

Ned Davis Research, Inc.

Balance Sheet

September 30, 2021

Ned Davis Research, Inc.

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Report of Independent Auditors

To the Management of Ned Davis Research, Inc.

We have audited the accompanying balance sheet of Ned Davis Research, Inc. as of September 30, 2021.

Management's Responsibility for the Balance Sheet

Management is responsible for the preparation and fair presentation of the balance sheet in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the balance sheet that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the balance sheet based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the balance sheet, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the balance sheet. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying balance sheet referred to above presents fairly, in all material respects, the financial position of Ned Davis Research, Inc. as of September 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

Boston, Massachusetts

December 23, 2021

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Assets

Current assets	
Accounts receivable, net (Note 3)	4,198,229
Prepaid expenses	632,305
Deferred income tax assets (Note 10)	<u>556,428</u>
Total current assets	5,386,962
Investments at fair value	219,185
Property and equipment, net (Note 4)	1,496,866
Note receivable - related parties (Note 9)	<u>71,680,503</u>
Total assets	<u>\$ 78,783,516</u>

Liabilities

Current liabilities	
Accounts payable	\$ 61,330
Accrued compensation costs	1,994,873
Accrued expenses and other current liabilities	2,093,087
Due to affiliate	165,608
Operating lease liabilities (Note 6)	90,648
Deferred revenue	<u>5,570,984</u>
Total current liabilities	9,976,530
Deferred revenue, net of current portion	<u>44,981</u>
Total liabilities	<u>10,021,511</u>

Commitments and contingencies (Note 7)

Stockholders' Equity

Capital stock	
Common stock, \$1 par value, 200,000 shares authorized; 6,980 shares issued and outstanding	6,980
Additional paid-in capital	4,987,570
Retained earnings	<u>63,767,455</u>
Total stockholders' equity	68,762,005
Total liabilities and stockholders' equity	<u>\$ 78,783,516</u>

The accompanying notes are an integral part of this balance sheet.

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1. Organization

Ned Davis Research, Inc. (the “Company”) is registered with the United States Securities and Exchange Commission as a registered investment adviser. Its primary activities include producing and distributing investment research, reports, services, and products for use by investment professionals including portfolio managers, pensions, endowments, and advisors in the United States and overseas. In addition, the Company acts as an investment adviser to investment companies.

On July 29, 2011, the Company sold 5,740 shares of its issued and outstanding voting stock to Ell Holdings, Inc., a subsidiary of Euromoney Institutional Investor PLC, (“Euromoney”) a public company limited by shares under the laws of England and Wales. During the year ended September 30, 2018, existing minority shareholders, consisting of 17% ownership, sold all outstanding stock to Euromoney, making Euromoney the sole shareholder, owning 100% of the outstanding common stock of the Company as of September 30, 2018.

2. Summary of Significant Accounting Policies

Cash

The Company maintains cash in various United States financial institutions that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash. As a subsidiary of Euromoney, the Company has a daily sweep agreement whereby the Company’s operating funds are swept in or out as needed on a daily basis. As such the Company’s operating bank account generally maintains a zero-dollar daily balance.

Use of Estimates

The preparation of a balance sheet in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed currently, while improvements that enhance the property and equipment are capitalized if they materially extend the life of an asset. The cost of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is recognized.

Property and equipment are depreciated over their estimated useful lives ranging from three to four years, using the straight-line method. Leasehold improvements are depreciated over the lesser of the expected lease term or estimated useful lives using the straight-line method.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the long-lived assets may not be recovered. The carrying amount of an asset or asset group is deemed not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. When the carrying amount is determined to be not recoverable, an impairment charge is recognized in an amount equal to the excess of the carrying amount of the asset or asset group over its fair value.

Income Taxes

The Company accounts for income taxes under the liability method, which recognizes deferred tax assets or liabilities for the expected future tax consequences based on the differences between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate, in effect when the differences are expected to reverse. Valuation allowances are provided if based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Significant management judgment is required in determining the Company's provision for income taxes, the Company's deferred tax assets and liabilities and any valuation allowance recorded against those net deferred tax assets.

The Company accounts for uncertainty in income taxes following guidance that prescribes a recognition threshold which a tax position is required to meet before being recognized in the financial statements and provides guidance on de-recognition measurement, classification, interest and penalties, disclosure and transition issues. Based on the Company's evaluation it has concluded that as of September 30, 2021, there are no uncertain tax positions that met the threshold for recognition or disclosure in the financial statements.

Revenue and Deferred Revenue Recognition

The Company primarily derives its revenue from subscriptions. Subscription revenues for print and online publications and memberships are recognized in the Income Statement on a straight-line basis over the period of the subscription and the satisfaction of the performance obligation, reflecting the pattern over which the customer receives benefits. These revenues are due in advance on a monthly or annual basis. When the Company collects revenue in advance of being earned, a deferred revenue liability is recorded for the unearned portion.

The Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers," ("ASC 606") on October 1, 2018. There is no material impact on the timing of revenue recognition arising from the implementation ASC 606. Vote revenue is treated as variable consideration under ASC 606. This requires the Company to include an estimate of the variable consideration in the transaction price to the extent that it is highly probable that the related revenue, if recognized, would not be reversed. Any incremental amounts would be included in the transaction price once the confirmation of the vote revenue is given. The assessment of whether an amount of revenue is highly probable may require significant judgement. In some instances, the amount may not be highly probable until the Company has received specific notification of the amount from the customer or has received the payment. In other cases, established relationships, past patterns of behavior or informal correspondence with the customer may provide sufficient evidence that at least an element of revenue is highly probable before the amount is formally confirmed.

The Investment Solutions business is where NDR provides models/signals to Exchange Traded Funds (ETF), Fund Issuers, platforms, networks, and wealth managers and in return is paid basis points on total assets under advisement of our strategies. Assets under management revenue (AUM) clients are billed on a monthly or quarterly basis for the services delivered based on client delivery, with the majority done quarterly. Fees are billed quarterly in arrears but accrued as

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earned. AUM revenue is recognized as the service is provided in accordance with ASC 606 following the right to invoice practical expedient. Earned but unbilled fees are included in unbilled revenue on the statement of financial condition. The Company recognizes all costs and commissions to obtain contracts with a term of one year or less when incurred. The Company does not have significant costs and commissions to obtain contracts with a term of more than one year.

3. Accounts Receivable

Accounts receivable consist of the following:

Trade accounts receivable	\$ 3,629,068
Unbilled receivable	700,898
Less: Allowance for doubtful accounts	<u>(131,737)</u>
Net accounts receivable	<u>\$ 4,198,229</u>

Trade accounts receivable consist of amounts due from customers generally in the financial services industry. The Company performs ongoing evaluations of its customers' financial condition. The Company does not require collateral. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make contractually obligated payments. When evaluating the adequacy of the allowance for doubtful accounts, the Company makes judgments regarding the collectability of accounts receivable by specifically analyzing historical bad debts, customer concentrations, current economic trends, changes in the customer payment terms and reasonable and supportable forecasts. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required and if the financial condition of the Company's customers were to improve, the allowances may be reduced accordingly.

4. Property and Equipment

The Components of property and equipment are as follows:

Computer equipment	\$ 220,356
Computer software	183,764
Internally developed software	2,386,983
Furniture and fixtures	45,505
Leasehold improvements	<u>1,027,874</u>
	3,864,482
Less: Accumulated depreciation	(1,440,141)
Less: Amortization of software	<u>(927,475)</u>
Net property and equipment	<u>\$ 1,496,866</u>

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5. Retirement Plan

The Company offers a 401K profit-sharing plan to eligible employees. The Company matches 50% of all qualifying employee contributions up to a maximum of 6% of the employee's compensation in accordance with Internal Revenue Service regulations.

6. Leases

The Company's leasing arrangements primarily consist of operating leases for office space. For leases with terms greater than 12 months, the Company records the related right-of-use asset and lease obligation at the present value of lease payments over the term. The Company does not separate lease and non-lease components of contracts and excludes all variable lease payments from the measurement of right-of-use assets and lease liabilities. The Company's variable lease payments generally include usage based non lease components. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized on a straight-line basis over the lease term.

The Company's existing leases do not provide a readily determinable implicit rate. Therefore, the Company estimates its incremental borrowing rate to discount the lease payments based on information available at October 1, 2019 (date of initial application) or the lease commencement date for new leases post adoption. At September 30, 2021, the Company's weighted average discount rate was 2.38%, while the weighted average remaining lease term was 3 months.

Maturities of operating lease liabilities were as follows as of September 30, 2021:

Fiscal year 2022

Total minimum lease payments	\$ 90,648
Less: Imputed interest	-
Present value of future minimum lease payments	90,648
Less: Current portion of operating lease liabilities	90,648
Long-term lease liabilities	\$ -

7. Commitments and Contingencies

From time to time, the Company may be subject to legal or regulatory proceedings, arising out of the ordinary course of its business. Management believes that any losses resulting from the resolution of such proceedings would not have a material adverse effect on the Company's balance sheet.

8. Related Parties

The Company leases office space from a separate entity, Bird Bay Properties, LLC, which is owned by a former minority shareholder of the Company. No amount was accrued related to the facility for the year ended September 30, 2021 based on the timing of payments. As of September 30, 2021, minimum payments due under this lease will be \$90,648 in fiscal year 2022.

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9. Note Receivable – Related Parties

The Company has agreed to loan up to \$100,000,000 to EII US, Inc. and affiliates. As of September 30, 2021, the Company had advanced \$71,680,503. The Agreement matures on September 30, 2021. The borrower, EII US, Inc. can pay all or any part of the loan at any time before the repayment date with the agreement of the Company. If the borrower repays the entire loan, the amount repayable will be principal plus all interest accrued, which at the end of September 2021 is the amount noted above. Because the intent is to roll the balance forward from year to year, the note receivable is classified as a noncurrent asset.

10. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at September 30, 2021 are presented below:

Deferred tax assets

Depreciation	\$ 80,280
Accrued liabilities	476,148
Total deferred tax assets	<u>\$ 556,428</u>

The Company is no longer subject to income tax examinations for years prior to 2016.

The Company files consolidated income tax returns with Euromoney and records its share of the consolidated provision for income taxes on a separate-return basis.

In the future, should the Company have taxable income and should Euromoney have net operating losses that are used to offset taxable income, the Company would record current income taxes payable to Euromoney.

11. Stockholders' Equity

Common Stock

The Company is authorized to issue up to 200,000 shares of common stock with a par value \$1 per share.

Euromoney is the sole shareholder, owning 100% of the outstanding common stock of the Company as of September 30, 2021.

12. Subsequent Events

The Company evaluated subsequent events and transactions occurring after September 30, 2021 through December 23, 2021, the date this consolidated balance sheet was available for issuance. The Company is not aware of any additional subsequent events which would require recognition or disclosure in the financial statements.