net income attributable to Hamilton Lane Incorporated</b>	<b>\$-</b>	<b>\$612</b>	<b>\$5,464</b>
Income attributable to non-controlling interests in general partnerships	545	168	898
Income attributable to non-controlling interests in Hamilton Lane Advisors, L.L.C.	15,846	15,846	19,250
Incentive fees	(1,983)	(278)	(1,017)
Incentive fee related compensation <sup>1</sup>	974	(88)	499
Interest income	(66)	(161)	(316)
Interest expense	2,902	5,785	1,106
Income tax expense (benefit)	(401)	580	3,692
Equity in income of investees	(1,966)	(3,919)	(5,919)
Other non-operating (income) loss	-	149	106
<b>Fee Related Earnings</b>	<b>\$15,851</b>	<b>\$18,694</b>	<b>\$23,763</b>
Depreciation and amortization	487	475	437
Equity-based compensation	1,094	1,175	1,416
Incentive fees	1,983	278	1,017
Incentive fee related compensation <sup>1</sup>	(974)	88	(499)
Interest income	66	161	316
<b>Adjusted EBITDA</b>	<b>\$18,507</b>	<b>\$20,871</b>	<b>\$26,450</b>

<sup>1</sup> Incentive fee related compensation includes incentive fee compensation expense as well as bonus and other revenue sharing allocated to carried interest classified as base compensation.

	Twelve Months Ended,	
	March 31, 2017	June 30, 2017
<i>(Dollars in thousands)</i>		
Senior secured term loan payable - principal amount	\$86,100	\$85,450
Adjusted EBITDA	83,031	90,975
Gross leverage ratio	1.0x	0.9x

**Adjusted EBITDA** is our primary internal measure of profitability. We believe Adjusted EBITDA is useful to investors because it enables them to better evaluate the performance of our core business across reporting periods. Adjusted EBITDA represents net income excluding (a) interest expense on our Term Loan, (b) income tax expense, (c) depreciation and amortization expense, (d) equity-based compensation expense, (e) non-operating income (loss) and (f) certain other significant items that we believe are not indicative of our core performance.

**Fee Related Earnings (“FRE”)** is used to highlight earnings of the company from recurring management fees. FRE represents (a) management and advisory fees less (b) total expenses (excluding incentive fee related expenses). FRE is presented before income taxes. We believe FRE is useful to investors because it provides additional insight into the operating profitability of our business.

**Non-GAAP earnings per share** measures the per share earnings of the company excluding expenses related to our IPO and assuming all Class B and Class C units in HLA were exchanged for Class A common stock in HLI. Non-GAAP earnings per share is calculated as adjusted net income divided by adjusted shares outstanding. We believe Non-GAAP earnings per share is useful to investors because it enables them to better evaluate per-interest operating performance across reporting periods.

Our **assets under management (“AUM”)** comprise primarily the assets associated with our customized separate accounts and specialized funds. We classify assets as AUM if we have full discretion over the investment decisions in an account. We calculate our AUM as the sum of:

- (1) the net asset value of our clients' and funds' underlying investments;
- (2) the unfunded commitments to our clients' and funds' underlying investments; and
- (3) the amounts authorized for us to invest on behalf of our clients and fund investors but not committed to an underlying investment.

Our **assets under advisement (“AUA”)** comprise assets from clients for which we do not have full discretion to make investments in their account. We generally earn revenue on a fixed fee basis on our AUA client accounts for services including asset allocation, strategic planning, development of investment policies and guidelines, screening and recommending investments, legal negotiations, monitoring and reporting on investments and investment manager review and due diligence. Advisory fees vary by client based on the amount of annual commitments, services provided and other factors. Since we earn annual fixed fees from the majority of our AUA clients, the growth in AUA from existing accounts does not have a material impact on our revenues. However, we view AUA growth as a meaningful benefit in terms of the amount of data we are able to collect and the degree of influence we have with fund managers.

**Fee-earning assets under management**, or fee-earning AUM, is a metric we use to measure the assets from which we earn management fees. Our fee-earning AUM comprise assets in our customized separate accounts and specialized funds on which we derive management fees. We classify customized separate account revenue as management fees if the client is charged an asset-based fee, which includes the majority of our discretionary AUM accounts but also includes certain non-discretionary AUA accounts. Our fee-earning AUM is equal to the amount of capital commitments, net invested capital and net asset value of our customized separate accounts and specialized funds depending on the fee terms. Substantially all of our customized separate accounts and specialized funds earn fees based on commitments or net invested capital, which are not impacted by market appreciation or depreciation. Therefore, revenues and fee-earning AUM are not significantly impacted by changes in market value. Our calculations of fee-earning AUM may differ from the calculations of other asset managers, and as a result, this measure may not be comparable to similar measures presented by other asset managers. Our definition of fee-earning AUM is not based on any definition that is set forth in the agreements governing the customized separate accounts or specialized funds that we manage.

**Hamilton Lane Incorporated** (or “HLI”) was incorporated in the State of Delaware on December 31, 2007. The Company was formed for the purpose of completing an initial public offering (“IPO”) and related transactions (“Reorganization”) in order to carry on the business of Hamilton Lane Advisors, L.L.C. (“HLA”) as a publicly-traded entity. As of March 6, 2017, HLI became the sole managing member of HLA.

Some of the statements in this presentation may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Words such as “will,” “expect,” “believe” and similar expressions are used to identify these forward-looking statements. Forward-looking statements discuss management’s current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. All forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different, including risks relating to our ability to manage growth, fund performance, risk, changes in our regulatory environment and tax status; market conditions generally; our ability to access suitable investment opportunities for our clients; our ability to maintain our fee structure; our ability to attract and retain key employees; our ability to consummate planned acquisitions and successfully integrate the acquired business with ours; our ability to manage our obligations under our debt agreements; defaults by clients and third-party investors on their obligations to us; our ability to comply with investment guidelines set by our clients; the time, expense and effort associated with being a newly public company; and our ability to receive distributions from Hamilton Lane Advisors, L.L.C. to fund our payment of dividends, taxes and other expenses.

The foregoing list of factors is not exhaustive. For more information regarding these risks and uncertainties as well as additional risks that we face, you should refer to the “Risk Factors” detailed in Part I, Item 1A of our Annual Report on Form 10K for the fiscal year ended March 31, 2017, and in our subsequent reports filed from time to time with the Securities and Exchange Commission. The forward-looking statements included in this presentation are made only as of the date presented. We undertake no obligation to update or revise any forward-looking statement as a result of new information or future events, except as otherwise required by law.