



LETTER FROM THE CEO

2018 was Cowen's strongest year for both revenues and economic income since the establishment of Cowen Inc. in 2009. We diversified our revenue mix in terms of both sectors and product offerings and expanded our higher-margin advisory capabilities. We are encouraged by the progress towards our goal of increasing return on equity for shareholders.

DEAR SHAREHOLDERS, PARTNERS, COLLEAGUES AND FRIENDS:

Having wrapped up my first full year as CEO, I have been reflecting on the strength of 2018 results, as well as the events of the past several years and how they inform what we aspire to be as a firm.

When I first took on responsibility for Cowen's investment bank back in the fall of 2011, the world was a very different place than it is today. Financial markets were reeling from the downgrade of the credit rating of the United States and we were only three years removed from the financial crisis of 2008.

OUT OF NECESSITY...

In my prior life as a portfolio manager, I had a ringside seat at the unfolding of the financial crisis. Between 2007 and 2009, I spent considerable time unofficially advising various Fed and Treasury staffers on the dangers of the interconnected financial system from my perspective as a market participant. My membership on the Committee for Capital Markets Regulation and my experience managing the Ramius Fund, a large, multi-strategy alternative investment vehicle, enabled me to provide regulators with real-time market insights that added to those

provided by traditional financial intermediaries. Those sessions included in-depth discussions over the weekend that Bear Stearns failed as well as the weekend before Lehman filed for bankruptcy.

I engaged in this dialogue because it was the right thing to do and because I thought I could help. During those interactions, I came to understand that the burgeoning complexity of the financial system and the speed of financial innovation made it extremely difficult for those charged with its oversight to fully comprehend the implications of their actions and, in many cases, the impact of years of inaction.

In the wake of the financial crisis, the populist rhetoric was aimed squarely at the Too-Big-To-Fail banks, and protesters were Occupying Wall Street. There was ample fodder for protest. It had taken less than a decade from the repeal of the Glass-Steagall Act for the global financial system to implode, requiring the Federal government to bail out large financial institutions which had spent the greater part of the 2000s creating sophisticated financial products with questionable (or even negative) value. Those products, mixed with an unhealthy amount of leverage, were at the center of the maelstrom.

People were angry, and for good reason. The behavior of some of the largest global financial institutions created perverse incentives, ultimately resulting in a form of “casino” capitalism that was greatly detached from the challenges facing most people. Much of the economic growth achieved during the 2000s - the result of this debt-induced binge by both companies and consumers - was not sustainable. 2008 not only wiped out significant

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corporate equity, but it also crushed household wealth and laid bare the yawning income gap that had widened during the bubble. While coordinated central bank monetary policy has repaired much of the financial system and reduced nominal unemployment, a lack of fundamental GDP growth and stagnant wages have continued to plague the global economy, further exacerbating the income and wealth gaps. As a result, we remain in the midst of a global rise in populism, the likes of which the world hasn't seen since the 1930s.

WE CHARTED A NEW COURSE...

When I assumed my first official role at Cowen's investment bank in 2011, the firm was still fresh from its 2009 merger with Ramius. The business was reeling from the aftershocks of the crisis, and there was no Federal bailout money on offer for us. In fact, it appeared to many as if Cowen's nearly century-old franchise would eventually join the growing list of once successful firms that faded into oblivion. As Cowen faced these existential risks, I remember discussing with colleagues that if Occupy Wall Street came to visit the firm, they would realize we were a very different animal from the giant banks which had fueled the crisis and had socialized the losses. By the beginning of 2012, as the crisis receded, we at Cowen set ourselves on a path very different from those of big Wall Street firms. We were determined to demonstrate the value-add of trusted financial partners like Cowen by working to benefit all our primary stakeholders — our clients, our teammates and our shareholders.

Today, Cowen is almost four times the size it was in 2012 in terms of revenue, and we are coming off our most profitable year in over a decade. Our success is the direct result of the long-term efforts we have made as a team across the entire platform to fulfill the promise of delivering outperformance. But in the most important ways, we are still the same people culturally: People who care deeply about delivering positive outcomes and doing right by our stakeholders.

Our markets business has grown to almost a half billion dollars in revenue, up from less than \$100 million in 2012. We are a premier global execution platform, with trading volumes rivaling those of some bulge bracket firms.

BY THE **NUMBERS**

\$909 MILLION

2018 ECONOMIC INCOME
REVENUE

+21%

CAGR 2012 – 2018

\$81 MILLION

2018 OPERATING ECONOMIC
INCOME ATTRIBUTABLE TO
COMMON SHAREHOLDERS

+43%

CAGR 2012 – 2018

\$2.63

2018 ECONOMIC OPERATING
INCOME PER COMMON SHARE
(DILUTED)

+79%

CAGR 2012 – 2018

\$32 MILLION

2018 CAPITAL RETURNED
THROUGH SHARE REPURCHASES

12%

2018 RETURN ON AVERAGE
COMMON EQUITY

We are also a major player in US equity research, with more than 50 publishing analysts covering nearly 775 securities across a range of growth industries. Our research has readership which is 3x-8x larger than Street averages.¹

We have the largest life sciences research franchise on the Street, and we are a top three bookrunner for biotech offerings since 2012.

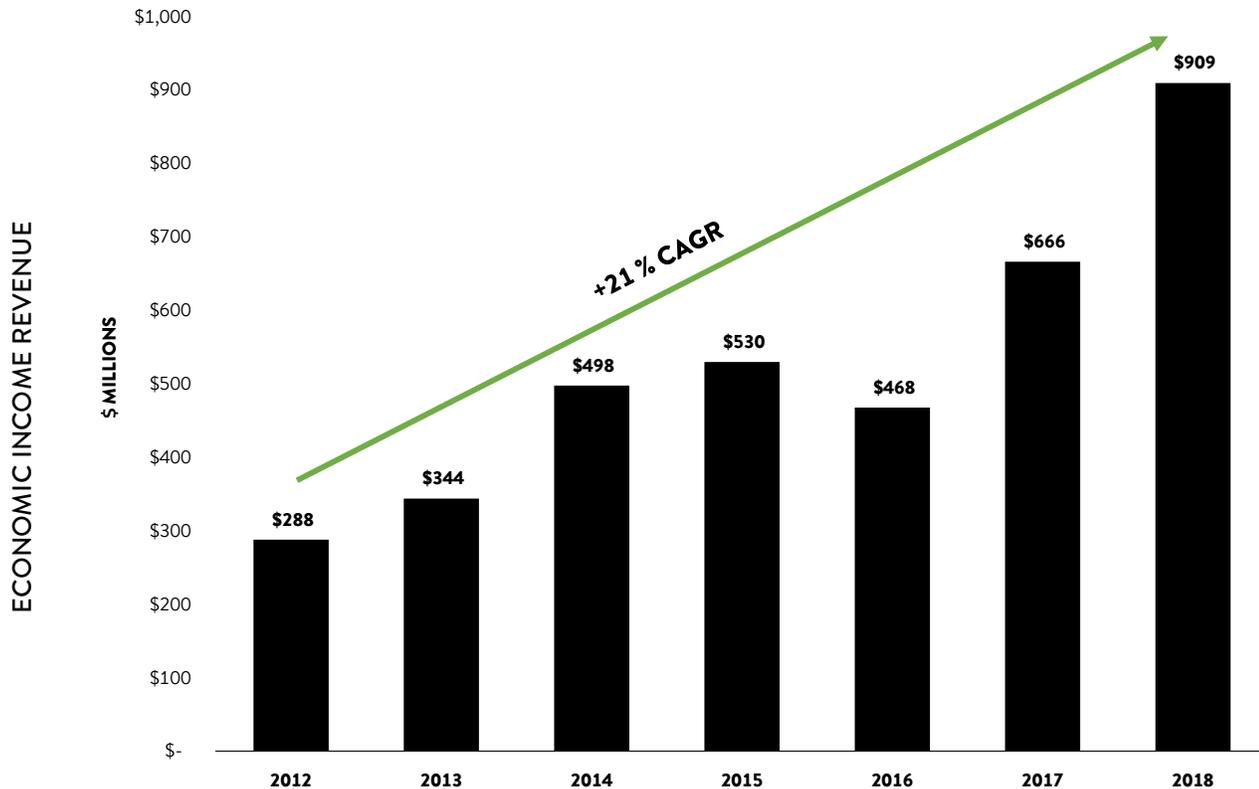
Indeed, Cowen has been a bookrunner on 60% of the best performing biotech IPOs over the past 5 years.²

But our capabilities extend far beyond biotech capital markets. Nearly half of our investment banking revenues are now from non-healthcare fields such as technology, consumer and industrials, and one-third of our banking revenues

¹ Financial Times, 2/8/17

² ECM Analytics as of April 2019

A GROWING PLATFORM



are from M&A and advisory work. Overall banking growth has been very strong, with revenues up nearly five-fold since 2012.

We also provide differentiated, actively managed investment offerings and a focus on products which are aligned with our firm's expertise, or Cowen DNA. We are growing both liquid fund structures as well as private equity-style vehicles. We currently have five investment management strategies, including two with a focus on healthcare.

In short, our future as a firm looks emphatically brighter than it did when we set out on this course. Our success is the result of the efforts of so many of our teammates who embody our core values of Vision, Empathy, Sustainability and Tenacious Teamwork.

However, if I had to pick the one Cowen value that has mattered most to our success, it is Empathy.

We have built our firm by creating an environment where Empathy is abundant. One in which our teammates get psychic joy out of helping others succeed. Where we openly discuss how to engage

with both civility and candor in order to achieve positive outcomes. And we do this not only for the benefit of our stakeholders, but for the broader good as well.

BASED ON GIVING BACK...

At Cowen, we believe that promoting an empathetic culture is essential to delivering on the goal of helping our clients Outperform. Indeed, our shared success over the long term is proof positive that it is possible to do well while also doing good, or as we say, "Doing Better Enables Us to Do More Good." In support of that concept, alongside the great strides in our operating performance, we have also created a philanthropic and community engagement program called Cowen Cares, and we recently launched a new Earth-friendly sustainability initiative, Cowen Green. Over the past year we have committed to improving our efforts on key environmental, social and governance matters to ensure that we are doing our part to advance sustainable, long-term growth. "Repairing the World" gives us great purpose because we have a responsibility to all our stakeholders – our clients, our shareholders, our

team members, our families and the communities in which we live. And yet, we realize that pursuing these initiatives only happens when we are successful at meeting our targeted financial and operating objectives.

BEING MEANINGFUL, NOT MERCENARY...

I am fond of telling people that for most my career I felt like I had to deal with Wall Street. I engaged because I needed access to markets financing, deal flow or financial advice. For the most part, I felt that the people providing those services only saw me as another potential source of revenue. However, over the years there were a few individuals that made a positive difference for me and my firm. They leaned into understanding our needs more viscerally. For those trusted advisors who exhibited Empathy, I have always had plenty of time and, as a result, they ended up getting a significant portion of our fee wallet.

So, as we set out to rebuild at the beginning of 2012, the premise of Cowen was straightforward: What if we could build the kind of investment bank we wished had covered us when we were clients? What if we could fill Cowen with the

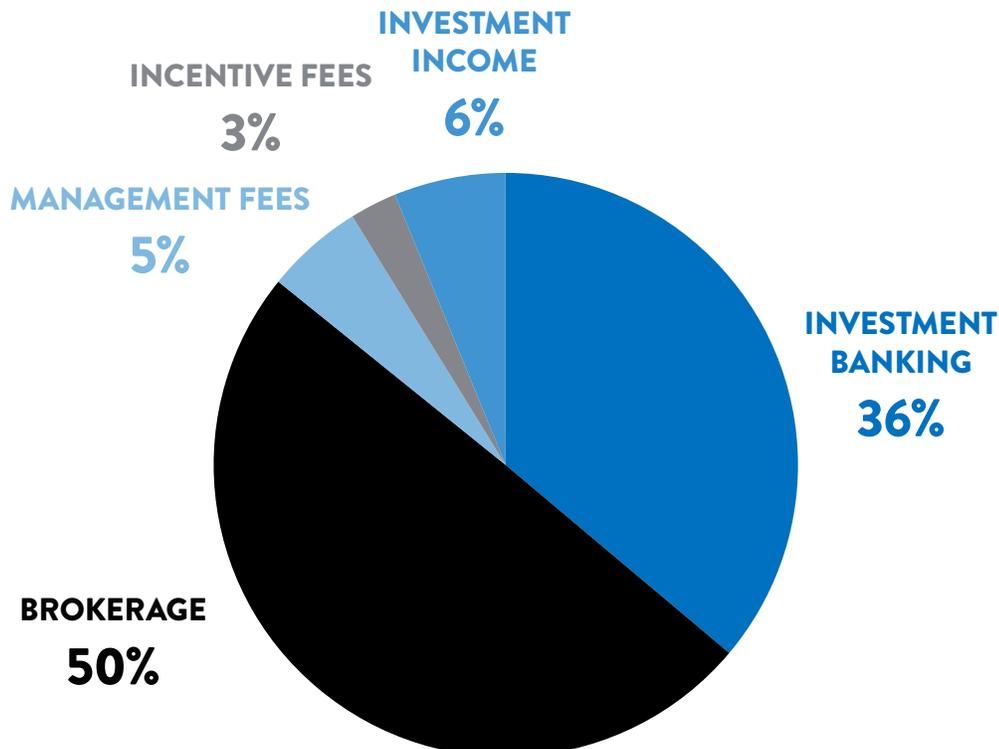
kind of individuals who have consistently shown a level of EQ (emotional intelligence) matching their intelligence and their tenacity. People who deliver the high-quality content and capabilities that are in such short supply, while understanding intuitively that we win more acting as a team than we do individually. We believed there was a place in our industry for that kind of firm.

Our growth has validated that belief. Our focus on empathetic engagement has led us to nourish the various industries in which we operate. In fact, if you should ever attend a Cowen conference or corporate access event, not only will you undoubtedly feel part of our powerful, valuable content network, but you will get a strong sense of community. In each one of our interactions, we strive to make all the various constituents feel like they are a part of something bigger.

AND STAYING AHEAD OF THE CURVE®

In 2017, when we unveiled our brand statement, “Outperform,” we did so for two reasons: First, financial markets were (and continue to be) filled with passive alternatives for investors. We believe that nobody strives to be average, that the desire

ECONOMIC INCOME REVENUE — 2018



WE REALIZE THAT WE CAN ONLY PURSUE SUCH INITIATIVES IF WE ARE SUCCESSFUL IN DELIVERING AT A HIGH LEVEL FOR OUR CLIENTS.

to outperform is basic to the human condition. We also believe that you simply cannot win over the long-term by just showing up and being average.

Second, we discovered that no other firm on Wall Street had ever affiliated their image with the notion of Outperformance. Why? Because it is hard to maintain a consistent level of excellence that befits that moniker. I do not think for a moment that Outperformance equates to perfection. We don't always get it right, but we sure do try. We believe that Outperformance is a state of mind. It is a purpose. As we have grown the firm we have focused on providing new ways to help our clients Outperform. And we have been assiduous in recruiting and retaining only people who we think can deliver the caliber of service and advice that consistently aims to Outperform.

Outperformance doesn't just apply to our immediate constituents and stakeholders. We have done several things to improve the broader ecosystem around Cowen. In 2012, we worked hard to help shape the federal legislation that ultimately became the JOBS Act. The premise of the JOBS Act, which was the only piece of meaningful bipartisanship in Congress that year, was that improvements to the ecosystem for capital formation would result in greater innovation and private sector job growth at smaller companies.

Since the enactment of the JOBS Act, almost 1,300 companies have done IPOs in the United States, compared to fewer than 1,000 over the seven previous years.³ Today we have approximately 4,400 companies listed on major U.S. exchanges versus 4,100 in 2012.⁴ This opening up of listings,

however modest, has resulted in more than 250,000 new jobs being created at those emerging growth companies.⁵

The fact that we still have more work to do is why I am proud to have been appointed by the SEC as Vice Chairman and an inaugural member of the Small Business Capital Formation Advisory Committee. The Committee is designed to provide a formal mechanism for the Commission to receive advice and recommendations on Commission rules, regulations and policy matters relating to small businesses, including smaller public companies. I am looking forward to helping foster growth in this important community in any way I can.

THE BOTTOM LINE

We realize that we can only pursue such initiatives if we are successful in delivering at a high level for our clients. And we know that every time we serve our clients, we are serving our shareholders, as we seek to deliver more consistent profitability and higher returns.

That is why, in each of our engagements, we strive to help people through our actions. By doing so, we aim to leave them in a better place than they were before they engaged with us. It's just that straightforward.

Working to live up to our values is what makes Cowen a special place to work now and for the foreseeable future. As we begin our next century, we will continue to find ways to make Cowen a better firm, while we stay true to our culture and purpose. In doing so, we hope to be able to continue doing what we do best for the next 100 years and beyond.

With thanks and gratitude for your continuing support,



JEFFREY M. SOLOMON
Chief Executive Officer

³ Source: Renaissance Capital

⁴ Source: World Bank

⁵ Cowen analysis of Capital IQ, Bloomberg, ECM Analytics and company filing data