WADDELL & REED FINANCIAL INC
Form 10-K
February 26, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2015

OR

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 001-13913

WADDELL & REED FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	51-0261715 (I.R.S. Employer Identification No.)

6300 Lamar Avenue
Overland Park, Kansas 66202
913-236-2000
(Address, including zip code, and telephone number of Registrant's principal executive offices)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Title of each class	Name of each exchange on which registered
Class A Common Stock, $.01 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ý NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO ý .

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 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 ý No o.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated Filer	ý	Accelerated Filer	o
Non-accelerated Filer	o	Smaller Reporting Company	o
(Do not check if a smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No ý .

The aggregate market value of the voting and non-voting common stock equity held by non-affiliates based on the closing sale price on June 30, 2015 was $3.82 billion.

Shares outstanding of each of the registrant's classes of common stock as of February 12, 2016 Class A common stock, $.01 par value: 81,758,013.

DOCUMENTS INCORPORATED BY REFERENCE

In Parts II and III of this Form 10-K, portions of the definitive proxy statement for the 2016 Annual Meeting of Stockholders to be held April 13, 2016.

Index of Exhibits (Pages 90 through 94)
Total Number of Pages Included Are 94

Table of Contents

WADDELL & REED FINANCIAL, INC.
INDEX TO ANNUAL REPORT ON FORM 10-K
For the fiscal year ended December 31, 2015

PART I

Forward-Looking Statements

This Annual Report on Form 10-K and the letter to stockholders contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the current views and assumptions of management with respect to future events regarding our business and the industry in general. These forward-looking statements include all statements, other than statements of historical fact, regarding our financial position, business strategy and other plans and objectives for future operations, including statements with respect to revenues and earnings, the amount and composition of assets under management, distribution sources, expense levels, redemption rates and the financial markets and other conditions. These statements are generally identified by the use of words such as "may," "could," "should," "would," "believe," "anticipate," "forecast," "estimate," "expect," "intend," "plan," "project," "outlook," "will," "potential" and similar statements of a future or forward-looking nature. Readers are cautioned that any forward-looking information provided by or on behalf of the Company is not a guarantee of future performance. Certain important factors that could cause actual results to differ materially from our expectations are disclosed in the Item 1 "Business" and Item 1A "Risk Factors" sections of this Annual Report on Form 10-K, which include, without limitation, the adverse effect from a decline in securities markets or in the relative investment performance of our products, our inability to pay future dividends, the loss of existing distribution channels or the inability to access new ones, a reduction of the assets we manage on short notice, and adverse results of litigation and/or arbitration. The forgoing factors should not be construed as exhaustive and should be read together with other cautionary statements included in this and other reports and filings we make with the SEC. All forward-looking statements speak only as of the date on which they are made and we undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1. Business

General

Waddell & Reed Financial, Inc. (hereinafter referred to as the "Company," "we," "our" or "us") is a corporation, incorporated in the state of Delaware in 1981, that conducts business through its subsidiaries. Founded in 1937, we are one of the oldest mutual fund complexes in the United States, having introduced the Waddell & Reed Advisors group of mutual funds (the "Advisors Funds") in 1940. Over time we added additional mutual fund families: Ivy Funds (the "Ivy Funds"), Ivy Funds Variable Insurance Portfolios ("Ivy Funds VIP"), InvestEd Portfolios, our 529 college savings plan ("InvestEd") (collectively, the Advisors Funds, Ivy Funds, Ivy Funds VIP and InvestEd are referred to as the "Funds") and the Ivy Global Investors Fund SICAV (the "SICAV") and its Ivy Global Investors sub-funds (the "IGI Funds"), an undertaking for the collective investment in transferable securities ("UCITS"). As of December 31, 2015, we had $104.4 billion in assets under management.

We derive our revenues from providing investment management, investment advisory, investment product underwriting and distribution, and shareholder services administration to the Funds, the IGI Funds and institutional and separately managed accounts. Investment management fees are based on the amount of average assets under management and are affected by sales levels, financial market conditions, redemptions and the composition of assets. Our underwriting and distribution revenues consist of Rule 12b-1 asset-based service and distribution fees, fees earned on fee-based asset allocation products and related advisory services, commissions derived from sales of investment and insurance products, and distribution fees on certain variable products. The products sold have various commission structures and the revenues received from those sales vary based on the type and dollar amount sold. Shareholder service fee revenue includes transfer agency fees, custodian fees from retirement plan accounts, and portfolio accounting and administration fees, and is earned based on assets under management or number of client accounts.

Table of Contents

We operate our business through a balanced distribution network. Our retail products are distributed through third parties such as other broker/dealers, registered investment advisors and various retirement platforms (collectively, the "Wholesale channel") or through our sales force of independent financial advisors (the "Advisors channel"). We also market our investment advisory services to institutional investors, either directly or through consultants (the "Institutional channel").

Our Wholesale channel efforts include retail fund distribution through broker/dealers (the primary method of distributing mutual funds for the industry), registered investment advisors (fee-based financial advisors who generally sell mutual funds through financial supermarkets) and retirement and insurance platforms. Assets under management in this channel were $45.6 billion at the end of 2015.

In the Advisors channel, our sales force focuses its efforts primarily on financial planning, serving mostly middle class and mass affluent clients. We compete with smaller broker/dealers and independent financial advisors, as well as a span of other financial service providers. Assets under management in this channel were $43.4 billion at December 31, 2015.

Through our Institutional channel, we serve as subadvisor for domestic and foreign distributors of investment products for pension funds, Taft-Hartley plans and endowments. Additionally, we serve as investment advisor and distributor of the IGI Funds. Assets under management in the Institutional channel were $15.4 billion at December 31, 2015.

Organization

We operate our investment advisory business through our subsidiary companies, primarily Waddell & Reed Investment Management Company ("WRIMCO"), a registered investment adviser for the Advisors Funds, the Ivy Funds VIP and InvestEd, and Ivy Investment Management Company ("IICO"), the registered investment adviser for the Ivy Funds and the IGI Funds and global distributor of the IGI Funds.

Our underwriting and distribution business operates through two broker/dealers: Waddell & Reed, Inc. ("W&R") and Ivy Funds Distributor, Inc. ("IFDI"). W&R is a registered broker/dealer and investment adviser that acts primarily as the national distributor and underwriter for shares of the Advisors Funds, Ivy Funds VIP, InvestEd and other mutual funds, and as a distributor of variable annuities and other insurance products issued by our business partners. In addition, W&R is the sixth largest distributor of the Ivy Funds. IFDI is the distributor and underwriter for the Ivy Funds.

Waddell & Reed Services Company ("WRSCO") provides transfer agency and accounting services to the Funds. W&R, WRIMCO, WRSCO, IICO and IFDI are hereafter collectively referred to as the "Company," "we," "us" or "our" unless the context requires otherwise.

Investment Management Operations

Our investment advisory business provides one of our largest sources of revenues. We earn investment management fee revenues by providing investment advisory and management services pursuant to investment management agreements with the Funds. While the specific terms of the agreements vary, the basic terms are similar. The agreements provide that we render overall investment management services to each of the Funds, subject to the oversight of each Fund's board of trustees and in accordance with each Fund's investment objectives and policies. The agreements permit us to enter into separate agreements for shareholder services or accounting services with each respective Fund.

Each Fund's board of trustees, including a majority of the trustees who are not "interested persons" of the Fund or the Company within the meaning of the Investment Company Act of 1940, as amended (the "ICA") ("disinterested members") and the Fund's shareholders must approve the investment management agreement between the respective Fund and the Company. These agreements may continue in effect from year to year if specifically approved at least annually by (i) the Fund's board, including a majority of the disinterested members, or (ii) the vote of a majority of both the shareholders of the Fund and the disinterested members of each Fund's board, each vote being cast in person at a meeting called for such purpose. Each agreement automatically terminates in the event of its assignment, as defined by the ICA or the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and may be terminated without penalty by any Fund by giving us 60 days' written notice if the termination has been approved by a majority of the Fund's trustees or the Fund's shareholders. We may terminate an investment management agreement without penalty on 120 days' written notice.

In addition to performing investment management services for the Funds, we act as an investment adviser for the IGI Funds, institutional and other private investors and we provide subadvisory services to other investment companies. Such services are provided pursuant to various written agreements and our fees are generally based on a percentage of assets under management.

Our investment management team begins each business day in a collaborative discussion that fosters idea sharing, yet reinforces individual accountability. Through all market cycles, we remain dedicated to the following investment principles:

Rigorous fundamental research an enduring investment culture that dedicates itself to analyzing companies on our own rather than relying exclusively on widely available research produced by others.

Collaboration and accountability a balance of collaboration and individual accountability, which ensures the sharing and analysis of investment ideas among investment professionals while empowering portfolio managers to shape their portfolios individually.

Focus on growing and protecting investors' assets a sound approach that seeks to capture asset appreciation when market conditions are favorable and strives to manage risk during difficult market periods.

These three principles shape our investment philosophy and money management approach. For nearly 80 years, our investment organization has delivered consistently competitive investment performance. Through bull and bear markets, our investment professionals have not strayed from what works fundamental research and a time-tested investment process. We believe investors turn to us because they appreciate that our investment approach continues to identify and create opportunities for wealth creation.

Our investment management team comprises 88 professionals, including 34 portfolio managers who average 23 years of industry experience and 16 years of tenure with our firm. We have significant experience in virtually all major asset classes, several specialized asset classes and a range of investment styles. At December 31, 2015, 80% of the Company's $104.4 billion in assets under management were invested in equities, of which 81% was domestic and 19% was international. In recent years, we have supported growth of international investments by adding investment professionals native to countries that we consider emerging markets. They, along with other members of the investment team, focus on understanding foreign markets and capturing investment opportunities. Our investment management team also includes subadvisors who bring similar investment philosophies and additional expertise in specific asset classes.

Investment Management Products

Our mutual fund families offer a wide variety of investment options. We are the exclusive underwriter and distributor of 89 registered open-end mutual fund portfolios in the Funds, which includes 17 investment styles. Additionally, we have one closed-end offering through the Ivy Funds and offer the IGI Funds through our Institutional channel. The Advisors Funds, variable products offering the Ivy Funds VIP, and InvestEd are offered primarily through our financial advisors in the Advisors channel; in some circumstances, certain of those funds are also offered through the Wholesale channel. The Ivy Funds are offered through both our Wholesale channel and Advisors channel. The Funds' assets under management are included in either our Wholesale channel or our Advisors channel depending on which channel marketed the client account or is the broker of record.

Table of Contents

During 2015, we launched two income-oriented mutual funds in partnership with Apollo Credit Management. The Ivy Apollo Strategic Income fund invests among three investment strategies: Apollo's total return and Ivy's global bond and high income. The Ivy Apollo Multi-Asset Income fund invests among four investment strategies: Apollo's total return and Ivy's high income, global equity income and global real estate, which is subadvised by LaSalle Investment Management Securities. We launched three new sub-funds of the SICAV in 2015. The Ivy Global Investors Balanced fund seeks to provide total return by investing primarily in a balanced mix of equities of medium to large U.S. companies, debt or preferred securities and short-term instruments, typically within moderate asset allocation ranges. The Ivy Global Investors Emerging Markets Equity fund will primarily invest in equity securities of companies from countries considered to be in emerging markets or those that are economically linked to emerging markets. The Ivy Global Investors Energy fund will primarily invest in the equity of companies around the world that are within the energy sector or that develop products and services to enhance energy efficiency. In January of 2016, we launched the Ivy Targeted Return Bond fund, subadvised by Pictet Asset Management. This fund seeks to provide a positive total return over the long-term across all market environments by investing in any form of debt security issued in the U.S or internationally.

During 2015, we also entered into a preliminary agreement with Navigate Fund Solutions, a subsidiary of Eaton Vance Corporation, to support the launch by Ivy Funds of a family of NextShares exchange-traded managed funds ("ETMFs"). The Ivy Funds launch of NextShares ETMFs is subject to securing exemptive order relief from the SEC to allow it to manage exchange-traded managed funds, as well as the development of implementation technology by broker/dealers and other market participants.

Other Products

We offer our Advisors channel customers fee-based asset allocation products, including Managed Allocation Portfolio ("MAP"), MAPPlus and Strategic Portfolio Allocation ("SPA"), which utilize the Funds. As of December 31, 2015, clients had $17.6 billion invested in our fee-based asset allocation products, of which $15.7 billion is invested in our mutual funds and included in our mutual fund assets under management.

In our Advisors channel, we distribute various business partners' variable annuity products, which offer the Ivy Funds VIP as an investment vehicle. We also offer our Advisors channel customers retirement and life insurance products underwritten by our business partners. Through our insurance agency subsidiary, our financial advisors also sell life insurance and disability products underwritten by various carriers.

Distribution Channels

We distribute our investment products through the Wholesale, Advisors and Institutional channels.

Wholesale Channel

Our Wholesale channel generates sales through various third party distribution outlets. Our assets under management in the Wholesale channel were $45.6 billion at December 31, 2015.

Our team of 61 external wholesalers lead our wholesaling efforts, which focus principally on distributing the Ivy Funds through three segments: broker/dealers (the largest method of distributing mutual funds for the industry and for us), retirement platforms (401(k) platforms using multiple managers) and registered investment advisors (fee-based financial advisors who generally sell mutual funds through financial supermarkets). Additionally, our National Accounts team, comprised of 19 employees, work with the home offices of our distribution partners managing current and new relationships.

Advisors Channel

Assets under management in the Advisors channel were $43.4 billion at December 31, 2015. Throughout our history, our advisors have sold investment products primarily to middle income and mass

Table of Contents

affluent individuals, families and businesses across the country in geographic markets of all sizes. We assist clients on a wide range of financial issues with a significant focus on helping them plan, generally, for long-term investments such as retirement and education, and offer one-on-one consultations that emphasize long-term relationships through continued service. As a result of this approach, this channel has developed a loyal customer base with clients maintaining their accounts significantly longer than the industry average. Over the past several years, we have expanded our brokerage platform technology and offerings, and continue to do so which enable us to competitively recruit experienced advisors.

As of December 31, 2015, our sales force consisted of 1,819 financial advisors who operate out of offices located throughout the United States. We believe, based on industry data, that our financial advisors are currently one of the largest sales forces in the United States selling primarily mutual funds, and that W&R, our broker/dealer subsidiary, ranks among the largest independent broker/dealers. We continue to experience growth in sales force production. Advisors channel underwriting and distribution fee revenues per the average number of advisors were $265 thousand, $254 thousand and $215 thousand for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, our Advisors channel had approximately 449 thousand mutual fund customers.

Institutional Channel

Through this channel, we manage assets in a variety of investment styles for a variety of institutions. The largest client type is other asset managers that hire us to act as subadvisor; they are typically domestic and foreign distributors of investment products who lack scale or the track record to manage internally, or choose to market multi-manager styles. Over time, the Institutional channel has been successful in developing subadvisory relationships, and as of December 31, 2015, subadvisory business comprised more than 70% of the Institutional channel's assets. Our diverse client list also includes the IGI Funds, pension funds, Taft-Hartley plans and endowments. Assets under management in the Institutional channel were $15.4 billion at December 31, 2015.

Service Agreements

We earn service fee revenues by providing various services to the Funds and their shareholders. Pursuant to shareholder servicing agreements, we perform shareholder servicing functions for which the Funds pay us a monthly fee, including: maintaining shareholder accounts; issuing, transferring and redeeming shares; distributing dividends and paying redemptions; furnishing information related to the Funds; and handling shareholder inquiries. Pursuant to accounting service agreements, we provide the Funds with bookkeeping and accounting services and assistance for which the Funds pay us a monthly fee, including: maintaining the Funds' records; pricing Fund shares; and preparing prospectuses for existing shareholders, proxy statements and certain other shareholder reports.

Agreements with the Funds may be adopted or amended with the approval of the disinterested members of each Fund's board of trustees and have annually renewable terms of one year.

Competition

The financial services industry is a highly competitive global industry. According to the Investment Company Institute (the "ICI"), at the end of 2015 there were more than 9,500 open-end investment companies and more than 500 closed-end investment companies of varying sizes, investment policies and objectives whose shares are being offered to the public in the United States alone. Factors affecting our business include brand recognition, business reputation, investment performance, quality of service and the continuity of both client relationships and assets under management. A majority of mutual fund sales go to funds that are highly rated by a small number of well-known ranking services that focus on investment performance. Competition is based on distribution methods, the type and quality of shareholder services, the success of marketing efforts, the ability to develop investment products for certain market segments to meet the changing needs of investors, and the achievement of competitive investment management performance.

Table of Contents

We compete with hundreds of other mutual fund management, distribution and service companies that distribute their fund shares through a variety of methods, including affiliated and unaffiliated sales forces, broker/dealers and direct sales to the public of shares offered at a low or no sales charge. Many larger mutual fund complexes have significant advertising budgets and established relationships with brokerage houses with large distribution networks, which enable these fund complexes to reach broad client bases. Many investment management firms offer services and products similar to ours, as well as other independent financial advisors. We also compete with brokerage and investment banking firms, insurance companies, commercial banks and other financial institutions and businesses offering other financial products in all aspects of their businesses. Although no single company or group of companies consistently dominates the mutual fund management and services industry, many are larger than us, have greater resources and offer a wider array of financial services and products. Barriers to entry into the investment management business are relatively few, and thus, we face a potentially growing number of competitors, especially during periods of strong financial and economic markets.

The distribution of mutual funds and other investment products has undergone significant developments in recent years, which has intensified the competitive environment in which we operate. These developments include the introduction of new products, increasingly complex distribution systems with multiple classes of shares, the development of internet websites providing investors with the ability to invest on-line, the introduction of sophisticated technological platforms used by financial advisors to sell and service mutual funds for their clients, the introduction of separately managed accounts previously available only to institutional investors to individuals, and growth in the number of mutual funds offered.

We believe we effectively compete across multiple dimensions of the asset management and broker/dealer businesses. First, we market our products, primarily the Ivy Funds family, to unaffiliated broker/dealers and advisors and compete against other asset managers offering mutual fund products. This distribution method allows us to move beyond proprietary distribution and increases our potential pool of clients. Competition is based on sales techniques, personal relationships and skills, and the quality of financial planning products and services offered. We compete against asset managers that are both larger and smaller than our firm, but we believe that the breadth and depth of our products position us to compete in this environment. Second, our proprietary broker/dealer consists of a sales force of independent contractors affiliated with our Company who have access to our proprietary financial products. We believe our business model targets customers seeking personal assistance from financial advisors or planners where the primary competition is companies distributing products through financial advisors. The market for financial advice is extremely broad and fragmented. Our financial advisors compete primarily with large and small broker/dealers, independent financial advisors, registered investment advisors, financial institutions and insurance representatives. Finally, we compete in the institutional marketplace, working with consultants who select asset managers for various opportunities, as well as working directly with plan sponsors, foundations, endowments, sovereign funds and other asset managers who hire subadvisors. In this marketplace, we compete with a broad range of asset managers.

We also face competition in attracting and retaining qualified financial advisors and employees. To maximize our ability to compete effectively in our business, we offer competitive compensation.

Regulation

The securities industry is subject to extensive regulation and virtually all aspects of our business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and shareholders of registered investment companies. Under such laws and regulations, agencies and organizations that regulate investment advisers, broker/dealers, and transfer agents like us have broad administrative powers, including the power to limit, restrict or prohibit an investment adviser, broker/dealer or transfer agent from carrying on its business in the event that it fails to comply with applicable laws and regulations. In such event, the possible sanctions that may be imposed include, but are not limited to, the suspension of individual employees or agents, limitations on engaging in certain lines of business for specified periods of time, censures, fines and the revocation of investment adviser and other registrations.

The United States Securities and Exchange Commission (the "SEC") is the federal agency responsible for the administration of federal securities laws. Certain of our subsidiaries are registered with the SEC as investment advisers under the Advisers Act, which imposes numerous obligations on registered investment advisers including, among other things, fiduciary duties, record-keeping and reporting requirements, operational requirements and disclosure obligations, as well as general anti-fraud prohibitions. Investment advisers are subject to periodic examination by the SEC, and the SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act, ranging from censure to termination of an investment adviser's registration.

Our Funds are registered as investment companies with the SEC under the ICA, and various filings are made with states under applicable state rules and regulations. The ICA regulates the relationship between a mutual fund and its investment adviser and prohibits or severely restricts principal transactions and joint transactions. Various regulations cover certain investment strategies that may be used by the Funds for hedging and/or speculative purposes. To the extent the Funds purchase futures contracts, options on futures contracts, swaps and foreign currency contracts, they are subject to the commodities and futures regulations of the Commodity Futures Trading Commission.

We derive a large portion of our revenues from investment management agreements. Under the Advisers Act, our investment management agreements terminate automatically if assigned without the client's consent. Under the ICA, investment advisory agreements with registered investment companies, such as the Funds, terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct assignments, as well as assignments that may be deemed to occur, under certain circumstances, upon the transfer, directly or indirectly, of a controlling interest in the Company.

The Company is also subject to federal and state laws affecting corporate governance, including the Sarbanes-Oxley Act of 2002, as well as rules adopted by the SEC. Our report on internal controls over financial reporting for 2015 is included in Part I, Item 9A.

As a publicly traded company, we are also subject to the rules of the New York Stock Exchange (the "NYSE"), the exchange on which our stock is listed, including the corporate governance listing standards approved by the SEC.

Two of our subsidiaries, W&R and IFDI, are registered as broker/dealers with the SEC and the states. Much of the broker/dealer regulation has been delegated by the SEC to self-regulatory organizations, principally the Municipal Securities Rulemaking Board and the Financial Industry Regulatory Authority, Inc. ("FINRA"), which is the primary regulator of our broker/dealer activities. These self-regulatory organizations adopt rules (subject to approval by the SEC) that govern the industry and conduct periodic examinations of our operations over which they have jurisdiction. Securities firms are also subject to regulation by state securities administrators in those states in which they conduct business. Broker/dealers are subject to regulations that cover all aspects of the securities business, including sales practices, market making and trading among broker/dealers, the use and safekeeping of clients' funds and securities, capital structure, record-keeping, and the conduct of directors, officers and employees. Violation of applicable regulations can result in the revocation of broker/dealer licenses, the imposition of censures or fines, and the suspension or expulsion of a firm, its officers or employees.

W&R and IFDI are each subject to certain net capital requirements pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Uniform Net Capital Rule 15c3-1 of the Exchange Act (the "Net Capital Rule") specifies the minimum level of net capital a registered broker/dealer must maintain and also requires that part of its assets be kept in a relatively liquid form. The Net Capital Rule is designed to ensure the financial soundness and liquidity of broker/dealers. Any failure to maintain the required minimum net capital may subject us to suspension or revocation of our registration

Table of Contents

or other limitations on our activity by the SEC, and suspension or expulsion by FINRA or other regulatory bodies, and ultimately could require the broker/dealer's liquidation. The maintenance of minimum net capital requirements may also limit our ability to pay dividends. As of December 31, 2015 and 2014, net capital for W&R and IFDI exceeded all minimum requirements.

Pursuant to the requirements of the Securities Investor Protection Act of 1970, W&R is a member of the Securities Investor Protection Corporation (the "SIPC"). IFDI is exempt from the membership requirements and is not a member of the SIPC. The SIPC provides protection against lost, stolen or missing securities (but not loss in value due to a rise or fall in market prices) for clients in the event of the failure of a broker/dealer. Accounts are protected up to $500,000 per client with a limit of $100,000 for cash balances. However, since the Funds, and not our broker/dealer subsidiaries, maintain customer accounts, SIPC protection would not cover mutual fund shareholders whose accounts are maintained directly with the Funds, but would apply to brokerage accounts held on our brokerage platform.

Title III of the USA PATRIOT Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, imposes significant anti-money laundering requirements on all financial institutions, including domestic banks and domestic operations of foreign banks, broker/dealers, futures commission merchants and investment companies.

Our operations outside the United States are subject to the laws and regulations of various non-U.S. jurisdictions and non-U.S. regulatory agencies and bodies, including the regulation of the IGI Funds by Luxembourg's Commission de Surveillance du Secteur Financier as UCITS. As we broaden our distribution globally, we will become subject to increased international regulations, some of which are comparable to the regulations to which our United States operations are subject. Similar to the United States, non-U.S. regulatory agencies have broad authority in the event of non-compliance with laws and regulations.

Our businesses may be materially affected not only by regulations applicable to us as an investment adviser, broker/dealer or transfer agent, but also by law and regulations of general application. For example, the volume of our principal investment advisory business in a given time period could be affected by, among other things, existing and proposed tax legislation and other governmental regulations and policies (including the interest rate policies of the Federal Reserve Board), and changes in the interpretation or enforcement of existing laws and rules that affect the business and financial communities.

Our business is also subject to new and changing laws and regulations. For additional discussion regarding the impact of current and proposed legal or regulatory requirements, please see the "Regulatory Risk Is Substantial In Our Business And Non-Compliance With Regulations, Or Changes In Regulations, Could Have A Significant Impact On The Conduct Of Our Business, Reputation And Prospects" risk factor included in Item 1A Risk Factors in this annual report.

Intellectual Property

We regard our names as material to our business, and have registered certain service marks associated with our business with the United States Patent and Trademark Office.

Employees

At December 31, 2015 we had 1,691 full-time employees, consisting of 1,351 home office employees and 340 employees responsible for advisor field supervision and administration.

Available Information

We make available free of charge our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports under the "Reports & SEC Filings" menu on the "Investor Relations" section of our internet website at *www.waddell.com* as soon as it is reasonably practical after such filing has been made with the SEC.

Table of Contents

ITEM 1A. Risk Factors

You should carefully consider the following risk factors as well as the other risks and uncertainties contained in this Annual Report on Form 10-K or in our other SEC filings. The occurrence of one or more of these risks or uncertainties could materially and adversely affect our business, financial condition, operating results and cash flows. In this Annual Report on Form 10-K, unless the context expressly requires a different reading, when we state that a factor could "adversely affect us," have a "material adverse effect on our business," "adversely affect our business" and similar expressions, we mean that the factor could materially and adversely affect our business, financial condition, operating results and cash flows. Information contained in this section may be considered "forward-looking statements." See "Part I Forward Looking Statements" for a discussion of certain qualifications regarding forward-looking statements.

A Significant Percentage Of Our Assets Under Management Are Distributed Through Our Wholesale Channel, Which Has Higher Redemption Rates Than Our Traditional Advisors Channel. In recent years, we have focused on expanding distribution efforts relating to our Wholesale channel. The percentage of our assets under management in the Wholesale channel has increased from 10% at December 31, 2003 to 44% at December 31, 2015, and the percentage of our total sales represented by the Wholesale channel has increased from 17% for the year ended December 31, 2003 to 61% for the year ended December 31, 2015. The success of sales in our Wholesale channel depends upon our maintaining strong relationships with institutional accounts, certain strategic partners and our third party distributors. Many of those distribution sources also offer investors competing funds that are internally or externally managed, which could limit the distribution of our products. The loss of any of these distribution channels and the inability to continue to access new distribution channels could decrease our assets under management and adversely affect our results of operations and growth. There are no assurances that these channels and their client bases will continue to be accessible to us. The loss or diminution of the level of business we do with those providers could have a material adverse effect on our business, especially with the high concentration of assets in certain funds in this channel, namely the Ivy Asset Strategy fund. Compared to the industry average redemption rate of 24.7% for the years ended December 31, 2015 and 2014, respectively, the Wholesale channel had redemption rates of 43.0% and 34.8% for the years ended December 31, 2015 and 2014, respectively. Redemption rates were 9.1% and 8.3% for our Advisors channel in the same periods, reflecting the higher rate of transferability of investment assets in the Wholesale channel.

Our Business Is Subject To Substantial Risk From Litigation, Regulatory Investigations And Potential Securities Laws Liability. Many aspects of our business involve substantial risks of litigation, regulatory investigations and/or arbitration, and from time to time, we are involved in various legal proceedings in the course of operating our business. We are exposed to liability under federal and state securities laws, other federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC, FINRA and other regulatory bodies. We, our subsidiaries, and/or certain of our past and present officers, have been named as parties in legal actions, regulatory investigations and proceedings, and securities arbitrations in the past and have been subject to claims alleging violation of such laws, rules and regulations, which have resulted in the payment of fines and settlements. An adverse resolution of any lawsuit, legal or regulatory proceeding or claim against us could result in substantial costs or reputational harm to us, and have a material adverse effect on our business. In addition to these financial costs and risks, the defense of litigation, regulatory investigations or arbitration may divert resources and management's attention from operations.

Our Financial Advisors Are Classified As Independent Contractors, And Changes To Their Classification May Increase Our Operating Expenses. From time to time, various legislative or regulatory proposals are introduced at the federal or state levels to change the status of independent contractors' classification to employees for either employment tax purposes (withholding, social security, Medicare and unemployment taxes) or other benefits available to employees. Currently, most individuals are classified as employees or independent contractors for employment tax purposes based on 20 "common law" factors, rather than any

Table of Contents

definition found in the Internal Revenue Code or Treasury regulations. We classify the majority of our financial advisors as independent contractors for all purposes, including employment tax and employee benefit purposes. There can be no assurance that legislative, judicial or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change the independent contractor/employee classification of those financial advisors currently doing business with us. The costs associated with potential changes, if any, with respect to these independent contractor classifications could have a material adverse effect on our business.

There May Be Adverse Effects On Our Business If Our Funds' Performance Declines. Success in the investment management and mutual fund businesses is dependent on the investment performance of client accounts relative to market conditions and the performance of competing funds. Good relative performance stimulates sales of the Funds' shares and tends to keep redemptions low. Sales of the Funds' shares in turn generate higher management fees and distribution revenues. Good relative performance also attracts institutional and separate accounts. Conversely, poor relative performance results in decreased sales, increased redemptions of the Funds' shares and the loss of institutional and separate accounts, resulting in decreases in revenues. As of December 31, 2015, 15% our assets under management were concentrated in the Ivy Asset Strategy fund. As a result, our operating results are significantly affected by the performance of that fund and our ability to minimize redemptions from and maintain assets under management in that fund. If a significant amount of investments are withdrawn from that fund for any reason, our revenues would decline and our operating results would be adversely affected. Further, given the size and prominence of the Ivy Asset Strategy fund within our product line, any adverse performance of that fund may also indirectly affect the net sales and redemptions in our other products, which in turn may adversely affect our business.

There May Be An Adverse Effect On Our Business If Our Investors Redeem The Assets We Manage On Short Notice. Mutual fund investors may redeem their investments in our mutual funds at any time without any prior notice. Additionally, our investment management agreements with institutions and other non-mutual fund accounts are generally terminable upon relatively short notice. Investors can terminate their relationship with us, reduce their aggregate amount of assets under management, or shift their funds to other types of accounts with different rate structures for any number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. The risk of our investors to redeeming their investments in our mutual funds on short notice has increased materially due to the growth of assets in our Wholesale channel and the high concentration of assets in certain funds in this channel, including the Ivy Asset Strategy fund. The decrease in revenues that could result from any such event could have a material adverse effect on our business.

We May Not Reduce Our Expenses Rapidly Enough To Align With Decreases In Our Revenues. We expect that, as we transition our load-waived Class A shares to Class I shares in our investments advisory products, our operating revenue will be significantly lower in 2016. If we are unable to effect appropriate expense reductions in a timely manner through operational changes or performance improvement initiatives in response to this expected decline in our revenues or due to, among other things, the level of our assets under management or our current business environment, our business may be adversely affected.

Regulatory Risk Is Substantial In Our Business And Non-Compliance With Regulations, Or Changes In Regulations, Could Have A Significant Impact On The Conduct Of Our Business, Reputation And Prospects. Our investment advisory and broker/dealer businesses are heavily regulated, primarily at the federal level. Non-compliance with applicable laws or regulations could result in sanctions being levied against us, including fines and censures, suspension or expulsion from a certain jurisdiction or market, or the revocation of licenses. Non-compliance with applicable laws or regulations could also adversely affect our business, reputation and prospects. In addition, changes in current legal, regulatory, accounting, tax or compliance requirements or in governmental policies could adversely affect our operations, revenues and

Table of Contents

earnings by, among other things, increasing expenses and reducing investor interest in certain products we offer. Distribution fees paid to mutual fund distributors in accordance with Rule 12b-1 promulgated under the Investment Company Act of 1940, as amended ("Rule 12b-1"), are an important element of the distribution of the mutual funds we manage. In 2010, the SEC proposed replacing Rule 12b-1 with a new regulation that would significantly change current fund distribution practices in the industry. If this proposed regulation is adopted, it may have a material impact on the compensation we pay to distributors for distributing the mutual funds we manage and/or our ability to recover expenses related to the distribution of our funds, and thus could materially affect our business. In 2015, the U.S. Department of Labor (the "DOL") proposed regulations to expand the scope of a "fiduciary" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), which, if enacted, would impact how advice can be provided to retirement account holders in 401(k) plans, individual retirement accounts and other qualified retirement programs. The DOL proposal also would create new exemptions and amend existing exemptions from the prohibited transaction rules applicable to fiduciaries under ERISA and the Code that would allow broker/dealers, investment advisers and others to continue to receive a variety of common forms of compensation that otherwise would be prohibited as conflicts of interest. If the proposed regulations are enacted, they may have a material impact on the provision of investment services to retirement accounts, including imposing additional compliance, reporting and operational requirements, which could negatively affect our business. Additionally, our profitability could be affected by rules and regulations that impact the business and financial communities generally, including changes to the laws governing state and federal taxation.

Our Business And Prospects Could Be Adversely Affected If The Securities Markets Decline. Our results of operations are affected by certain economic factors, including the success of the securities markets. Adverse market conditions, particularly the U.S. domestic stock market due to our high concentration of assets under management in that market, and lack of investor confidence could result in investors further withdrawing from the markets or decreasing their rate of investment, either of which could adversely affect our revenues, earnings and growth prospects to a greater extent. Because our revenues are, to a large extent, investment management fees that are based on the value of assets under management, a decline in the value of these assets adversely affects our revenues and earnings. Our growth is dependent to a significant degree upon our ability to attract and retain mutual fund assets, and, in an adverse economic environment, this may prove more difficult. Our growth rate has varied from year to year and there can be no assurance that our average growth rates sustained in recent years will continue. Declines in the securities markets could significantly reduce our future revenues and earnings. In addition, a decline in the market value of these assets could cause our clients to withdraw funds in favor of investments they perceive as offering greater opportunity or lower risk, which could also negatively impact our revenues and earnings. The combination of adverse market conditions reducing sales and investment management fees could compound on each other and materially affect our business.

Our Ability To Hire And Retain Senior Executive Management And Other Key Personnel Is Significant To Our Success And Growth. Our continued success depends to a substantial degree on our ability to attract and retain qualified senior executive management and other key personnel to conduct our broker/dealer, fund management and investment advisory businesses. The market for qualified fund managers, investment analysts, financial advisors and wholesalers is extremely competitive. Additionally, we are dependent on our financial advisors and select wholesale distributors to sell our mutual funds and other investment products. Our growth prospects will be directly affected by the quality, quantity and productivity of financial advisors and wholesalers we are able to successfully recruit and retain. There can be no assurances that we will be successful in our efforts to recruit and retain the required personnel.

A Failure In Or Breach Of Our Operational Or Security Systems Or Our Technology Infrastructure, Or Those Of Third Parties, Could Result In A Material Adverse Effect On Our Business And Reputation. We are highly dependent upon the use of various proprietary and third party software applications and other technology systems to operate our business. As part of our normal operations, we process a large number of transactions on a daily basis and maintain and transmit confidential client and employee information, the safety and security of which is dependent upon the effectiveness of our information security policies, procedures and capabilities to protect such systems and the data that reside on or are transmitted through them.

Although we take protective measures and endeavor to modify these protective measures as circumstances warrant, technology is subject to rapid change and the nature of the threats continue to evolve. As a result, our operating and technology systems, software and networks may fail to operate properly or become disabled, or may be vulnerable to unauthorized access, inadvertent disclosure, loss or destruction of data (including confidential client information), computer viruses or other malicious code, cyber attacks and other events that could materially damage our operations, have an adverse security impact, or cause the disclosure or modification of sensitive or confidential information. Most of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third party vendors. A suspension or termination of certain of these licenses or the related support, upgrades and maintenance could cause temporary system delays or interruption. We also take precautions to password protect and/or encrypt our laptops and other mobile electronic hardware. If such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us. Further, while we have in place a disaster recovery plan to address catastrophic and unpredictable events, there is no guarantee that this plan will be sufficient in responding to or ameliorating the effects of all disaster scenarios, and we may experience system delays and interruptions as a result of natural disasters, power failures, acts of war, and third party failures.

The breach of our operational or security systems or our technology infrastructure, or those of third parties, due to one or more of these events could cause interruptions, malfunctions or failures in our operations and/or the loss or inadvertent disclosure of confidential client information could result in substantial financial loss or costs, liability for stolen assets or information, breach of client contracts, client dissatisfaction and/or loss, regulatory actions, remediation costs to repair damage caused by the breach, additional security costs to mitigate against future incidents and litigation costs resulting from the incident. These events, and those discussed above, could have a material adverse effect on our business and reputation.

There Is No Assurance That New Information Technology Systems Will Be Implemented Successfully. A number of our key information technology systems were developed solely to handle our particular information technology infrastructure. We are in the process of implementing new information technology systems that we believe could facilitate and improve our core businesses and our productivity. There can be no assurance that we will be successful in implementing the new information technology systems or that their implementation will be completed in a timely or cost effective manner. Failure to implement or maintain adequate information technology infrastructure could impede our ability to support business growth.

Support Provided To New Products May Reduce Fee Revenue, Increase Expenses And Expose Us To Potential Loss On Invested Capital. We may support the development of new investment products by waiving a portion of the fees we usually receive for managing such products, by subsidizing expenses or by making seed capital investments. There can be no assurance that new investment products we develop will be successful, which could have a material adverse effect on our business. Failure to have or devote sufficient capital to support new products could have an adverse impact on our future growth. Seed capital investments in new products utilize Company capital that would otherwise be available for general corporate purposes and expose us to capital losses due to investment market risk. Our non-operating investment and other income could be adversely affected by the realization of losses upon the disposition of our investments or the recognition of significant other-than-temporary impairments in the case of our available-for-sale portfolio and the recognition of unrealized losses related to our sponsored investment

Table of Contents

portfolios that are held as trading and accounted for under the equity method. We may use various derivative instruments to mitigate the risk of our seed capital investments, although some market risk would remain. The risk of loss may be greater for seed capital investments that are not hedged, or if an intended hedge does not perform as expected. Our use of derivatives would result in counterparty risk in the event of non-performance by counterparties to these derivative instruments, regulatory risk and the risk that the underlying positions do not move identically to the related derivative instruments. As a result, volatility in the capital markets may affect the value of our seed capital investments, which may increase the volatility of our earnings and adversely affect our business.

Expansion Into International Markets May Increase Operational And Regulatory Risks. As we broaden our distribution globally, we face increased operational and regulatory risks. The failure of our systems of internal control to properly mitigate such additional risks, or of our operating infrastructure to support such international expansion could result in operational failures and regulatory fines or sanctions. Local regulatory environments may vary widely and place additional demands on our sales, legal and compliance personnel. Identifying and hiring well qualified personnel and adopting policies, procedures and controls to address local or regional requirements require time and resources. Regulators in non-U.S. jurisdictions could also change their policies or laws in a manner that might restrict or otherwise impede our ability to offer our investment strategies in their respective markets. Any of these local requirements, activities or needs could increase the costs and expenses we incur in a specific jurisdiction without any corresponding increase in revenues and income from operating in the jurisdiction.

We Have Substantial Intangibles On Our Balance Sheet, And Any Impairment Of Our Intangibles Could Adversely Affect Our Results of Operations. At December 31, 2015, our total assets were approximately $1.6 billion, of which approximately $158.1 million, or 10%, consisted of goodwill and identifiable intangible assets. We complete an ongoing review of goodwill and intangible assets for impairment on an annual basis or more frequently whenever events or a change in circumstances warrant. Important factors in determining whether an impairment of goodwill or intangible assets might exist include significant continued underperformance compared to peers, the likelihood of termination or non-renewal of a mutual fund advisory or subadvisory contract or substantial changes in revenues earned from such contracts, significant changes in our business and products, material and ongoing negative industry or economic trends, or other factors specific to each asset or subsidiary being tested. Because of the significance of goodwill and other intangibles to our consolidated balance sheets, the impairment analysis is critical. Any changes in key assumptions about our business and our prospects, or changes in market conditions or other externalities, could result in an impairment charge. Any such charge could have a material effect on our results of operations.

There May Be Adverse Effects On Our Business Upon The Termination Of, Or Failure To Renew, Certain Agreements. A majority of our revenues are derived from investment management agreements with the Funds that, as required by law, are terminable on 60 days' notice. Each investment management agreement must be approved and renewed annually by the disinterested members of each Fund's board of trustees or its shareholders, as required by law. Additionally, our investment management agreements provide for automatic termination in the event of assignment, which includes a change of control, without the consent of our clients and, in the case of the Funds, approval of the Funds' board of directors/trustees and shareholders to continue the agreements. There can be no assurances that our clients will consent to any assignment of our investment management agreements, or that those and other contracts will not be terminated or will be renewed on favorable terms, if at all, at their expiration and new agreements may not be available. See "Business Distribution Channels Wholesale Channel, Institutional Channel." The decrease in revenues that could result from any such event could have a material adverse effect on our business.

Regulations Restricting The Use Of "Soft Dollars" Could Result In An Increase In Our Expenses. On behalf of our mutual fund and investment advisory clients, we make decisions to buy and sell securities for each

Table of Contents

portfolio, select broker/dealers to execute trades, and negotiate brokerage commission rates. In connection with these transactions, we may receive "soft dollar credits" from broker/dealers that we can use to defray certain of our expenses. If regulations are adopted eliminating the ability of asset managers to use "soft dollars," our operating expenses could increase.

Fee Pressures Could Reduce Our Revenues And Profitability. There is a trend toward lower fees in some segments of the investment management business. In addition, the SEC has adopted rules that are designed to improve mutual fund corporate governance, which could result in further downward pressure on investment advisory fees in the mutual fund industry. Accordingly, there can be no assurance that we will be able to maintain our current fee structure. Fee reductions on existing or future new business could adversely affect us.

Challenges To Our Tax Positions May Adversely Affect Our Effective Tax Rate and Business. The application of complex tax laws and regulations involves numerous uncertainties. Tax authorities may disagree with certain tax positions that we have taken and assess additional taxes, which could result in adjustments to, or impact the timing or amount of, taxable income, deductions or other tax allocations, which may adversely affect our effective tax rate and business.

We Could Experience Adverse Effects On Our Market Share Due To Strong Competition From Numerous And Sometimes Larger Companies. We compete with stock brokerage firms, mutual fund companies, investment banking firms, insurance companies, banks, internet investment sites, and other financial institutions and individual registered investment advisers. Many of these companies not only offer mutual fund investments and services, but also offer an ever-increasing number of other financial products and services. Many of our competitors have more products and product lines, services and brand recognition and may also have substantially greater assets under management. Many larger mutual fund complexes have developed more extensive relationships with brokerage houses with large distribution networks, which may enable those fund complexes to reach broader client bases. In recent years, there has been a trend of consolidation in the mutual fund industry resulting in stronger competitors with greater financial resources than us. There has also been a trend toward online internet financial services. If existing or potential customers decide to invest with our competitors instead of with us, our market share could decline, which could have a material adverse effect on our business.

The Terms Of Our Credit Facility And Senior Unsecured Notes Impose Restrictions On Our Operations That May Adversely Impact Our Prospects And The Operations Of Our Business. There are no assurances that we will be able to raise additional capital if needed, which could negatively impact our liquidity, prospects and operations. We have entered into a 5-year revolving credit facility with various lenders providing for total availability of $125.0 million. Under this facility, the lenders may, at their option upon our request, expand the facility to $200.0 million. At February 12, 2016, there was no balance outstanding under the revolving credit facility. We also entered into a note purchase agreement with various purchasers for the sale and issuance of $190.0 million of unsecured senior notes comprised of $95 million of 5.0% senior notes, series A, due 2018 and $95 million of 5.75% senior notes, series B, due 2021, all of which were issued on January 13, 2011. The terms and conditions of our revolving credit facility and note purchase agreement impose restrictions that affect, among other things, our ability to incur additional debt, make capital expenditures and acquisitions, merge, sell assets, pay dividends and create or incur liens. Our ability to comply with the financial covenants set forth in our credit facility and note purchase agreement could be affected by events beyond our control, and there can be no assurance that we will achieve operating results that will comply with such terms and conditions, a breach of which could result in a default under our credit facility and note purchase agreement. In the event of a default under the credit facility and/or note purchase agreement, the banks could elect to declare the outstanding principal amount of our credit facility, all interest thereon, and all other amounts payable under our credit facility to be immediately due and payable, and the Company's obligations under the senior unsecured notes could be accelerated and become due and payable, including any make-whole amount, respectively.

Table of Contents

Our ability to meet our cash needs and satisfy our debt obligations will depend upon our future operating performance, asset values, the perception of our creditworthiness and, indirectly, the market value of our stock. These factors will be affected by prevailing economic, financial and business conditions and other circumstances, some of which are beyond our control. We anticipate that any funds generated by the issuance of our senior unsecured notes and any borrowings from our existing credit facility and/or cash provided by operating activities will provide sufficient funds to finance our business plans, meet our operating expenses and service our debt obligations as they become due. However, in the event that we require additional capital, there can be no assurance that we will be able to raise such capital when needed or on satisfactory terms, if at all, and there can be no assurance that we will be able to renew or refinance our credit facility or senior unsecured notes upon their maturity or on favorable terms. If we are unable to raise capital or obtain financing, we may be forced to incur unanticipated costs or revise our business plan.

Our Own Operational Failures Or Those Of Third Parties We Rely On, Including Failures Arising Out Of Human Error, Could Disrupt Our Business And Damage Our Reputation. Our business is highly dependent on our ability to process, on a daily basis, large numbers of transactions. These transactions generally must comply with client investment guidelines, as well as stringent legal and regulatory standards. Despite our employees being highly trained and skilled, due to the large number of transactions we process errors may occur. If we make mistakes in performing our services that cause financial harm to our clients, our clients may seek to recover their losses. The occurrence of mistakes, particularly significant ones, could have a material adverse effect on our reputation and business.

Potential Misuse Of Funds And Information In The Possession Of Our Employees And/Or Advisors Could Result In Liability To Our Clients, Subject Us To Regulatory Sanctions Or Otherwise Adversely Affect Our Business. Our business is based on the trust and confidence of our clients, for whom our financial advisors handle a significant amount of funds, as well as financial and personal information. Although we have implemented a system of internal controls to minimize the risk of fraudulent taking or misuse of funds and confidential information, there can be no assurance that our controls will be adequate or that a taking or misuse of funds and confidential information by our employees or financial advisors can be prevented. We could be liable in the event of a taking or misuse of funds and confidential information by our employees or financial advisors and we could also be subject to regulatory sanctions. Although we believe that we have adequately insured against these risks, there can be no assurance that our insurance will be maintained or that it will be adequate to meet any liability resulting from these activities. Any damage to the trust and confidence placed in us by our clients may cause our assets under management to decline, which could adversely affect our business and prospects.

There Are No Assurances That We Will Pay Future Dividends, Which Could Adversely Affect Our Stock Price. The Waddell & Reed Financial, Inc. Board of Directors (the "Board of Directors") currently intends to continue to declare quarterly dividends on our Class A common stock. However, the declaration and payment of dividends is subject to the discretion of our Board of Directors. Any determination as to the payment of dividends, as well as the level of such dividends, will depend on, among other things, general economic and business conditions, our strategic plans, our financial results and condition, and contractual, legal, and regulatory restrictions on the payment of dividends by us or our subsidiaries. We are a holding company and, as such, our ability to pay dividends is subject to the ability of our subsidiaries to provide us with cash. There can be no assurance that the current quarterly dividend level will be maintained or that we will pay any dividends in any future period. Any change in the level of our dividends or the suspension of the payment of dividends could adversely affect our stock price.

Our Stockholders Rights Plan Could Deter Takeover Attempts, Which Some Of Our Stockholders May Believe To Be In Their Best Interest. Under certain conditions, the rights under our stockholders rights plan entitle the holders of such rights to receive shares of our common stock having a value equal to two times the exercise price of the right. The rights are attached to each share of our outstanding common stock and generally are exercisable only if a person or group acquires 15% or more of the voting power represented

Table of Contents

by our common stock. Our stockholders rights plan could impede the completion of a merger, tender offer, or other takeover attempt even though some or a majority of our stockholders might believe that a merger, tender offer or takeover is in their best interests, and even if such a transaction could result in our stockholders receiving a premium for their shares of our stock over the then current market price of our stock.

Provisions Of Our Organizational Documents Could Deter Takeover Attempts, Which Some Of Our Stockholders May Believe To Be In Their Best Interest. Under our Restated Certificate of Incorporation, our Board of Directors has the authority, without action by our stockholders, to fix certain terms and issue shares of our Preferred Stock, par value $1.00 per share. Actions of our Board of Directors pursuant to this authority may have the effect of delaying, deterring or preventing a change in control of the Company. Other provisions in our Restated Certificate of Incorporation and in our Amended and Restated Bylaws impose procedural and other requirements that could be deemed to have anti-takeover effects, including replacing incumbent directors. Our Board of Directors is divided into three classes, each of which is to serve for a staggered three-year term after the initial classification and election, and incumbent directors may not be removed without cause, all of which may make it more difficult for a third party to gain control of our Board of Directors. In addition, as a Delaware corporation we are subject to section 203 of the Delaware General Corporation Law. With certain exceptions, section 203 imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our voting stock.

Our Holding Company Structure Results In Structural Subordination And May Affect Our Ability To Fund Our Operations And Make Payments On Our Debt. We are a holding company and, accordingly, substantially all of our operations are conducted through our subsidiaries. As a result, our cash flow and our ability to service our debt, including $190.0 million of our senior notes, are dependent upon the earnings of our subsidiaries and the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on our debt or provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances to us by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of our debt to participate in those assets, would be effectively subordinated to the claims of those subsidiaries' creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be effectively subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

We own four buildings in the vicinity of buildings currently leased by our home office: two 50,000 square foot buildings and a 52,000 square foot building located in Overland Park, Kansas and a 45,000 square foot building located in Mission, Kansas. Our existing home office lease agreements cover approximately 298,000 square feet located in Overland Park, Kansas and 38,000 square feet for our disaster recovery facility. In addition, we lease office space for sales management in various locations throughout the United States totaling approximately 688,000 square feet. A majority of this office space is available to our financial advisors to use. In the opinion of management, the office space owned and leased by the Company is adequate for existing operating needs.

ITEM 3. Legal Proceedings

The Company is involved from time to time in various legal proceedings, regulatory investigations and claims incident to the normal conduct of business, which may include proceedings that are specific to us and others generally applicable to business practices within the industries in which we operate. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, financial condition and on the results of operations in a particular quarter or year.

The Company establishes reserves for litigation and similar matters when those matters present material loss contingencies that management determines to be both probable and reasonably estimable in accordance with Accounting Standards Codification ("ASC") *"Contingencies Topic,"* ASC 450. These amounts are not reduced by amounts that may be recovered under insurance or claims against third parties, but undiscounted receivables from insurers or other third parties may be accrued separately. The Company regularly revises such accruals in light of new information. The Company discloses the nature of the contingency when management believes it is reasonably possible the outcome may be significant to the Company's consolidated financial statements and, where feasible, an estimate of the possible loss. For purposes of our litigation contingency disclosures, "significant" includes material matters as well as other items that management believes should be disclosed. Management's judgment is required related to contingent liabilities because the outcomes are difficult to predict.

In an action filed on February 18, 2016 in the United States District Court for the District of Kansas, *Saket Kapor(sic), Peter Brockett and Hieu Phan v. Ivy Investment Management Company, et. al.* (Case No. 2:16-cv-02106-JWL-TJJ), the Company's registered investment advisor subsidiaries, the trustees of two of the Company's affiliated mutual funds, and an officer of a Company subsidiary were sued in a putative derivative action by three mutual fund shareholders alleging breach of fiduciary duty and breach of contract claims relating to investments held in the affiliated mutual funds. On behalf of the mutual funds, Plaintiffs seek monetary damages and demand a jury trial. To date, no responsive pleading has been filed and no discovery has taken place.

In the opinion of management, the ultimate resolution and outcome of this matter is uncertain. Given the preliminary nature of the proceedings and the Company's dispute over the merits of the claims, the Company is unable to estimate a range of reasonably possible loss, if any, that such matter may represent. While the ultimate resolution of this matter is uncertain, an adverse determination against the Company could have a material adverse impact on our business, financial condition and results of operations.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock ("common stock") is traded on the NYSE under the ticker symbol "WDR." The following table sets forth, for the periods indicated, the high and low sale prices of our common stock, as reported by the NYSE, as well as the cash dividends declared for these time periods:

Market Price

	2015			2014		
Quarter	High	Low	Dividends Per Share	High	Low	Dividends Per Share
1	$ 51.80	$ 41.06	$ 0.43	$ 74.33	$ 61.49	$ 0.34
2	51.23	45.89	0.43	76.46	59.00	0.34
3	48.05	33.64	0.43	65.57	51.25	0.34
4	38.85	27.82	0.46	51.84	42.39	0.43

Year-end closing prices of our common stock were $28.66 and $49.82 for 2015 and 2014, respectively. The closing price of our common stock on February 12, 2016 was $22.35.

According to the records of our transfer agent, we had 2,442 holders of record of common stock as of February 12, 2016. We believe that a substantially larger number of beneficial stockholders hold such shares in depository or nominee form.

Dividends

The declaration of dividends is subject to the discretion of the Board of Directors. We intend, from time to time, to pay cash dividends on our common stock as our Board of Directors deems appropriate, after consideration of our operating results, financial condition, cash and capital requirements, compliance with covenants in our revolving credit facility, note purchase agreement and such other factors as the Board of Directors deems relevant. To the extent assets are used to meet minimum net capital requirements under the Net Capital Rule, they are not available for distribution to stockholders as dividends. See Part I, Item 1. "Business Regulation." We anticipate that quarterly dividends will continue to be paid.

Common Stock Repurchases

Our Board of Directors has authorized the repurchase of our common stock in the open market and/or private purchases. The acquired shares may be used for corporate purposes, including shares issued to employees in our stock-based compensation programs. During the year ended December 31, 2015, we repurchased 1,955,509 shares in the open market and privately at an aggregate cost, including commissions, of $80.3 million, including 432,353 shares from employees to cover their tax withholdings from the vesting of shares granted under our stock-based compensation programs. The aggregate cost of shares obtained from related parties during 2015 was $19.1 million. The purchase price paid by us for private repurchases of our common stock from related parties is the closing market price on the purchase date.

Table of Contents

The following table sets forth certain information about the shares of common stock we repurchased during the fourth quarter of 2015.

Period	Total Number of Shares Purchased (1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under The Program
October 1 - October 31	30,000	$	34.26	30,000	n/a (1)
November 1 - November 30	130,535		35.80	130,000	n/a (1)
December 1 - December 31	359,619		31.58	240,000	n/a (1)
Total	520,154	$	32.79	400,000	

(1) On August 31, 1998, we announced that our Board of Directors approved a program to repurchase shares of our common stock on the open market. Under the repurchase program, we are authorized to repurchase, in any seven-day period, the greater of (i) 3% of our outstanding common stock or (ii) $50 million of our common stock. We may repurchase our common stock in privately negotiated transactions or through the New York Stock Exchange, other national or regional market systems, electronic communication networks or alternative trading systems. Our stock repurchase program does not have an expiration date or an aggregate maximum number or dollar value of shares that may be repurchased. Our Board of Directors reviewed and ratified the stock repurchase program in October 2012. During the fourth quarter of 2015, 400,000 shares of our common stock were repurchased pursuant to the repurchase program and 120,154 shares, reflected in the table above, were purchased in connection with funding employee income tax withholding obligations arising from the vesting of nonvested shares.

Table of Contents

Total Return Performance

Comparison of Cumulative Total Return (1)

The above graph compares the cumulative total stockholder return on the Company's common stock from December 31, 2010 through December 31, 2015, with the cumulative total return of the Standard & Poor's 500 Stock Index and the SNL Asset Manager Index. The SNL Asset Manager Index is a composite of 44 publicly traded asset management companies (including, among others, the companies in the peer group reviewed by the Compensation Committee for executive compensation purposes) prepared by SNL Financial, Charlottesville, Virginia. The graph assumes the investment of $100 in the Company's common stock and in each of the two indices on December 31, 2010 with all dividends being reinvested. The closing price of the Company's common stock on December 31, 2010 (the last trading day of the year) was $35.29 per share. The stock price performance on the graph is not necessarily indicative of future price performance.

						Period Ending
Index	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**	**12/31/14**	**12/31/15**
Waddell & Reed Financial, Inc.	100.00	72.16	107.13	205.58	160.85	96.28
SNL Asset Manager	100.00	86.50	110.97	170.54	179.91	153.43
S&P 500	100.00	102.11	118.45	156.82	178.28	180.75

(1) Cumulative total return assumes an initial investment of $100 on December 31, 2010, with the reinvestment of all dividends through December 31, 2015.

Table of Contents

ITEM 6. Selected Financial Data

The following table sets forth our selected consolidated financial and other data as of the dates and for the periods indicated, and reflects continuing operations data. Selected financial data should be read in conjunction with, and is qualified in its entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the Notes thereto appearing elsewhere in this report.

		For the Year Ended December 31,				
		2015	2014	2013	2012	2011
		(in thousands, except per share data, percentages, sales and personnel data)				
Revenues from:						
Investment management fees	$	709,562	768,102	650,442	549,231	530,599
Underwriting and distribution fees		663,998	678,678	582,819	496,465	469,484
Shareholder service fees		143,071	150,979	137,093	128,109	122,449
Total revenues		1,516,631	1,597,759	1,370,354	1,173,805	1,122,532
Net income	$	245,536	313,331	252,998	192,528	172,205
Operating margin		27%	30%	28%	26%	25%
Net income per share from continuing operations, basic and diluted	$	2.94	3.71	2.96	2.25	2.01
Dividends declared per common share	$	1.75	1.45	1.18	2.03	0.85
Wholesale channel data:						
Sales (in millions)	$	12,218	18,534	21,411	15,930	16,873
Number of external wholesalers		61	59	50	50	51
Advisor channel data:						
Sales (in millions)	$	5,073	5,545	5,232	4,505	4,153
Advisors' productivity (1)	$	265	254	215	180	165
Average number of financial advisors		1,774	1,750	1,749	1,762	1,757
Institutional channel sales (in millions)	$	2,743	3,392	3,108	2,720	3,526
Shares outstanding at December 31		82,850	83,654	85,236	85,679	85,564

		As of December 31,				
		2015	2014	2013	2012	2011
		(in millions, except for percentages)				
Assets under management	$	104,399	123,650	126,543	96,365	83,157
Diversification (company total)						
As % of Sales						
Asset Strategy		13%	25%	29%	26%	37%
Fixed Income		21%	26%	29%	34%	18%
Other		66%	49%	42%	40%	45%
As % of Assets Under Management						
Asset Strategy		21%	29%	34%	34%	35%
Fixed Income		18%	18%	18%	21%	17%
Other		61%	53%	48%	45%	48%
Balance sheet data:						
	$	158.1	158.1	162.0	162.0	162.0

Goodwill and identifiable intangible assets					
Total assets	1,555.7	1,511.9	1,337.0	1,152.8	1,082.4
Long-term debt	190.0	190.0	190.0	190.0	190.0
Total liabilities	709.3	725.8	649.7	642.6	558.8
Stockholders' equity	846.5	786.1	687.3	510.2	523.6

(1) Advisor productivity is calculated by dividing underwriting and distribution revenues for the Advisors channel by the average number of advisors during the year.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the "Selected Financial Data" and our Consolidated Financial Statements and Notes thereto appearing elsewhere in this report.

Executive Overview

We are one of the oldest mutual fund and asset management firms in the country, with expertise in a broad range of investment styles and across a variety of market environments. Our earnings and cash flows are heavily dependent on financial market conditions. Significant increases or decreases in the various securities markets can have a material impact on our results of operations, financial condition and cash flows.

Revenue Sources

We derive our revenues from providing investment management and advisory services, investment product underwriting and distribution, and shareholder services administration to the Funds, the IGI Funds, and institutional and separately managed accounts. Investment management and/or advisory fees are based on the amount of average assets under management and are affected by sales levels, financial market conditions, redemptions and the composition of assets. Our underwriting and distribution revenues consist of Rule 12b-1 asset-based service and distribution fees, fees earned on fee-based asset allocation products and related advisory services, distribution fees on certain variable products, and commissions derived from sales of investment and insurance products. The products sold have various commission structures and the revenues received from those sales vary based on the type and dollar amount sold. Shareholder service fee revenue includes transfer agency fees, custodian fees from retirement plan accounts, portfolio accounting and administration fees, and is earned based on assets under management or number of client accounts.

Expense Drivers

Our major expenses are for commissions, employee compensation, field support, dealer services and information technology.

Our Distribution Channels

One of our distinctive qualities is that we distribute our investment products through a balanced distribution network. Our retail products are distributed through our Wholesale channel, which includes third parties such as other broker/dealers, registered investment advisors and various retirement platforms or through our Advisors channel sales force of independent financial advisors. We also market our investment advisory services to institutional investors, either directly or through consultants, in our Institutional channel.

Our Wholesale channel is our fastest growing distribution channel. Channel efforts are led by the solid long-term performance record of the Ivy Funds. We distribute retail mutual funds through broker/dealers, registered investment advisors and various retirement platforms through a team of external, internal and hybrid wholesalers as well as a team dedicated to national accounts.

The Ivy Funds maintain strong positions on many of the leading third party distribution platforms, and we continue efforts to diversify our sales. During 2015, we had nine funds exceed gross sales of $250 million. Sales of products other than our Ivy Asset Strategy fund accounted for 83% of total Ivy Funds sales during 2015 compared to 66% during 2014 and 64% for 2013. We expect the Wholesale channel to be critical in driving our organic growth rate in the coming years.

Our Advisors channel sales force consists of 1,819 independent financial advisors spread throughout the United States, who carry out our mission of providing financial advice for retirement, education funding, estate planning and other financial needs for our clients. A distinguishing aspect of this channel is its low redemption rate, which can be attributed to the personal and customized nature in which our advisors provide service to our clients by focusing on meeting their long-term financial objectives; this, in turn, leads to a more stable asset base for the channel.

We have focused our recruiting efforts on bringing in experienced advisors, which has allowed us to achieve productivity growth, as Advisors channel underwriting and distribution fee revenues per advisor increased 4%, to $265 thousand, while sales in the channel decreased 3%, to $5.1 billion, during the past two years.

Through our Institutional channel we manage assets in a variety of investment styles for a variety of types of institutions as well as the IGI Funds. The largest percentage of our clients hire us to act as subadvisor for their branded products; they are typically domestic or foreign distributors of investment products who lack scale or the track record to manage internally, or choose to market multi-manager styles. Our subadvisory relationships accounted for more than 70% of the channel's $15.4 billion in assets at the end of 2015. Our diverse client list also includes pension funds, Taft-Hartley plans and endowments.

Strategic Initiatives

As previously announced in 2016, we will undertake a modernization of our brokerage and product platform that will include the restructuring of our share classes. This new platform will move us from a paper-based, labor intensive environment to one utilizing innovative brokerage platform technology, which also will include significant enhancements to our investment advisory programs, financial planning capabilities and client experience, all of which we expect to enhance both advisor and back-office efficiency. As part of this effort, we intend to convert load-waived Class A shares into the more widely used institutional shares (Class I or Y) as the exclusive share classes in our investment advisory programs. This step is consistent with industry trends and will allow us to compete more effectively for investment advisory assets. The share conversion is expected to occur in mid-2016, and the platform launch will likely take place in the third quarter of 2016. We believe that these initiatives, referred to internally as "Project E," positions the Advisors channel for long-term competitiveness.

With the staged implementation of Project E, we expect operating income to be reduced by approximately $29.0 million in 2016 due to one-time and on-going costs associated with Project E, and a reduction in our Rule 12b-1 asset-based service and distribution fee revenue following the conversion of approximately $17.6 billion in assets under management in our investment advisory programs from load-waived Class A shares to institutional shares classes. Load-waived Class A shares held in advisory programs have historically charged a maximum fee of 0.25% of the average daily net assets under management pursuant to the applicable Rule 12b-1 service and distribution plan; institutional shares classes do not charge a Rule 12b-1 fee. Rule 12b-1 service and distribution revenue on load-waived Class A share mutual funds held in advisory program accounts was $41.8 million and $37.8 million for the years ended December 31, 2015 and December 31, 2014, respectively. Since the Company currently pays a large portion of the Rule 12b-1 service and distribution fees it receives from load-waived Class A share mutual funds held in advisory program accounts to the financial advisors servicing and distributing the shares, the impact of the loss of Rule 12b-1 fee revenue is somewhat offset by the corresponding reduction in Rule 12b-1 fee payments to be made to financial advisors. Rule 12b-1 fee payments to financial advisors were $28.8 million and $25.8 million for the years ended December 31, 2015 and December 31, 2014, respectively.

Table of Contents

The following are the components of the estimated $29.0 million impact to 2016 operating income based on December 31, 2015, assets and an assumed July 1, 2016, conversion date (amounts in millions):

	2016 Impact	
Revenues:		
Underwriting and distribution fees	$ (19)	
Shareholder service fees	(8)	
Total		(27)
Operating expenses:		
Underwriting and distribution		
12b-1 payout (direct)	(11)	
Platform (indirect)	8	
Other	1	
Total		(2)
General and administrative		
Networking fees	4	
Total		4
Pre-tax operating income		$ (29)

To offset the projected decrease in 2016 operating income, we will undertake significant cost reduction efforts to reduce fixed costs by approximately 10%, or $40.0 million, on our annual run-rate basis over the next 12-18 months, with a goal to realize approximately two-thirds of the reduction in 2016. The Company's profitability may be adversely impacted if the Company in unable to generate additional revenue in lieu of Rule 12b-1 fees associated with load-waived Class A shares or if it is unsuccessful in its cost reduction efforts.

Additionally, in an effort to globalize our distribution network and further strategic goals, our Institutional and Wholesale channels will work together to establish a footprint in London by mid 2016.

Operating Results

The Company ended the year with $1.5 billion in revenues. The revenue decrease of 5% relative to 2014 was reflective of a decrease in our average managed assets of 10%. Average assets under management were $117.6 billion in 2015 compared to $130.1 billion in 2014. Net income decreased 22% compared to 2014 while our operating margin declined to 27.4% from 30.3%.

Our balance sheet remains strong, as we ended the year with cash and investments of $850.2 million. At December 31, 2015, we had no borrowings outstanding under our five year revolving credit facility.

Assets Under Management

Assets under management of $104.4 billion on December 31, 2015 decreased $19.3 billion, or 16%, compared to $123.7 billion on December 31, 2014. The decrease in assets under management is due to outflows of $13.8 billion, of which $10.7 billion was in the Wholesale channel, and market depreciation of $5.5 billion.

Table of Contents

Change in Assets Under Management (1)

		Wholesale Channel	Advisors Channel	Institutional Channel	Total
		(in millions)			
December 31, 2015					
Beginning Assets	$	60,335	45,517	17,798	123,650
Sales (2)		12,218	5,073	2,743	20,034
Redemptions		(23,686)	(5,044)	(5,081)	(33,811)
Net Exchanges		809	(809)		
Net Flows		(10,659)	(780)	(2,338)	(13,777)
Market Depreciation		(4,035)	(1,393)	(46)	(5,474)
Ending Assets	$	45,641	43,344	15,414	104,399
December 31, 2014					
Beginning Assets	$	67,055	43,667	15,821	126,543
Sales (2)		18,534	5,545	3,392	27,471
Redemptions		(23,524)	(4,575)	(2,920)	(31,019)
Net Exchanges		(101)	(384)	485	0
Net Flows		(5,091)	586	957	(3,548)
Market Appreciation		(1,629)	1,264	1,020	655
Ending Assets	$	60,335	45,517	17,798	123,650
December 31, 2013					
Beginning Assets	$	48,930	35,660	11,775	96,365
Sales (2)		21,411	5,232	3,108	29,751
Redemptions		(14,313)	(4,304)	(2,622)	(21,239)
Net Exchanges		303	(306)		(3)
Net Flows		7,401	622	486	8,509
Market Appreciation		10,724	7,385	3,560	21,669
Ending Assets	$	67,055	43,667	15,821	126,543

(1)

Includes all activity of the Funds, the IGI Funds and institutional and separate accounts, including money market funds and transactions at net asset value, accounts for which we receive no commissions.

(2) Primarily gross sales (net of sales commission), but also includes net reinvested dividends and capital gains and investment income.

Table of Contents

Average assets under management, which are generally more indicative of trends in revenue for providing investment management services than the year over year change in ending assets under management, decreased by 10% compared to 2014.

Average Assets Under Management

	2015		2014		2013	
	Average	Percentage of Total	Average	Percentage of Total	Average	Percentage of Total
	(in millions, except percentage data)					
Distribution Channel:						
Wholesale Channel						
Equity	$ 45,434	82%	54,563	80%	45,047	80%
Fixed income	9,848	18%	13,203	20%	11,359	20%
Money market	154		168		184	
Total	$ 55,436	100%	67,934	100%	56,590	100%
Advisors Channel						
Equity	$ 33,799	74%	32,999	74%	28,449	72%
Fixed income	9,911	22%	9,935	22%	9,477	24%
Money market	1,864	4%	1,966	4%	1,565	4%
Total	$ 45,574	100%	44,900	100%	39,491	100%
Institutional Channel						
Equity	$ 15,440	93%	16,483	95%	12,433	95%
Fixed income	1,134	7%	824	5%	668	5%
Money market						
Total	$ 16,574	100%	17,307	100%	13,101	100%
Total by Asset Class:						
Equity	$ 94,673	80%	104,045	80%	85,929	79%
Fixed income	20,893	18%	23,962	18%	21,504	20%
Money market	2,018	2%	2,134	2%	1,749	1%
Total	$ 117,584	100%	130,141	100%	109,182	100%

Table of Contents

The following table summarizes our five largest mutual funds as of December 31, 2015 by ending assets under management and investment management fees, with the comparative positions in 2014 and 2013. The assets under management and management fees of these mutual funds are presented as a percentage of our total assets under management and total management fees.

Five Largest Mutual Funds by Ending Assets Under Management and Investment Management Fees

	2015		2014		2013	
	Ending	Percentage of Total	Ending	Percentage of Total	Ending	Percentage of Total
	(in millions, except percentage data)					
By Assets Under Management:						
Ivy Asset Strategy	$ 15,261	15%	27,431	22%	34,647	27%
Ivy Science & Technology	5,921	6%	5,926	5%	4,648	4%
Ivy High Income	5,263	5%	8,341	7%	10,365	8%
Ivy International Core Equity	4,505	4%	2,715	2%	2,005	2%
Advisors Core Investment	4,131	4%	4,507	4%	4,169	3%
Total	$ 35,081	34%	48,920	40%	55,834	44%

	(in thousands, except percentage data)					
By Management Fees:						
Ivy Asset Strategy	$ 126,688	18%	189,106	25%	164,372	25%
Ivy Science & Technology	49,199	7%	43,950	5%	22,949	4%
Ivy High Income	37,938	5%	54,252	7%	44,095	7%
Ivy Mid Cap Growth	37,900	5%	38,416	5%	30,082	5%
Advisors Science & Technology	31,074	4%	30,296	4%	24,500	4%
Total	$ 282,799	39%	356,020	46%	285,998	45%

Results of Operations

Net Income

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(in thousands, except per share and percentage data)				
Net income	$ 245,536	313,331	252,998	22%	24%
Net income per share, basic and diluted	$ 2.94	3.71	2.96	21%	25%
Operating Margin	27%	30%	28%	3%	2%

Total Revenues

Total revenues decreased 5% in 2015 compared to 2014, attributable to a decrease in average assets under management of 10% and a decrease in sales of 27%. Total revenues increased 17% in 2014

Table of Contents

compared to 2013, attributable to increases in average assets under management of 19% partially offset by a decrease in sales of 8%.

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(in thousands, except percentage data)				
Investment management fees	$ 709,562	768,102	650,442	8%	18%
Underwriting and distribution fees	663,998	678,678	582,819	2%	16%
Shareholder service fees	143,071	150,979	137,093	5%	10%
Total revenues	$ 1,516,631	1,597,759	1,370,354	5%	17%

Investment Management Fee Revenues

Investment management fee revenues are earned by providing investment advisory services to the Funds, the IGI Funds and to institutional and separate accounts. Investment management fee revenues decreased $58.5 million, or 8%, in 2015 and increased $117.7 million, or 18%, in 2014.

Investment management fee revenues are based on the level of average assets under management and are affected by sales, financial market conditions, redemptions and the composition of assets. The following graph illustrates the direct relationship between average assets under management and investment management fee revenues for the years ending December 31, 2013, 2014 and 2015.

Table of Contents

The following table summarizes investment management fee revenues, related average assets under management, fee waivers and investment management fee rates for the years ending December 31, 2015, 2014 and 2013.

	For the Year Ended December 31, 2015	2014	2013	Variance 2015 vs. 2014	2014 vs. 2013
	(in thousands, except for management fee rate, average assets and percentage data)				
Retail investment management fees	$ 652,494	709,179	602,120	8%	18%
Retail average assets (in millions)	101,010	112,834	96,081	10%	17%
Retail management fee rate	0.6460%	0.6285%	0.6267%		
Money market fee waivers	7,239	7,844	6,486	8%	21%
Other fee waivers	3,646	3,958	3,660	8%	8%
Total fee waivers	$ 10,885	11,802	10,146	8%	16%
Institutional investment management fees	$ 57,068	$ 58,923	$ 48,322	3%	22%
Institutional average assets (in millions)	16,574	17,307	13,101	4%	32%
Institutional management fee rate	0.3443%	0.3405%	0.3688%		

Revenues from investment management services provided to our retail mutual funds, which are distributed through the Wholesale, Advisors and Institutional channels, decreased $56.7 million in 2015, or 8%, compared to 2014. Investment management fee revenues decreased at a lesser rate than the related retail average assets in 2015 due to a slight increase in the average management fee rate. Revenues from investment management services provided to our retail mutual funds increased $107.1 million in 2014, or 18%, compared to 2013. Investment management fee revenues increased at a greater rate than the related retail average assets in 2014 due to a slight increase in the average management fee rate. A lower asset base in the Ivy Asset Strategy fund and Ivy High Income fund have resulted in increased management fee rates for both comparative periods, due to both funds having management fee rates less than our average management fee rate. Management fee waivers are recorded as an offset to investment management fees up to the amount of fees earned. Retail sales were $17.3 billion, $24.1 billion and $26.6 billion in 2015, 2014 and 2013, respectively.

Institutional and separate account revenues in 2015 decreased $1.9 million, or 3%, compared to 2014 due to a 4% decrease in average assets under management, while revenues in 2014 increased $10.6 million, or 22%, compared to 2013 due to a 32% increase in average assets under management. For the comparative period 2014 to 2013, account revenues increased significantly less than the related average assets under management due to a decline in the average management fee rate driven by a mix-shift of assets into investment styles and account types with lower management fee rates.

	Annualized long-term redemption rates (excludes money market redemptions) for the year ended December 31, 2015	2014	2013
Wholesale channel	43.0%	34.8%	25.2%
Advisors channel	9.1%	8.3%	8.9%
Institutional channel	30.7%	16.9%	20.0%
Total	28.3%	23.4%	18.8%

Table of Contents

The increased long-term redemption rate in both comparative periods for the Wholesale channel was primarily driven by redemptions in the Asset Strategy and High Income funds. Redemptions in the Asset Strategy and High Income funds comprised over 75% of Wholesale channel redemptions in 2015 and 2014. Prolonged redemptions in the Wholesale channel could negatively affect revenues in future periods. We expect the Advisors channel long-term redemption rate to remain lower than that of the industry average due to the personal and customized nature in which our financial advisors provide service to our clients by focusing on meeting their long-term financial objectives. The increased long-term redemption rate for our Institutional channel in 2015 compared to 2014 was primarily driven by an institutional account moving from an active core strategy to a smart beta strategy. Also, a large Asset Strategy account with approximately $2.2 billion in assets under management that we subadvise, has notified us of its intent to recommend to its board a redemption of most of the account's assets in the middle of 2016. Additionally, an $800.0 million institutional account in our municipal high income strategy is expected to close in 2016. Our overall redemption rate of 28.3% in 2015 is higher than the industry average of 24.7% based on data provided by the ICI.

Underwriting and Distribution

We earn underwriting and distribution fee revenues primarily by distributing the Funds pursuant to an underwriting agreement with each Fund (except the Ivy Funds VIP as explained below) and, to a lesser extent, by distributing mutual funds offered by other unaffiliated companies. Pursuant to each agreement, we offer and sell the Funds' shares on a continuous basis (open-end funds) and pay certain costs associated with underwriting and distributing the Funds, including the costs of developing and producing sales literature and printing of prospectuses, which may be either partially or fully reimbursed by the Funds. The Funds are sold in various classes that are structured in ways that conform to industry standards (*i.e*., "front-end load," "back-end load," "level-load" and institutional).

We offer fee-based asset allocation products that utilize our Funds. These products offer clients a selection of traditional asset allocation models, as well as features such as systematic rebalancing and client and advisor participation in determining asset allocation across asset classes. We earn asset-based fees on our asset allocation products. In connection with Project E, we intend to convert the load-waived Class A shares currently offered in our investment advisory programs to institutional share classes, which do not charge a Rule 12b-1 fee. As a result, we will no longer collect Rule 12b-1 asset-based service and distribution fee revenue on these assets under management, which will reduce our pre-tax operating income by an estimated $8.0 million in 2016, net of underwriting and distribution expenses.

We distribute variable products offering the Ivy Funds VIP as investment vehicles pursuant to general agency arrangements with our business partners and receive commissions, marketing allowances and other compensation as stipulated by such agreements. In connection with these arrangements, the Ivy Funds VIP are offered and sold on a continuous basis.

In addition to distributing variable products, we distribute a number of other insurance products through our insurance agency subsidiary, including individual term life, group term life, whole life, accident and health, long-term care, Medicare supplement and disability insurance. We receive commissions and compensation from various underwriters for distributing these products. We are not an underwriter for any insurance policies.

Table of Contents

Underwriting and Distribution Fee Revenues and Expenses

The following tables illustrate our underwriting and distribution fee revenues and expenses segregated by distribution channel for the years ended December 31, 2015, 2014 and 2013:

		Total			
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(in thousands, except percentage data)				
Revenues	$ 663,998	678,678	582,819	2%	16%
Expenses Direct	(589,810)	(615,954)	(524,071)	4%	18%
Expenses Indirect	(179,971)	(167,373)	(152,642)	8%	10%
Net Distribution (Costs)/Excess	$ (105,783)	(104,649)	(93,894)	1%	11%

		Wholesale Channel			
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Revenues	$ 194,041	234,939	207,419	17%	13%
Expenses Direct	(254,778)	(302,459)	(268,047)	16%	13%
Expenses Indirect	(55,944)	(51,675)	(43,923)	8%	18%
Net Distribution (Costs)/Excess	$ (116,681)	(119,195)	(104,551)	2%	14%

		Advisors Channel			
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Revenues	$ 469,957	443,739	375,400	6%	18%
Expenses Direct	(335,032)	(313,495)	(256,024)	7%	22%
Expenses Indirect	(124,027)	(115,698)	(108,719)	7%	6%
Net Distribution (Costs)/Excess	$ 10,898	14,546	10,657	25%	36%

The following tables summarize the significant components of underwriting and distribution fee revenues segregated by distribution channel for the years ended December 31, 2015, 2014 and 2013:

		Total	
	2015	2014	2013
		(in thousands)	
Underwriting and distribution fee revenues:			

Rule 12b-1 service and distribution fees	$	309,279	346,304	304,659
Fee-based asset allocation product revenues		224,918	202,178	155,501
Sales commissions on front-end load mutual fund and variable annuity sales		78,923	78,484	75,008
Sales commissions on other products		24,096	24,024	22,069
Other revenues		26,782	27,688	25,582
Total	$	663,998	678,678	582,819

Table of Contents

	Wholesale Channel		
	2015	2014	2013
	(in thousands)		
Underwriting and distribution fee revenues:			
Rule 12b-1 service and distribution fees	$ 186,994	224,669	198,283
Sales commissions on front-end load mutual fund sales	3,091	5,843	5,506
Other revenues	3,956	4,427	3,630
Total	$ 194,041	234,939	207,419

	Advisors Channel		
	2015	2014	2013
	(in thousands)		
Underwriting and distribution fee revenues:			
Rule 12b-1 service and distribution fees	$ 122,285	121,635	106,376
Fee-based asset allocation product revenues	224,918	202,178	155,501
Sales commissions on front-end load mutual fund and variable annuity sales	75,832	72,641	69,502
Sales commissions on other products	24,096	24,024	22,069
Other revenues	22,826	23,261	21,952
Total	$ 469,957	443,739	375,400

A significant portion of underwriting and distribution revenues are received from Rule 12b-1 asset-based service and distribution fees earned on load, load-waived and deferred-load products sold by our financial advisors and third party intermediaries. Underwriting and distribution revenues also include asset-based fees earned on our asset allocation products and commissions, sales commissions charged on front-end load products sold by our financial advisors, including mutual fund Class A shares (those sponsored by the Company and those underwritten by other non-proprietary mutual fund companies), variable annuities, sales of other insurance products, and financial planning fees. A significant amount of Wholesale channel mutual fund sales are load-waived.

We divide the costs of underwriting and distribution into two components direct costs and indirect costs. Direct selling costs fluctuate with sales volume, such as advisor commissions and management commissions paid to field management, advisor incentive compensation, commissions paid to third parties and to our own wholesalers, and related management commissions in our Wholesale channel. Direct selling costs also fluctuate with assets under management, such as Rule 12b-1 service and distribution fees paid to third parties. Indirect selling costs are fixed costs that do not necessarily fluctuate with sales levels. Indirect costs include expenses incurred by our home office and field offices such as wholesaler salaries, marketing costs, promotion and distribution of our products through the Wholesale and Advisors channels; support and management of our financial advisors such as field office overhead, sales programs and technology infrastructure; and costs of managing and supporting our wholesale efforts through technology infrastructure and personnel. While the Institutional channel does have marketing expenses, those expenses are accounted for in compensation and related costs and general and administrative expense instead of underwriting and distribution because of the channel's integration with our investment management division, its relatively small size and the fact that there are no Rule 12b-1 service and distribution fees, loads, contingent deferred sales charges ("CDSCs"), or any other charges to separate account clients except investment management fees.

We recover certain of our underwriting and distribution costs through Rule 12b-1 service and distribution fees, which are paid by the Funds. All Rule 12b-1 service and distribution fee revenue received from the Funds is recorded on a gross basis.

Table of Contents

Underwriting and distribution revenues earned in 2015 decreased by $14.7 million, or 2%, compared to 2014. Rule 12b-1 asset based service and distribution fees decreased $37.0 million, or 11%, year over year, driven by a decrease in average mutual fund assets under management for which we earn Rule 12b-1 revenues. Approximately 75% of Rule 12b-1 revenues earned are a pass-through to direct underwriting and distribution expenses. Revenues from fee-based asset allocation products continued to be a meaningful contributor to revenues, increasing to 48% of Advisors channel underwriting and distribution revenues in 2015 compared to 46% in 2014. Fee-based asset allocation assets grew from $17.3 billion at December 31, 2014 to $17.6 billion at December 31, 2015, generating an increase of fee-based asset allocation revenue of $22.7 million, or 11%, as advisors increasingly utilize fee-based programs for their clients.

Underwriting and distribution revenues earned in 2014 increased by $95.9 million, or 16%, compared to 2013. Increased Rule 12b-1 asset-based service and distribution fees of $41.6 million, or 14%, resulted from the increase in average mutual fund assets under management for which we earn Rule 12b-1 revenues. Revenues from fee-based asset allocation products increased to 46% of Advisors channel underwriting and distribution revenues in 2014 compared to 41% in 2013. Fee-based asset allocation assets grew from $14.4 billion at December 31, 2013 to $17.3 billion at December 31, 2014, generating an increase of fee-based asset allocation revenue of $46.7 million, or 30%.

Underwriting and distribution expenses in 2015 decreased by $13.5 million, or 2%, compared to 2014. Direct expenses in the Wholesale channel decreased $47.7 million compared to 2014 as a result of a decrease in average wholesale assets under management and lower sales volume year over year, which resulted in lower dealer compensation, wholesaler commissions and Rule 12b-1 asset-based service and distribution expenses paid to third party distributors. Direct expenses in the Advisors channel grew in relation to revenue, offsetting the decrease in the Wholesale Channel. Indirect expenses across both channels increased $12.6 million, or 8%, compared to 2014, primarily due to increased employee compensation and benefits, consulting expenses, rent expense and advertising expenses, partially offset by lower computer services and software expenses.

Underwriting and distribution expenses in 2014 increased by $106.6 million, or 16%, compared to 2013. Direct expenses in the Wholesale channel increased $34.4 million compared to 2013 as a result of an increase in average wholesale assets under management, partially offset by lower sales volume year over year. We incurred higher Rule 12b-1 asset-based service and distribution expenses paid to third party distributors, partially offset by lower dealer compensation. Direct expenses in the Advisors channel grew faster than revenue due to increased advisor payouts, as a result of a change in the Advisors compensation plan. Indirect expenses across both channels increased $14.7 million, or 10%, compared to 2013, primarily due to increased computer services and software expenses, employee compensation and benefits and marketing expenses.

Shareholder Service Fees Revenue

Shareholder service fee revenue primarily includes transfer agency fees, custodian fees from retirement plan accounts, and portfolio accounting and administration fees. Transfer agency fees and portfolio accounting and administration fees are asset-based revenues or account-based revenues, while custodian fees from retirement plan accounts are based on the number of client accounts. The share conversion from load-waived Class A shares to institutional share classes, which do not charge a Rule 12b-1 fee, offered in our investment advisory programs will result in lower shareholder service fee revenue in 2016. Certain transfer agency fees for institutional share classes are asset-based and maintain lower revenue rates compared to account-based transfer agency fees. Shareholder service fee revenue will decline following the share class conversion in 2016 and will result in lower revenue rates compared to account-based transfer agency fees. Based on the composition of accounts and relative balances as of December 31, 2015, shareholder service fee revenue is expected to decline approximately $8.0 million in 2016.

Table of Contents

During 2015, shareholder service fees revenue decreased $7.9 million, or 5%, over 2014. Of the total decrease, asset-based fees accounted for $8.1 million, partially offset by an increase in account-based fees. A majority of the decrease in asset-based fees was driven by fees for the I, Y, R and R6 share classes which decreased $8.4 million, or 18%, when compared to 2014. Assets in the I, Y, R and R6 share classes declined from an average of $31.0 billion at December 31, 2014 to an average of $25.6 billion at December 31, 2015, representing a decrease of 17%.

During 2014, shareholder service fees revenue increased $13.9 million, or 10%, over 2013. Of the total increase, asset-based fees accounted for $11.5 million and account-based fees increased $2.7 million, partially offset by a decrease in retirement plan fees. A majority of the increase in asset-based fees was driven by fees for the I, Y and R share classes, which increased $10.8 million, or 30%, when compared to 2013. Assets in the I, Y and R share classes grew from an average of $23.8 billion at December 31, 2013 to an average of $31.0 billion at December 31, 2014, representing an increase of 30%. The account-based fees increase of $2.7 million was due to a 2% increase in the number of accounts compared to the same period.

Total Operating Expenses

Operating expenses decreased $12.6 million, or 1%, in 2015 compared to 2014 primarily due to decreased underwriting and distribution expenses, as well as a $7.9 million intangible asset impairment charge recorded in 2014, partially offset by increased compensation and related costs. Underwriting and distribution expenses are discussed above.

Operating expenses increased $127.6 million, or 13%, in 2014 compared to 2013 primarily due to increased underwriting and distribution expenses, increased general and administrative costs and an intangible asset impairment charge, partially offset by decreased subadvisory fees.

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(in thousands, except percentage data)				
Underwriting and distribution	$ 769,781	783,327	676,713	2%	16%
Compensation and related costs	200,752	194,410	197,597	3%	2%
General and administrative	105,066	104,637	86,419	0%	21%
Subadvisory fees	9,134	8,436	12,220	8%	31%
Depreciation	16,046	14,634	12,834	10%	14%
Intangible asset impairment		7,900		NM	NM
Total operating expenses	$ 1,100,779	1,113,344	985,783	1%	13%

Compensation and Related Costs

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(in thousands, except percentage data)				
Compensation and related costs	$ 200,752	194,410	197,597	3%	2%
As a percent of revenue	13%	12%	14%	1%	2%

Compensation and related costs in 2015 increased $6.3 million, or 3%, compared to 2014. An increase in base salaries of $5.3 million due to an increase in headcount and annual merit raises, and an increase in pension expense of $3.3 million were the primary drivers. Expense also increased $1.5 million related to incentive compensation, increased $1.4 million related to our deferred compensation program for portfolio

Table of Contents

managers, and increased $1.3 million related to miscellaneous compensation. Partially offsetting these increases was a decrease in share-based compensation of $6.6 million due to forfeitures and lower non-employee expense.

Compensation and related costs in 2014 decreased $3.2 million, or 2%, compared to 2013. A decrease in incentive compensation of $6.1 million and a decrease in pension expense of $3.6 million were the primary drivers. Expense also decreased $2.3 million related to our deferred compensation program for portfolio managers due to market depreciation. Partially offsetting these decreases were an increase in base salaries, payroll taxes and savings plan costs of $5.7 million due to an increase in headcount and annual merit increases during 2014, and an increase in share-based compensation of $1.0 million due to higher amortization expense associated with our nonvested restricted stock. In addition, higher compensation costs related to Institutional channel marketing contributed $0.8 million compared to 2013 and group insurance expense increased $0.5 million due to unfavorable claims experience.

General and Administrative Expenses

	For the Year Ended December 31,			Variance	
	2015	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
	(in thousands, except percentage data)				
General and administrative expenses	$ 105,066	104,637	86,419	0%	21%
As a percent of revenue	7%	7%	6%	0%	1%

General and administrative expenses are operating costs other than those related to compensation and to distribution efforts, including, but not limited to, computer services and software costs, telecommunications, facilities costs of our home offices, costs of professional services including legal and accounting, and insurance.

General and administrative expenses increased $0.4 million for the year ended December 31, 2015 compared to 2014. Technology consulting expenses and computer services and software costs increased $8.7 million related to the implementation of technology infrastructure initiatives. Offsetting these increases were lower consulting costs of $3.1 million, lower temporary office staff expense of $2.6 million, lower shareholder adjustments of $1.2 million and lower dealer service costs of $1.2 million. A majority of dealer service costs represent pass-through account servicing costs to third party dealers and are based on lower asset levels in certain share classes.

General and administrative expenses increased $18.2 million for the year ended December 31, 2014 compared to 2013. Included in 2013 were one-time structuring, offering and organizational costs for the launch of the Ivy High Income Opportunities fund in the amount of $6.7 million. Excluding these charges in 2013, general and administrative expenses increased $24.9 million, due primarily to higher consulting costs of $8.7 million, of which $5.7 million is related to technology consulting, increased dealer service costs based on higher asset levels in certain share classes of $5.4 million, higher computer services and software costs of $4.0 million and increased legal, temporary office staff and fund expense costs.

Subadvisory Fees

Subadvisory fees represent fees paid to other asset managers for providing advisory services for certain mutual fund portfolios. These expenses reduce our operating margin since we pay out approximately half of our management fee revenues received from subadvised products. Gross management fee revenues for products subadvised by others were $16.3 million for the year ended December 31, 2015 compared to $15.9 million and $24.0 million for 2014 and 2013, respectively, due to a 14% increase in average assets from 2014 to 2015 and a 24% decrease in average assets from 2013 to 2014.

Table of Contents

Gross management fee revenues for subadvised products in 2015 increased at a lesser rate than the related average net assets under management due to a decrease in the average management fee rate. The decrease in average net assets from 2013 to 2014 is a result of internalizing the management of the Global Natural Resources funds after the portfolio manager's retirement from Mackenzie Financial Corporation ("MFC"), the subadvisor, during the third quarter of 2013. Subadvisory expenses in 2015 increased in relation to gross management fee revenues due to termination fees related to internalizing management of the Micro Cap Growth funds as of June 30, 2015. Subadvisory expenses followed the same pattern as gross management fee revenues for 2014 and 2013.

Intangible Asset Impairment

During the third quarter of 2014, we recorded an intangible asset impairment charge of $7.9 million related to our subadvisory agreement to manage certain mutual fund products for MFC recorded in connection with our purchase of Mackenzie Investment Management, Inc. in 2002. The impairment charge was a result of a decline in assets under management attributable to a realignment of MFC's fund offerings and additional asset reductions. It is possible that the assets we manage for MFC may decrease in the future, which would require us to assess the need for an additional write-down of the intangible asset associated with our subadvisory agreement with MFC.

At December 31, 2015, the remaining balance of our subadvisory intangible asset was $8.4 million. The deferred tax liability established as a part of purchase accounting related to this intangible asset was $3.1 million as of December 31, 2015.

Other Income and Expenses

Investment and Other Income

Investment and other income decreased $22.0 million in 2015 compared to 2014. The majority of the decrease is related to mark-to-market activity on sponsored funds (Advisors Funds, Ivy Funds and IGI Funds) held as equity method investments and sponsored funds held as trading in our investment portfolio. We recorded mark-to-market losses of $15.4 million in 2015, compared to mark-to-market gains of $2.4 million in 2014. Realized gains on the sale of available for sale sponsored funds decreased $2.2 million in 2015 compared to 2014. Sponsored fund dividend income and capital gain distributions decreased $1.0 million in 2015, compared to 2014.

Investment and other income decreased $3.1 million in 2014 compared to 2013, primarily due to a $9.3 million decrease in realized gains on the sale of available for sale sponsored funds and a $1.5 million decrease in mark-to-market gains on sponsored fund holdings in our trading portfolio. A $3.0 million increase in sponsored fund dividend income and capital gain distributions partially offset the decrease. In 2013, we recorded losses related to our investment in a limited partnership of $4.9 million.

Interest Expense

Interest expense was $11.1 million, $11.0 million and $11.2 million in 2015, 2014 and 2013, respectively. Although the majority of our interest expense is fixed based on our $190.0 million senior unsecured notes, we did benefit from lower costs associated with the renewal of our credit facility in 2013.

Income Taxes

Our effective income tax rate from continuing operations was 38.5%, 36.1% and 35.7% in 2015, 2014 and 2013, respectively. The Company sold Legend in 2013, which generated a capital loss available to offset potential future capital gains. Due to the character of the losses and the limited carryforward period permitted by law, a valuation allowance was recorded on a portion of this capital loss. During 2015, unrealized losses on equity method investments and the trading securities portfolio increased the valuation allowance. These losses were partially offset by capital gain distributions from investments and realized capital gains on the sale of securities in the Company's investment portfolios. Overall, the losses in excess

Table of Contents

of gains resulted in an increase in the valuation allowance that was recorded as a charge to income tax expense of $3.7 million, which increased our effective income tax rate. During 2014 and 2013, realized capital gains allowed for a release of the valuation allowance of $5.0 million, and $7.2 million, respectively. The higher effective tax rate in 2015 as compared to 2014 was primarily the result of investment losses in 2015 as compared to investment gains in 2014. The higher effective tax rate in 2014 as compared to 2013 was primarily the result of lower investment gains in 2014.

Our 2015, 2014 and 2013 effective tax rates from continuing operations, removing the effects of the valuation allowance, would have been 37.6%, 37.1%, and 37.5%, respectively. The effective income tax rate, exclusive of the valuation allowance, increased in 2015 as compared to 2014 due to increases in expenses that are not deductible for income tax purposes as well as lower income before taxes in 2015, which increases the impact of nondeductible expenses. The effective income tax rate, exclusive of the valuation allowance, decreased in 2014 as compared to 2013 due to higher income before taxes, which diluted the impact of expenses that are not deductible for income tax purposes. Additionally, the Company generated larger state tax incentives related to capital expenditures made by the Company in 2014 as compared to 2013.

Liquidity and Capital Resources

The following table summarizes certain key financial data relating to our liquidity and capital resources:

	For the Year Ended December 31,			Variance	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(in thousands, except percentage data)				
Balance Sheet Data:					
Cash and cash equivalents	$ 558,495	566,621	487,845	1%	16%
Cash and cash equivalents restricted	66,880	76,595	121,419	13%	37%
Investment securities	291,743	243,283	201,348	20%	21%
Long-term debt	190,000	190,000	190,000	0%	0%
Cash Flow Data:					
Cash flows from operating activities	233,950	345,042	286,916	32%	20%
Cash flows from investing activities	(22,595)	(39,108)	25,622	42%	253%
Cash flows from financing activities	(219,481)	(227,158)	(155,023)	3%	47%

Our operations provide much of the cash necessary to fund our priorities, as follows:

Finance internal growth

Pay dividends

Repurchase our stock

Finance Internal Growth

We use cash to fund growth in our distribution channels. Our Wholesale channel requires cash outlays for wholesaler commissions and commissions to third parties on deferred load product sales. We continue to invest in our Advisors channel by offering home office resources, wholesaling efforts and enhanced technology tools, including the modernization of our brokerage and product platform associated with Project E. Across both channels, we provide seed money for new products.

Table of Contents

Pay Dividends

The Board of Directors approved an increase in the quarterly dividend on our common stock from $0.43 per share to $0.46 per share beginning with the dividend we declared in the fourth quarter 2015 and paid on February 1, 2016 to stockholders of record on January 11, 2016. Dividends on our common stock resulted in financing cash outflows of $144.0 million, $115.3 million and $96.0 million in 2015, 2014 and 2013, respectively.

Repurchase Our Stock

In 2015, we purchased 2.0 million shares of our common stock, compared to 2.3 million shares and 1.5 million shares in 2014 and 2013, respectively. These share repurchase amounts included 432,353 shares, 599,340 shares and 665,035 shares from employees who elected to tender shares to cover their minimum tax withholdings with respect to vesting of stock awards during the years ended December 31, 2015, 2014 and 2013, respectively.

In the future, we plan to repurchase shares, at a minimum, to offset dilution from shares issued for employee stock-based compensation programs. During 2016, we estimate that we will repurchase approximately 400,000 shares from employees who elect to tender shares to cover their minimum tax withholdings arising from the vesting of nonvested shares.

Operating Cash Flows

Cash from operations is our primary source of funds and decreased $111.1 million from 2014 to 2015. The decrease is primarily due to a decrease in net income of $67.8 million in 2015, increased purchases of trading securities of $36.5 million and an increase in other assets of $19.5 million, partially offset by a net decrease in deferred sales commission payments related to deferred sales load and fee based products of $8.8 million in 2015.

The payable to investment companies for securities, payable to customers and other receivables accounts can fluctuate significantly based on trading activity at the end of a reporting period. Changes in these accounts result in variances within cash from operations on the statement of cash flows; however, there is no impact to the Company's liquidity and operations for the variances in these accounts.

During 2015, we paid our financial advisors and third parties upfront commissions on the sale of Class C shares and certain fee-based asset allocation products. Effective January 1, 2014, we suspended sales of Class B shares, but prior to that date, we paid upfront commissions on Class B shares as well. Funding of such commissions during the years ended December 31, 2015, 2014 and 2013 totaled $10.9 million, $41.0 million and $68.5 million, respectively. In 2015, 100% of the commission funding was related to Class C shares. During 2014, commission funding for Class C Shares and fee-based asset allocation products was 57% and 43% of the annual commission funding, respectively. In 2013, 54% of the commission funding was related to fee-based asset allocation products and 36% was related to Class C shares. We continue to expect payment of upfront fund commission for certain fee-based asset allocation products will decline in future periods.

A contribution of $20.0 million was made to our pension plan in January 2016, and no further contributions are planned for 2016.

In connection with Project E strategic initiatives and the share class conversion, which are expected to reduce operating revenue by approximately $29.0 million in 2016, we will undertake significant cost reduction efforts to reduce fixed costs by approximately 10%, or $40.0 million, on our annual run-rate basis over the next 12 - 18 months, with a goal to realize approximately two-thirds of the reduction in 2016.

Table of Contents

Investing Cash Flows

Investing activities consist primarily of the seeding and sale of sponsored investment securities, as well as capital expenditures. We expect our 2016 capital expenditures to be in the range of $15.0 to $25.0 million.

Financing Cash Flows

As noted previously, dividends and stock repurchases accounted for a majority of our financing cash outflows in 2015.

On August 31, 2010, the Company entered into an agreement to complete a $190.0 million private placement of senior unsecured notes that were issued and sold in two tranches: $95.0 million bearing interest at 5.0% and maturing January 13, 2018, Series A, and $95.0 million bearing interest of 5.75% and maturing January 13, 2021, Series B (collectively, the "Senior Notes"). The agreement contained a delayed funding provision that allowed the Company to draw down the proceeds in January 2011 when the 5.6% senior notes (the "Notes") matured. The Company used the proceeds of the issuance and sale of the Senior Notes to repay the Notes in full. Interest is payable semi-annually in January and July of each year. The most restrictive provisions of the agreement require the Company to maintain a consolidated leverage ratio not to exceed 3.0 to 1.0 for four consecutive quarters and a consolidated interest coverage ratio of not less than 4.0 to 1.0 for four consecutive quarters. The Company was in compliance with these covenants for all periods presented. As of December 31, 2015, the Company's consolidated leverage ratio was 0.4 to 1.0, and consolidated interest coverage ratio was 42.9 to 1.0.

The Company entered into a five year revolving credit facility (the "Credit Facility") with various lenders, effective June 28, 2013, which provides for initial borrowings of up to $125.0 million and replaced the Company's previous revolving credit facility. Lenders may, at their option upon the Company's request, expand the facility to $200.0 million. There were no borrowings under the Credit Facility at December 31, 2015 or at any point during the year. The Credit Facility's covenants match those outlined above for the Senior Notes.

Short Term Liquidity and Capital Requirements

Management believes its available cash, marketable securities and expected cash flow from operations will be sufficient to fund its short-term operating and capital requirements during 2016. Expected short-term uses of cash include dividend payments, interest payments on outstanding debt, income tax payments, seed money for new products, capital expenditures including those related to the Project E initiatives, share repurchases, payment of deferred commissions to our financial advisors and third parties, pension funding, and home office leasehold and building improvements, and could include strategic acquisitions.

In 2016, the Company plans to offer terminated, vested pension plan participants a one-time voluntary lump sum window distribution equal to the present value of the participant's pension benefit, in an effort to reduce pension obligations and ongoing annual pension expense. This offer may result in a noncash charge in the fourth quarter of 2016, in accordance with the relevant accounting standards, dependent on the number of plan participants who elect to take the lump sum distribution and the total amount of such distributions.

Long Term Liquidity and Capital Requirements

Expected long-term capital requirements include indebtedness, operating leases and purchase obligations, and potential recognition of tax liabilities, summarized in the following table as of

Table of Contents

December 31, 2015. Purchase obligations include amounts that will be due for the purchase of goods and services to be used in our operations under long-term commitments or contracts.

	Total	2016	2017-2018	2019-2020	Thereafter/ Indeterminate
			(in thousands)		
Long-term debt obligations, including interest	$ 231,919	10,213	113,050	10,925	97,731
Non-cancelable operating lease commitments	80,000	22,564	31,664	13,577	12,195
Purchase obligations	147,604	55,066	64,968	20,098	7,472
Unrecognized tax benefits	11,890	38			11,852
	$ 471,413	87,881	209,682	44,600	129,250

Other possible long-term discretionary uses of cash could include capital expenditures for enhancement of technology infrastructure and home office expansion, strategic acquisitions, payment of dividends, income tax payments, seed money for new products, pension funding, repurchases of our common stock, and payment of upfront fund commissions for Class C shares and certain fee-based asset allocation products. We expect payment of upfront fund commissions for certain fee-based asset allocation products will decline in future years due to a change in our advisor compensation plan whereby a smaller population of advisors are eligible for upfront fund commissions on the sale of these products.

Off-Balance Sheet Arrangements

Other than operating leases, which are included in the table above, the Company does not have any off-balance sheet financing. The Company has not created, and is not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating its business.

Critical Accounting Policies and Estimates

Management believes the following critical accounting policies affect its significant estimates and judgments used in the preparation of its consolidated financial statements.

Accounting for Goodwill and Intangible Assets

As of December 31, 2015, our total goodwill and intangible assets were $158.1 million, or 10%, of our total assets. Two significant considerations arise with respect to these assets that require management estimates and judgment: (i) the valuation in connection with the initial purchase price allocation, and (ii) the ongoing evaluation of impairment.

In connection with all of our acquisitions, an evaluation is completed to determine reasonable purchase price allocations. The purchase price allocation process requires management estimates and judgments as to expectations for the various products, distribution channels and business strategies. For example, certain growth rates and operating margins were assumed for different products and distribution channels. If actual growth rates or operating margins, among other assumptions, differ from the estimates and judgments used in the purchase price allocation, the amounts recorded in the financial statements for identifiable intangible assets and goodwill could be subject to charges for impairment in the future.

We complete an ongoing review of the recoverability of goodwill and intangible assets using a fair-value or income based approach on an annual basis or more frequently whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Intangible assets with indefinite lives, primarily acquired mutual fund advisory contracts, are also tested for impairment annually by comparing their fair value to the carrying amount of the asset. We consider mutual fund advisory contracts indefinite lived intangible assets as they are expected to be renewed without significant cost or modification of terms. Factors that are considered important in

Table of Contents

determining whether an impairment of goodwill or intangible assets might exist include significant continued underperformance compared to peers, the likelihood of termination or non-renewal of a mutual fund advisory or subadvisory contract or substantial changes in revenues earned from such contracts, significant changes in our business and products, material and ongoing negative industry or economic trends, or other factors specific to each asset or subsidiary being evaluated. Because of the significance of goodwill and other intangibles to our consolidated balance sheets, the annual impairment analysis is critical. Any changes in key assumptions about our business and our prospects, or changes in market conditions or other externalities, could result in an impairment charge.

In 2015, the Company's annual impairment test completed during the second quarter indicated that goodwill and identifiable intangible assets were not impaired. Related to goodwill, the fair value of the investment management and related services reporting unit exceeded its carrying value by more than 100%. The fair value of indefinite life intangible assets excluding the MFC intangible also exceeded its carrying value by more than 100%. The fair value of the MFC intangible related to our subadvisory agreement to manage certain mutual fund products for MFC exceeded its carrying amount by 10%. Based on the result of our annual test, we increased the frequency of our impairment analysis for the MFC intangible asset. It is possible that the assets we manage for MFC may decrease in the future, which would require us to assess the need for a write-down of the intangible asset.

During the third quarter of 2014, we recorded an impairment charge of $7.9 million related to the MFC intangible asset as a result of a decline in the related assets under management and associated cash flows. We also reduced the associated deferred tax liability by $2.9 million. As of December 31, 2014, the MFC intangible balance is $8.4 million with an associated deferred tax liability of $3.1 million.

Additionally during the third quarter of 2014, we recorded a $4.1 million intangible asset related to a fund adoption transaction agreement with Emerging Managers Group, L.P., which became effective in August 2014, pursuant to which IICO assumed responsibility as investment adviser and global distributor of the IGI Funds.

Accounting for Income Taxes

In the ordinary course of business, many transactions occur for which the ultimate tax outcome is uncertain. In addition, respective tax authorities periodically audit our income tax returns. These audits examine our significant tax filing positions, including the timing and amounts of deductions and the allocation of income among tax jurisdictions. We adjust our income tax provision in the period in which we determine the actual outcomes will likely be different from our estimates. The recognition or derecognition of income tax expense related to uncertain tax positions is determined under the guidance as prescribed by ASC 740 *"Income Taxes Topic."* During 2015, 2014, and 2013, the Company settled three, six, and four open tax years, respectively, that were undergoing audit by state jurisdictions in which the Company operates. These audits were settled in all material respects with no significant adjustments. The Company is currently being audited in one state jurisdiction.

We recognize an asset or liability for the deferred tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, including the determination of any valuation allowance that might be required for deferred tax assets. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of assets are recovered or liabilities are settled.

During 2013, the Company realized a capital loss on the sale of Legend, which is available to offset potential future capital gains. Any unutilized capital loss carryforward will expire in 2018. Due to the character of the loss and the limited carryforward period permitted by law, the Company may not realize the full tax benefit of the capital loss. Additionally, the Company has deferred tax assets for unrealized capital losses on investment securities. Management believes it is not more likely than not that the Company will generate sufficient future capital gains to realize the full benefit of these capital losses.

Accordingly, a valuation allowance has been recorded on the deferred tax assets that were capital in nature as of December 31, 2015, December 31, 2014 and December 31, 2013.

As of December 31, 2015, two of the Company's subsidiaries have state net operating loss carryforwards in certain states in which those companies file on a separate company basis. These entities have recognized a deferred tax asset for such carryforwards. The carryforwards, if not utilized, will expire between 2016 and 2035. Management believes it is not more likely than not that the subsidiaries will generate sufficient future taxable income in these states to realize the benefit of these state net operating loss carryforwards and, accordingly, a valuation allowance has been recorded at December 31, 2015, December 31, 2014 and December 31, 2013.

We have not recorded a valuation allowance on any other deferred tax assets as of the current reporting period based on our belief that operating income will, more likely than not, be sufficient to realize the benefit of these assets over time. In the event that actual results differ from estimates or if our historical trend of positive operating income changes, we may be required to record a valuation allowance on deferred tax assets, which could have a significant effect on our consolidated financial condition and results of operations.

Income taxes are recorded at the rates in effect in the various tax jurisdictions in which we operate. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

Pension and Other Postretirement Benefits

Accounting for our pension and postretirement benefit plans requires us to estimate the cost of benefits to be provided well into the future and the current value of our benefit obligations. Three critical assumptions affecting these estimates are the discount rate, the expected return on assets and the expected health care cost trend rate. The discount rate assumption was based on the Aon Hewitt AA Only Above Median Yield Curve. This discount rate was determined separately for each plan by plotting the expected benefit payments from each plan against a yield curve of high quality, zero coupon bonds and calculating the single rate that would produce the same present value of liabilities as the yield curve. The expected return on plan assets and health care cost trend rates are based upon an evaluation of our historical trends and experience, taking into account current and expected future market conditions. Other assumptions include rates of future compensation increases, participant withdrawals and mortality rates, and participant retirement ages. These estimates and assumptions impact the amount of net pension expense or income recognized each year and the measurement of our reported benefit obligation under the plans.

In 2015, we utilized a discount rate of 4.60% for our pension plan compared to 4.13% in 2014 and 4.97% in 2013 to reflect market rates. The discount rate for our postretirement medical plan was 4.44%, 4.07% and 4.94% in 2015, 2014 and 2013 respectively. In 2015, we continued to assume long-term asset returns of 7.75% on the assets in our pension plan, the same as our assumption in 2014 and 2013. Our pension plan assets at December 31, 2015 were 100% invested in the Asset Strategy style and while we have targeted this same investment strategy going forward, we will assume long-term asset returns of 7.50% beginning in 2016.

Table of Contents

The effect of hypothetical changes to selected assumptions on the Company's retirement benefit plans would be as follows:

Assumptions	Change	As of December 31, 2015 Increase (Decrease) PBO/APBO (1)	For the year ended December 31, 2016 Increase (Decrease) Expense (2)
		(in thousands)	
Pension			
Discount rate	+/ 50 bps	$ (12,931)/14,367	$ (1,594)/1,757
Expected return on assets	+/ 100 bps	N/A	(1,793)/1,793
Salary scale	+/ 100 bps	9,518/(8,603)	2,318/(2,070)
Other Postretirement			
Discount rate	+/ 50 bps	(480)/525	(77)/83
Health care cost trend rate	+/ 100 bps	1,018/(874)	256/(217)

(1) Projected benefit obligation ("PBO") for pension plans and accumulated postretirement benefit obligation ("APBO") for other postretirement plans.

(2) Pre-tax impact on expense.

Deferred Sales Commissions

We pay upfront sales commissions to our financial advisors and third party intermediary broker/dealers in connection with the sale of certain classes of mutual fund shares sold without a front-end sales charge. These costs are capitalized and amortized over the period during which the shareholder is subject to a CDSC, not to exceed five years. We recover these costs through Rule 12b-1 and other distribution plan fees, which are paid by the applicable share classes of the Advisors Funds, Ivy Funds and InvestEd, along with CDSCs paid by shareholders who redeem their shares prior to completion of the specified holding periods. Should we lose our ability to recover such sales commissions through distribution plan payments and CDSCs, the value of these assets would immediately decline, as would future cash flows. We periodically review the recoverability of deferred sales commission assets as events or changes in circumstances indicate that the carrying amount of deferred sales commission assets may not be recoverable and adjust the deferred assets accordingly.

Valuation of Investments

We record substantially all investments in our financial statements at fair value. Where available, we use prices from independent sources such as listed market prices or broker/dealer price quotations. We evaluate our available for sale securities for other than temporary declines in value on a periodic basis. This may exist when the fair value of an investment security has been below the current value for an extended period of time. If an other than temporary decline in value is determined to exist, the unrealized investment loss recorded net of tax in accumulated other comprehensive income is realized as a charge to net income, in the period in which the other than temporary decline in value is determined. While we believe that we have accurately estimated the amount of the other than temporary decline in the value of our portfolio, different assumptions could result in changes to the recorded amounts in our financial statements.

Table of Contents

Loss Contingencies

The likelihood that a loss contingency exists is evaluated using the criteria of *"Contingencies Topic,"* ASC 450 through consultation with legal counsel. A loss contingency is recorded if the contingency is considered probable and reasonably estimable as of the date of the financial statements.

Seasonality and Inflation

We do not believe our operations are subject to significant seasonal fluctuation. We have historically experienced increased sales activity in the first and fourth quarters of the year due to funding of retirement accounts by our clients. The Company has not suffered material adverse effects from inflation in the past. However, a substantial increase in the inflation rate in the future may adversely affect customers' purchasing decisions, may increase the costs of borrowing, or may have an impact on the Company's margins and overall cost structure.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

We use various financial instruments with certain inherent market risks, primarily related to interest rates and securities prices. The principal risks of loss arising from adverse changes in market rates and prices to which we are exposed relate to interest rates on debt and marketable securities. Generally, these instruments have not been entered into for trading purposes. Management actively monitors these risk exposures; however, fluctuations could impact our results of operations and financial position. As a matter of policy, we only execute derivative transactions to manage exposures arising in the normal course of business and not for speculative or trading purposes. The following information, together with information included in other parts of Management's Discussion and Analysis of Financial Condition and Results of Operations, which are incorporated herein by reference, describe the key aspects of certain financial instruments that have market risk to us.

Interest Rate Sensitivity

Our interest sensitive liabilities include our long-term fixed rate senior notes and obligations for any balances outstanding under our credit facility or other short-term borrowings. Increases in market interest rates would generally cause a decrease in the fair value of the senior notes and an increase in interest expense associated with short-term borrowings and borrowings under the credit facility. Decreases in market interest rates would generally cause an increase in the fair value of the senior notes and a decrease in interest expense associated with short-term borrowings and borrowings under the credit facility. We had no short-term borrowings outstanding as of December 31, 2015.

Investment Securities Sensitivity

We maintain an investment portfolio of various holdings, types and maturities. Our portfolio is diversified and consists primarily of sponsored funds. A portion of investments are classified as available for sale investments. At any time, a sharp increase in interest rates or a sharp decline in the United States stock market could have a significant negative impact on the fair value of our investment portfolio. If a decline in fair value is determined to be other than temporary by management, the cost basis of the individual security or mutual fund is written down to fair value. In 2016, we have established a hedging program that uses a total return swap to hedge our exposure to fluctuations in the value of our investment portfolio. Conversely, declines in interest rates or a sizeable rise in the United States stock market could have a significant positive impact on our investment portfolio. However, unrealized gains are not recognized in operations on available for sale securities until they are sold.

Table of Contents

The following is a summary of the effect that a 10% increase or decrease in equity or fixed income prices would have on our investment portfolio subject to equity or fixed income price fluctuations at December 31, 2015:

Investment Securities	**Fair Value**	**Fair Value Assuming a 10% Increase**	**Fair Value Assuming a 10% Decrease**
		(in thousands)	
Available for sale:			
Sponsored funds	$ 40,552	44,607	36,497
Sponsored privately offered funds	825	908	743
Trading:			
Sponsored funds	29,701	32,671	26,731
Equity securities	87	96	78
Asset-backed securities	20	22	18
Corporate bonds	5	6	5
Equity Method:			
Sponsored funds	217,380	239,118	195,642
Sponsored privately offered funds	3,173	3,490	2,856
Total	$ 291,743	320,918	262,570

Securities Price Sensitivity

Our revenues are dependent on the underlying assets under management in the Funds to which investment advisory services are provided. The Funds include portfolios of investments comprised of various combinations of equity, fixed income and other types of securities and commodities. Fluctuations in the value of these securities are common and are generated by numerous factors, including, without limitation, market volatility, the overall economy, inflation, changes in investor strategies, availability of alternative investment vehicles, government regulations and others. Accordingly, declines in any one or a combination of these factors, or other factors not separately identified, may reduce the value of investment securities and, in turn, the underlying assets under management on which our revenues are earned. These declines have an impact in our investment sales and our trading portfolio, thereby compounding the impact on our earnings.

ITEM 8. Financial Statements and Supplementary Data

Reference is made to the Consolidated Financial Statements referred to in the Index on page 52 setting forth our consolidated financial statements, together with the report of KPMG LLP dated February 25, 2016 on page 53.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

(a)

Evaluation of Disclosure Controls and Procedures. The Company maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how

Table of Contents

well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2015, have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2015.

(b)

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we evaluated of the effectiveness of our internal control over financial reporting as of December 31, 2015 based on the framework in *"Internal Control Integrated Framework (2013)"* issued by the Committee of Sponsoring Organizations of the Treadway Commission. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our evaluation under the framework in *"Internal Control-Integrated Framework (2013),"* management concluded that, as of December 31, 2015, our internal control over financial reporting was effective. KPMG LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, also audited the effectiveness of our internal control over financial reporting as of December 31, 2015, as stated in their attestation report which follows.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Waddell & Reed Financial, Inc.:

We have audited Waddell & Reed Financial, Inc.'s (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Waddell & Reed Financial, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Waddell & Reed Financial, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Waddell & Reed Financial, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 25, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Kansas City, Missouri
February 25, 2016

(c)

Changes in Internal Control over Financial Reporting. The Company's internal control over financial reporting is designed 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. There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information required by this Item 10 is incorporated herein by reference to our definitive proxy statement for our 2016 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 11. Executive Compensation

Information required by this Item 11 is incorporated herein by reference to our definitive proxy statement for our 2016 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by Item 403 of Regulation S-K is incorporated herein by reference to our definitive proxy statement for our 2016 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this Item 13 is incorporated herein by reference to our definitive proxy statement for our 2016 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 14. Principal Accounting Fees and Services

Information required by this Item 14 is incorporated herein by reference to our definitive proxy statement for our 2016 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A under the Exchange Act.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements.
Reference is made to the Index to Consolidated Financial Statements on page 52 for a list of all financial statements filed as part of this Report.

(a)(2) Financial Statement Schedules.
None.

(b) Exhibits.
Reference is made to the Index to Exhibits beginning on page 90 for a list of all exhibits filed as part of this Report.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Overland Park, State of Kansas, on February 26, 2016.

WADDELL & REED FINANCIAL, INC.

By: /s/ HENRY J. HERRMANN

Henry J. Herrmann
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Name	Title	Date
/s/ HENRY J. HERRMANN Henry J. Herrmann	Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)	February 26, 2016
/s/ BRENT K. BLOSS Brent K. Bloss	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	February 26, 2016
/s/ SHARILYN S. GASAWAY* Sharilyn S. Gasaway	Director	February 26, 2016
/s/ THOMAS C. GODLASKY* Thomas C. Godlasky	Director	February 26, 2016
/s/ ALAN W. KOSLOFF* Alan W. Kosloff	Director	February 26, 2016
/s/ DENNIS E. LOGUE* Dennis E. Logue	Director	February 26, 2016
/s/ MICHAEL F. MORRISSEY* Michael F. Morrissey	Director	February 26, 2016
/s/ JAMES M. RAINES* James M. Raines	Director	February 26, 2016
/s/ JERRY W. WALTON* Jerry W. Walton	Director	February 26, 2016

/s/ JEFFREY P. BENNETT	*Attorney-in-fact*	February 26, 2016
Jeffrey P. Bennett		

*

By: *Attorney-in-fact*

Table of Contents

WADDELL & REED FINANCIAL, INC.

Index to Consolidated Financial Statements

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Waddell & Reed Financial, Inc.:

We have audited the accompanying consolidated balance sheets of Waddell & Reed Financial, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Waddell & Reed Financial, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Waddell & Reed Financial, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Kansas City, Missouri
February 25, 2016

Table of Contents

WADDELL & REED FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

		2015	2014
		(in thousands)	
Assets:			
Cash and cash equivalents	$	558,495	566,621
Cash and cash equivalents restricted		66,880	76,595
Investment securities		291,743	243,283
Receivables:			
Funds and separate accounts		34,399	39,110
Customers and other		220,660	216,843
Income taxes receivable		10,594	7,747
Prepaid expenses and other current assets		34,974	14,980
Total current assets		1,217,745	1,165,179
Property and equipment, net		105,434	92,304
Deferred sales commissions, net		24,262	56,472
Goodwill and identifiable intangible assets		158,118	158,123
Deferred income taxes		32,692	27,490
Other non-current assets		17,468	12,298
Total assets	$	1,555,719	1,511,866
Liabilities:			
Accounts payable	$	32,858	32,263
Payable to investment companies for securities		113,648	129,633
Payable to third party brokers		49,848	67,954
Payable to customers		120,420	110,399
Accrued compensation		69,335	67,574
Other current liabilities		57,104	55,143
Total current liabilities		443,213	462,966
Long-term debt		190,000	190,000
Accrued pension and postretirement costs		48,810	45,936
Other non-current liabilities		27,241	26,880
Total liabilities		709,264	725,782
Commitments and contingencies			
Stockholders' equity:			
Preferred stock $1.00 par value: 5,000 shares authorized; none issued			
Class A Common stock $0.01 par value: 250,000 shares authorized; 99,701 shares issued; 82,850 shares outstanding (83,654 at December 31, 2014)		997	997
Additional paid-in capital		331,611	318,636
Retained earnings		1,141,608	1,041,909
Cost of 16,851 common shares in treasury (16,047 at December 31, 2014)		(566,256)	(525,015)
Accumulated other comprehensive loss		(61,505)	(50,443)

Total stockholders' equity		846,455	786,084
Total liabilities and stockholders' equity	$	1,555,719	1,511,866

See accompanying notes to consolidated financial statements.

Table of Contents

WADDELL & REED FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2015, 2014 and 2013

		2015	2014	2013
		(in thousands, except per share data)		
Revenues:				
Investment management fees	$	709,562	768,102	650,442
Underwriting and distribution fees		663,998	678,678	582,819
Shareholder service fees		143,071	150,979	137,093
Total		1,516,631	1,597,759	1,370,354
Operating expenses:				
Underwriting and distribution		769,781	783,327	676,713
Compensation and related costs (including share-based compensation of $47,518, $54,144 and $53,179, respectively)		200,752	194,410	197,597
General and administrative		105,066	104,637	86,419
Subadvisory fees		9,134	8,436	12,220
Depreciation		16,046	14,634	12,834
Intangible asset impairment			7,900	
Total		1,100,779	1,113,344	985,783
Operating income		415,852	484,415	384,571
Investment and other income (loss)		(5,244)	16,790	19,904
Interest expense		(11,068)	(11,042)	(11,244)
Income before provision for income taxes		399,540	490,163	393,231
Provision for income taxes		154,004	176,832	140,233
Net income	$	245,536	313,331	252,998
Net income per share, basic and diluted:	$	2.94	3.71	2.96
Weighted average shares outstanding, basic and diluted:		83,499	84,485	85,589

See accompanying notes to consolidated financial statements.

WADDELL & REED FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2015, 2014 and 2013

		2015	2014	2013
			(in thousands)	
Net income	$	245,536	313,331	252,998
Other comprehensive income:				
Unrealized appreciation (depreciation) of available for sale investment securities during the year, net of income tax expense (benefit) of $2, $1 and $(9), respectively		(4,771)	(6,158)	2,105
Pension and postretirement benefits, net of income tax expense (benefit) of $(3,794), $(16,725) and $17,272, respectively		(6,291)	(28,426)	28,833
Comprehensive income	$	234,474	278,747	283,936

See accompanying notes to consolidated financial statements.

Table of Contents

WADDELL & REED FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2015, 2014 and 2013

(in thousands)

	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2012	99,701	$ 997	230,021	698,423	(372,404)	(46,797)	510,240
Net income				252,998			252,998
Recognition of equity compensation			52,992	187			53,179
Net issuance/forfeiture of nonvested shares			(28,564)		28,564		
Dividends accrued, $1.18 per share				(101,008)			(101,008)
Exercise of stock options			(35)		170		135
Excess tax benefits from share-based payment arrangements			12,992				12,992
Repurchase of common stock					(72,132)		(72,132)
Other comprehensive income						30,938	30,938
Balance at December 31, 2013	99,701	997	267,406	850,600	(415,802)	(15,859)	687,342
Net income				313,331			313,331
Recognition of equity compensation			53,912	232			54,144
Net issuance/forfeiture of nonvested shares			(21,817)		21,817		
Dividends accrued, $1.45 per share				(122,254)			(122,254)
Excess tax benefits from share-based payment arrangements			19,135				19,135
Repurchase of common stock					(131,030)		(131,030)
Other comprehensive income						(34,584)	(34,584)
Balance at December 31, 2014	99,701	997	318,636	1,041,909	(525,015)	(50,443)	786,084
Net income				245,536			245,536
Recognition of equity compensation			47,256	262			47,518
Net issuance/forfeiture of nonvested shares			(39,094)		39,094		
Dividends accrued, $1.75 per share				(146,099)			(146,099)
Excess tax benefits from share-based payment arrangements			4,813				4,813
Repurchase of common stock					(80,335)		(80,335)
Other comprehensive income						(11,062)	(11,062)
Balance at December 31, 2015	99,701	$ 997	331,611	1,141,608	(566,256)	(61,505)	846,455

See accompanying notes to consolidated financial statements.

Table of Contents

WADDELL & REED FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2015, 2014 and 2013

	2015	2014	2013
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 245,536	313,331	252,998
Adjustments to reconcile net income to net cash provided by operating activities:			
Write-down of impaired assets		7,900	
Depreciation and amortization	16,050	14,754	13,681
Amortization of deferred sales commissions	43,074	64,380	57,931
Share-based compensation	47,518	54,144	53,179
Excess tax benefits from share-based payment arrangements	(4,813)	(19,135)	(12,992)
Investments (gain) loss, net	12,412	(7,496)	(18,257)
Net purchases and sales or maturities of trading securities	(75,160)	(38,662)	(25,959)
Deferred income taxes	(1,410)	728	(2,982)
Other	680	1,774	493
Changes in assets and liabilities:			
Cash and cash equivalents restricted	9,715	44,824	(28,439)
Other receivables	(3,817)	(75,428)	(5,690)
Payable to investment companies for securities and payable to customers	(5,964)	17,283	24,818
Receivables from funds and separate accounts	4,711	(2,643)	(2,581)
Other assets	(25,111)	(5,568)	(1,139)
Deferred sales commissions	(10,864)	(40,958)	(68,470)
Accounts payable and payable to third party brokers	(17,510)	21,640	8,613
Other liabilities	(1,097)	(5,826)	41,712
Net cash provided by operating activities	233,950	345,042	286,916
Cash flows from investing activities:			
Purchases of available for sale and equity method securities	(27,388)	(166,302)	(241,644)
Proceeds from sales and maturities of available for sale and equity method securities	36,657	164,247	262,171
Additions to property and equipment	(29,610)	(35,606)	(16,905)
Disposition of companies			22,000
Other	(2,254)	(1,447)	
Net cash provided by (used in) investing activities	(22,595)	(39,108)	25,622
Cash flows from financing activities:			
Dividends paid	(143,959)	(115,263)	(96,018)
Repurchase of common stock	(80,335)	(131,030)	(72,132)
Exercise of stock options			135
Excess tax benefits from share-based payment arrangements	4,813	19,135	12,992
Net cash used in financing activities	(219,481)	(227,158)	(155,023)
Net increase (decrease) in cash and cash equivalents	(8,126)	78,776	157,515
Cash and cash equivalents at beginning of year	566,621	487,845	330,330
Cash and cash equivalents at end of year	$ 558,495	566,621	487,845

Cash paid for:				
Income taxes (net)	$	152,262	165,189	124,196
Interest	$	10,297	10,291	10,297

See accompanying notes to consolidated financial statements.

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Amounts in the accompanying financial statements and notes are rounded to the nearest thousand unless otherwise stated. Certain amounts in the prior years' financial statements have been reclassified for consistent presentation.

The Company operates in one business segment as the Company's management utilizes a consolidated approach to assess performance and allocate resources.

Consolidation

We provide seed capital to new investment products at the time we launch the products. These investment products include certain of the Advisors Funds and the Ivy Funds ("1940 Act Mutual Funds"), the IGI Funds, limited liability companies ("LLCs"), and an open-end mutual fund organized in Canada (the "Canadian Mutual Fund"). The primary purpose of providing seed capital is to generate an investment performance track record to attract third party investors. Our seed investment in a new product represents 100% ownership in that product when the product is launched.

Assessing if an entity is a variable interest entity ("VIE") or voting interest entity ("VOE") involves judgment and analysis on an entity by entity basis. Factors included in this assessment include the legal organization of the entity, the company's contractual involvement with the entity and any implications resulting from or associated with related parties' involvement with the entity.

Seeded investments in 1940 Act Mutual Funds and the Canadian Mutual Fund are organized under a series fund structure, whereby each open-ended mutual fund represents a separate share class of a legal entity organized under a statutory trust. The Company has determined that the 1940 Act Mutual Funds and the Canadian Mutual Fund are VOEs because the structure of the investment product is such that the voting rights held by the equity holders provide for equality among equity investors. To the extent material, these investment products would be consolidated if Company ownership, directly or indirectly, represents a majority interest.

The privately offered funds seeded by the Company are structured as investment companies in the legal form of LLCs. The Company is the managing member of these LLCs. For the majority of these LLCs, the Company's investment represents an ownership of less than 3%. Generally, limited partnerships and similar entities in which the general partner does not have substantive equity at risk and the other limited partners do not have substantive rights to remove the general partner would be considered VIEs. During the fourth quarter of 2015, the LLC agreements were amended so that all of the members of the Company's privately offered funds now hold substantive kick-out and participation rights. They also have the ability to remove the managing member and to dissolve the LLC. Given the substantive rights afforded the members, the Company has concluded the LLCs are VOEs. These investment products would be consolidated, if material, if a majority interest is held, directly or indirectly, by the Company.

The Company has determined the SICAV to be a VOE, as its legal structure and the powers of its equity investors prevent the SICAV from meeting the characteristics of being a VIE. To the extent

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

material, the Company would be required to consolidate the SICAV if ownership of the SICAV, directly or indirectly, represents more than 50% of the outstanding voting shares of the SICAV.

Use of Estimates

GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements and accompanying notes, and related disclosures of commitments and contingencies. Estimates are used for, but are not limited to, depreciation and amortization, income taxes, valuation of assets, pension and postretirement obligations, and contingencies. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Actual results could differ from our estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments. We consider all highly liquid investments with maturities upon acquisition of 90 days or less to be cash equivalents. Cash and cash equivalents restricted represents cash held for the benefit of customers and non-customers segregated in compliance with federal and other regulations.

Disclosures About Fair Value of Financial Instruments

Fair value of cash and cash equivalents, receivables and payables approximates carrying value. Fair value of long-term debt is disclosed in Note 7. Fair values for investment securities are based on quoted market prices, where available. Otherwise, fair values for investment securities are based on Level 2 or Level 3 inputs detailed in Note 3.

Investment Securities and Investments in Sponsored Funds

Our investments are comprised of United States, state and government obligations, corporate debt securities and investments in sponsored funds. Sponsored funds, which include the Funds, the IGI Funds and the LLCs, are investments we have made for both general corporate investment purposes and to provide seed capital for new investment products. The Company has classified its investments in certain sponsored funds as either equity method investments (when the Company owns between 20% and 50% of the fund) or as available for sale investments (when the Company owns less than 20% of the fund) as described in Note 3. Investments held by our broker/dealer entities or certain investments that are anticipated to be purchased and sold on a more frequent basis are classified as trading.

Unrealized holding gains and losses on securities available for sale, net of related tax effects, are excluded from earnings until realized and are reported as a separate component of comprehensive income. For trading securities, unrealized holding gains and losses are included in earnings. Realized gains and losses are computed using the specific identification method for investment securities, other than sponsored funds. For sponsored funds, realized gains and losses are computed using the average cost method. Substantially all of the Company's equity method investees are investment companies which record their underlying investments at fair value. Therefore, under the equity method of accounting, our share of the investee's underlying net income or loss is predominantly representative of fair value adjustments in the investments held by the equity method investee. Our share of the investee's net income or loss is based on the most current information available and is recorded as a net gain or loss on investments within investment and other income (loss).

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

Our available for sale investments are reviewed each quarter and adjusted for other than temporary declines in value. We consider factors affecting the issuer and the industry in which the issuer operates, general market trends including interest rates, and our ability and intent to hold an investment until it has recovered. Consideration is given to the length of time an investment's market value has been below carrying value and prospects for recovery to carrying value. When a decline in the fair value of equity securities is determined to be other than temporary, the unrealized loss recorded net of tax in other comprehensive income is realized as a charge to net income, and a new cost basis is established for financial reporting purposes. When a decline in the fair value of debt securities is determined to be other than temporary, the amount of the impairment recognized in earnings depends on whether the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If so, the other than temporary impairment recognized in earnings is equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If not, the portion of the impairment related to the credit loss is recognized in earnings while the portion of the impairment related to other factors is recognized in other comprehensive income, net of tax.

Property and Equipment

Property and equipment are carried at cost. The costs of improvements that extend the life of a fixed asset are capitalized, while the costs of repairs and maintenance are expensed as incurred. Depreciation and amortization are calculated and recorded using the straight-line method over the estimated useful life of the related asset (or lease term if shorter), generally three to 10 years for furniture and fixtures; one to 10 years for computer software; one to five years for data processing equipment; one to 40 years for buildings; three to 26 years for other equipment; and up to 15 years for leasehold improvements, which is the lesser of the lease term or expected life.

Software Developed for Internal Use

Certain internal costs incurred in connection with developing or obtaining software for internal use are capitalized in accordance with ASC 350, *"Intangibles Goodwill and Other Topic."* Internal costs capitalized are included in property and equipment, net in the consolidated balance sheets, and were $13.9 million and $13.5 million as of December 31, 2015 and 2014, respectively. Amortization begins when the software project is complete and ready for its intended use and continues over the estimated useful life, generally one to 10 years.

Goodwill and Identifiable Intangible Assets

Goodwill represents the excess of the cost of the Company's investment in the net assets of acquired companies over the fair value of the underlying identifiable net assets at the dates of acquisition. Goodwill is not amortized, but is reviewed annually for impairment in the second quarter of each year and when events or circumstances occur that indicate that goodwill might be impaired. Factors that the Company considers important in determining whether an impairment of goodwill or intangible assets might exist include significant continued underperformance compared to peers, the likelihood of termination or non-renewal of a mutual fund advisory or subadvisory contract or substantial changes in revenues earned from such contracts, significant changes in our business and products, material and ongoing negative industry or economic trends, or other factors specific to each asset being evaluated.

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

To determine the fair value of the Company's reporting unit, our review process uses the market and income approaches. In performing the analyses, the Company uses the best information available under the circumstances, including reasonable and supportable assumptions and projections.

The market approach employs market multiples for comparable publicly-traded companies in the financial services industry. Estimates of fair values of the reporting units are established using multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company believes that fair values calculated based on multiples of EBITDA are an accurate estimation of fair value.

If the fair value coverage margin calculated under the market approach is not considered significant, the Company utilizes a second approach, the income approach, to estimate fair values and averages the results under both methodologies. The income approach employs a discounted free cash flow approach that takes into account current actual results, projected future results, and the Company's estimated weighted average cost of capital.

The Company compares the fair values of the reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its calculated fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any.

Indefinite-lived intangible assets represent advisory and subadvisory management contracts for managed assets obtained in acquisitions. The Company considers these contracts to be indefinite-lived intangible assets as they are expected to be renewed without significant cost or modification of terms. The Company also tests these assets for impairment annually and when events or circumstances occur that indicate that the indefinite-lived intangible asset might be impaired. If the carrying value of a management contract acquired exceeds its fair value, an impairment loss is recognized equal to that excess. Additional information related to the indefinite-lived intangible assets is included in Note 6.

Deferred Sales Commissions

We defer certain costs, principally sales commissions and related compensation, which are paid to financial advisors and broker/dealers in connection with the sale of certain mutual fund shares sold without a front-end load sales charge. The costs incurred at the time of the sale of Class B shares sold prior to January 1, 2014 are amortized on a straight-line basis over five years, which approximates the expected life of the shareholders' investments. Effective January 1, 2014, the Company suspended sales of Class B shares. The costs incurred at the time of the sale of Class C shares are amortized on a straight-line basis over 12 months. Prior to June 16, 2014, the costs incurred at the time of the sale of shares for certain fee-based asset allocation products were deferred and amortized on a straight-line basis, not to exceed three years. We recover deferred sales commissions and related compensation through Rule 12b-1 and other distribution fees, which are paid on the Class B and Class C shares of the Advisors Funds and Ivy Funds, along with contingent deferred sales charges ("CDSCs") paid by shareholders who redeem their shares prior to completion of the specified holding period (three years for shares of certain fee-based asset allocation products sold prior to June 16, 2014, six years for a Class B share and 12 months for a Class C share), as well as through client fees paid on the asset allocation products sold prior to June 16, 2014. Effective June 16, 2014 we no longer assess a CDSC to investors upon early redemption of fee-based asset allocation products and amounts deferred for sales commissions and related compensation are classified in the prepaid and other current asset and other non-current assets in our consolidated balance sheet. Should we lose our ability to recover deferred sales commissions through distribution fees or CDSCs, the value of these assets would immediately decline, as would future cash flows. We periodically review the recoverability of the deferred sales commission assets as events or changes in circumstances indicate that

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

their carrying amount may not be recoverable and adjust them accordingly. Impairment adjustments are recognized in operating income as a component of amortization of deferred sales commissions.

Revenue Recognition

Investment Management and Advisory Fees

We recognize investment management fees as earned over the period in which services are rendered. We charge the Funds daily based upon average daily net assets under management in accordance with investment management agreements between the Funds and the Company. The majority of investment and/or advisory fees earned from the IGI Funds and from institutional and separate accounts are charged either monthly or quarterly based upon an average of net assets under management in accordance with such investment management agreements. The Company may waive certain fees for investment management services at its discretion, or in accordance with contractual expense limitations, and these waivers are reflected as a reduction to investment management fees on the consolidated statements of income.

Our investment advisory business receives research products and services from broker/dealers through "soft dollar" arrangements. Consistent with the "soft dollar" safe harbor established by Section 28(e) of the Securities Exchange Act of 1934, as amended, the investment advisory business does not have any contractual obligation requiring it to pay for research products and services obtained through soft dollar arrangements with brokers. As a result, we present "soft dollar" arrangements on a net basis.

The Company has contractual arrangements with third parties to provide subadvisory services. Investment advisory fees are recorded gross of any subadvisory payments and are included in investment management fees based on management's determination that the Company is acting in the capacity of principal service provider with respect to its relationship with the Funds. Any corresponding fees paid to subadvisors are included in operating expenses.

Distribution, Underwriter and Shareholder Service Fees

Underwriting and distribution commission revenues resulting from the sale of investment products are recognized on the trade date. When a client purchases Class A or Class E shares (front-end load), the client pays an initial sales charge of up to 5.75% of the amount invested. The sales charge for Class A or Class E shares typically declines as the investment amount increases. In addition, investors may combine their purchases of all fund shares to qualify for a reduced sales charge. When a client invests in a fee-based asset allocation product, Class A shares are purchased at net asset value, and we do not charge an initial sales charge.

Under a Rule 12b-1 service plan, the Funds may charge a maximum fee of 0.25% of the average daily net assets under management for Class B, C, E and Ivy Funds Y shares for expenses paid to broker/dealers and other sales professionals in connection with providing ongoing services to the Funds' shareholders and/or maintaining the Funds' shareholder accounts, with the exception of the Funds' Class R shares, for which the maximum fee is 0.50% and for the Class I, R6 and Advisors Funds Y shares, which do not charge a service fee. The Funds' Class B and Class C shares may charge a maximum of 0.75% of the average daily net assets under management under a Rule 12b-1 distribution plan to broker/dealers and other sales professionals for their services in connection with distributing shares of that class. The Funds' Class A shares may charge a maximum fee of 0.25% of the average daily net assets under management under a Rule 12b-1 service and distribution plan for expenses detailed previously. The Rule 12b-1 plans are subject to annual approval by the Funds' board of trustees, including a majority of the disinterested members, by

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

votes cast in person at a meeting called for the purpose of voting on such approval. All Funds may terminate the service and distribution plans at any time with approval of fund trustees or portfolio shareholders (a majority of either) without penalty.

Fee-based asset allocation revenues are charged quarterly based upon average daily net assets under management. For certain types of investment products, primarily variable annuities, distribution revenues are generally calculated based upon average daily net assets under management and are recognized monthly. Fees collected from advisors for services related to technology and errors and omissions insurance are recorded in underwriting and distribution fees on a gross basis, as the Company is the primary obligor in these arrangements.

Shareholder service fees are recognized monthly and are calculated based on the number of accounts or assets under management as applicable. Other administrative service fee revenues are recognized when contractual obligations are fulfilled or as services are provided.

Advertising and Promotion

We expense all advertising and promotion costs as the advertising or event takes place. Advertising expense was $15.7 million, $15.7 million and $13.3 million for the years ended December 31, 2015, 2014 and 2013, respectively, and is classified in both underwriting and distribution expense and general and administrative expense in the consolidated statements of income.

Leases

The Company leases office space under various leasing arrangements. Most lease agreements contain renewal options, rent escalation clauses and/or other inducements provided by the landlord. As leases expire, they are typically renewed or replaced in the ordinary course of business. Rent expense is recorded on a straight-line basis, including escalations and inducements, over the term of the lease.

Share-Based Compensation

We account for share-based compensation expense using the fair value method. Under the fair value method, share-based compensation expense reflects the fair value of share-based awards measured at grant date, is recognized over the service period, and is adjusted each period for anticipated forfeitures. The Company also issues share-based awards to our financial advisors who are independent contractors and to our Board of Directors. Changes in the Company's share price result in variable compensation expense over the vesting period.

Accounting for Income Taxes

Income tax expense is based on pre-tax financial accounting income, including adjustments made for the recognition or derecognition related to uncertain tax positions. The recognition or derecognition of income tax expense related to uncertain tax positions is determined under the guidance as prescribed by ASC 740, *"Income Taxes Topic."* Deferred tax assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. A valuation allowance is recognized for deferred tax assets if, based on available evidence, it is more likely than not that all or some portion of the asset will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

2. New Accounting Guidance

Accounting Guidance Adopted During Fiscal Year 2015

During the fourth quarter of 2015, the Company adopted ASU 2015-07, *"Fair Value Measurement,"* which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value ("NAV") per share (or its equivalent) using the practical expedient. Previously, the Company reported $3.8 million of sponsored privately offered funds in the fair value hierarchy for the period ended December 31, 2014. After implementation of ASU 2015-07, the $3.8 million of sponsored privately offered funds have been removed from the fair value hierarchy for the period ended December 31, 2014 to be consistent with the presentation of the fair value hierarchy as of December 31, 2015.

During the fourth quarter of 2015, the Company adopted ASU 2015-17, *"Income Taxes,"* which requires an entity to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. Prior to implementation of this ASU, the Company classified deferred tax assets and liabilities as either current or non-current assets and liabilities. Previously, the Company reported $7.5 million of deferred tax assets as current assets and $20.0 million of deferred tax assets as non-current on the balance sheet for the period ended December 31, 2014. After implementation of ASU 2015-17, the current deferred tax assets have been reclassified to non-current deferred tax assets, so that non-current deferred tax assets are presented as $27.5 million on the balance sheet as of December 31, 2014, to be consistent with the presentation of December 31, 2015 balances.

New Accounting Guidance Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "*Revenue from Contracts with Customers*." ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This standard also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. This ASU will supersede much of the existing revenue recognition guidance in accounting principles generally accepted in the United States and is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period; early application is permitted for the first interim period within annual reporting periods beginning after December 15, 2016. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating which transition method to apply and the estimated impact the adoption of this ASU will have on our consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02, "*Amendments to the Consolidation Analysis.*" The amendments in this ASU will affect all companies that are required to evaluate whether they should consolidate another entity. Additionally, the amendments in this ASU rescind the indefinite deferral of FASB Statement 167, "*Amendments to FASB Interpretation No. 46(r)*" included in ASU 2010-10. ASU 2015-02 will be effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. This standard permits the use of either a full retrospective or a modified retrospective approach. The Company believes that the adoption of this ASU on January 1, 2016, will result in an immaterial impact to our consolidated financial statements and related disclosures regarding our seeded investments in the 1940 Act Funds, Canadian Mutual Fund and LLCs. The Company has concluded that the SICAV will be deemed a VIE due to the lack of equity investment at risk at the SICAV legal entity level. The sub-funds of the SICAV are deemed silos and evaluated individually for

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

consolidation. Because the decisions regarding key activities of the sub-fund reside at the SICAV level, the shareholders of the sub-funds lack the ability to control the key decision-making processes that most directly affect the performance of the sub-funds. As such, each sub-fund is a VIE with the primary beneficiary evaluation being an analysis of economic interest. The Company will be the primary beneficiary and will consolidate any sub-fund of the SICAV in which it owns a majority interest.

In April 2015, the FASB issued ASU 2015-03, "*Simplifying the Presentation of Debt Issuance Costs.*" This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this ASU. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period; early adoption is permitted. The Company believes that the adoption of this ASU in 2016 will result in an immaterial impact to our consolidated financial statements.

3. Investment Securities

Investment securities at December 31, 2015 and 2014 are as follows:

2015		
Available for sale securities:		
Sponsored funds	$	40,552
Sponsored privately offered funds		825
Total available for sale securities		41,377
Trading securities:		
Mortgage-backed securities		20
Corporate bond		5
Common stock		87
Sponsored funds		29,701
Total trading securities		29,813
Equity method securities:		
Sponsored funds		217,380
Sponsored privately offered funds		3,173
Total equity method securities		220,553
Total securities	$	291,743

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

The following is a summary of the gross unrealized gains (losses) related to securities classified as available for sale at December 31, 2015:

Available for sale securities:		Amortized cost	Unrealized gains	Unrealized losses	Fair value
			(in thousands)		
Sponsored funds	$	46,800	434	(6,682)	40,552
Sponsored privately offered funds		500	325		825
	$	47,300	759	(6,682)	41,377

2014		
Available for sale securities:		
Sponsored funds	$	157,460
Sponsored privately offered funds		3,810
Total available for sale securities		161,270
Trading securities:		
Mortgage-backed securities		28
Common stock		72
Sponsored funds		81,913
Total trading securities		82,013
Total securities	$	243,283

The following is a summary of the gross unrealized gains (losses) related to securities classified as available for sale at December 31, 2014:

Available for sale securities:		Amortized cost	Unrealized gains	Unrealized losses	Fair value
Sponsored funds	$	160,675	2,177	(5,392)	157,460
Sponsored privately offered funds		1,750	2,060		3,810
	$	162,425	4,237	(5,392)	161,270

Sponsored Funds

The Company has classified its investments in certain sponsored funds as either equity method investments (when the Company owns between 20% and 50% of the fund) or as available for sale investments (when the Company owns less than 20% of the fund). We did not hold a majority interest in any of our sponsored funds as of December 31, 2015 and 2014. As a result, there are no sponsored funds consolidated in our financial statements.

During 2015, $160.2 million of investments previously classified as available for sale securities were classified as equity method securities, representing seed investments in which the Company owned between 20% and 50% of the fund. As a result, during the third quarter of 2015, $2.1 million of unrealized

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

losses were reclassified from other comprehensive income and recognized in the consolidated statement of income.

Sponsored privately offered funds

The Company holds voting interests in certain sponsored privately offered funds that are structured as investment companies in the legal form of LLCs. The Company held investments in these funds totaling $4.0 million and $3.8 million as of December 31, 2015 and December 31, 2014, respectively, which is our maximum loss exposure.

A summary of available for sale sponsored funds with fair values below carrying values at December 31, 2015 is as follows:

	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
	(in thousands)					
Sponsored funds	$ 3,476	(166)	33,619	(6,516)	37,095	(6,682)

Based upon our assessment of these sponsored funds, the time frame the sponsored funds have been in a loss position and our intent to hold the sponsored funds until they have recovered, we determined that a write-down of fair value was not necessary at December 31, 2015.

The corporate bond accounted for as trading matures in 2018. Mortgage-backed securities accounted for as trading and held as of December 31, 2015 mature in 2022.

Investment securities with fair values of $102.2 million, $301.0 million and $442.0 million were sold during 2015, 2014 and 2013, respectively. During 2015, net realized gains of $3.0 million and $0.6 million were recognized from the sale of $31.6 million in available for sale securities and the sale of $65.9 million in trading securities, respectively, and net realized losses of $0.5 million were recognized from the sale of $5.3 million in equity method securities. During 2014, net realized gains of $5.1 million and $4.1 million were recognized from the sale of $149.8 million in available for sale securities and the sale of $151.2 million in trading securities, respectively. During 2013, net realized gains of $14.4 million and $7.7 million were recognized from the sale of $247.0 million in available for sale securities and the sale of $195.0 million in trading securities, respectively.

Accounting standards establish a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset. An individual investment's fair value measurement is assigned a level based upon the observability of the inputs that are significant to the overall valuation. The three-level hierarchy of inputs is summarized as follows:

Level 1 Investments are valued using quoted prices in active markets for identical securities.

Level 2 Investments are valued using other significant observable inputs, including quoted prices in active markets for similar securities.

Level 3 Investments are valued using significant unobservable inputs, including the Company's own assumptions in determining the fair value of investments.

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

Assets classified as Level 2 can have a variety of observable inputs. These observable inputs are collected and utilized, primarily by an independent pricing service, in different evaluated pricing approaches depending upon the specific asset to determine a value. The fair value of municipal bonds is measured based on pricing models that take into account, among other factors, information received from market makers and broker/dealers, current trades, bid-wants lists, offerings, market movements, the callability of the bond, state of issuance and benchmark yield curves. The fair value of corporate bonds is measured using various techniques, which consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads and fundamental data relating to the issuer. The fair value of equity derivatives is measured based on active market broker quotes, evaluated broker quotes and evaluated prices from vendors.

Securities' values classified as Level 3 are primarily determined through the use of a single quote (or multiple quotes) from dealers in the securities using proprietary valuation models. These quotes involve significant unobservable inputs, and thus, the related securities are classified as Level 3 securities.

The following tables summarize our investment securities as of December 31, 2015 and 2014 that are recognized in our consolidated balance sheets using fair value measurements based on the differing levels of inputs. There were no transfers between levels for the years ended December 31, 2015 or 2014.

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
		(in thousands)		
Available for sale securities:				
Sponsored funds	$ 40,552			40,552
Sponsored privately offered funds measured at net asset value (2)				825
Trading securities:				
Mortgage-backed securities		20		20
Corporate bonds		5		5
Common stock	87			87
Sponsored funds	29,701			29,701
Equity method securities: (1)				
Sponsored funds	217,380			217,380
Sponsored privately offered funds measured at net asset value (2)				3,173
Total	$ 287,720	25		291,743

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

2014		**Level 1**	**Level 2**	**Level 3**	**Total**
			(in thousands)		
Available for sale securities:					
Sponsored funds	$	157,460			157,460
Sponsored privately offered funds measured at net asset value (2)					3,810
Trading securities:					
Mortgage-backed securities			28		28
Common stock		72			72
Sponsored funds		81,913			81,913
Total	$	239,445	28		243,283

(1) Substantially all of the Company's equity method investments are investment companies that record their underlying investments at fair value. Fair value is measured using the Company's share of the investee's underlying net income or loss, which is predominantly representative of fair value adjustments in the investments held by the investee.

(2) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

4. Property and Equipment

A summary of property and equipment at December 31, 2015 and 2014 is as follows:

		2015	**2014**	**Estimated useful lives**
		(in thousands)		
Leasehold improvements	$	21,741	21,039	1 - 15 years
Furniture and fixtures		29,462	29,462	3 - 10 years
Equipment		20,901	20,829	3 - 26 years
Computer software		96,310	74,506	1 - 10 years
Data processing equipment		20,335	23,684	1 - 5 years
Buildings		12,860	11,905	1 - 40 years
Land		3,804	3,804	
Property and equipment, at cost		205,413	185,229	
Accumulated depreciation		(99,979)	(92,925)	

Property and equipment, net	$	105,434	92,304

Depreciation expense was $16.0 million, $14.6 million and $12.8 million during the years ended December 31, 2015, 2014 and 2013, respectively.

Table of Contents

At December 31, 2015, we had property and equipment under capital leases with a cost of $2.1 million and accumulated depreciation of $1.1 million. At December 31, 2014, we had property and equipment under capital leases with a cost of $2.0 million and accumulated depreciation of $0.9 million.

5. Discontinued Operations

During 2012, the Company signed a definitive agreement with First Allied Holdings Inc. to sell all of the common interests of its Legend group of subsidiaries ("Legend") and the sale closed effective January 1, 2013. The agreement included an earnout provision based on asset retention for a period of two years following the closing date. An earnout receivable of $4.1 million was accrued as of December 31, 2014 and we received payment in February of 2015.

For income tax purposes, the sale resulted in a $47.8 million capital loss. As of December 31, 2015, $15.8 million remains as a capital loss carryforward available to offset future capital gains for federal income tax purposes. The Company may not realize the full tax benefit of the capital loss carryforward if it does not generate sufficient future capital gains. The capital loss carryforward, if not utilized, will expire in 2018. Additional information related to the capital loss carryforward is included in Note 8.

6. Goodwill and Identifiable Intangible Assets

Goodwill represents the excess of purchase price over the tangible assets and identifiable intangible assets of an acquired business. Our goodwill is not deductible for tax purposes. Goodwill and identifiable intangible assets (all considered indefinite-lived) at December 31, 2015 and 2014 are as follows:

		2015	2014
		(in thousands)	
Goodwill	$	106,970	106,970
Mutual fund management advisory contracts		42,748	42,753
Mutual fund management subadvisory contracts		8,400	8,400
Total identifiable intangible assets		51,148	51,153
Total	$	158,118	158,123

The mutual fund management subadvisory contracts in the table above represents our indefinite-lived intangible asset balance related to our subadvisory agreement to manage certain mutual fund products for Mackenzie Financial Corporation ("MFC"). This intangible asset was recorded in connection with our purchase of Mackenzie Investment Management, Inc. in 2002, and a deferred tax liability was established related to this intangible asset.

We performed a review of the intangible asset associated with the MFC subadvisory agreement during the third quarter of 2014 due to a decline in the related assets under management. The decline was attributed to a realignment of MFC's fund offerings and additional asset reductions. We recorded an impairment charge of $7.9 million in the third quarter of 2014 to this intangible asset as a result of the reduction in assets and associated cash flows, and reduced the associated deferred tax liability by $2.9 million.

During the third quarter of 2014, we recorded a $4.1 million intangible asset and established a tax deferred asset related to a fund adoption transaction agreement with Emerging Managers Group, L.P., which became effective in August 2014, through which Ivy Investment Management Company assumed

Table of Contents

responsibility as investment adviser and global distributor of the IGI Funds. This asset is included in the mutual fund management advisory contracts line in the table above.

7. Indebtedness

On August 31, 2010, the Company entered into an agreement to complete a $190.0 million private placement of senior unsecured notes that were issued and sold in two tranches: $95.0 million bearing interest at 5.0% and maturing January 13, 2018, Series A, and $95.0 million bearing interest of 5.75% and maturing January 13, 2021, Series B (collectively, the "Senior Notes"). The agreement contained a delayed funding provision that allowed the Company to draw down the proceeds in January 2011 when the 5.6% senior notes (the "Notes") matured. The Company used the proceeds of the issuance and sale of the Senior Notes to repay the Notes in full. Interest is payable semi-annually in January and July of each year. The most restrictive provisions of the agreement require the Company to maintain a consolidated leverage ratio not to exceed 3.0 to 1.0 for four consecutive quarters and a consolidated interest coverage ratio of not less than 4.0 to 1.0 for four consecutive quarters. The Company was in compliance with these covenants for all periods presented. As of December 31, 2015, the Company's consolidated leverage ratio was 0.4 to 1.0, and consolidated interest coverage ratio was 42.9 to 1.0.

The Company entered into a five year revolving credit facility (the "Credit Facility") with various lenders, effective June 28, 2013, which provides for initial borrowings of up to $125.0 million and replaced the Company's previous revolving credit facility. Lenders could, at their option upon the Company's request, expand the Credit Facility to $200.0 million. At December 31, 2015 and 2014, there were no borrowings outstanding under the facility. Borrowings under the Credit Facility bear interest at various rates including adjusted LIBOR or an alternative base rate plus, in each case, an incremental margin based on the Company's credit rating. The Credit Facility also provides for a facility fee on the aggregate amount of commitments under the revolving facility (whether or not utilized). The facility fee is also based on the Company's credit rating level. The Credit Facility's covenants match those outlined above for the Senior Notes.

Debt is reported at its carrying amount in the consolidated balance sheets. The fair value of the Company's outstanding indebtedness is approximately $202.5 million at December 31, 2015 compared to the carrying value of $190.0 million. Fair value is calculated based on Level 2 inputs.

8. Income Taxes

The provision for income taxes from continuing operations for the years ended December 31, 2015, 2014 and 2013 consists of the following:

	2015	2014	2013
		(in thousands)	
Current taxes:			
Federal	$ 142,576	161,863	131,000
State	12,800	14,206	12,197
Foreign	38	35	37
	155,414	176,104	143,234
Deferred taxes	(1,410)	728	(3,001)
Provision for income taxes	$ 154,004	176,832	140,233

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

The following table reconciles the statutory federal income tax rate with our effective income tax rate from continuing operations for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefits	2.0	2.1	2.2
State tax incentives	(0.1)	(0.2)	(0.1)
Valuation allowance on losses capital in nature	0.9	(1.0)	(1.8)
Other items	0.7	0.2	0.4
Effective income tax rate	38.5%	36.1%	35.7%

The tax effect of temporary differences that give rise to significant portions of deferred tax liabilities and deferred tax assets at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in thousands)	
Deferred tax liabilities:		
Deferred sales commissions	$ (2,337)	(4,285)
Property and equipment	(9,775)	(10,335)
Benefit plans	(14,058)	(11,452)
Identifiable intangible assets	(13,705)	(12,562)
Prepaid expenses	(2,231)	(2,150)
Total gross deferred liabilities	(42,106)	(40,784)
Deferred tax assets:		
Accrued compensation	11,015	9,098
Additional pension and postretirement liability	32,183	28,389
Other accrued expenses	5,851	5,789
Unrealized losses on investment securities and partnerships	7,426	1,043
Capital loss carryforwards	5,919	6,849
Nonvested stock	20,608	20,300
Unused state tax credits	1,470	992
State net operating loss carryforwards	5,666	5,718
Other	3,463	3,572
Total gross deferred assets	93,601	81,750
Valuation allowance	(18,803)	(13,476)
Net deferred tax asset	$ 32,692	27,490

In 2013, a capital loss was realized on the sale of Legend. By law, the portion of this capital loss in excess of capital gains was carried forward to offset potential capital gains recognized in future years. The deferred tax asset, net of federal tax effect, relating to this capital loss carryforward as of December 31, 2015 and 2014 is $5.9 million and $6.8 million, respectively. The capital loss carryforward, if not utilized, will expire in 2018. Other deferred tax assets that could generate potential future capital losses if realized include unrealized losses on investment securities and partnerships of $7.4 million and $1.1 million as of December 31, 2015 and 2014, respectively. Due to the character of the losses and the limited carryforward

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

period permitted by law upon realization, the Company may not realize the full tax benefit of the capital losses. Management believes it is not more likely than not that the Company will generate sufficient future capital gains to realize the full benefit of these capital losses and accordingly, a valuation allowance in the amount of $13.3 million and $7.9 million has been recorded at December 31, 2015 and 2014, respectively.

Certain subsidiaries of the Company have net operating loss carryforwards in certain states in which these companies file on a separate company basis. The deferred tax asset, net of federal tax effect, relating to these carryforwards as of December 31, 2015 and 2014 is approximately $5.7 million. The carryforwards, if not utilized, will expire between 2016 and 2035. Management believes it is not more likely than not that these subsidiaries will generate sufficient future taxable income in these states to realize the benefit of the net operating loss carryforwards and, accordingly, a valuation allowance in the amount of $5.5 million and $5.6 million has been recorded at December 31, 2015 and 2014, respectively.

During 2015, the valuation allowance increased $5.3 million. Unrealized losses on equity method investments and the trading securities portfolio increased the valuation allowance and income tax expense by $5.9 million. Depreciation in the fair value of the Company's available for sale securities portfolio increased the valuation allowance and accumulated other comprehensive loss by $1.8 million. These increases were partially offset by capital gain distributions from investments and realized capital gains on the sale of securities in the Company's investment portfolios, which decreased the valuation allowance and income tax expense by $2.4 million.

The Company has state tax credit carryforwards of $1.5 million and $1.0 million as of December 31, 2015 and 2014, respectively. Of these state tax credit carryforwards, $1.3 million will expire between 2024 and 2031 if not utilized and $0.2 million will expire in 2026 if not utilized. The Company anticipates these credits will be fully utilized prior to their expiration date.

As of January 1, 2015, the Company had unrecognized tax benefits, including penalties and interest, of $11.6 million ($8.3 million net of federal benefit) that, if recognized, would impact the Company's effective tax rate. As of December 31, 2015, the Company had unrecognized tax benefits, including penalties and interest, of $11.9 million ($8.7 million net of federal benefit) that, if recognized, would impact the Company's effective tax rate. The unrecognized tax benefits that are not expected to be settled within the next 12 months are included in other liabilities in the accompanying consolidated balance sheets; unrecognized tax benefits that are expected to be settled within the next 12 months are included in income taxes payable; and unrecognized tax benefits that reduce a net operating loss, similar tax loss, or tax credit carryforward are presented as a reduction to noncurrent deferred income taxes.

The Company's accounting policy with respect to interest and penalties related to income tax uncertainties is to classify these amounts as income taxes. As of January 1, 2015, the total amount of accrued interest and penalties related to uncertain tax positions recognized in the consolidated balance sheet was $3.5 million ($2.9 million net of federal benefit). A settlement in 2015 allowed for the reduction of penalties and interest, net of federal benefit, related to tax uncertainties of $ 0.1 million in the consolidated statement of income for the period ended December 31, 2015. The total amount of accrued penalties and interest related to uncertain tax positions at December 31, 2015 of $3.4 million ($2.8 million net of federal benefit) is included in the total unrecognized tax benefits described above.

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

The following table summarizes the Company's reconciliation of unrecognized tax benefits, excluding penalties and interest, for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
		(in thousands)	
Balance at January 1	$ 8,105	9,013	8,322
Increases during the year:			
Gross increases tax positions in prior period	1,401	433	644
Gross increases current-period tax positions	700	656	1,355
Decreases during the year:			
Gross decreases tax positions in prior period	(308)	(192)	(71)
Decreases due to settlements with taxing authorities	(486)	(877)	(154)
Decreases due to lapse of statute of limitations	(964)	(928)	(1,083)
Balance at December 31	$ 8,448	8,105	9,013

In the ordinary course of business, many transactions occur for which the ultimate tax outcome is uncertain. In addition, respective tax authorities periodically audit our income tax returns. These audits examine our significant tax filing positions, including the timing and amounts of deductions and the allocation of income among tax jurisdictions. During 2015, the Company settled three open tax years that were undergoing audit by a state jurisdiction in which the Company operates. During 2014, the Company settled six open tax years that were undergoing audit by state jurisdictions in which the Company operates. During 2013, the Company settled four open tax years that were undergoing audit by a state jurisdiction in which the Company operates. The 2012 through 2015 federal income tax returns are open tax years that remain subject to potential future audit. State income tax returns for all years after 2011 and, in certain states, income tax returns for 2011, are subject to potential future audit by tax authorities in the Company's major state tax jurisdictions.

9. Pension Plan and Postretirement Benefits Other Than Pension

We provide a non-contributory retirement plan that covers substantially all employees and certain vested employees of our former parent company (the "Pension Plan"). Benefits payable under the Pension Plan are based on employees' years of service and compensation during the final ten years of employment. We also sponsor an unfunded defined benefit postretirement medical plan that covers substantially all employees, as well as our financial advisors, who are independent contractors. The medical plan is contributory with retiree contributions adjusted annually. The medical plan does not provide for post age 65 benefits with the exception of a small group of employees that were grandfathered when such plan was established.

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

A reconciliation of the funded status of these plans and the assumptions related to the obligations at December 31, 2015, 2014 and 2013 are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013
	(in thousands)					
Change in projected benefit obligation:						
Net benefit obligation at beginning of year	$ 208,085	172,105	184,165	9,902	8,172	8,792
Service cost	12,080	10,084	11,011	910	719	788
Interest cost	8,420	8,395	7,711	397	397	361
Benefits paid	(10,184)	(8,733)	(19,283)	(505)	(527)	(283)
Actuarial (gain) loss	(7,618)	26,410	(11,499)	(2,632)	760	(1,807)
Plan amendments		(176)				
Retiree contributions				349	381	321
Net benefit obligation at end of year	$ 210,783	208,085	172,105	8,421	9,902	8,172

The accumulated benefit obligation for the Pension Plan was $177.1 million and $171.3 million at December 31, 2015 and 2014, respectively.

	Pension Benefits			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013
	(in thousands)					
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 175,548	170,430	133,911			
Actual return on plan assets	(11,479)	(6,149)	38,802			
Employer contributions	20,000	20,000	17,000	156	146	(38)
Retiree contributions				349	381	321
Benefits paid	(10,184)	(8,733)	(19,283)	(505)	(527)	(283)
Fair value of plan assets at end of year	$ 173,885	175,548	170,430			
Funded status at end of year	$ (36,898)	(32,537)	(1,675)	(8,421)	(9,902)	(8,172)

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

		Pension Benefits			Other Postretirement Benefits		
		2015	2014	2013	2015	2014	2013
		(in thousands, except percentage data)					
Amounts recognized in the statement of financial position:							
Current liabilities	$				(316)	(279)	(260)
Noncurrent liabilities		(36,898)	(32,537)	(1,675)	(8,105)	(9,623)	(7,912)
Net amount recognized at end of year	$	(36,898)	(32,537)	(1,675)	(8,421)	(9,902)	(8,172)
Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income:							
Transition obligation	$	(16)	(21)	(27)			
Prior service credit (cost)		(720)	(1,179)	(1,822)	2	(17)	(72)
Accumulated gain (loss)		(88,882)	(75,681)	(30,602)	2,897	265	1,041
Accumulated other comprehensive income (loss)		(89,618)	(76,881)	(32,451)	2,899	248	969
Cumulative employer contributions in excess of (less than) net periodic benefit cost		52,720	44,344	30,776	(11,320)	(10,150)	(9,141)
Net amount recognized at end of year	$	(36,898)	(32,537)	(1,675)	(8,421)	(9,902)	(8,172)
Weighted average assumptions used to determine benefit obligation at December 31:							
Discount rate		4.60%	4.13%	4.97%	4.44%	4.07%	4.94%
Rate of compensation increase		5.12%	5.12%	5.12%		Not applicable	

The discount rate assumption used to determine the pension and other postretirement benefits obligations was based on the Aon Hewitt AA Only Above Median Yield Curve. This discount rate was determined separately for each plan by plotting the expected benefit payments from each plan against a yield curve of high quality, zero coupon bonds and calculating the single rate that would produce the same present value of liabilities as the yield curve.

Our Pension Plan asset allocation at December 31, 2015 and 2014 is as follows:

Plan assets by category	Percentage of Plan Assets at December 31, 2015	Percentage of Plan Assets at December 31, 2014
Cash	24%	23%
Equity securities:		
Domestic	53%	51%
International	15%	17%
Fixed income securities	5%	1%
Private equity		1%
Gold bullion	3%	7%
Total	100%	100%

The primary investment objective is to maximize growth of the Pension Plan assets to meet the projected obligations to the beneficiaries over a long period of time and to do so in a manner that is

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

consistent with the Company's earnings strength and risk tolerance. Asset allocation is the most important decision in managing the assets and is reviewed regularly. The asset allocation policy considers the Company's financial strength and long-term asset class risk/return expectations since the obligations are long-term in nature. As of December 31, 2015, our Pension Plan assets were invested in our Asset Strategy investment style and are managed by our in-house investment professionals.

Asset Strategy invests in the domestic or foreign market that is believed to offer the greatest probability of return or, alternatively, that provides the highest degree of safety in uncertain times. This style may allocate its assets among stocks, bonds and short-term investments and since the allocation is dynamically managed and able to take advantage of opportunities as they are presented by the market, there is not a predetermined asset allocation. Dependent on the outlook for the U.S. and global economies, our investment managers make top-down allocations among stocks, bonds, cash, precious metals and currency markets around the globe. After determining allocations, we seek the best opportunities within each market. Derivative instruments play an important role in this style's investment process to manage risk and maximize stability of the assets in the portfolio. At December 31, 2015, the Pension Plan had a significant weighting of plan assets invested in equity securities, a concentration not typical of a classic pension plan.

Risk management is primarily the responsibility of the investment portfolio manager, who incorporates it with day-to-day research and management. Although investment flexibility is essential to this style's investment process, the Pension Plan does not invest in a number of asset classes that are commonly referred to as alternative investments; namely venture capital, direct real estate properties, timber, or oil, gas or other mineral explorations or development programs or leases. The Pension Plan also has a number of specific guidelines that serve to manage investment risk by placing limits on net securities exposure and concentration of assets within specific companies or industries.

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

We determine the fair value of our Pension Plan assets using broad levels of inputs as defined by related accounting standards and categorized as Level 1, Level 2 or Level 3, as described in Note 3. The following tables summarize our Pension Plan assets as of December 31, 2015 and 2014. There were no transfers between levels for the years ended December 31, 2015 or 2014.

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
		(in thousands)		
Equity securities:				
Domestic	$ 92,037			92,037
International	25,822			25,822
Equity derivatives		280		280
Fixed income securities:				
Mortgage-backed securities		11		11
U.S. treasuries		8,113		8,113
Gold bullion	5,226			5,226
Total investment securities	123,085	8,404		131,489
Cash and other				42,396
Total				$ 173,885

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
		(in thousands)		
Equity securities:				
Domestic	$ 90,061			90,061
International	29,351			29,351
Equity derivatives		116		116
Fixed income securities:				
Mortgage-backed securities		14		14
Corporate bond			1,884	1,884
Private equity			1,518	1,518
Gold bullion	12,209			12,209
Total investment securities	131,621	130	3,402	135,153
Cash and other				40,395
Total				$ 175,548

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

The following table summarizes the activity of plan assets categorized as Level 3 for the years ended December 31, 2015 and 2014:

	2015	2014
	(in thousands)	
Level 3 plan assets at beginning of year	$ 3,402	4,019
Sales	(3,432)	
Valuation change	30	(617)
Level 3 plan assets at end of year	$	3,402

The 7.75% expected long-term rate of return on Pension Plan assets reflects management's expectations of long-term average rates of return on funds invested to provide for benefits included in the projected benefit obligations. The expected return is based on the outlook for inflation, fixed income returns and equity returns, while also considering historical returns, asset allocation and investment strategy. The plan expects a relatively high return because of the types of investments the portfolio incorporates, the long-term success the portfolio managers have had with generating returns in excess of passive management in those types of investments, and the past history of returns. The ability to use a high concentration of equities, especially international equities, within the plan's investment policy presents portfolio managers the opportunity to earn higher returns than other investment strategies that are restricted to owning lower returning asset classes.

The components of net periodic pension and other postretirement costs consisted of the following for the years ended December 31, 2015, 2014 and 2013:

	Pension Benefits			Other Postretirement Benefits		
	2015	2014	2013	2015	2014	2013
			(in thousands)			
Components of net periodic benefit cost:						
Service cost	$ 12,080	10,084	11,011	910	719	788
Interest cost	8,420	8,395	7,711	397	397	361
Expected return on plan assets	(14,510)	(14,016)	(11,185)			
Actuarial (gain) loss amortization	5,171	1,496	4,567		(17)	
Prior service cost amortization	459	468	555	19	55	55
Transition obligation amortization	5	5	5			
Net periodic benefit cost	$ 11,625	6,432	12,664	1,326	1,154	1,204

The estimated net actuarial loss, prior service cost and net transition obligation for the Pension Plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2016 are $6.1 million, $374 thousand and $5 thousand, respectively. The estimated net actuarial gain and prior service cost for the postretirement medical plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2016 are $153 thousand and $4 thousand, respectively.

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

The weighted average assumptions used to determine net periodic benefit cost for the years ended December 31, 2015, 2014 and 2013 are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
Discount rate	4.13%	4.97%	4.22%	4.07%	4.94%	4.18%
Expected return on plan assets	7.75%	7.75%	7.75%		Not applicable	
Rate of compensation increase	5.12%	5.12%	3.99%		Not applicable	

We expect the following benefit payments to be paid, which reflect future service as appropriate:

	Pension Benefits	Other Postretirement Benefits
	(in thousands)	
2016	$ 7,654	316
2017	8,274	343
2018	9,557	397
2019	10,518	454
2020	13,115	487
2021 through 2025	78,851	3,253
	$ 127,969	5,250

Our policy with respect to funding the Pension Plan is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, and not more than the maximum amount deductible for tax purposes. All contributions made to the Pension Plan for 2015, 2014 and 2013 were voluntary. A contribution of $20 million was made to the Pension Plan in January 2016 and no further contributions are planned for 2016.

All Company contributions to other postretirement medical benefits are voluntary, as the postretirement medical plan is not funded and is not subject to any minimum regulatory funding requirements. The contributions for each year represent claims paid for medical expenses, and we anticipate making the 2016 expected contribution with cash generated from operations. Contributions by participants to the postretirement plan were $349 thousand, $381 thousand and $321 thousand for the years ended December 31, 2015, 2014 and 2013, respectively.

For measurement purposes, the initial health care cost trend rate was 7.55% for 2015, 8.04% for 2014 and 8.52% for 2013. The health care cost trend rate reflects anticipated increases in health care costs. The initial assumed growth rate of 7.55% for 2015 is assumed to gradually decline over the next 12 years to a rate of 4.5%. The effect of a 1% annual increase in assumed cost trend rates would increase the December 31, 2015, accumulated postretirement benefit obligation by approximately $1.0 million, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 2015, by approximately $205 thousand. The effect of a 1% annual decrease in assumed cost trend rates would decrease the December 31, 2015, accumulated postretirement benefit obligation by approximately $874 thousand, and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 2015, by approximately $173 thousand.

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

We also sponsor the Waddell & Reed Financial, Inc. Supplemental Executive Retirement Plan, as amended and restated (the "SERP"), a non-qualified deferred compensation plan covering eligible employees. The SERP provides certain benefits for Company officers that the Pension Plan is prevented from providing because of compensation and benefit limits in the Internal Revenue Code (the "IRC").

The SERP was adopted to supplement the annual pension paid to certain senior executive officers. Each calendar year, the Compensation Committee of the Board of Directors (the "Compensation Committee") credits participants' SERP accounts with (i) an amount equal to 4% of the executive's base salary, less the amount of the maximum employer matching contribution available under our 401(k) plan, and (ii) a non-formula award, if any, as determined by the Compensation Committee in its discretion. There were no discretionary awards made to participants during 2015, 2014 or 2013. Additionally, each calendar year, participants' accounts are credited (or charged) with an amount equal to the performance of certain hypothetical investment vehicles since the last preceding year. Upon a participant's separation, or at such other time based on a pre-existing election by a participant, benefits accumulated under the SERP are payable in installments or in a lump sum. As of December 31, 2015 and 2014, the aggregate liability to participants was $3.8 million.

At December 31, 2015, the accrued pension and postretirement liability recorded in the consolidated balance sheet was comprised of accrued pension costs of $36.9 million, a liability for postretirement benefits in the amount of $8.1 million and an accrued liability for SERP benefits of $3.8 million. The current portion of postretirement liability of $0.3 million is included in other current liabilities on the consolidated balance sheet. At December 31, 2014, the accrued pension and postretirement liability recorded on the consolidated balance sheet was comprised of accrued pension costs of $32.5 million, a liability for postretirement benefits in the amount of $9.6 million and an accrued liability for SERP benefits of $3.8 million. The current portion of postretirement liability of $0.3 million is included in other current liabilities on the consolidated balance sheet.

10. Employee Savings Plan

We sponsor a defined contribution plan that qualifies under Section 401(k) of the IRC to provide retirement benefits to substantially all of our employees. As allowed under Section 401(k), the plan provides tax-deferred salary deductions for eligible employees. Our matching contributions to the plan for the years ended December 31, 2015, 2014 and 2013 were $6.6 million, $6.4 million and $5.1 million, respectively.

11. Stockholders' Equity

Earnings per Share

For the years ended December 31, 2015, 2014 and 2013, earnings per share were computed as follows:

		2015	2014	2013
		(in thousands, except per share amounts)		
Net income	$	245,536	313,331	252,998
Weighted average shares outstanding, basic and diluted		83,499	84,485	85,589
Earnings per share, basic and diluted	$	2.94	3.71	2.96

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

Dividends

We declared dividends on our common stock of $1.75 per share, $1.45 per share and $1.18 per share for the years ended December 31, 2015, 2014 and 2013, respectively. The Board of Directors approved an increase in the quarterly dividend on our common stock from $0.43 per share to $0.46 per share beginning with the dividend declared in the fourth quarter 2015 and paid on February 1, 2016, to stockholders of record on January 11, 2016. As of December 31, 2015 and 2014, other current liabilities included $38.1 million and $36.0 million, respectively, for dividends payable to stockholders.

Common Stock Repurchases

The Board of Directors has authorized the repurchase of our common stock in the open market and/or private purchases. The acquired shares may be used for corporate purposes, including shares issued to employees in our stock-based compensation programs. There were 1,955,509 shares, 2,252,152 shares and 1,492,535 shares repurchased in the open market or privately during the years ended December 31, 2015, 2014 and 2013, respectively, which includes 432,353 shares, 599,340 shares and 665,035 shares repurchased from employees who elected to tender shares to cover their minimum tax withholdings with respect to vesting of stock awards during the years ended December 31, 2015, 2014 and 2013, respectively.

Accumulated Other Comprehensive Loss

The following table summarizes other comprehensive income (loss) activity for the years ended December 31, 2015 and 2014.

Year ended December 31, 2015	Unrealized (gains) losses on investment securities	Change in valuation allowance for unrealized gains (losses) on investment securities	Pension and postretirement benefits	Total accumulated other comprehensive income (loss)
	(in thousands)			
Balance at December 31, 2014	$ (727)	(1,471)	(48,245)	(50,443)
Other comprehensive loss before reclassification	(2,464)	(1,463)	(9,897)	(13,824)
Amount reclassified from accumulated other comprehensive income	(538)	(306)	3,606	2,762
Net current period other comprehensive loss	(3,002)	(1,769)	(6,291)	(11,062)
Balance at December 31, 2015	$ (3,729)	$ (3,240)	(54,536)	(61,505)

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

Year ended December 31, 2014		Unrealized (gains) losses on investment securities		Change in valuation allowance for unrealized gains (losses) on investment securities	Pension and postretirement benefits	Total accumulated other comprehensive income (loss)
				(in thousands)		
Balance at December 31, 2013	$	3,150		810	(19,819)	(15,859)
Other comprehensive loss before reclassification		(636)		(381)	(29,689)	(30,706)
Amount reclassified from accumulated other comprehensive income		(3,241)		(1,900)	1,263	(3,878)
Net current period other comprehensive loss		(3,877)		(2,281)	(28,426)	(34,584)
Balance at December 31, 2014	$	(727)	$	(1,471)	(48,245)	(50,443)

Reclassifications from accumulated other comprehensive income and included in net income are summarized in the table that follows for the years ended December 31, 2015 and 2014.

		For the year ended December 31, 2015			
		Pre-tax	Tax (expense) benefit	Net of tax	Statement of income line item
			(in thousands)		
Reclassifications included in net income:					
Sponsored funds investment gains	$	850	(312)	538	Investment and other income (loss)
Valuation allowance			306	306	Provision for income taxes
Amortization of pension and postretirement benefits		(5,654)	2,048	(3,606)	Underwriting and distribution expense and Compensation and related costs
Total	$	(4,804)	2,042	(2,762)	

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

	For the year ended December 31, 2014			
	Pre-tax	Tax (expense) benefit	Net of tax	Statement of income line item
		(in thousands)		
Reclassifications included in net income:				
Realized gain on sale of sponsored investment securities	$ 5,146	(1,905)	3,241	Investment and other income (loss)
Valuation allowance		1,900	1,900	Provision for income taxes
Amortization of pension and postretirement benefits	(2,007)	744	(1,263)	Underwriting and distribution expense and Compensation and related costs
Total	$ 3,139	739	3,878	

12. Share-Based Compensation

During 2015 the Company had three stock-based compensation plans: the Company 1998 Stock Incentive Plan, as amended and restated (the "SI Plan"), the Company 1998 Executive Stock Award Plan, as amended and restated (the "ESA Plan") and the Company 1998 Non-Employee Director Stock Award Plan, as amended and restated (the "NED Plan") (collectively, the "Stock Plans"). There are no outstanding awards under the ESA Plan or the NED Plan and in February 2016, the Board of Directors terminated both plans.

The SI Plan allows us to grant equity compensation awards, including, among other awards, non-qualified stock options and nonvested stock as part of our overall compensation program to attract and retain key personnel and encourage a greater personal financial investment in the Company, thereby promoting the long-term growth of the Company. A maximum of 30.0 million shares of common stock are authorized for issuance under the SI Plan. A maximum of 3.75 million and 1.2 million shares of common stock were authorized for issuance under the ESA Plan and NED Plan, respectively. In total, 3,684,157 shares of common stock were available for issuance as of December 31, 2015, under these plans, including 294,658 shares under the SI Plan. In addition, we may make incentive payments under the Company 2003 Executive Incentive Plan, as amended and restated (the "EIP") in the form of cash, stock options, nonvested stock or a combination thereof. Incentive awards paid under the EIP in the form of stock options or nonvested stock are issued out of shares reserved for issuance under the SI Plan. Generally, shares of common stock covered by terminated, surrendered or cancelled options, by forfeited nonvested stock, or by the forfeiture of other awards that do not result in issuance of shares of common stock are again available for awards under the plan from which they were terminated, surrendered, cancelled or forfeited.

Under our SI Plan, the exercise price of a stock option is equal to the closing market price of Company common stock on the date of grant. The maximum term of non-qualified options granted under the SI Plan is 10 years and two days and the options generally vest in $33^1/_3$% increments on the second, third and fourth anniversaries of the grant date. We receive a current income tax benefit for stock option exercises.

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

Nonvested stock awards are valued on the date of grant, have no purchase price and generally vest over four years in $33^1/_3$% increments on the second, third and fourth anniversaries of the grant date. The Company also issues nonvested stock awards to our financial advisors who are independent contractors. These awards have the same terms as awards issued to employees; however, changes in the Company's share price result in variable compensation expense over the vesting period. Under the SI Plan, nonvested shares are forfeited upon the termination of employment with or service to the Company, as applicable, or service on the Board of Directors, dependent upon the circumstances of termination. Except for restrictions placed on the transferability of nonvested stock, holders of nonvested stock have full stockholders' rights during the term of restriction, including voting rights and the rights to receive cash dividends.

Stock Options

There are no options outstanding as of December 31, 2015. The total intrinsic value (on date of exercise) of options exercised during the year ended December 31, 2013 was $139 thousand. The related income tax benefit recognized in 2013 was $51 thousand.

Nonvested Stock

A summary of nonvested share activity and related fair value for the year ended December 31, 2015 follows:

	Nonvested Stock Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2014	3,442,202	$ 48.37
Granted	1,406,569	44.72
Vested	(1,188,908)	38.90
Forfeited	(254,656)	49.39
Nonvested at December 31, 2015	3,405,207	$ 50.09

For the years ended December 31, 2015, 2014 and 2013, compensation expense related to nonvested stock totaled $47.5 million, $54.1 million and $53.2 million, respectively.

The income tax benefit from the compensation expense related to nonvested stock was $17.6 million, $20.1 million and $19.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. These benefits will be recognized upon vesting and may increase or decrease depending on the fair value of the shares on the date of vesting. As of December 31, 2015, the remaining unamortized expense of $115.3 million is expected to be recognized over a weighted average period of 2.4 years.

The total fair value of shares vested (at vest date) during the years ended December 31, 2015, 2014 and 2013, was $53.9 million, $104.8 million and $80.5 million, respectively. The Company permits employees the right to tender a portion of their vested shares to the Company to satisfy the minimum tax withholding obligations of the Company with respect to vesting of the shares.

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

13. Uniform Net Capital Rule Requirements

Two of our subsidiaries, Waddell & Reed, Inc. ("W&R") and Ivy Funds Distributor, Inc. ("IFDI") are registered broker/dealers and members of the Financial Industry Regulatory Authority, Inc.. Broker/dealers are subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15.0 to 1.0. The primary difference between net capital and stockholders' equity is the non-allowable assets that are excluded from net capital.

A broker/dealer may elect not to be subject to the Aggregate Indebtedness Standard of paragraph (a)(1)(i) of Rule 15c3-1, in which case net capital must exceed the greater of $250 thousand or 2% of aggregate debit items computed in accordance with the Formula for Determination of Reserve Requirements for broker/dealers. W&R made this election and thus is not subject to the aggregate indebtedness ratio as of December 31, 2015 or 2014.

Net capital and aggregated indebtedness information for our broker/dealer subsidiaries is presented in the following table as of December 31, 2015 and 2014:

	2015		2014	
	(in thousands)			
	W&R	IFDI	W&R	IFDI
Net capital	$ 21,719	17,310	10,965	19,455
Required capital	250	2,956	250	3,995
Excess of required capital	$ 21,469	14,354	10,715	15,460
Ratio of aggregate indebtedness to net capital	Not applicable	2.56 to 1.0	Not applicable	3.08 to 1.0

14. Rental Expense and Lease Commitments

We lease certain home office buildings, certain sales and other office space and equipment under long-term operating leases. Rent expense was $23.7 million, $22.6 million and $22.5 million, for the years ended December 31, 2015, 2014 and 2013, respectively. Future minimum rental commitments under non-cancelable operating leases are as follows:

Year	Commitments (in thousands)
2016	$ 22,564
2017	18,042
2018	13,622
2019	8,971
2020	4,606
Thereafter	12,195
	$ 80,000

New leases are expected to be executed as existing leases expire. Thus, future minimum lease commitments are not expected to be materially different than those in 2015.

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

15. Related Party Transactions

We earn investment management fee revenues from the Funds and IGI Funds for which we also act as an investment adviser, pursuant to an investment management agreement with each Fund. In addition, we have agreements with the Funds pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended, pursuant to which distribution and service fees are collected from the Funds for distribution of mutual fund shares, for costs such as advertising and commissions paid to broker/dealers, and for providing ongoing services to shareholders of the Funds and/or maintaining shareholder accounts. We also earn service fee revenues by providing various services to the Funds and their shareholders pursuant to a shareholder servicing agreement with each Fund (except the Ivy Funds VIP) and an accounting service agreement with each Fund. Certain of our officers and directors are also officers and/or trustees for the various Funds for which we act as an investment adviser. These agreements are approved or renewed on an annual basis by each Fund's board of trustees, including a majority of the disinterested members.

Revenues for services provided or related to the Funds and IGI Funds for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
		(in thousands)	
Investment management fees	$ 654,727	709,179	602,120
Rule 12b-1 service and distribution fees	303,046	338,846	299,442
Shareholder service fees	143,071	150,979	137,093
Total revenues	$ 1,100,844	1,199,004	1,038,655

Included in Funds and separate accounts receivable at December 31, 2015 and 2014 are receivables due from the Funds of $26.7 and $30.3 million respectively.

16. Contingencies

The Company is involved from time to time in various legal proceedings, regulatory investigations and claims incident to the normal conduct of business, which may include proceedings that are specific to us and others generally applicable to business practices within the industries in which we operate. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, financial condition and on the results of operations in a particular quarter or year.

The Company establishes reserves for litigation and similar matters when those matters present material loss contingencies that management determines to be both probable and reasonably estimable in accordance with ASC 450, *"Contingencies Topic."* These amounts are not reduced by amounts that may be recovered under insurance or claims against third parties, but undiscounted receivables from insurers or other third parties may be accrued separately. The Company regularly revises such accruals in light of new information. The Company discloses the nature of the contingency when management believes it is reasonably possible the outcome may be significant to the Company's consolidated financial statements and, where feasible, an estimate of the possible loss. For purposes of our litigation contingency disclosures, "significant" includes material matters as well as other items that management believes should be disclosed. Management's judgment is required related to contingent liabilities because the outcomes are difficult to predict.

Table of Contents

WADDELL & REED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2015, 2014 and 2013

In an action filed on February 18, 2016 in the United States District Court for the District of Kansas, *Saket Kapor(sic), Peter Brockett and Hieu Phan v. Ivy Investment Management Company, et. al.* (Case No. 2:16-cv-02106-JWL-TJJ), the Company's registered investment advisor subsidiaries, the trustees of two of the Company's affiliated mutual funds, and an officer of a Company subsidiary were sued in a putative derivative action by three mutual fund shareholders alleging breach of fiduciary duty and breach of contract claims relating to investments held in the affiliated mutual funds. On behalf of the mutual funds, Plaintiffs seek monetary damages and demand a jury trial. To date, no responsive pleading has been filed and no discovery has taken place.

In the opinion of management, the ultimate resolution and outcome of this matter is uncertain. Given the preliminary nature of the proceedings and the Company's dispute over the merits of the claims, the Company is unable to estimate a range of reasonably possible loss, if any, that such matter may represent. While the ultimate resolution of this matter is uncertain, an adverse determination against the Company could have a material adverse impact on our business, financial condition and results of operations.

17. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents held. The Company maintains cash and cash equivalents with various financial institutions. Cash deposits maintained at financial institutions may exceed the federally insured limit.

18. Selected Quarterly Information (Unaudited)

		Quarter			
		First	Second	Third	Fourth
		(in thousands)			
2015					
Total revenues	$	385,458	393,990	376,109	361,074
Net income	$	67,113	67,445	48,058	62,920
Net income per share, basic and diluted	$	0.80	0.80	0.58	0.76

		Quarter			
		First	Second	Third	Fourth
		(in thousands)			
2014					
Total revenues	$	390,416	400,634	409,558	397,151
Net income	$	74,864	82,988	74,586	80,893
Net income per share, basic and diluted	$	0.88	0.98	0.89	0.97

Table of Contents

WADDELL & REED FINANCIAL, INC.

Index to Exhibits

Exhibit No.	Exhibit Description
3.1	Restated Certificate of Incorporation of Waddell & Reed Financial, Inc. Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, File No. 333-43687, for the quarter ended June 30, 2006 and incorporated herein by reference.
3.2	Amended and Restated Bylaws of Waddell & Reed Financial, Inc. Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, File No. 001-13913, filed October 20, 2014 and incorporated herein by reference.
4.1	Specimen of Class A Common Stock Certificate, par value $0.01 per share. Filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1/A, File No. 333-43687, on February 27, 1998 and incorporated herein by reference.
4.2	Certificate of Designation, Preferences and Rights of Series B Junior Participating Preferred Stock of Waddell & Reed Financial, Inc., as filed on April 9, 2009 with the Secretary of State of the State of Delaware. Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 333-43687, on April 10, 2009 and incorporated herein by reference.
4.3	Rights Agreement, dated as of April 8, 2009, by and between Waddell & Reed Financial, Inc. and Computershare Trust Company, N.A., which includes the Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Company, as filed on April 9, 2009 with the Secretary of State of Delaware, as Exhibit A and the form of Rights Certificate as Exhibit B. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, File No. 333-43687, on April 10, 2009 and incorporated herein by reference.
4.4	Form of Indenture to be used in connection with the Senior Debt Securities. Filed as Exhibit 4.6 to the Company's Form S-3ASR, File No. 333-201536, on January 16, 2015 and incorporated herein by reference.
4.5	Form of Indenture to be used in connection with the Subordinated Debt Securities. Filed as Exhibit 4.7 to the Company's Form S-3ASR, File No. 333-201536, on January 16, 2015 and incorporated herein by reference.
10.1	General Agent Contract, dated as of October 20, 2000, by and among Nationwide Life Insurance Company, Nationwide Life and Annuity Insurance Company and Waddell & Reed, Inc. and its affiliated insurance companies. Filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2000 and incorporated herein by reference.
10.2	Administrative and Marketing Services Agreement, dated as of January 1, 2012, by and among Nationwide Life Insurance Company, Nationwide Life and Annuity Insurance Company and Waddell & Reed, Inc. and its affiliated insurance companies. Filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2012 and incorporated herein by reference.
10.3	Fund Participation Agreement, dated as of December 1, 2000, by and among Nationwide Life Insurance Company and/or Nationwide Life and Annuity Insurance Company, Waddell & Reed Services Company and Waddell & Reed, Inc. Filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2000 and incorporated herein by reference.

Table of Contents

Exhibit No.	Exhibit Description
10.4	Fund Participation Agreement, dated as of September 19, 2003, by and among Minnesota Life Insurance Company, Waddell & Reed, Inc. and Ivy Funds VIP. Filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K, File No. 333-43687, for the year ended December 31, 2007 and incorporated herein by reference.
10.5	Variable Products Distribution Agreement, dated as of December 12, 2003, by and among Minnesota Life Insurance Company, Securian Financial Services, Inc. and Waddell & Reed, Inc. and its affiliated insurance companies. Filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K, File No. 333-43687, for the year ended December 31, 2004 and incorporated herein by reference.
10.6	Waddell & Reed Financial, Inc. 1998 Stock Incentive Plan, as amended and restated. Filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K, File No. 333-43687, for the year ended December 31, 2008 and incorporated herein by reference.*
10.7	Waddell & Reed Financial, Inc. 1998 Stock Incentive Plan, as amended and restated. Filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2011 and incorporated herein by reference.*
10.8	Waddell & Reed Financial, Inc. 1998 Executive Stock Award Plan, as amended and restated. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, File No. 001-13913, for the quarter ended September 30, 2012 and incorporated herein by reference.*
10.9	Waddell & Reed Financial, Inc. 1998 Non-Employee Director Stock Award Plan, as amended and restated. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, File No. 001-13913, for the quarter ended September 30, 2012 and incorporated herein by reference.*
10.10	Credit Agreement, dated June 28, 2013, by and among Waddell & Reed Financial, Inc., the lenders party thereto, Bank of America, N.A., as Administrative Agent for the lenders, Bank of America Merrill Lynch and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Managers, Wells Fargo Bank, National Association as Syndication Agent, and Citibank, N.A., The Bank of New York Mellon and The Bank of Nova Scotia as Co-Documentation Agents. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-13913, filed July 3, 2013 and incorporated herein by reference.
10.11	Note Purchase Agreement, dated August 31, 2010, by and among Waddell & Reed Financial, Inc. and the purchasers party thereto. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, File No. 001-13913, on September 7, 2010 and incorporated herein by reference.
10.12	Waddell & Reed Financial, Inc. Supplemental Executive Retirement Plan, as amended and restated. Filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K, File No. 333-43687, for the year ended December 31, 2008 and incorporated herein by reference.*
10.13	Waddell & Reed Financial, Inc. 2003 Executive Incentive Plan, as amended and restated. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 333-43687, on April 11, 2008 and incorporated herein by reference.*
10.14	Waddell & Reed Financial, Inc. 2003 Executive Incentive Plan, as amended and restated. Filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2013 and incorporated herein by reference.*

Table of Contents

Exhibit No.	Exhibit Description
10.15	Waddell & Reed Financial, Inc. 2003 Executive Incentive Plan, as amended and restated. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-13913, on April 17, 2014 and incorporated herein by reference.*
10.16	Investment Management Agreement, dated January 30, 2009, by and between the Advisors Funds and Waddell & Reed Investment Management Company. Filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2009 and incorporated herein by reference.
10.17	Investment Management Agreement, dated April 10, 2009, by and between Ivy Funds VIP and Waddell & Reed Investment Management Company. Filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2009 and incorporated herein by reference.
10.18	Investment Management Agreement, dated April 10, 2009, by and between Ivy Funds VIP and Waddell & Reed Investment Management Company. Filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2009 and incorporated herein by reference.
10.19	Investment Management Agreement, dated November 13, 2008, by and between Ivy Funds and Ivy Investment Management Company. Filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2011 and incorporated herein by reference.
10.20	Investment Management Agreement, dated April 30, 2009, by and between InvestEd Portfolios and Waddell & Reed Investment Management Company. Filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2012 and incorporated herein by reference.
10.21	First Amended and Restated Investment Management Agreement, dated December 4, 2015, by and between Ivy Global Investors Fund, Lemanik Asset Management S.A. and Ivy Investment Management Company.
10.22	Form of Change in Control Employment Agreement, dated December 14, 2001, by and between Henry J. Herrmann and Waddell & Reed Financial, Inc. Filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K, File No. 333-43687, for the year ended December 31, 2001 and incorporated herein by reference.*
10.23	First Amendment to Change in Control Employment Agreement, dated December 17, 2008, by and between Henry J. Herrmann and Waddell & Reed Financial, Inc. Filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K, File No. 333-43687, for the year ended December 31, 2008 and incorporated herein by reference.*
10.24	Second Amendment to Change in Control Employment Agreement, dated December 17, 2009, by and between Henry J. Herrmann and Waddell & Reed Financial, Inc. Filed as Exhibit 10.52 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2009 and incorporated herein by reference.*
10.25	Form of Restricted Stock Award Agreement for awards pursuant to the Waddell & Reed Financial, Inc. 1998 Stock Incentive Plan, as amended and restated. Filed as Exhibit 10.28 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2011 and incorporated herein by reference.*

Exhibit No.	Exhibit Description
10.26	Form of Restricted Stock Award Agreement for awards pursuant to the Waddell & Reed Financial, Inc. 1998 Stock Incentive Plan, as amended and restated.*
10.27	Form of Restricted Stock Award Agreement for awards to Non-Employee Directors pursuant to the Waddell & Reed Financial, Inc. 1998 Stock Incentive Plan, as amended and restated. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, File No. 333-43687, for the quarter ended September 30, 2007 and incorporated herein by reference.*
10.28	Form of Restricted Stock Award Agreement for awards to Non-Employee Directors pursuant to the Waddell & Reed Financial, Inc. 1998 Stock Incentive Plan, as amended and restated.*
10.29	Form of Restricted Stock Award Agreement for awards pursuant to the Waddell & Reed Financial, Inc. 1998 Executive Stock Award Plan, as amended and restated. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, File No. 001-13913, for the quarter ended September 30, 2012 and incorporated herein by reference.*
10.30	Form of Restricted Stock Award Agreement for awards pursuant to the Waddell & Reed Financial, Inc. 1998 Executive Stock Award Plan, as amended and restated.*
10.31	Form of Restricted Stock Award Agreement for awards pursuant to the Waddell & Reed Financial, Inc. 1998 Non-Employee Director Stock Award Plan, as amended and restated. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, File No. 001-13913, for the quarter ended September 30, 2012 and incorporated herein by reference.*
10.32	Form of Restricted Stock Award Agreement for awards pursuant to the Waddell & Reed Financial, Inc. 1998 Non-Employee Director Stock Award Plan, as amended and restated.*
10.33	Portfolio Managers Revenue Sharing Plan for Flow Accounts. Filed as Exhibit 10.64 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2010 and incorporated herein by reference.*
10.34	Portfolio Managers Revenue Sharing Schedule. Filed as Exhibit 10.65 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2010 and incorporated herein by reference.*
10.35	Portfolio Managers Revenue Sharing Schedule Large Cap Growth. Filed as Exhibit 10.36 to the Company's Annual Report on Form 10-K, File No. 001-13913, for the year ended December 31, 2011 and incorporated herein by reference.*
10.36	Form of Indemnification Agreement. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-13913, on November 16, 2009 and incorporated herein by reference.*
10.37	Release of All Claims, dated June 17, 2014, by and between Daniel P. Connealy and Waddell & Reed Financial, Inc. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-13913, on June 19, 2014 and incorporated herein by reference.*
10.38	Confidential Separation Agreement and Release of All Claims, dated July 22, 2015, by and between Michael D. Strohm and W&R Corporate LLC.*
10.39	Employment Retention Agreement, dated February 1, 2016, by and between Michael L. Avery and Waddell & Reed Financial, Inc. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-13913, on February 2, 2016 and incorporated herein by reference.*

Table of Contents

Exhibit No.	Exhibit Description
10.40	Form of Employment Agreement by and between Waddell & Reed Investment Management Company and its portfolio managers.*
10.41	Offer of Settlement. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 333-43687, on July 24, 2006 and incorporated herein by reference.
10.42	Assurance of Discontinuance. Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, File No. 333-43687, on July 24, 2006 and incorporated herein by reference.
10.43	Stipulation for Consent Order. Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, File No. 333-43687, on July 24, 2006 and incorporated herein by reference.
12	Statement re computation of ratios of earnings to fixed charges
21	Subsidiaries of Waddell & Reed Financial, Inc.
23	Consent of KPMG LLP
24	Powers of Attorney
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer
101	Materials from the Waddell & Reed Financial, Inc. Annual Report on Form 10-K for the year ended December 31, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) related Notes to the Consolidated Financial Statements, tagged in detail.

* Indicates management contract or compensatory plan, contract or arrangement.