VIRTUS INVESTMENT PARTNERS, INC.
Form 10-K
February 24, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x 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
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-10994

VIRTUS INVESTMENT PARTNERS, INC.
(Exact name of registrant as specified in its charter)

Delaware	95-4191764
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Pearl St., Hartford, CT 06103
(Address of principal executive offices)
Registrant's telephone number, including area code
(800) 248-7971
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value (including attached Preferred Share Purchase Rights)	The NASDAQ Stock Market LLC

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 x No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. ¨ Yes x No
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. x Yes ¨ No
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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold (based on the closing share price as quoted on the NASDAQ Global Market) as of the last business day of the registrant's most recently completed second fiscal quarter was $915,291,836. For purposes of this calculation, shares of common stock held or controlled by executive officers and directors of the registrant have been treated as shares held by affiliates.

There were 8,408,228 shares of the registrant's common stock outstanding on February 5, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement which will be filed with the SEC in connection with the 2016 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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Virtus Investment Partners, Inc.
Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2015

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“We,” “us,” “our,” the “Company” and “Virtus,” as used in this Annual Report on Form 10-K (“Annual Report”), refer to Virtu
Investment Partners, Inc., a Delaware corporation, and its subsidiaries.

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PART I

Item 1. Business.

Organization

Virtus Investment Partners, Inc. (the “Company”) commenced operations on November 1, 1995 through a reverse merger with Duff & Phelps Corporation. The Company was a majority-owned subsidiary of The Phoenix Companies, Inc. (“PNX”) from 1995 to 2001 and a wholly-owned subsidiary of PNX from 2001 until 2008. On December 31, 2008, PNX distributed 100% of Virtus common stock to PNX stockholders in a spin-off transaction.

Our Business

We are a provider of investment management and related services to individuals and institutions. We use a multi-manager, multi-style approach, offering investment strategies from affiliated managers and select unaffiliated subadvisors, each having its own distinct investment style, autonomous investment process and individual brand. By offering a broad array of products, we believe we can appeal to a greater number of investors which allows us to have opportunities across market cycles and through changes in investor preferences.

We provide our products in a number of forms and through multiple distribution channels. Our retail products include open-end mutual funds, closed-end funds, exchange traded funds, variable insurance funds, Undertakings for Collective Investments in Transferable Securities ("UCITS") and separately managed accounts. Our open-end mutual funds and exchange traded funds are distributed through financial intermediaries. Our closed-end funds trade on the New York Stock Exchange, and our exchange traded funds are traded on either the New York Stock Exchange or NASDAQ. Our variable insurance funds are available as investment options in variable annuities and life insurance products distributed by life insurance companies. Separately managed accounts are comprised of intermediary programs, sponsored and distributed by unaffiliated brokerage firms and private client accounts which are offered to the high net-worth clients of one of our affiliated managers. We also manage institutional accounts for corporations, multi-employer retirement funds, public employee retirement systems, foundations, endowments and as a subadviser to unaffiliated mutual funds. Our earnings are primarily driven by asset-based fees charged for services relating to these products including investment management, fund administration, distribution and shareholder services. These fees are based on a percentage of assets under management (“AUM”) and are calculated using daily or weekly average assets, quarter-end assets or average month-end assets.

Our Investment Managers

Our investment management services are provided by investment managers who are registered investment advisers under the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”). The investment managers are responsible for portfolio management activities for our retail and institutional products operating under advisory or subadvisory agreements. We provide our affiliated managers with distribution, operational and administrative support, thereby allowing each affiliated manager to focus primarily on investment management. We also engage select unaffiliated subadvisers for certain of our open-end mutual funds and exchange traded funds. At December 31, 2015, $12.7 billion or 26.8% of our assets under management were managed by unaffiliated subadvisers. We monitor the quality of our managers’ services by assessing their performance, style, consistency and the discipline with which they apply their investment process.

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Our affiliated investment managers and their respective assets under management, styles and strategies are as follows:

	Affiliated Managers					
	Duff & Phelps Investment Management	Newfleet Asset Management	Kayne Anderson Rudnick Investment Management	Zweig/Euclid Advisors	Rampart Investment Management	Cliffwater Investments
Assets Under Management at December 31, 2015 ($ in billions)	$9.2	$10.9	$9.5	$4.3	$0.6	$0.2
Location	Chicago, IL	Hartford, CT	Los Angeles, CA	New York, NY	Boston, MA	Hartford, CT
Investment Style	Quality-oriented, equity income; high quality fixed income	Multi-sector, value-driven fixed income	Quality at a reasonable price	Growth at a reasonable price, high quality fixed income	Systematic, disciplined options solutions	Multi-manager alternative portfolios
Investment Types						
Equities	• Utilities		• Large, Mid & Small Cap Core/ Growth/ Value • International & Emerging Markets Small-Cap	• Large Cap Core • Tactical Asset Allocation • International	• Large Cap Core • Low Volatility	
Fixed Income	• Tax Advantaged • High Grade Core • Municipals	• Multi-sector • Core • Core Plus • Bank Loans • High Yield • Municipals • Emerging Markets • Structured Products	• California Municipals • Intermediate Total Return & Government	• U.S. Gov't Grade Agencies • Investment Grade Corporates • Sovereign		
Alternative/Other	• Real Estate • Infrastructure • Master Limited Partnerships				• Options Strategies	• Multi-Strategy
Products						

Open-End Mutual Funds	ü	ü	ü	ü	ü	ü
Closed-End Funds	ü	ü		ü	ü	
Exchange traded funds		ü				
Variable Insurance Funds	ü	ü	ü	ü		
UCITs		ü	ü			
Separately Managed Accounts			ü	ü	ü	
Institutional	ü	ü	ü	ü	ü	

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Our Investment Products

Our assets under management are comprised of open-end funds, closed-end funds, exchange traded funds, variable insurance funds, separately managed accounts (intermediary sponsored and private client) and institutional accounts (traditional institutional mandates and structured products).

Assets Under Management by Product as of December 31, 2015
($ in billions)

Retail Products	
Mutual fund assets	
Open-end funds	$28.9
Closed-end funds	6.2
Exchange traded funds	0.3
Total fund assets	35.4
Separately managed accounts	6.8
Total retail assets	42.2
Total institutional assets	5.2
Total Assets Under Management	$47.4

Open-End Funds

As of December 31, 2015, we managed 61 open-end funds, comprised of U.S. domiciled open-end mutual funds ("open-end mutual funds") variable insurance funds and UCITS, with total assets of $28.9 billion. Our open-end mutual funds are offered in a variety of asset classes (equity, fixed income and alternative investments), in all market capitalizations (large, mid and small), in different styles (growth, blend and value) and with various investment approaches (fundamental, quantitative and thematic). Our variable insurance funds are available as investment options in variable annuities and life insurance products distributed by life insurance companies. Our Ireland domiciled UCITS, which we refer to as the Global Funds, are offered in select investment strategies to non-US investors. At December 31, 2015, assets under management in these funds were $36.3 million.

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Our open-end funds as of December 31, 2015 were as follows:

Fund Type/Name	Inception	Assets	Advisory Fee (1)	3-Year Average Return (2)
		($ in millions)	(%)	(%)
Alternatives				
Virtus Real Estate Securities Fund	1995	$1,309.6	0.75-0.65	10.63
Virtus Dynamic Trend Fund	1998	449.4	0.15-0.14	7.45
Virtus Global Infrastructure Fund	2004	123.3	0.65-0.55	4.54
Virtus Global Real Estate Securities Fund	2009	94.8	0.85-0.75	8.27
Virtus Alternative Total Solution Fund	2014	89.9	1.95-1.90	N/A
Virtus Multi-Strategy Target Return Fund	2015	65.2	1.30-1.25	N/A
Virtus Herzfeld Fund	2012	49.6	1.00-0.95	4.65
Virtus International Real Estate Securities Fund	2007	40.2	1.00-0.90	4.13
Virtus Alternative Income Solution Fund	2014	36.2	1.80-1.75	N/A
Virtus Alternative Inflation Solution Fund	2014	29.3	1.75-1.70	N/A
Virtus Essential Resources Fund	2015	4.3	1.10	N/A
Virtus Select MLP and Energy Fund	2015	4.1	1.00	N/A
Virtus Alternative Diversifier (3)	2005	—	—	(2.18)
Asset Allocation				
Virtus Balanced Fund	1975	512.0	0.55-0.45	5.07
Virtus Multi-Asset Trend Fund	2011	215.6	1.00-0.90	0.29
Virtus Tactical Allocation Fund	1940	158.9	0.70-0.60	5.26
Equity				
Virtus Equity Trend Fund	2010	1,508.6	1.00-0.95	5.47
Virtus Strategic Growth Fund	1995	450.9	0.70-0.60	16.16
Virtus Sector Trend Fund	2003	448.6	0.45-0.40	8.44
Virtus Small-Cap Core Fund	2002	291.7	0.75	11.17
Virtus Contrarian Value Fund	1997	273.0	0.75-0.70	4.50
Virtus Quality Small-Cap Fund	2006	229.4	0.70	12.08
Virtus Small-Cap Sustainable Growth Fund	2006	170.1	0.90-0.80	13.55
Virtus Growth & Income Fund	1997	156.0	0.75-0.65	14.43
Virtus Wealth Masters Fund	2012	108.7	0.85-0.80	10.48
Virtus Mid-Cap Growth Fund	1975	87.3	0.80-0.70	9.92
Virtus Quality Large-Cap Value Fund	2005	67.7	0.75-0.65	11.31
Virtus Mid-Cap Core Fund	2009	29.7	0.80-0.70	14.50
Virtus Low Volatility Equity Fund	2013	5.6	0.95-0.85	N/A
Fixed Income				
Virtus Multi-Sector Short Term Bond Fund	1992	7,255.1	0.55-0.43	1.20
Virtus Senior Floating Rate Fund	2008	604.2	0.60-0.50	1.92
Virtus Multi-Sector Intermediate Bond Fund	1989	299.3	0.55-0.45	0.87
Virtus Low Duration Income Fund	1999	280.0	0.55-0.45	1.45
Virtus Tax-Exempt Bond Fund	2001	194.9	0.45	2.43
Virtus Credit Opportunities Fund (4)	2015	94.6	0.75	N/A
Virtus Bond Fund	1998	72.1	0.45-0.40	1.35
Virtus High Yield Fund	1980	71.2	0.65-0.55	1.80
Virtus CA Tax-Exempt Bond Fund	1983	31.8	0.45-0.35	3.46
Virtus Strategic Income Fund	2014	28.0	0.80-0.75	N/A

Virtus Emerging Markets Debt Fund	2012	26.2	0.75-0.70	(1.89)

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Fund Type/Name	Inception	Assets	Advisory Fee (1)	3-Year Average Return (2)
		($ in millions)	(%)	(%)
International/Global				
Virtus Emerging Markets Opportunities Fund	1997	9,729.7	1.00-0.95	(3.30)
Virtus Foreign Opportunities Fund	1990	1,803.5	0.85-0.75	3.89
Virtus Global Opportunities Fund	1960	161.8	0.85-0.75	8.83
Virtus Global Equity Trend Fund	2011	46.9	1.00-0.90	0.93
Virtus International Small-Cap Fund	2012	43.0	1.00-0.95	7.67
Virtus Emerging Markets Equity Income Fund	2012	34.5	1.05-1.00	(8.66)
Virtus Greater European Opportunities Fund	2009	26.6	0.85-0.80	4.62
Virtus International Equity Fund	2010	7.2	0.85-0.75	3.07
Virtus International Wealth Masters Fund	2014	5.0	0.90-0.85	N/A
Virtus Emerging Markets Small Cap Fund	2013	4.1	1.20-1.15	N/A
Variable Insurance Funds				
Virtus Capital Growth Series	1982	210.1	0.70-0.60	16.47
Virtus International Series	1990	209.9	0.75-0.65	(2.49)
Virtus Multi-Sector Fixed Income Series	1982	131.8	0.50-0.40	0.95
Virtus Growth and Income Series	1998	109.8	0.70-0.60	9.60
Virtus Strategic Allocation Series	1984	106.5	0.60-0.50	6.27
Virtus Small-Cap Value Series	2000	92.9	0.90-0.80	12.24
Virtus Real Estate Securities Series	1995	88.2	0.75-0.65	10.78
Virtus Small-Cap Growth Series	2002	56.1	0.85-0.80	14.21
Virtus Equity Trend Series	2011	11.1	1.00	6.06
Global Funds				
Virtus GF Multi-Sector Short Duration Bond Fund	2013	32.2	1.75-0.55	N/A
Virtus GF US Small Cap Focus Fund	2014	4.1	1.65-0.75	N/A
		$28,882.1		

(1) Percentage of average daily net assets of each fund. The percentages listed represent the range of management advisory fees paid by the funds, from the highest to the lowest. A range indicates that the fund has breakpoints at which management advisory fees decrease as assets in the funds increase. We pay subadvisory fees on funds managed by unaffiliated subadvisers, which are not reflected in the percentages listed.

(2) Represents average annual total return performance of the largest share class as measured by net assets for which performance data is available.

(3) This fund contains investments in other Virtus open-end mutual funds. The related assets invested in other Virtus open-end mutual funds are reflected only in the balances of the respective funds.

(4) Other Virtus open-end mutual funds invest in this fund, the assets invested in by other Virtus open-end funds are reflected solely in this fund.

Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

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Closed-End Funds

We managed nine closed-end funds as of December 31, 2015, each of which is traded on the New York Stock Exchange, with aggregate assets of $6.2 billion. Closed-end funds do not continually offer to sell and redeem their shares; rather, daily liquidity is provided by the ability to trade the shares of these funds at prices that may be above or below the shares' net asset value.

Our closed-end funds as of December 31, 2015 are as follows:

Fund Type/Name	Assets	Advisory Fee	
	($ in billions)	%	
Balanced			
DNP Select Income Fund Inc.	$3.3	0.60-0.50	(1)
Zweig Total Return Fund Inc.	0.4	0.70	(2)
Virtus Total Return Fund	0.2	0.85	(2)
Equity			
Duff & Phelps Global Utility Income Fund Inc.	0.9	1.00	(1)(3)
Zweig Fund Inc.	0.3	0.85	(2)
Alternatives			
Duff & Phelps Select Energy MLP Fund	0.2	1.00	(2)
Fixed Income			
Duff & Phelps Utility and Corporate Bond Trust Inc.	0.4	0.50	(1)
Virtus Global Multi-Sector Income Fund	0.3	0.95	(2)
DTF Tax-Free Income Inc.	0.2	0.50	(1)
Total Closed-End Funds	$6.2		

(1) Percentage of average weekly net assets. The percentage listed represents the range of management advisory fees paid by the funds, from the highest to the lowest. A range indicates that the fund has breakpoints at which management advisory fees decrease as assets in the fund increase.

(2) Percentage of average daily net assets of each fund.

(3) The adviser has contractually agreed to waive a portion of its fee for a period of time, which is not reflected in the percentage listed.

Exchange Traded Funds

In April 2015, we made an investment for a majority ownership position in Virtus ETF Solutions ("VES"), formerly known as ETF Issuer Solutions, that operates a platform for listing, operating, and distributing exchange traded funds. We manage seven U.S.-domiciled exchange traded funds with total assets under management of $0.3 billion at December 31, 2015.

Separately Managed Accounts

Separately managed accounts are individually owned portfolios that include intermediary sponsored programs, whereby an intermediary assists individuals in hiring investment managers that have been approved by the broker-dealer to fulfill those objectives and private client accounts that are accounts of high net-worth individuals who are direct clients of an affiliated manager. Separately managed account assets totaled $6.8 billion at December 31, 2015.

Institutional Accounts

We offer a variety of equity and fixed income strategies to institutional clients, including corporations, multi-employer retirement funds, public employee retirement systems, foundations, endowments and as a subadviser to unaffiliated mutual funds. Our institutional assets under management totaled $5.2 billion as of December 31, 2015.

Our Investment Management, Administration and Transfer Agent Services

Our investment management fees, administration fees and transfer agent fees earned in each of the last three years were as follows:

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($ in thousands)	Years Ended December 31, 2015	2014	2013
Investment management fees:			
Funds	$209,994	$249,355	$213,864
Separately managed accounts	37,296	35,152	31,510
Institutional accounts	17,575	16,156	15,183
Total investment management fees	264,865	300,663	260,557
Administration fees	33,981	39,374	33,736
Transfer agent fees	14,266	16,642	14,449
Total	$313,112	$356,679	$308,742

Investment Management Fees

We provide investment management services pursuant to investment management agreements through our affiliated investment advisers (each, an “Adviser”). With respect to our open-end funds, closed-end funds and exchange traded funds, the Adviser provides overall management services to a fund, subject to supervision by the fund’s board of directors, pursuant to agreements that must be approved annually by each fund’s board of directors and which may be terminated without penalty upon written notice, or automatically, in certain situations, such as a “change in control” of the Adviser. We earn fees based on each fund’s average daily or weekly net assets with most fee schedules providing for rate declines or “breakpoints” as asset levels increase to certain thresholds. For funds managed by a subadviser, the agreement provides that the subadviser manage the day-to-day investment management of the fund’s portfolio and receive a management fee from the Adviser based on the percentage of average daily net assets in the funds they subadvise or a percentage of the Adviser’s management fee. Each fund bears all expenses associated with its operations. In some cases, to the extent total fund expenses exceed a specified percentage of a fund’s average net assets, the Adviser has agreed to reimburse the funds for such excess expenses or voluntarily or contractually waive a portion of its fee for a period of time.

For separately managed accounts and institutional accounts, fees are negotiated and are based primarily on asset size, portfolio complexity and individual client requests.

Administration Fees

We provide fund administration services to our open-end funds, exchange traded funds and certain of our closed-end funds. We earn fees based on each fund’s average daily or weekly net assets. Administrative services include recordkeeping, preparing and filing documents required to comply with federal and state securities laws, legal administration and compliance services, supervising the activities of the funds’ other service providers, providing assistance with fund shareholder meetings, tax services and treasury services as well as providing office space, equipment and personnel that may be necessary for managing and administering the business affairs of the funds.

Transfer Agent Fees

We provide shareholder services to our open-end mutual funds. We earn fees based on each fund’s average daily net assets. Shareholder services include maintaining shareholder accounts, processing shareholder transactions, preparing filings and performing necessary reporting, among other things. We engage third-party service providers to perform certain aspects of the shareholder services.

Our Distribution Services

We distribute our open-end funds and exchange traded funds through financial intermediaries. We have broad access in the retail market, with distribution partners that include national and regional broker-dealers and independent financial advisory firms. Our sales efforts are supported by regional sales professionals, a national account relationship group and separate teams for the retirement and insurance products.

Our separately managed accounts are distributed through financial intermediaries and directly by teams at our affiliated managers. Our institutional distribution strategy is an affiliate-centric model. Through relationships with

consultants, they target key market segments, including foundations and endowments, corporate, public and private pension plans and subadvisory accounts.

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Our Broker-Dealer Services

We have two subsidiaries that are broker-dealers registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are members of the Financial Industry Regulatory Authority (“FINRA”). They serve as principal underwriters and distributors of our open-end mutual funds, exchange traded funds and our separately managed accounts. Our broker-dealers are subject to the SEC's net capital rule designed to enforce minimum standards regarding the general financial condition and liquidity of broker-dealers.

Open-end mutual fund shares, UCITS and exchange traded fund shares are distributed by VP Distributors, LLC ("VPD") and ETF Distributors, LLC (“ETFD”) both under sales agreements with unaffiliated financial intermediaries. VPD also markets advisory services to sponsors of separately managed account programs. ETFD serves as the principal underwriter and distributor of our exchange traded funds.

Our Competition

We face significant competition from a wide variety of financial institutions, including other investment management companies, as well as from proprietary products offered by our distribution partners such as banks, broker-dealers and financial planning firms. Competition in our businesses is based on several factors including investment performance, access to distribution channels, service to financial advisers and their clients and fees charged. Our competitors, many of which are larger than we are, often offer similar products and use similar distribution sources and may also offer less expensive products, have greater access to key distribution channels and have greater resources than we do.

Our Regulatory Matters

We are subject to regulation by the Securities and Exchange Commission (“SEC”), FINRA and other federal and state agencies and self-regulatory organizations. Each affiliated manager and unaffiliated subadviser is registered with the SEC under the Investment Advisers Act. Each open-end mutual fund, closed-end fund, exchange traded fund and each series of our variable insurance funds is registered with the SEC under the Investment Company Act of 1940. Our Global Funds are subject to regulation by the Central Bank of Ireland (“CBI”) and the funds and each investment manager and sub-investment manager to the Global Funds are registered with the CBI. See Item 3. Legal Proceedings for more information.

The financial services industry is highly regulated and failure to comply with related laws and regulations can result in the revocation of registrations, the imposition of censures or fines and the suspension or expulsion of a firm and/or its employees from the industry. All of our U.S.-domiciled open-end mutual funds are currently available-for-sale and are qualified in all 50 states, Washington, D.C., Puerto Rico, Guam and the U.S. Virgin Islands. Our Global Funds are sold through financial intermediaries to investors who are not citizens of or residents of the United States. Most aspects of our investment management business, including the business of the unaffiliated subadvisers, are subject to various U.S. federal and state laws and regulations.

Our officers, directors and employees may, from time to time, own securities that are also held by one or more of our funds. Our internal policies with respect to personal investments are established pursuant to the provisions of the Investment Company Act and/or the Investment Advisers Act. Employees, officers and directors who, in the function of their responsibilities to us, meet the requirements of the Investment Company Act, Investment Advisers Act and/or of FINRA regulations, must disclose personal securities holdings and trading activity. Those employees, officers and directors with investment discretion or access to investment decisions are subject to additional restrictions with respect to the pre-clearance of the purchase or sale of securities over which they have investment discretion or beneficial interest. Other restrictions are imposed upon supervised persons with respect to personal transactions in securities that are held, recently sold or contemplated for purchase by our mutual funds. All supervised persons are required to report holdings and transactions on an annual and quarterly basis pursuant to the provisions of the Investment Company Act and Investment Advisers Act. In addition, certain transactions are restricted so as to avoid the possibility of improper use of information relating to the management of client accounts.

Our Employees

As of December 31, 2015, we had 426 full time equivalent employees. None of our employees are represented by a union.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, are available free of charge on our website located at www.virtus.com as soon as reasonably practicable after they are filed with or furnished to the SEC. You may also read and copy any document we file at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Reports, proxy statements

and other information regarding issuers that file electronically with the SEC, including our filings, are also available to the public on the SEC's website at http://www.sec.gov.

A copy of our Corporate Governance Principles, our Code of Conduct and the charters of our Audit Committee, Compensation Committee, Governance Committee and Risk and Finance Committee are posted on our website, www.virtus.com, under "About Us," "Investor Relations," "Corporate Governance" and are available in print to any person who requests copies by contacting Investor Relations by email to: investor.relations@virtus.com or by mail to Virtus Investment Partners, Inc., c/o Investor Relations, 100 Pearl Street, Hartford, CT 06103. Information contained on the website is not incorporated by reference or otherwise considered part of this document.

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Item 1A. Risk Factors.

This section describes some of the potential risks relating to our business, such as market, liquidity, operational, reputation and regulatory. The risks described below are some of the more important factors that could affect our business. You should carefully consider the risks described below, together with all of the other information included in this Annual Report on Form 10-K, in evaluating the Company and our common stock. If any of the risks described below actually occur, our business, revenues, profitability, results of operations, financial condition, cash flows, reputation and stock price could be materially adversely affected.

We earn substantially all of our revenues based on assets under management, and therefore a reduction in assets under management would reduce our revenues and profitability. Assets under management fluctuate based on many factors including market conditions, investment performance and client withdrawals.

The majority of our revenues are generated from asset-based fees from investment management products and services to individuals and institutions. Therefore, if the assets under management decline, our fee revenues decline reducing profitability as some of our expenses are fixed. There are several reasons that assets under management could decline as discussed below:

- The value of assets under management can decline due to price declines in specific securities, market segments or geographic areas where those assets are invested. Funds and portfolios that we manage related to certain geographic markets and industry sectors are particularly vulnerable to political, social and economic events in those markets and sectors. If these industries or markets decline or experience volatility, this could have a negative impact on our assets under management and our revenues. For example, certain non-U.S. markets, particularly emerging markets, are not as developed or as efficient as the U.S. financial markets and, as a result, may be less liquid, less regulated and significantly more volatile than the U.S. financial markets. Liquidity in such markets may be adversely impacted by political or economic events, government policies, expropriation, volume trading limits by foreign investors and social or civil unrest. These factors may negatively impact the market value of an investment or our ability to dispose it. In addition, an increase in the value of the U.S. dollar relative to non-U.S. currencies could result in a decrease in the U.S. dollar value of assets under management that are denominated in non-U.S. currencies.

- The performance of our investment strategies is critical to the maintenance and growth of assets under management. Net flows related to our investment strategies can be affected by investment performance relative to other competing investment strategies or to established benchmarks. Our investment management strategies are rated, ranked or assessed by independent third-parties, distribution partners, and industry periodicals and services. These assessments often influence the investment decisions of our clients. If the performance or assessment of our investment strategies is seen as underperforming relative to peers, it could result in an increase in the withdrawal of assets by existing clients and the inability to attract additional investments from existing and new clients. In addition, certain of our investment strategies have capacity constraints, as there is a limit to the number of securities available for the strategy to operate effectively. In those instances, we may choose to limit access to new or existing investors. In addition, certain mutual funds employ the use of leverage as part of their investment strategies, which will increase or decrease the Company’s assets under management, and the risk associated with the investment, as the proceeds from the use of leverage are invested in accordance with the funds’ investment strategies.

- General domestic and global economic and political conditions can influence assets under management. Changes in interest rates, the availability and cost of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts and security operations) and other conditions may impact the equity and credit markets which may influence our assets under management. In recent years, capital and credit markets have experienced substantial volatility. While there has been some recovery in the capital markets employment rates, continued economic weakness and budgetary challenges in the Eurozone, escalating regional turmoil in the Middle East, concern over growth prospects in China and emerging markets, growing debt loads for certain countries and uncertainty about the consequences of governments eventually withdrawing monetary stimulus all indicate that economic and political conditions remain unpredictable. If the security markets decline or experience volatility, our

assets under management and our revenues could be negatively impacted. In addition, diminishing investor confidence in the markets and/or adverse market conditions could result in a decrease in investor risk tolerance. Such a decrease could prompt investors to reduce their rate of investment or to fully withdraw from markets, which could lower our overall assets under management and have an adverse effect on our revenues, earnings and growth prospects.

The volatility in the markets in the recent past has highlighted the interconnection of the global markets and demonstrated how the deteriorating financial condition of one institution may materially adversely impact the performance of other institutions. Our assets under management have exposure to many different industries and

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counterparties and may be exposed to credit, operational or other risk due to the default by a counterparty or client or in the event of a market failure or disruption or otherwise. In the event of extreme circumstances, including economic, political or business crises, such as a widespread systemic failure in the global financial system or failures of firms that have significant obligations as counterparties, we may suffer significant declines in assets under management and severe liquidity or valuation issues.

Moreover, a significant amount of our assets under management are in investments represented by strategies that primarily invest in securities in non-U.S. companies. Many non-U.S. financial markets are not as developed or as efficient as the U.S. financial markets and, as a result, have limited liquidity and greater price volatility and may lack established regulations. Liquidity in such markets also may be adversely impacted by political or economic events, government policies, expropriation, volume trading limits by foreign investors and social and civil unrest. An investment's market value or the ability to dispose of an investment may be adversely impacted by any of these factors. Governments of foreign jurisdictions may assert their abilities to tax local gains and/or income of foreign investors, including our clients, which could adversely impact the economics associated with investing in foreign jurisdictions or non-U.S. based companies. These risks also could impact the performance of our strategies that invest in such markets and, in particular, strategies that concentrate investments in emerging market companies and countries.

- Changes in interest rates can have adverse effects on our assets under management. Increases in interest rates from their historically low present levels may adversely affect the net asset values of our assets under management. Furthermore, increases in interest rates may result in reduced prices in equity markets. Conversely, decreases in interest rates could lead to outflows in fixed income assets that we manage as investors seek higher yields. Any of these effects could lower our assets under management and revenues and, if our revenues decline without a commensurate reduction in our expenses, would lead to a reduction in our net income.

Any of these factors could cause our assets under management to decline and have an adverse impact on our results of operations and financial condition.

Our investment advisory agreements are subject to withdrawal, renegotiation or termination on short notice.

Our clients include the boards of directors for our sponsored mutual funds, managed account program sponsors, private clients and institutional clients. Our investment management agreements with these clients may be terminated upon short notice without penalty. As a result, there would be little impediment to these sponsors or clients terminating our agreements. Our clients may terminate or renegotiate their investment contracts with us or reduce the aggregate amount of assets under management with us due to a number of reasons including investment performance, reputational, regulatory or compliance issues, loss of key investment management or other personnel or a change in management or control of clients, third-party distributors, subadvisers or others with whom we have relationships. The directors of our sponsored funds may deem it to be in the best interests of a fund's shareholders to make decisions adverse to us, such as reducing the compensation paid to us, requesting that we subsidize fund expenses over certain thresholds, or imposing restrictions on our management of the fund. Under the Investment Company Act, investment advisory agreements automatically terminate in the event of an assignment, which may occur if, among other events, the Company undergoes a change in control, such as any person acquiring 25% voting rights of our common stock. If an assignment were to occur, we cannot be certain that the fund's board of directors and its stockholders would approve a new investment advisory agreement. In addition, investment advisory agreements for the separate accounts we manage may not be assigned without the consent of the client. If an assignment occurs, we cannot be certain that the Company will be able to obtain the necessary fund approvals or the necessary consents from our clients. The withdrawal, renegotiation or termination of any investment management contract relating to a material portion of assets under management would have an adverse impact on our results of operations and financial condition.

Any damage to our reputation could harm our business and lead to a reduction in our revenues and profitability.

Maintaining a strong reputation with the investment community is critical to our success. Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate even if they are without merit or satisfactorily addressed. Our reputation may be impacted by many factors, including but not limited to: poor performance; litigation; conflicts of interests; regulatory inquiries, investigations or findings; operational failures (including cyber breaches); intentional or unintentional misrepresentation of our products or services; or

employee misconduct or rumors. Any damage to our reputation could impede our ability to attract and retain clients and key personnel, adversely impact relationships with third-party distributors and other business partners and lead to a reduction in the amount of our assets under management, any of which could adversely affect our results of operations and financial condition.

We manage client assets under agreements that have established investment guidelines or other contractual requirements, and any failure to comply could result in claims, losses or regulatory sanctions, which could negatively impact our revenues and profitability.

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The agreements under which we manage client assets often have established investment guidelines or other contractual requirements that we are required to comply with in providing our investment management services. Although we maintain various compliance procedures and other controls to prevent, detect, and correct such errors, any failure or allegation of a failure to comply with these guidelines or other requirement could result in client claims, reputational damage, withdrawal of assets and potential regulatory sanctions, any of which could have an adverse impact on our results of operations and financial condition.

Our business relies on the ability to attract and retain key employees, and the loss of such employees could negatively affect financial performance.

The success of our business is dependent to a large extent on our ability to attract and retain key employees such as senior executives, portfolio managers, securities analysts and sales personnel. Competition in the job market for these professionals is generally intense and compensation levels in the industry are highly competitive. The market for investment managers is also characterized by the movement of investment managers among different firms.

If we are unable to continue to attract and retain key employees, or if compensation costs required to attract and retain key employees increase, our performance, including our competitive position, could be materially adversely affected. Additionally, we utilize Company equity awards as part of our compensation plans and as a means for recruiting and retaining key employees. Declines in our stock price could result in deterioration in the value of equity awards granted, thus lessening the effectiveness of retaining key employees through stock-based awards.

In certain circumstances, the departure of key employees could cause higher redemption rates for certain assets under management, or the loss of certain client accounts. Any inability to retain our key employees, attract qualified employees, or replace key employee positions in a timely manner, could lead to a reduction in the amount of our assets under management, which could have a material adverse effect on our revenues and profitability. In addition, there could be additional costs to replace, retain or attract new talent which would result in a decrease in our profitability and have an adverse impact on our results of operations and financial condition.

The highly competitive nature of the asset management industry may force us to reduce the fees we charge to clients, increase amounts paid to financial intermediaries or provide more support to those intermediaries, all of which could result in a reduction of our revenues and profitability.

We face significant competition from a wide variety of financial institutions, including other investment management companies, as well as from proprietary products offered by our distribution partners such as banks, broker-dealers and financial planning firms. Competition in our businesses is based on several factors including investment performance, access to distribution channels, service to financial advisers and their clients and fees charged. Our competitors, many of which are larger than we are, often offer similar products, use similar distribution sources, offer less expensive products, have greater access to key distribution channels and have greater resources, geographic footprints and name recognition than we do. Additionally, certain products and asset classes, such as passive or index-based products, are becoming increasingly popular with investors. Existing clients may withdraw their assets in order to invest in these products, and we may be unable to attract additional investments from existing and new clients, which would lead to a decline in our assets under management and market share.

In addition, our profits are highly dependent on the fee levels for our products and services. In recent years, there has been a trend in certain segments of our markets toward lower fees and lower fee products, such as passive products. Competition could cause us to reduce the fees that we charge for products and services. In order to maintain appropriate fee levels in a competitive environment, we must be able to continue to provide clients with investment products and services that are viewed as appropriate in relation to the fees charged. If our clients, including our fund boards, were to view our fees as being high relative to the market or the returns provided by our investment products, we may choose to reduce our fee levels or we may experience significant redemptions in our assets under management which could have an adverse impact on our results of operations and financial condition.

We are subject to an extensive and complex regulatory environment, and changes in regulations or failure to comply with regulation could adversely affect our revenues and profitability.

The investment management industry in which we operate is subject to extensive and frequently changing regulation. We are regulated by the SEC under the Exchange Act, the Investment Company Act and the Investment Advisers Act, and we are subject to regulation by the Commodities Futures Trading Commission under the Commodities Exchange

Act. Our Global Funds are subject to regulation by the CBI. We are also regulated by FINRA, the Department of Labor under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as well as other federal and state laws and regulations.

The regulatory environment that we operate in changes often and has seen increased regulatory focus in recent years. For example, in fiscal 2015, the SEC proposed new rules addressing liquidity risk management by registered open-end funds and the use of derivatives by registered open-end and closed-end funds. If these regulations are adopted substantially as proposed, they could materially impact the provision of investment services or limit opportunities for certain funds we manage and

increase our management and administration costs, with potential adverse effects on our revenues, expenses and results of operations.

Although we spend extensive time and resources on compliance efforts designed to ensure compliance with all applicable laws and regulations, if we or our affiliates fail to timely and properly modify and update our compliance procedures in this changing and highly complex regulatory environment, we may be subject to various legal proceedings, including civil litigation, governmental investigations and enforcement actions and result in fines, penalties or suspensions of individual employees or limitations on particular business activities which could have an adverse impact on our results of operations and financial condition.

Changes in tax laws and unanticipated tax liabilities could have an adverse impact on our financial condition, results of operations and cash flow.

We are subject to federal and state income taxes in the United States. Tax authorities may disagree with certain positions we have taken or implement changes in tax policy, which may result in the assessment of additional taxes. We regularly assess the appropriateness of our tax positions and reporting. We cannot provide assurance, however, that we will accurately predict the outcomes of audits, and the actual outcomes of these audits could be unfavorable. In addition, our ability to use net operating loss carryforwards and other tax attributes available to us will be dependent on our ability to generate taxable income.

We utilize unaffiliated firms in providing investment management services and any matters that have an adverse impact to their business, or any change in our relationships with these unaffiliated firms could lead to a reduction in assets under management, which will adversely affect our revenues and profitability.

We utilize unaffiliated subadvisers as investment managers for certain of our retail products and we have licensing arrangements with unaffiliated data providers. Because we typically have no ownership interests in these unaffiliated firms, we do not control the business activities of such firms. Problems stemming from the business activities of these unaffiliated firms may negatively impact or disrupt such firms' operations or expose them to disciplinary action or reputational harm. Furthermore, any such matters at these unaffiliated firms may have an adverse impact on our business or reputation or expose us to regulatory scrutiny, including with respect to our oversight of such firms. For example, in December 2014 an unaffiliated former subadviser, F-Squared, settled charges with the SEC that it had violated federal securities laws and during fiscal 2015 were ultimately terminated as a subadviser of our funds. We also subsequently entered into an agreement with the SEC to settle allegations stemming from our relationship with F-Squared. See "Item 3. Legal Proceedings" for a description of this settlement agreement and the regulatory proceedings against F-Squared.

We periodically negotiate provisions and renewals of these relationships, and we cannot provide assurance that such terms will remain acceptable to us or the unaffiliated firms. These relationships can also be terminated upon short notice without penalty. In addition, similar to our business, the departure of key employees at our unaffiliated subadvisers could cause higher redemption rates for certain assets under management, or the loss of certain client accounts. An interruption or termination of our unaffiliated firm relationships could affect our ability to market our products and result in a reduction in assets under management which could have an adverse impact on our results of operations and financial condition.

We distribute through intermediaries, and changes in key distribution relationships could reduce our revenues, increase our costs and adversely affect our profitability.

Our primary source of distribution for our retail products is through intermediaries that include third-party financial intermediaries, such as: major wire houses; national, regional and independent broker-dealers and financial advisors; banks and financial planners and registered investment advisors. Our success is highly dependent on access to these various distribution systems. These distributors are generally not contractually required to distribute our products and typically offer their clients various investment products and services, including proprietary products and services, in addition to and in competition with our products and services. While we compensate these intermediaries for selling our products and services pursuant to contractual agreements, we may not be able to retain access to these channels at all or at similar pricing. Increasing competition for these distribution channels could cause our distribution costs to rise, which could have a material adverse effect on our business, revenues and profitability. To the extent that existing or future intermediaries prefer to do business with our competitors, the sales of our products as well as our market

share, revenues and profitability could decline.
We and our third-party service providers, which includes securities pricing and transaction processing services, rely on numerous technology systems, and a temporary business interruption or security breach could negatively impact our business and profitability. Our business will suffer if our technology systems fail or are interrupted or if security breaches or other disruptions compromise our information.
Our technology systems and those of our third-party service providers are critical to our operations. The ability to consistently and reliably obtain accurate securities pricing information, process client portfolio and fund shareholder transactions and provide reports and other customer service to fund shareholders and clients in other accounts managed by us is an essential part of our business. Any delays or inaccuracies in obtaining pricing information, processing such transactions or

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such reports, other breaches and errors, and any inadequacies in other customer service, could result in reimbursement obligations or other liabilities, or alienate customers and potentially give rise to claims against us. Our customer service capability, as well as our ability to obtain prompt and accurate securities pricing information and to process transactions and reports, is highly dependent on our third-party service providers' information systems. Any failure or interruption of those systems, whether resulting from technology or infrastructure breakdowns, defects or external causes such as fire, natural disaster, viruses, acts of terrorism or power disruptions, could result in financial loss, negatively impact our reputation, and negatively affect our ability to do business. Although we, and our third-party service providers, have disaster recovery plans in place, we may experience temporary interruptions if a natural disaster or prolonged power outages were to occur which could have an adverse impact on our results of operations and financial condition.

In addition, like other companies in the financial services industry, our computer systems are regularly subject to and are expected to continue to be the target of computer viruses or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. While we have experienced threats to our data and systems, to date, we are not aware that we have experienced a material breach of cyber security. Over time, however, the sophistication of cyber threats continues to increase, and any controls we put in place and preventative actions we take to reduce the risk of cyber incidents and protect our information may be insufficient to detect or prevent unauthorized access, cyber-attacks or other security breaches to our computer systems or those of third parties with whom we do business. Breach of our technology systems or those of third parties with whom we do business through cyber-attacks, or failure to manage and secure our technology environment, could result in interruptions or malfunctions in the operations of our business, loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by a breach, additional costs to mitigate against future incidents and litigation costs resulting from an incident.

We and certain of our third-party vendors receive and store personal information as well as non-public business information. Although we and our third-party vendors take precautions, we may still be vulnerable to hacking or other unauthorized use. A breach of the systems or hardware could result in an unauthorized access to our proprietary business or client data or release of this type of data, which could subject us to legal liability or regulatory action under data protection and privacy laws which may result in fines or penalties, the termination of existing client contracts, costly mitigation activities and harm to our reputation, which could have an adverse impact on our results of operations and financial condition.

Ownership of a relatively large percentage of our common stock is concentrated with a small number of shareholders, which could increase the volatility in our stock trading and dramatically affect our share price.

A large percentage of our common stock is held by a limited number of shareholders. If our larger shareholders decide to liquidate their positions, it could cause significant fluctuation in the share price of our common stock. Public companies with a relatively concentrated level of institutional shareholders, such as we have, often have difficulty generating trading volume in their stock which may increase the volatility in the price of our common stock.

Civil litigation and government investigations or proceedings could adversely affect our business.

Many aspects of our business involve substantial risks of liability, and there have been substantial incidences of litigation and regulatory investigations in the financial services industry in recent years, including customer claims as well as class action suits seeking substantial damages. From time to time, we and/or our funds may be named as defendants or co-defendants in lawsuits or be involved in disputes that involve the threat of lawsuits seeking substantial damages. We and/or our funds are also involved from time to time in governmental and self-regulatory organization investigations and proceedings. For example, in fiscal 2015, two putative class action complaints were filed against us and certain of our officers and affiliates, alleging violation of certain provisions of federal securities laws. We also recently entered into an agreement with the SEC to settle allegations stemming from our relationship with our former subadvisor, F-Squared. See "Item 3. Legal Proceedings" for additional information related to these matters.

Any of these lawsuits, investigations or proceedings could result in reputational damage, loss of clients and assets, settlements, awards, injunctions, fines, penalties, increased costs and expenses in resolving a claim, diversion of employee resources and resulting financial losses. Predicting the outcome of such matters is inherently difficult,

particularly where claims are brought on behalf of various classes of claimants or by a large number of claimants, when claimants seek substantial or unspecified damages or when investigations or legal proceedings are at an early stage. A substantial judgment, settlement, fine or penalty could be material to our operating results or cash flows for a particular period, depending on our results for that period, or could cause us significant reputational harm, which could harm our business prospects.

We depend to a large extent on our business relationships and our reputation to attract and retain clients. As a result, allegations of improper conduct by private litigants, including investors in our funds, or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the asset management industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses. We may incur substantial legal expenses in defending against proceedings

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commenced by a client, regulatory authority or other private litigant. Substantial legal liability levied on us could cause significant reputational harm and have an adverse impact on our results of operations and financial condition.
We have a significant portion of our assets invested in marketable securities that are primarily comprised of our seed capital program, which exposes us to earnings volatility with regard to these investments and a risk of capital loss.
We use capital to seed new investment strategies and make new investments to introduce new products or enhance distribution access. At December 31, 2015, the Company had $273.7 million of seed capital investments in a variety of asset classes including alternative, fixed income and equity strategies. We also had $40.0 million invested in our consolidated investment product ("CIP"). Many of these investments employ a long-term investment strategy and entail an optimal investment period spanning several years. Accordingly, during this investment period, the Company's capital utilized in these investments may not be available for other corporate purposes at all or without significantly diminishing our investment return. We cannot provide assurance that these investments will perform as expected. Moreover, increases or decreases in the value of these investments will increase the volatility of our earnings, and a decline in the value of these investments would result in the loss of capital and have an adverse impact on our results of operations and financial condition.
Our investment in our consolidated investment product exposes us to substantial risks, including but not limited to the possibility that we may not receive any return on such investment.
As of December 31, 2015, the Company had invested $40.0 million into a special purpose entity ("SPE") that was created specifically to accumulate bank loan assets for securitization as a potential collateralized loan obligation (a "CLO") that will be managed by our Newfleet affiliate. The SPE is a variable interest entity (a "VIE"), and the Company consolidates the SPE's assets and liabilities within our financial statements as it is the primary beneficiary of the VIE. We refer to the Company's investment in this SPE as our consolidated investment product.
Our consolidated investment product entered into a warehouse financing agreement with a financial institution in August 2015, pursuant to which the warehouse provider will finance the purchase of loans that will be ultimately included in a CLO. The SPE selects the investments in the warehouse subject to the approval of the warehouse provider. Although we would anticipate completing the issuance of this particular CLO, we may not be able to complete such issuance on terms that are acceptable to us. If the relevant CLO transaction is not issued or consummated, as applicable, the warehouse investments may be liquidated, and we may lose some or all of our equity investment, or first loss investment in the warehouse facility if the value of the loans we purchased in it decreases. In addition, regardless of whether the CLO is issued or consummated, if any of the warehoused investments are sold before such issuance or consummation, we will bear any resulting loss on the sale.
We cannot assure you that our intended quarterly distributions will be paid each quarter or at all.
The declaration, payment and determination of the amount of our quarterly dividend, may change at any time. In making decisions regarding our quarterly dividend, we consider general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax, regulatory and other restrictions that may have implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us, and such other factors as we may deem relevant. We cannot assure you that any distributions, whether quarterly or otherwise, will be paid.
We may need to raise additional capital in the future, and resources may not be available to us in sufficient amounts or on acceptable terms, which could have an adverse impact on our business.
Our ability to meet the future cash needs of the Company is dependent upon our ability to generate cash. Although the Company has been successful in generating sufficient cash in the past, it may not be in the future. As of December 31, 2015, we maintained a strong cash and working capital position and had no debt outstanding other than the debt of our consolidated investment product for which recourse to the Company is limited to its $40.0 million investment. See Footnote 18 of our consolidated financial statements for additional information on the debt of the consolidated investment product. We may need to raise capital to fund new business initiatives in the future, however, and financing may not be available to us in sufficient amounts, on acceptable terms, or at all. Our ability to access capital markets efficiently depends on a number of factors, including the state of credit and equity markets, interest rates and credit spreads. If we are unable to access sufficient capital on acceptable terms our business could be adversely

impacted.

We have corporate governance provisions that may make an acquisition of us more difficult.

Certain provisions of our certificate of incorporation and bylaws could discourage, delay, or prevent a merger, acquisition, or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. Stockholders who wish

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to participate in these transactions may not have the opportunity to do so. In addition, the provisions of Section 203 of the Delaware General Corporation Law also restrict certain business combinations with interested stockholders.

Our insurance policies may not cover all liabilities and losses to which we may be exposed.

We carry insurance in amounts and under terms that we believe are appropriate. Our insurance may not cover all liabilities and losses to which we may be exposed. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or pay higher premiums, which could have an adverse impact on our results of operations and financial condition.

We may engage in strategic transactions that could create risks.

We regularly review, and from time to time have discussions with and engage in, potential strategic transactions, including potential acquisitions, consolidations, joint ventures or similar transactions, some of which may be material. We cannot provide assurance that we will find suitable candidates for strategic transactions at acceptable prices, have sufficient capital resources to pursue such transactions, be successful in negotiating the required agreements or successfully close transactions after signing such agreements.

Any strategic transactions may also involve a number of other risks, including additional demands on our staff, unanticipated problems regarding integration of operating facilities, technologies and new employees and the existence of liabilities or contingencies not disclosed to, or otherwise unknown by, us prior to closing a transaction. In addition, any business we acquire may underperform relative to expectations or may lose customers or employees. As a result, the Company may not be able to realize all of the expected benefits from such transactions or may be required to spend additional time or money on integration.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements that are, or may be considered to be, forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995, as amended, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements that are not historical facts, including statements about our beliefs or expectations, are forward-looking statements. These statements may be identified by such forward-looking terminology as “expect,” “estimate,” "intent," "plan," “intend,” “believe,” “anticipate,” “may,” “will,” “should,” “could,” “continue,” “project,” “opportunity,” “predict,” “wo “future,” “forecast,” “guarantee,” “assume,” “likely,” “target” or similar statements or variations of such terms.

Our forward-looking statements are based on a series of expectations, assumptions and projections about our Company and the markets in which we operate, are not guarantees of future results or performance and involve substantial risks and uncertainty, including assumptions and projections concerning our assets under management, net cash inflows and outflows, operating cash flows, business plans and credit facilities, for all future periods. All of our forward-looking statements contained in this Annual Report on Form 10-K are as of the date of this Annual Report on Form 10-K only.

We can give no assurance that such expectations or forward-looking statements will prove to be correct. Actual results may differ materially. We do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections, or other circumstances occurring after the date of this Annual Report on Form 10-K, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. If there are any future public statements or disclosures by us which modify or impact any of the forward-looking statements contained in or accompanying this Annual Report on Form 10-K, such statements or disclosures will be deemed to modify or supersede such statements in this Annual Report on Form 10-K.

Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including those discussed under “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K. Any occurrence of, or any material adverse change in, one or more risk factors or risks and uncertainties referred to in this Annual Report on Form 10-K or our other periodic reports filed with the SEC could materially and adversely affect our operations, financial results, cash flows, prospects and liquidity. You are urged to carefully consider all such factors.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

We lease our principal offices, which are located at 100 Pearl St., Hartford, CT 06103. In addition, we lease office space in Illinois, California, Massachusetts and New York.

Item 3. Legal Proceedings.

The Company is regularly involved in litigation and arbitration as well as examinations, inquiries and investigations by various regulatory bodies, including the SEC, involving its compliance with, among other things, securities laws, client investment guidelines, laws governing the activities of broker-dealers and other laws and regulations affecting its products and other activities. Legal and regulatory matters of this nature involve or may involve but are not limited to the Company’s activities as an employer, issuer of securities, investor, investment adviser, broker-dealer or taxpayer. In addition, in the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or is otherwise subject to their inquiry. These matters could result in censures, fines, penalties or other sanctions.

The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. In addition, in the event the Company determines that a loss is not probable, but is reasonably possible, and it becomes possible to develop what the Company believes to be a reasonable range of possible loss, then the Company will include disclosures related to such matter as appropriate and in compliance with ASC 450, Loss Contingencies. The disclosures, accruals or estimates, if any, resulting from the foregoing analysis are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. Based on information currently available, available insurance coverage and established reserves, the Company believes that the outcomes of its legal and regulatory proceedings are not likely, either individually or in the aggregate, to have a material adverse effect on the Company’s results of operations, cash flows or its consolidated financial condition. However, in the event of unexpected subsequent developments and given the inherent unpredictability of these legal and regulatory matters, the Company can provide no assurance that its assessment of any claim, dispute, regulatory examination or investigation or other legal matter will reflect the ultimate outcome and an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company’s results of operations or cash flows in particular quarterly or annual periods.

Regulatory Matter

As previously disclosed, in December 2014 the SEC announced a settlement with F-Squared Investments (“F-Squared”), an unaffiliated former subadviser, which settled charges that F-Squared had violated the federal securities laws as described in Investment Advisers Act Release No. 3988. The settlement related to F-Squared’s inaccurate performance information for the period of April 2001 through September 2008, including indices that certain Virtus mutual funds tracked beginning in September 2009 and January 2011. As part of the SEC’s non-public, confidential investigation of this matter, the SEC staff informed the Company that it was inquiring into whether the Company had violated securities laws or regulations with respect to F-Squared’s historical performance information. In November 2015, without admitting or denying the SEC's findings, the Company consented to the entry of the order which found that the Company violated certain Sections of the Investment Advisers Act and the Investment Company Act of 1940. The Company agreed to pay a total of $16.5 million which it paid in the fourth quarter of 2015.

In re Virtus Investment Partners, Inc. Securities Litigation; formerly styled as Tom Cummins v. Virtus Investment Partners Inc. et al

On February 20, 2015, a putative class action complaint alleging violation of the federal securities laws was filed by an individual shareholder against the Company and certain of the Company’s current officers (the “defendants”) in the United States District Court for the Southern District of New York. On April 21, 2015, three plaintiffs, including the original plaintiff, filed motions to be appointed lead plaintiff. On June 9, 2015, the court entered an order appointing Arkansas Teachers Retirement System lead plaintiff. On August 21, 2015, plaintiff filed a Consolidated Class Action

Complaint (the “Consolidated Complaint”) amending the originally filed complaint. The Consolidated Complaint was purportedly filed on behalf of all purchasers of the Company’s common stock between January 25, 2013 and May 11, 2015 (the “Class Period”). The Consolidated Complaint alleges that during the Class Period, the defendants disseminated materially false and misleading statements and concealed material adverse facts relating to certain funds subadvised by F-Squared. The Consolidated Complaint alleges claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5. The plaintiff seeks to recover unspecified damages. The Company believes that the suit is without merit and intends to defend it

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vigorously. A motion to dismiss the Consolidated Complaint was filed on behalf of the Company and the other defendants on October 21, 2015. Briefing of the motion was completed on December 4, 2015, and oral argument was held on December 17, 2015. The motion is pending. The Company believes that there is not a material loss that is probable and reasonably estimable related to this claim.

Mark Youngers v. Virtus Investment Partners, Inc. et al

On May 8, 2015, a putative class action complaint alleging violations of certain provisions of the federal securities laws was filed in the United States District Court for the Central District of California by an individual who alleges he is a former shareholder of one of the Virtus mutual funds formerly subadvised by F-Squared and formerly known as the AlphaSector Funds. The complaint purports to allege claims against the Company, certain of the Company's officers and affiliates, and certain other parties (the "defendants"). The complaint was purportedly filed on behalf of purchasers of the AlphaSector Funds between May 8, 2010 and December 22, 2014, inclusive (the "Class Period"). The complaint alleges that during the Class Period the defendants disseminated materially false and misleading statements and concealed or omitted material facts necessary to make the statements made not misleading. On June 7, 2015, a group of three individuals, including the original plaintiff, filed a motion to be appointed lead plaintiff. No other motions to be appointed lead plaintiff were filed. On July 27, 2015, the court granted the motion, appointing movants as lead plaintiff. On July 27, 2015, the court issued an order to show cause requiring lead plaintiff to explain no later than July 31, 2015, why his claims should not be transferred and consolidated with the In re Virtus Investment Partners, Inc. Securities Litigation action discussed above. On October 1, 2015, plaintiff filed a First Amended Class Action Complaint which among other things, added a derivative claim for breach of fiduciary duty on behalf of Virtus Opportunities Trust. On October 19, 2015, the United States District Court for the Central District of California entered an order transferring the action to the Southern District of New York. On January 4, 2016, Plaintiffs filed a Second Amended Complaint. Defendants' filed a motion to dismiss on February 1, 2016. The Company believes the plaintiffs claims asserted in the complaint are frivolous and intends to defend it vigorously. The Company believes that there is not a material loss that is probable and reasonably estimable related to this claim.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

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

Our common stock is traded on the NASDAQ Global Market under the trading symbol "VRTS." As of February 5, 2016, we had 8,408,228 shares of our common stock outstanding that were held by approximately 60,400 holders of record. The table below sets forth the quarterly high and low sales prices of our common stock on the NASDAQ Global Market, and the amount of dividends declared, for each quarter in the last two fiscal years.

	Year Ended December 31, 2015			Year Ended December 31, 2014		
Quarter Ended	High	Low	Dividends Declared	High	Low	Dividends Declared
First Quarter	$171.00	$126.94	$0.45	$208.92	$169.03	$—
Second Quarter	$147.77	$113.47	$0.45	$215.72	$165.00	$0.45
Third Quarter	$134.78	$97.37	$0.45	$227.29	$166.35	$0.45
Fourth Quarter	$141.97	$94.52	$0.45	$188.04	$151.81	$0.45

On February 17, 2016, our board of directors declared a quarterly cash dividend of $0.45 per common share to be paid on May 13, 2016 to shareholders of record at the close of business on April 29, 2016.

There have been no non-cash dividends on our common stock with respect to the periods presented. The continuation of the payment of any dividends on our common stock and the amount thereof will be determined by our board of directors depending upon, among other factors, our earnings, operations, financial condition, capital requirements and general business outlook at the time payment is considered.

Issuer Purchases of Equity Securities

During 2015, we repurchased a total of 638,703 shares of our common stock pursuant to a repurchase program implemented by our board of directors in 2010. In 2015, we authorized an additional 1.5 million shares of our common stock to be repurchased under the share repurchase program. As of December 31, 2015, 2.7 million shares of our common stock have been authorized to be repurchased under the program and 1,485,856 shares remain available for repurchase. Under the terms of the program, we may repurchase shares of our common stock from time to time at our discretion through open market repurchases and/or privately negotiated transactions, depending on price and prevailing market and business conditions. The program, which has no specified term, may be suspended or terminated at any time.

The following table sets forth information regarding our share repurchases in each month during the quarter ended December 31, 2015:

Month	Total number of shares repurchased	Average price paid per share (1)	Total number of shares repurchased as part of publicly announced plans or programs	Maximum number of shares that may yet be repurchased under the plans or programs (2)
October 1—31, 2015	—	$—	—	1,756,091
November 1—30, 2015	156,174	$129.64	156,174	1,599,917
December 1—31, 2015	114,061	$129.05	114,061	1,485,856
Total	270,235		270,235	

(1) Average price paid per share is calculated on a settlement basis and excludes commissions.

(2) The share repurchases above were completed pursuant to a program announced in the fourth quarter of 2010 and most recently expanded in October 2015. This repurchase program is not subject to an expiration date.

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There were no unregistered sales of equity securities during the period covered by this Annual Report. Shares of our common stock purchased by participants in our Employee Stock Purchase Plan were delivered to participant accounts via open market purchases at fair value by the third-party administrator under the plan. We do not reserve shares for this plan or discount the purchase price of the shares.

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Item 6. Selected Financial Data.

The following table sets forth our selected consolidated financial and other data at the dates and for the periods indicated. The selected financial data should be read in conjunction with "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 Annual Report on Form 10-K.

($ in thousands, except per share data)	Years Ended December 31,				
	2015 (1)	2014 (1)	2013 (1)	2012 (2)	2011 (2)
Results of Operations					
Revenues	$381,977	$450,598	$389,215	$280,086	$204,652
Operating expenses	301,599	319,878	275,711	219,641	190,749
Operating income	80,378	130,720	113,504	60,445	13,903
Income tax expense (benefit) (3)	36,972	39,349	44,778	27,030	(132,428)
Net income (3)	30,671	96,965	77,130	37,773	145,420
Net income attributable to common stockholders (3)	35,106	97,700	75,190	37,608	111,678
Earnings per share—basic (3)	3.99	10.75	9.18	4.87	17.98
Earnings per share—diluted (3)	3.92	10.51	8.92	4.66	16.34
Cash dividends declared per share	1.80	1.35	—	—	—
	As of December 31,				
	2015 (1)	2014 (1)	2013 (2)	2012 (2)	2011 (2)
Balance Sheet Data					
Cash and cash equivalents	$87,574	$202,847	$271,014	$63,432	$45,267
Investments	56,738	63,448	37,258	18,433	18,357
Investments of consolidated sponsored investment products	323,335	236,652	139,054	43,227	—
Investments of consolidated investment product	199,485	—	—	—	—
Goodwill and other intangible assets, net	47,588	47,043	49,893	53,971	56,891
Total assets	859,729	698,773	644,954	332,749	286,379
Accrued compensation and benefits	49,617	54,815	53,140	41,252	31,171
Debt	—	—	—	15,000	15,000
Debt of consolidated investment product	152,597	—	—	—	—
Total liabilities	276,408	112,350	109,900	85,115	68,007
Redeemable noncontrolling interests	73,864	23,071	42,186	3,163	—
Total equity	509,457	563,352	492,868	244,471	183,155
	As of December 31,				
	2015	2014	2013	2012	2011
($ in millions)					
Assets Under Management					
Total assets under management	$47,385	$56,702	$57,740	$45,537	$34,588

(1) Derived from audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

(2) Derived from audited consolidated financial statements not included in this Annual Report on Form 10-K.

(3) The amount shown for the 2014 fiscal year includes a net tax benefit of approximately $15.5 million due to the resolution of uncertain tax positions. The amount shown for the 2011 fiscal year includes a tax benefit of $132.4 million, primarily related to the release of a valuation allowance on certain deferred tax assets.

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

Overview

Our Business

We are a provider of investment management and related services to individuals and institutions. We use a multi-manager, multi-style approach, offering investment strategies from affiliated managers and unaffiliated subadvisers, each having its own distinct investment style, autonomous investment process and individual brand. By offering a broad array of products, we believe we can appeal to a greater number of investors, which allows us to have offerings across market cycles through changes in investor preferences. Our earnings are primarily driven by asset-based fees charged for services relating to these various products including investment management, fund administration, distribution and shareholder services.

We offer investment strategies for individual and institutional investors in different product structures and through multiple distribution channels. Our investment strategies are available in a diverse range of styles and disciplines, managed by a collection of boutique investment managers, both affiliated and unaffiliated. We have offerings in various asset classes (domestic and international equity, fixed income and alternative), in all market capitalizations (large, mid and small), in different styles (growth, blend and value) and with various investment approaches (fundamental, quantitative and thematic). Our retail products include open-end mutual funds, closed-end funds, exchange traded funds ("ETFs"), variable insurance funds, UCITs, and separately managed accounts. We also offer certain of our investment strategies to institutional clients.

We distribute our open-end funds and exchange traded funds principally through financial intermediaries. We have broad access in the retail market, with distribution partners that include national and regional broker-dealers, independent broker-dealers and registered investment advisors, banks and insurance companies. In many of these firms, we have a number of products that are on firms' preferred "recommended" lists and on fee-based advisory programs. Our sales efforts are supported by regional sales professionals, a national account relationship group and separate teams for exchange traded funds, our retirement and insurance products.

Our separately managed accounts are distributed through financial intermediaries and directly by teams at one of our affiliated managers. Our institutional distribution strategy is an affiliate-centric and coordinated model. Through relationships with consultants, our affiliates target key market segments, including foundations and endowments, corporate, public and private pension plans and unaffiliated mutual funds.

Market Developments

In 2015, the global equity markets were down as evidenced by the MSCI World Index ending the year at 1,663 as compared to 1,710 at the start of the year, a decrease of 2.7%. The major U.S. equity indexes were also down for 2015, with the Dow Jones Industrial Average ending the year at 17,425, from 17,823 at the beginning of the year, a decrease of 2.2%, and the Standard & Poor's 500 Index decreased by 0.7% ending the year at 2,044, from 2,059 at the beginning of the year. The major U.S. bond index, the Barclays U.S. Aggregate Bond Index, increased 0.5% in 2015 ending the year at 1,925, compared to 1,915 at the beginning of the year.

The financial markets have had and are likely to continue to have a significant impact on asset flows and the value of our assets under management. The capital and financial markets could experience fluctuation, volatility and declines, as they have in the past, which could impact relative investment returns and asset flows among investment products as well as investor choices and preferences among investment products, including equity, fixed income and alternative

products.

Financial Highlights

- Net income per diluted share was $3.92 in 2015 compared to $10.51 in 2014.
- Total sales (inflows) were $12.7 billion in 2015 compared to $15.2 billion in 2014. Net outflows were $6.3 billion in 2015 compared to $1.2 billion in 2014.
- Assets under management were $47.4 billion at December 31, 2015 compared to $56.7 billion at December 31, 2014.

Assets Under Management

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At December 31, 2015, we managed $47.4 billion in total assets, representing a decrease of $9.3 billion, or 16.4%, from the $56.7 billion managed at December 31, 2014. The decrease in assets under management was primarily due to net outflows of $6.3 billion and market depreciation of $2.2 billion. The $6.3 billion in net outflows during 2015 was primarily attributable to $6.6 billion in net outflows in five Virtus open-end funds, previously known as the AlphaSector funds. During 2015, the Company terminated the services of the unaffiliated subadviser to the former AlphaSector funds and at December 31, 2015, assets under management in these products represented $2.7 billion, or 5.7% of total assets under management. Excluding the former AlphaSector funds, net inflows were $0.3 billion during 2015.

Assets under management for our open-end funds were $28.9 billion at December 31, 2015, a decrease of $8.6 billion, or 23.0%, from $37.5 billion at December 31, 2014. Average assets under management for all products, which generally correspond to our fee-earning asset levels, decreased by $6.8 billion, or 11.5%, to $52.3 billion for the year ended December 31, 2015, from $59.1 billion for the year ended December 31, 2014 for the same reasons discussed above regarding total assets under management.

Certain mutual funds employ the use of leverage as part of their investment strategies. The addition or reduction of leverage will increase or decrease our assets under management, as the proceeds from the use of leverage are invested in accordance with the funds' investment strategies. For the periods ended December, 31, 2015, 2014 and 2013, we had assets under management from the use of leverage of $1.6 billion, $1.8 billion and $2.2 billion, respectively, which represents 3.5%, 3.3% and 3.8% of our total assets under management, respectively.

The changes in our assets under management may also be affected by the factors discussed in Item 1A of this Annual Report on Form 10-K "Risk Factors".

Operating Results

In 2015, total revenues decreased 15.2% to $382.0 million from $450.6 million in 2014. Revenues decreased in 2015 compared to 2014, primarily as a result of a decrease in average assets under management. Operating income decreased by 38.5% from $130.7 million in 2014 to $80.4 million in 2015, primarily due to decreased revenues driven by lower levels of average assets under management offset by lower operating expenses associated with the decreased revenues discussed above.

Assets Under Management by Product

The following table summarizes our assets under management by product:

	As of December 31,			Change			
($ in millions)	2015	2014	2013	2015 vs. 2014	%	2014 vs. 2013	%
Fund assets							
Open-end funds (1)	$28,882.1	$37,514.2	$37,679.5	$(8,632.1)	(23.0)%	$(165.3)	(0.4)%
Closed-end funds	6,222.3	7,581.4	6,499.6	(1,359.1)	(17.9)%	1,081.8	16.6%
Exchange traded funds	340.8	—	—	340.8	100.0%	—	—%
Money market funds (2)	—	—	1,556.6	—	—%	(1,556.6)	(100.0)%
Total fund assets	35,445.2	45,095.6	45,735.7	(9,650.4)	(21.4)%	(640.1)	(1.4)%
Separately managed accounts (3)	6,784.4	6,884.8	7,433.1	(100.4)	(1.5)%	(548.3)	(7.4)%

Total retail assets	42,229.6	51,980.4	53,168.8	(9,750.8)	(18.8)%	(1,188.4)	(2.2)%
Total institutional accounts (3)	5,155.7	4,722.0	4,570.8	433.7	9.2 %	151.2	3.3 %
Total Assets Under Management	$47,385.3	$56,702.4	$57,739.6	$(9,317.1)	(16.4)%	$(1,037.2)	(1.8)%
Average Assets Under Management	$52,310.5	$59,122.1	$52,975.8	$(6,811.6)	(11.5)%	$6,146.3	11.6 %

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(1) Includes assets under management of open-end mutual funds, UCITS and variable insurance funds.
(2) On October 20, 2014, our money market funds were liquidated.
(3) Includes assets under management related to option strategies.

Asset Flows by Product

The following table summarizes our asset flows by product for the periods indicated:

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($ in millions)	December 31, 2015	2014	2013
Open-End Funds (1)			
Beginning balance	$37,514.2	$37,679.5	$27,122.8
Inflows	10,046.8	12,733.7	19,146.3
Outflows	(17,010.5)	(13,428.1)	(11,237.1)
Net flows	(6,963.7)	(694.4)	7,909.2
Market performance	(1,511.5)	1,297.2	2,337.9
Other (2)	(156.9)	(768.1)	309.6
Ending balance	$28,882.1	$37,514.2	$37,679.5
Closed-End Funds			
Beginning balance	$7,581.4	$6,499.6	$6,231.6
Inflows	—	493.8	—
Outflows	—	—	—
Net flows	—	493.8	—
Market performance	(811.9)	799.3	728.2
Other (2)	(547.2)	(211.3)	(460.2)
Ending balance	$6,222.3	$7,581.4	$6,499.6
Exchange Traded Funds			
Beginning balance	$—	$—	$—
Inflows	342.8	—	—
Outflows	(49.0)	—	—
Net flows	293.8	—	—
Market performance	(27.9)	—	—
Other (2)	74.9	—	—
Ending balance	$340.8	$—	$—
Money Market Funds			
Beginning balance	$—	$1,556.6	$1,994.1
Other (2)	—	(1,556.6)	(437.5)
Ending balance	$—	$—	$1,556.6
Separately Managed Accounts (3)			
Beginning balance	$6,884.8	$7,433.1	$5,829.0
Inflows	1,291.9	1,333.6	1,384.0
Outflows	(1,428.6)	(2,244.8)	(1,225.9)
Net flows	(136.7)	(911.2)	158.1
Market performance	70.7	355.5	1,481.4
Other (2)	(34.4)	7.4	(35.4)
Ending balance	$6,784.4	$6,884.8	$7,433.1
Institutional Accounts (3)			
Beginning balance	$4,722.0	$4,570.8	$4,359.5
Inflows	1,008.3	650.5	796.3
Outflows	(526.1)	(743.0)	(782.1)
Net flows	482.2	(92.5)	14.2
Market performance	46.2	389.2	314.7
Other (2)	(94.7)	(145.5)	(117.6)
Ending balance	$5,155.7	$4,722.0	$4,570.8
Total			
Beginning balance	$56,702.4	$57,739.6	$45,537.0
Inflows	12,689.8	15,211.6	21,326.6

Outflows	(19,014.2)	(16,415.9)	(13,245.1)
Net flows	(6,324.4)	(1,204.3)	8,081.5
Market performance	(2,234.4)	2,841.2	4,862.2
Other (2)	(758.3)	(2,674.1)	(741.1)
Ending balance	$47,385.3	$56,702.4	$57,739.6

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(1) Includes assets under management of open-end mutual funds, UCITS and variable insurance funds.

(2) Represents dividends distributed, net of reinvestments, net flows of cash management strategies, net flows and market performance on structured products, which are a component of institutional accounts, and net flows from non-sales related activities such as asset acquisitions/(dispositions), marketable securities investments/(withdrawals) and the impact on assets from the use of leverage.

(3) Includes assets under management related to option strategies

The following table summarizes our assets under management by asset class:

	December 31,			Change			
	2015	2014	2013	2015 vs. 2014	%	2014 vs. 2013	%
($ in millions)							
Asset Class							
Equity	$28,314.9	$34,180.7	$33,610.7	$(5,865.8)	(17.2)%	$570.0	1.7%
Fixed income	15,115.6	16,681.6	15,829.4	(1,566.0)	(9.4)%	852.2	5.4%
Alternatives (1)	3,468.7	5,372.4	5,308.3	(1,903.7)	(35.4)%	64.1	1.2%
Other (2)	486.1	467.7	2,991.2	18.4	3.9%	(2,523.5)	(84.4)%
Total	$47,385.3	$56,702.4	$57,739.6	$(9,317.1)	(16.4)%	$(1,037.2)	(1.8)%

(1) Consists of long/short equity, real estate securities, master-limited partnerships and other.

(2) Consists of option strategies and cash management; at December 31, 2013, cash management strategies, which were liquidated in 2014, were $1,587.6 million.

Average Assets Under Management and Average Basis Points

The following table summarizes average assets under management and the average management fee earned:

	December 31,					
	Average Fee Earned (expressed in basis points)			Average Assets Under Management ($ in millions)		
	2015	2014	2013	2015	2014	2013
Products						
Open-End Funds (1)	48.2	51.3	51.1	$33,290.1	$39,620.3	$33,821.0
Closed-End Funds	66.7	65.6	61.6	6,946.3	7,112.9	6,476.0
Exchange Traded Funds	23.6	—	—	179.3	—	—
Money Market Funds	—	—	1.6	—	1,060.1	1,700.7
Separately Managed Accounts (2)	54.1	51.9	48.7	6,863.8	6,774.2	6,471.4
Institutional Accounts (2)	34.9	35.5	33.7	5,031.0	4,554.6	4,506.7
All Products	50.1	50.9	49.2	$52,310.5	$59,122.1	$52,975.8

(1) Includes assets under management of open-end mutual funds, UCITS and variable insurance funds.

(2) Includes assets under management related to options strategies.

Average fees earned represent investment management fees net of fees paid to third-party service providers for investment management related services and less the impact of investment management fees earned from consolidated sponsored investment products divided by average net assets. Mutual funds and exchange traded fund fees are calculated based on average daily or weekly net assets. Separately managed account fees are calculated based on the end of the preceding or current quarter’s asset values or on an average of month-end balances. Institutional account fees are calculated based on an average of month-end balances or current quarter’s asset values. Average fees earned will vary based on several factors, including the asset mix and reimbursements to funds.

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Year ended December 31, 2015 compared to year ended December 31, 2014. The average fee rate earned for 2015 decreased 0.8 basis points as compared to the prior year primarily related to a 3.1 basis point decrease in the open-end mutual fund fee rate partially offset by an increase in the average fee rate on separately managed accounts which was driven by increased average high net worth assets under management. The 3.1 basis point decline in the open-end fund fee rate was primarily attributable to a negative $13.3 million variable incentive fee from one mutual fund during 2015. Excluding the variable incentive fee, the open-end fund fee rate would have been 52.2 basis points in 2015 compared to 50.9 in 2014.

Year ended December 31, 2014 compared to year ended December 31, 2013. The average fee rate earned for 2014 increased 1.7 basis points as compared to the prior year primarily related to the liquidation of our money market funds in October 2014 and an increase in the closed-end fund fee rate related to a closed-end fund launch during the year. The average fee rate earned on institutional and separately managed accounts increased in 2014 as compared to 2013 primarily due to the redemption of low fee earning accounts.

Results of Operations

Summary Financial Data

	Years Ended December 31,			Change			
	2015	2014	2013	2015 vs. 2014	%	2014 vs. 2013	%
($ in thousands)							
Investment management fees	$264,865	$300,663	$260,557	$(35,798)	(11.9)%	$40,106	15.4%
Other revenue	117,112	149,935	128,658	(32,823)	(21.9)%	21,277	16.5%
Total revenues	381,977	450,598	389,215	(68,621)	(15.2)%	61,383	15.8%
Total operating expenses	301,599	319,878	275,711	(18,279)	(5.7)%	44,167	16.0%
Operating income	80,378	130,720	113,504	(50,342)	(38.5)%	17,216	15.2%
Other (expense) income, net	(26,650)	(2,843)	5,939	(23,807)	837.4%	(8,782)	(147.9)%
Interest income, net	13,915	8,437	2,465	5,478	64.9%	5,972	242.3%
Income before income taxes	67,643	136,314	121,908	(68,671)	(50.4)%	14,406	11.8%
Income tax expense	36,972	39,349	44,778	(2,377)	(6.0)%	(5,429)	(12.1)%
Net income	30,671	96,965	77,130	(66,294)	(68.4)%	19,835	25.7%
Noncontrolling interests	4,435	735	(1,940)	3,700	503.4%	2,675	(137.9)%
Net income attributable to common stockholders	$35,106	$97,700	$75,190	$(62,594)	(64.1)%	$22,510	29.9%
Earnings per share - diluted	$3.92	$10.51	$8.92	$(6.59)	(62.7)%	$1.59	17.8%

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Revenues

Total revenues were $382.0 million in 2015 compared to $450.6 million in 2014 representing a decrease of $68.6 million or 15.2%. The decrease was primarily due to lower average assets under management and lower fee rates in 2015 compared to 2014.

Revenues by source were as follows:

	Years Ended December 31,			Change						
($ in thousands)	2015	2014	2013	2015 vs 2014		%		2014 vs 2013	%	
Investment management fees										
Funds	$209,994	$249,348	$213,863	$(39,354	)	(15.8	)%	$35,485	16.6	%
Separately managed accounts	37,296	35,153	31,510	2,143		6.1	%	3,643	11.6	%
Institutional accounts	17,575	16,162	15,184	1,413		8.7	%	978	6.4	%
Total investment management fees	264,865	300,663	260,557	(35,798	)	(11.9	)%	40,106	15.4	%
Distribution and service fees	67,066	91,950	78,965	(24,884	)	(27.1	)%	12,985	16.4	%
Administration and transfer agent fees	48,247	56,016	48,185	(7,769	)	(13.9	)%	7,831	16.3	%
Other income and fees	1,799	1,969	1,508	(170	)	(8.6	)%	461	30.6	%
Total revenues	$381,977	$450,598	$389,215	$(68,621	)	(15.2	)%	$61,383	15.8	%

Investment Management Fees

Year ended December 31, 2015 compared to year ended December 31, 2014. Investment management fees are earned based on a percentage of assets under management and are paid pursuant to the terms of the respective investment management contracts, which generally require monthly or quarterly payments. Investment management fees decreased by $35.8 million or 11.9% for the year ended December 31, 2015 due to a 11.5% decrease in average assets under management. The decrease in average assets under management for the year ended December 31, 2015 was due primarily to net outflows and market depreciation related to our open-end funds.

Year ended December 31, 2014 compared to year ended December 31, 2013. Investment management fees increased by $40.1 million or 15.4% for the year ended December 31, 2014 due to an 11.6% increase in average assets under management and an increase of approximately two basis points in average fee rate earned. The increase in average assets under management for the year ended December 31, 2014 was due primarily to the 2013 growth in assets under management that resulted from net inflows and market appreciation. Revenues increased at a higher rate than assets under management due to the increase in the average fee rate earned and the timing of flows during the year.

Distribution and Service Fees

Year ended December 31, 2015 compared to year ended December 31, 2014. Distribution and service fees, which are asset-based fees earned from open-end funds for distribution services, decreased by $24.9 million or 27.1% for the year ended December 31, 2015 as compared to the prior year due to lower average open-end assets under management

and a lower percentage of assets under management in share classes that pay distribution and service fees. The decrease in fees also resulted in a corresponding decrease in distribution and administrative expenses, primarily driven by decreased payments to third-party distribution partners for providing services to investors in our sponsored funds, including marketing support services.

Year ended December 31, 2014 compared to year ended December 31, 2013. Distribution and service fees increased by $13.0 million or 16.4% for the year ended December 31, 2014 as compared to the prior year due to higher average open-end assets under management. The increase in fees also resulted in a corresponding increase in distribution and administrative expenses, primarily driven by increased payments to third-party distribution partners for providing services to investors in our sponsored funds, including marketing support services.

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Administration and Transfer Agent Fees

Year ended December 31, 2015 compared to year ended December 31, 2014. Administration and transfer agent fees represent fees earned for fund administration and shareholder services primarily from our open-end mutual funds and certain of our closed-end funds. Fund administration and transfer agent fees decreased $7.8 million or 13.9% for the year ended December 31, 2015 as compared to the prior year due to lower average assets under management.

Year ended December 31, 2014 compared to year ended December 31, 2013. Fund administration and transfer agent fees increased $7.8 million or 16.3% for the year ended December 31, 2014 as compared to the prior year due to higher average open-end mutual fund assets under management.

Other Income and Fees

Year ended December 31, 2015 compared to year ended December 31, 2014. Other income and fees primarily represent contingent sales charges earned from investor redemptions of certain shares sold without a front-end sales charge. Other income and fees decreased $0.2 million or 8.6%, primarily due to lower ancillary fees related to the high net worth business.

Year ended December 31, 2014 compared to year ended December 31, 2013. Other income and fees increased $0.5 million or 30.6%, primarily due to an increase in contingent sales charges earned from redemptions.

Operating Expenses

Total operating expenses were $301.6 million in 2015 compared with $319.9 million in 2014 representing a decrease of $18.3 million or 5.7%. The decrease was primarily related to a decrease in distribution and other asset-based expenses offset by an increase in other operating expenses.

Operating expenses by category were as follows:

	Years Ended December 31,			Change			
	2015	2014	2013	2015 vs 2014	%	2014 vs 2013	%
($ in thousands)							
Operating expenses							
Employment expenses	$137,095	$139,809	$131,768	$(2,714)	(1.9)%	$8,041	6.1%
Distribution and other asset-based expenses	89,731	123,665	97,786	(33,934)	(27.4)%	25,879	26.5%
Other operating expenses	68,035	49,569	39,119	18,466	37.3%	10,450	26.7%
Restructuring and severance	—	294	203	(294)	(100.0)%	91	44.8%
Depreciation and amortization expense	6,738	6,541	6,835	197	3.0%	(294)	(4.3)%
	$301,599	$319,878	$275,711	$(18,279)	(5.7)%	$44,167	16.0%

Total operating expenses

Employment Expenses

Year ended December 31, 2015 compared to year ended December 31, 2014. Employment expenses primarily consist of fixed and variable compensation and related employee benefit costs. Employment expenses of $137.1 million decreased $2.7 million or 1.9% as compared to the year ended December 31, 2014. The decrease was primarily due to a reduction in profit and sales based variable compensation resulting from lower profits and sales offset by an increase in fixed employment expenses related to higher staffing levels at our affiliates and due to the acquisition of Virtus ETF Solutions.

Year ended December 31, 2014 compared to year ended December 31, 2013. Employment expenses of $139.8 million increased $8.0 million or 6.1% as compared to the year ended December 31, 2013. The increase was primarily due to personnel additions related to the growth of the business, increases in profit-based variable incentive compensation, payroll taxes and other benefits, resulting from higher profits.

Distribution and Other Asset-Based Expenses

Year ended December 31, 2015 compared to year ended December 31, 2014. Distribution and other asset-based expenses consist primarily of payments to third-party distribution partners for providing services to investors in our sponsored funds and payments to third-party service providers for investment management related services. These payments are primarily based on percentages of assets under management or revenues. These expenses also include the amortization of deferred sales commissions related to up-front commissions on shares sold without a front-end sales charge to shareholders. The deferred sales commissions are amortized on a straight line basis over the periods in which commissions are generally recovered from distribution fee revenues and contingent sales charges received from shareholders of the funds upon redemption of their shares. Distribution and administrative expenses decreased $33.9 million or 27.4% in the year ended December 31, 2015 as compared to the prior year. The decrease was primarily attributable to lower average open-end assets under management, a lower percentage of assets under management in share classes where we pay distribution expenses and closed-end fund structuring costs of $9.6 million incurred in 2014 in connection with the launch of a closed-end fund in 2014, as no such costs were incurred in 2015. The reduction in expense was partially offset by an increase in payments to third-party service providers for investment management related services.

Year ended December 31, 2014 compared to year ended December 31, 2013. Distribution and administrative expenses increased $25.9 million or 26.5% in the year ended December 31, 2014 as compared to the prior year. The increase was primarily attributable to closed-end fund structuring costs of $9.6 million incurred in connection with the launch of a closed-end fund in 2014 as well as higher average open-end assets under management.

Other Operating Expenses

Year ended December 31, 2015 compared to year ended December 31, 2014. Other operating expenses primarily consist of investment research and technology costs, professional fees, travel and distribution related costs, rent and occupancy expenses, operating expenses of our consolidated sponsored investment products and other miscellaneous costs. Other operating expenses increased $18.5 million or 37.3% to $68.0 million for the year ended December 31, 2015 as compared to $49.6 million in the prior year. The increase over the prior year was primarily due to the previously disclosed $16.5 million regulatory settlement.

Year ended December 31, 2014 compared to year ended December 31, 2013. Other operating expenses increased $10.5 million or 26.7% to $49.6 million for the year ended December 31, 2014 as compared to $39.1 million in the prior year. The increase over the prior year reflected additional costs primarily attributable to increased sales and marketing activities, professional fees and costs related to the ongoing transition of middle-and-back office systems to a third-party service provider. Other operating expenses of consolidated sponsored investment products increased by $2.2 million over the prior year, reflecting the consolidation of an additional four funds during the year.

Restructuring and Severance

We incurred $0.3 million and $0.2 million of restructuring and severance costs in 2014 and 2013, respectively, resulting from staff reductions.

Depreciation and Amortization Expense

Year ended December 31, 2015 compared to year ended December 31, 2014. Depreciation and amortization expense consists primarily of the straight-line depreciation of furniture, equipment and leasehold improvements as well as the amortization of acquired investment advisory contracts, recorded as definite-lived intangible assets, both over their estimated useful lives. Depreciation and amortization expense increased $0.2 million or 3.0% to $6.7 million for the year ended December 31, 2015 primarily due to higher depreciation as a result of the increase in our furniture, equipment and leasehold improvements, partially offset by lower amortization of intangible assets.

Year ended December 31, 2014 compared to year ended December 31, 2013. Depreciation and amortization expense decreased $0.3 million or 4.3% to $6.5 million for the year ended December 31, 2014 as compared to $6.8 million in the prior

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year primarily as a result of the increase in our furniture, equipment and leasehold improvements as a result of the growth in the business offset by lower amortization of intangible assets.

Other Income (Expense), net

Year ended December 31, 2015 compared to year ended December 31, 2014. Other income (expense), net consists primarily of realized and unrealized gains and losses recorded on investments, investments of consolidated sponsored investment products and our consolidated investment product as well as other income including earnings from equity method investments. Other (expense) income, net decreased from the prior year by $23.8 million or 837.4%. Realized and unrealized losses on investments of consolidated sponsored investment products and the consolidated investment product were $26.7 million in 2015, compared to $4.6 million during the prior year. Excluding investments of consolidated sponsored investment products and the consolidated investment product, other (expense) income, net decreased $1.8 million primarily due to a decrease in realized and unrealized gains on investments partially offset by an increase in earnings on equity method investments.

Year ended December 31, 2014 compared to year ended December 31, 2013. Other (expense) income, net, decreased from the prior year by $8.8 million or 147.9%. Excluding investments of consolidated sponsored investment products, Other (expense) income, net decreased $0.6 million primarily due to a decrease in realized and unrealized gains on investments partially offset by an increase in earnings on equity method investments. Investments of consolidated sponsored investment products recognized $4.6 million of unrealized losses during 2014 versus $3.5 million of unrealized gains during the prior year.

Interest Income (Expense), net

Year ended December 31, 2015 compared to year ended December 31, 2014. Interest income, net consists of interest and dividend income earned on cash equivalents, investments, the investments of our consolidated sponsored investment products and our consolidated investment product. Interest income, net increased $5.5 million or 64.9% in 2015 compared to the prior year. The increase in interest income, net, was primarily due to higher interest and dividend income earned on our investments and the investments of our consolidated sponsored investment products. Investments of consolidated sponsored investment products have grown $86.7 million, or 36.6%, during 2015 from $236.7 million at December 31, 2014 to $323.3 million at December 31, 2015. Additionally our consolidated investment product has investments of $199.5 million at December 31, 2015 compared to $0 at December 31, 2014.

Year ended December 31, 2014 compared to year ended December 31, 2013. Interest income, net increased $6.0 million or 242.3% in 2014 compared to the prior year. The increase in interest income, net was primarily due to higher interest and dividend income earned on our investments and the investments of our consolidated sponsored investment products. Investments of consolidated sponsored investment products have grown $97.6 million, or 70.2% during 2014 from $139.1 million at December 31, 2013 to $236.7 million at December 31, 2014.

Income Tax Expense

Year ended December 31, 2015 compared to year ended December 31, 2014. The provision for income taxes reflected U.S. federal, state and local taxes at an estimated effective tax rate of 54.6% and 28.9% for 2015 and 2014, respectively. The increase in the 2015 effective tax rate as compared to 2014 was primarily due to an increase in the valuation allowances related to the unrealized loss position on our marketable securities in 2015 as well as a non recurring tax benefit recognized in 2014 related to the settlement of an audit of our 2011 federal corporate income tax return.

Year ended December 31, 2014 compared to year ended December 31, 2013. The provision for income taxes reflected U.S. federal, state and local taxes at an estimated effective tax rate of 28.9% and 36.7% for 2014 and 2013, respectively. Our effective tax rate for the year ended December 31, 2014 was impacted by a net tax benefit of approximately $15.5 million due to the settlement of an Internal Revenue Service (“IRS”) examination of our 2011 federal consolidated corporate income tax return. The net benefit arose from the settlement of the Company’s 2011 IRS exam and was comprised of the recognition of tax benefits from previously uncertain tax positions of approximately $31.0 million and a reduction in the available loss deduction of approximately $15.5 million of which both relate to the past dissolution of a subsidiary. This benefit was partially offset by a $2.2 million valuation allowance primarily related to unrealized mark-to-market loss positions on our seed capital portfolio.

Effects of Inflation

Inflationary pressures can result in increases to our cost structure, especially to the extent that large expense components such as compensation are impacted. To the degree that these expense increases are not recoverable or cannot be

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counterbalanced through pricing increases due to the competitive environment, our profitability could be negatively impacted. In addition, the value of the assets that we manage may be negatively impacted when inflationary expectations result in a rising interest rate environment. Declines in the values of these assets under management could lead to reduced revenues as management fees are generally earned as a percent of assets under management.

Liquidity and Capital Resources

Certain Financial Data

The following tables summarize certain key financial data relating to our liquidity and capital resources:

	December 31,			Change			
($ in thousands)	2015	2014	2013	2015 vs. 2014	%	2014 vs. 2013	%
Balance Sheet Data							
Cash and cash equivalents	$87,574	$202,847	$271,014	$(115,273)	(56.8)%	$(68,167)	(25.2)%
Investments	56,738	63,448	37,258	(6,710)	(10.6)%	26,190	70.3%
Deferred taxes, net	54,143	60,162	64,500	(6,019)	(10.0)%	(4,338)	(6.7)%
Dividends payable	4,233	4,270	—	(37)	(0.9)%	4,270	100.0%
Total equity	509,457	563,352	492,868	(53,895)	(9.6)%	70,484	14.3%

	Years Ended December 31,		
	2015	2014	2013
Cash Flow Data			
Provided by (used in)			
Operating activities	$(209,430)	$(58,871)	$28,837
Investing activities	(6,438)	(8,181)	(6,231)
Financing activities	109,948	(1,189)	185,493

Overview

We maintained significant liquidity and capital resources during the year ended December 31, 2015. At December 31, 2015, we had $87.6 million of cash and cash equivalents and $41.5 million of investments in marketable securities compared to $202.8 million of cash and cash equivalents and $50.3 million of investments in marketable securities at December 31, 2014. We have additional liquidity available through an amended, senior secured revolving credit facility ("Credit Facility") that allows us to borrow up to $75.0 million, which expires in September 2017. Under the terms of the underlying credit agreement, we can increase this facility to $125.0 million upon satisfaction of certain approval requirements by the lending group. At December 31, 2015, we had no outstanding borrowings under the Credit Facility.

Short-Term Capital Requirements

Our short-term capital requirements, which we consider to be those capital requirements due within one year, include payment of annual incentive compensation, income tax payments and other operating expenses, primarily consisting of investment research and technology costs, professional fees, distribution and occupancy costs. Incentive compensation which is one of the largest annual operating cash expenditures is paid in the first quarter of the year. In the first quarter of 2015 and 2014, we paid approximately $45.9 million and $45.0 million, respectively, in incentive compensation earned during the years ended December 31, 2014 and 2013, respectively. Short-term capital requirements may also be affected by employee tax withholding payments related to the net share settlement of equity awards. Our liquidity could also be impacted by certain commitments and contingencies as described in Note 10 of

our consolidated financial statements.

Other Uses of Capital

We expect that our main uses of cash will be to (i) invest in our organic growth, including our distribution efforts and closed-end fund launches; (ii) seed new investment strategies and make new investments to introduce new products or to enhance distribution access; (iii) return capital to stockholders through acquisition of shares of our common stock, payment of

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cash dividends on our common stock or other means; (iv) fund ongoing and potential investments in our infrastructure; and (v) invest in inorganic growth opportunities as they arise.

During 2015, our Board of Directors authorized an additional 1.5 million shares of our common stock to be repurchased under our share repurchase program that was implemented in 2010. As of December 31, 2015, 2.7 million shares of our common stock have been authorized to be repurchased under the program and 1,485,856 shares remain available for repurchase. Under the terms of the program, the Company may repurchase shares of its common stock from time to time at its discretion through open market repurchases and/or privately negotiated transactions, depending on price and prevailing market and business conditions. The program, which has no specified term, may be suspended or terminated at any time. During 2015, we paid approximately $80.0 million to repurchase a total of 638,703 common shares under the board authorized share repurchase program. During 2014, we paid approximately $40.3 million to repurchase 225,441 common shares under the same program.

In each quarter of 2015, we paid cash dividends on our common stock in the amount of $0.45 per share, respectively, totaling $16.0 million for the year. On February 11, 2016, we paid a cash dividend on our common stock in the amount of $0.45 per share totaling $3.8 million. On February 17, 2016, our Board of Directors declared a quarterly cash dividend of $0.45 per common share to be paid on May 13, 2016 to shareholders of record at the close of business on April 29, 2016. During 2014, we paid cash dividends on our common stock totaling $8.2 million.

During 2015, we made seed investments of $60.5 million into nine new mutual funds and invested $40.0 million in a special purpose entity ("SPE"), that we refer to as a consolidated investment product, that was created specifically to accumulate bank loan assets for securitization as a potential CLO that will be managed by our Newfleet affiliate. At December 31, 2015, we had total seed and CLO investments of $273.7 million and $38.2 million, respectively.

Capital and Reserve Requirements

The Company has two broker-dealer subsidiares registered with the SEC and are subject to certain rules regarding minimum net capital, as defined by those rules. The broker-dealers are required to maintain a ratio of “aggregate indebtedness” to “net capital,” as defined, which may not exceed 15 to 1 and must also maintain a minimum amount of net capital. Failure to meet these requirements could result in adverse consequences to us including additional reporting requirements, a lower required ratio of aggregate indebtedness to net capital or interruption of our business. At December 31, 2015 and 2014, the ratio of aggregate indebtedness to net capital of our broker-dealers was below the maximum allowed, and net capital was significantly greater than the required minimum.

Balance Sheet

Cash and cash equivalents consist of cash in banks and money market fund investments. Investments consist primarily of investments in our affiliated mutual funds. Consolidated sponsored investment products primarily represent investment products we sponsor and where we own a majority of the voting interest in the entity. As of December 31, 2015, we consolidated a total of twelve sponsored investment products. Our consolidated investment product represents the Company's investment in a SPE created in 2015 specifically with the objective to issue a collateralized loan obligation. At both December 31, 2015 and 2014, we had no debt outstanding that was a general obligation of the Company.

Operating Cash Flow

Net cash used in operating activities of $209.4 million for 2015 increased by $150.5 million from net cash used in operating activities of $58.9 million in 2014. The increase in net cash used in operating activities was primarily due to (1) lower net income and (2) increases in net purchases of investments by the consolidated investment product. The

increases were partially offset by decreases in (1) purchases of investments by consolidated sponsored investment products and (2) decreased excess tax benefits from stock-based compensation. Net cash from operating activities includes the operating activities of our consolidated sponsored investment products and the consolidated investment product. These cash flows from the portion of the products we do not own do not directly impact the cash flow related to our shareholders.

Net cash used in operating activities of $58.9 million for 2014 decreased by $87.7 million from net cash provided by operating activities of $28.8 million in 2013 due primarily to increases in net purchases of investments by consolidated sponsored investment products of $95.2 million. Excluding the net purchases of investments by consolidated sponsored investment products, net cash provided by operating activities increased $7.5 million. This increase is primarily attributable to increases in cash pledged or on deposit of consolidated sponsored investment products, increases in the recognition of excess tax benefits from stock-based compensation and decreased deferred income taxes and accrued compensation, accounts payable

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and accrued liabilities, partially offset by cash generated from increased operating profitability and increases in sales of trading securities, net.

Investing Cash Flow

Net cash used in investing activities consists primarily of capital expenditures and other investing activities related to our business operations. Net cash used in investing activities of $6.4 million for 2015 decreased by $1.8 million from net cash used in investing activities of $8.2 million in 2014 due to the decrease of $3.4 million in the amount paid for asset acquisitions of equity method and other investments partially offset by increased capital expenditures of $2.3 million in the current year as compared to the prior year.

Net cash used in investing activities of $8.2 million for 2014 increased by $2.0 million from net cash used in investing activities of $6.2 million in the prior year due to an increase in the amount paid for asset acquisitions of equity method and other investments in 2014 as compared to 2013.

Financing Cash Flow

Cash flows from financing activities consist primarily of repurchases of our common stock, payments to settle minimum tax withholding obligations for the net share settlement of employee share transactions, payments of cash dividends on our common stock and contributions to noncontrolling interests related to our consolidated sponsored investment products. Net cash provided by financing activities increased $111.1 million to $109.9 million in 2015 compared to net cash used in financing activities of $1.2 million in the prior year. The primary reasons for the increase was due to increased borrowings of debt of the consolidated investment product of $152.6 million, increased third-party contributions of $27.0 million to the non-controlling interests related to our consolidated sponsored investment products and lower taxes paid related to net share settlement of RSU's of $4.4 million. These increases were partially offset by higher repurchases of our common stock of $39.7 million, lower excess tax benefits from stock-based compensation of $23.2 million and increased dividend payments of $7.9 million.

For the year ended December 31, 2014, net cash used in financing activities decreased $186.7 million to $1.2 million in 2014 compared to net cash provided by financing activities of $185.5 million in the prior year. The primary reason for the decrease was due to proceeds of $191.8 million from the issuance of 1.3 million shares of our common stock in 2013 with no such issuance in 2014. Also contributing to the change in 2014 was increased repurchases of our common stock of $20.6 million and dividends paid of $8.2 million, partially offset by the repayment of the entire $15.0 million of debt outstanding in the prior year that did not recur in 2014. During the 2014, we received $24.8 million in excess tax benefits from stock-based compensation compared to $0.5 million received in the prior year.

Debt

Our Credit Facility, as amended and restated, has a five-year term expiring in September 2017 and provides borrowing capacity of up to $75.0 million with a $7.5 million sub-limit for the issuance of standby letters of credit. In addition, the Credit Facility provides for a $50.0 million increase in borrowing capacity conditioned on approval by the lending group. The Credit Facility is secured by substantially all of our assets. At December 31, 2015 and 2014, no amount was outstanding under the Credit Facility. As of December 31, 2015 and 2014, we had the capacity to draw on the entire $75.0 million available under the Credit Facility.

Amounts outstanding under the Credit Facility bear interest at an annual rate equal to, at our option, either LIBOR for interest periods of 1, 2, 3 or 6 months or an alternate base rate (as defined in the Credit Facility agreement), plus, in each case, an applicable margin that ranges from 0.75% to 2.50%. Under the terms of the Credit Facility, we are also required to pay certain fees, including an annual commitment fee that ranges from 0.35% to 0.50% on undrawn

amounts and a letter of credit participation fee at an annual rate equal to the applicable margin as well as any applicable fronting fees, each of which is payable quarterly in arrears.

The Credit Facility contains customary covenants, including covenants that restrict (subject in certain instances to minimum thresholds or exceptions) our and certain of our subsidiaries' ability to incur additional indebtedness, create liens, merge or make acquisitions, dispose of assets, enter into leases, sale/leasebacks or acquisitions of capital stock, and make loans, guarantees and investments, among other things. In addition, the Credit Facility contains certain financial covenants, the most restrictive of which include: (i) a minimum interest coverage ratio (generally, adjusted EBITDA to interest expense as defined in and for the period specified in the Credit Facility agreement) of at least 4.00:1, and (ii) a leverage ratio (generally, total debt as of any date to adjusted EBITDA as defined in and for the period specified in the Credit Facility agreement) of no greater than 2.75:1. For purposes of the Credit Facility, adjusted EBITDA generally means, for any period, our net income before interest

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expense, income taxes, depreciation and amortization expense, and excluding non-cash stock-based compensation, unrealized mark-to-market gains and losses, certain severance, and certain non-cash non-recurring gains and losses as described in and specified under the Credit Facility. At December 31, 2015, we were in compliance with all financial covenants under the Credit Facility.

The Credit Facility agreement also contains customary provisions regarding events of default, which could result in an acceleration of amounts due under the facility. Such events of default include our failure to pay principal or interest when due, our failure to satisfy or comply with covenants, a change of control, the imposition of certain judgments, the invalidation of liens we have granted and a cross-default to other debt obligations.

On August 17, 2015, the SPE that we consolidate entered into a three-year term, $160.0 million financing transaction with a bank lending counterparty (the “Financing Facility”). The proceeds of the Financing Facility are intended to be used to purchase and warehouse commercial bank loan assets pending the securitization of such assets as a CLO. The size of the Financing Facility may be increased subject to the occurrence of certain events and the mutual consent of the parties. The Financing Facility is secured by all the assets of the SPE and initially bears interest at a rate of three-month LIBOR plus 1.25% per annum (with such interest rate, upon completion of the initial nine-month ramp-up period, increasing to three-month LIBOR plus 2.0% per annum). The Financing Facility contains standard covenants and event of default provisions (including loan-to-value ratio triggers) and foreclosure remedies upon such default in favor of the lender thereunder. Our $40.0 million contribution to the SPE serves as first loss protection for the bank lending counterparty under the Financing Facility. In the event of default, the recourse to the Company is limited to its investment. At December 31, 2015, $152.6 million was outstanding under the Financing Facility.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2015:

	Payments Due				
($ in millions)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Lease obligations	$22.8	$4.8	$12.4	$4.3	$1.3
Credit Facility, including commitment fee (1)	0.5	0.3	0.2	—	—
Financing Facility of consolidated investment product, including interest (2)	162.7	3.6	159.1	—	—
Minimum payments on service contracts (3)	11.9	5.8	6.1	—	—
Total	$197.9	$14.5	$177.8	$4.3	$1.3

(1) At December 31, 2015, we had no amount outstanding under our Credit Facility which has a variable interest rate. Amounts outstanding under the Credit Facility bear interest at an annual rate equal to, at our option, either LIBOR for interest periods of one, two, three or six months or an alternate base rate, plus, in each case, an applicable margin, that ranges from 0.75% to 2.50%. We are also required to pay an annual commitment fee that ranges from 0.35% to 0.50% on undrawn amounts. Payments due are estimated based on the commitment fee rate of 0.35% in effect on December 31, 2015.

(2) At December 31, 2015, $152.6 was outstanding under the Financing Facility of the consolidated investment product. The Financing Facility is secured by all the assets of the SPE and initially bears interest at a rate of three-month LIBOR plus 1.25% per annum (with such interest rate, upon completion of the initial nine-month ramp-up period, increasing to three-month LIBOR plus 2.0% per annum).

(3) Service contracts include contractual amounts that will be due to purchase goods and services to be used in our operations and may be canceled at earlier times than those indicated under certain conditions that may include termination fees.

Impact of New Accounting Standards

For a discussion of accounting standards, see Note 2 to our consolidated financial statements.

Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support or engage in any leasing activities that expose us to any liability that is not reflected in our consolidated financial statements.

Critical Accounting Policies and Estimates

Our consolidated financial statements and the accompanying notes are prepared in accordance with Generally Accepted Accounting Principles which requires the use of estimates. Actual results may vary from these estimates. Management believes the following critical accounting policies are important to understanding our results of operations and financial position.

Consolidation

The consolidated financial statements include our accounts, our subsidiaries and sponsored investment products and the consolidated investment product in which we have a controlling financial interest. We are generally considered to have a controlling financial interest when we owns a majority of the voting interest in an entity or otherwise have the power to govern the financial and operating policies of the subsidiary. See Notes 17, 18 and 19 to our consolidated financial statements for additional information related to the consolidation of sponsored investment products and the consolidated investment product.

We also evaluate any variable interest entities ("VIEs") in which we have a variable interest for consolidation. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) where as a group, the holders of the equity investment at risk do not possess: (i) the power to direct the activities that most significantly impact the entity's performance; (ii) the obligation to absorb expected losses or the right to receive expected residual returns of the entity; or (iii) proportionate voting and economic interests and where substantially all of the entity's activities either involve or are conducted on behalf of the equity holders. If any entity has any of these characteristics, it is considered a VIE and required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that has both the power to direct the activities that most significantly impact the VIE's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE.

Fair Value Measurements and Fair Value of Financial Instruments

The Financial Accounting Standards Board ("FASB") defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels as follows:

Level 1 – Quoted prices for identical instruments in active markets. Level 1 assets and liabilities may include debt securities and equity securities that are traded in an active exchange market.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs may include observable market data such as closing market prices provided by independent pricing services after considering factors such as the yields or prices of comparable investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers and general market conditions. In addition, pricing services may determine the fair value of equity securities traded principally in foreign markets when it has been determined that there has been a significant trend in the U.S. equity markets or in index futures trading. Level 2 assets and liabilities may include debt and equity securities, purchased loans and over-the-counter derivative contracts whose fair

value is determined using a pricing model without significant unobservable market data inputs.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable in active exchange markets.

The following is a discussion of the valuation methodologies used for the Company’s assets measured at fair value.

Sponsored funds represent investments in open-end mutual funds, variable insurance funds and closed-end funds for which we act as the investment manager. The fair value of open-end mutual funds and variable insurance funds is determined based on their published net asset values and are categorized as Level 1. The fair value of closed-end funds is determined based on the official closing price of the exchange they are traded on and are categorized as Level 1.

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Equity securities include securities traded on active markets and are valued at the official closing price (typically last sale or bid) on the exchange on which the securities are primarily traded and are categorized as Level 1.

Nonqualified retirement plan assets represent mutual funds within a nonqualified retirement plan whose fair value is determined based on their published net asset value and are categorized as Level 1.

Investments of consolidated sponsored investment products represent the underlying debt and equity securities held in sponsored products which we consolidate. Equity securities are valued at the official closing price on the exchange on which the securities are traded and are categorized within Level 1. Level 2 investments include certain equity securities for which closing prices are not readily available or are deemed to not reflect readily available market prices and are valued using an independent pricing service as well as most debt securities which are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Pricing services do not provide pricing for all securities, and therefore indicative bids from dealers are utilized, which are based on pricing models used by market makers in the security and are also included within Level 2. Level 3 investments include debt securities that are not widely traded, are illiquid and are priced by dealers based on pricing models used by market makers in the security.

Investments of consolidated investment product represent the underlying debt securities, primary bank loans, held in the SPE that we consolidate. Debt securities are valued based on quotations received from an independent pricing service. Pricing services do not provide pricing for all securities, and therefore indicative bids from dealers are utilized, which are based on pricing models used by market makers in the security and are also included within Level 2.

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities equal or approximate fair value based on the short-term nature of these instruments. Marketable securities are reflected in the consolidated financial statements at fair value based upon publicly quoted market prices.

Goodwill and Other Intangible Assets

As of December 31, 2015, the carrying values of goodwill, indefinite-lived and definite-lived intangible assets was $6.7 million, $34.8 million and $6.1 million, respectively. Goodwill represents the excess of the purchase price of acquisitions over the fair value of identified net assets and liabilities acquired. Indefinite-lived intangible assets are comprised of acquired, closed-end and exchange traded fund investment advisory contracts.

For goodwill and indefinite-lived intangible assets, impairment tests are performed annually, or more frequently, should circumstances change, which could reduce the fair value below its carrying value. We have determined that we have only one reporting unit for purposes of assessing the carrying value of goodwill. Goodwill impairment testing is performed whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. If we determine that the carrying value of the reporting unit is less than the fair value, the second step of the goodwill impairment test will be performed to measure the amount of impairment loss, if any. For definite-lived intangible assets, impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we determine the carrying value of the definite-lived intangible assets is less than the sum of the undiscounted cash flows expected to result from the asset we will quantify the impairment using a discounted cash flow model.

Definite-lived intangible assets are comprised of acquired investment advisory contracts. We monitor the useful lives of definite-lived intangible assets and revise the useful lives, if necessary, based on the circumstances. Significant judgment is required in estimating the period that these assets will contribute to our cash flows and the pattern over which these assets will be consumed. A change in the remaining useful life of any of these assets could have a

significant impact on our amortization expense. All amortization expense is calculated on a straight-line basis.

We apply the rules issued in Accounting Standards Update ("ASU") No. 2011-08, Testing Goodwill for Impairment (the revised standard), which amends the rules for testing goodwill for impairment by allowing an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing the two-step impairment test is unnecessary.

We apply the rules issued in ASU No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment, which provides entities with an option to perform a qualitative assessment of indefinite-lived intangible assets other than goodwill for impairment to determine if additional impairment testing is necessary.

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In assessing the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit for goodwill and each unit of accounting for indefinite-lived intangible assets is less than its carrying amount, we assess relevant events and circumstances that may impact the fair value and the carrying amount for each. The identification of relevant events and circumstances and how these may impact the fair value or carrying amount involve significant judgments and assumptions.

The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, historical trends in operating margins, trending of each unit’s assets under management levels, overall financial performance, specific events such as secondary offerings and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

Based upon our fiscal 2015 qualitative impairment analysis for goodwill and indefinite-lived intangible assets, prepared in accordance with ASU No. 2011-08 and ASU No. 2012-02, we concluded that there was no requirement to do a quantitative annual goodwill and indefinite-lived intangible asset impairment test. The key qualitative factors that led to our conclusion were: (i) that our last quantitative goodwill impairment analysis indicated that the fair value of our reporting unit significantly exceeded the carrying amount; (ii) that our last quantitative indefinite-lived intangible asset impairment analysis indicated that the fair value of our units of accounting significantly exceeded the carrying amount; (iii) the increase in our share price and market capitalization since our last quantitative annual goodwill impairment analysis; (iv) the increase in our assets under management and related cash flows since our last quantitative indefinite-lived intangible asset impairment analysis; (v) that we continue to show positive financial performance overall; and (vi) positive operating margins of the underlying funds that represent the indefinite-lived intangible assets recorded. During the year ended December 31, 2015, no events or circumstances occurred that indicated the carrying value of definite-lived intangible assets might be impaired and therefore no quantitative impairment tests were performed during this period.

No impairments have been identified or recorded by the Company for the year ended December 31, 2015.

Significant deterioration in markets or declines in revenues or in the value of the Company could result in future impairment charges.

Revenue Recognition

Investment management fees, distribution and service fees and administration and transfer agent fees are recorded as revenues during the period in which services are performed. Investment management fees are earned based upon a percentage of assets under management and are paid pursuant to the terms of the respective investment management contracts, which generally require monthly or quarterly payment. We account for investment management fees in accordance with ASC 605, Revenue Recognition, and have recorded our management fees net of fees paid to unaffiliated subadvisers. We consider the nature of our contractual arrangements in determining whether to recognize revenue based on the gross amount billed or net amount retained. We have evaluated the factors in ASC 605-45 in determining whether to record revenue on a gross or net basis with significant weight placed on: (i) if we are the primary obligor in the arrangement; and (ii) if we have latitude in establishing price. Amounts paid to unaffiliated subadvisers for the years ended December 31, 2015, 2014 and 2013 were $76.4 million, $124.4 million and $96.1 million, respectively.

Investment management fees are calculated based on our assets under management. We rely on data provided to us by service providers to our mutual funds in the pricing of assets under management which are not reflected within our consolidated financial statements. Our mutual funds and the service providers to the funds we manage have formal pricing policies and procedures over pricing of investments. As of December 31, 2015, our total assets under

management by fair value hierarchy level as defined by ASC 820, Fair Value Measurements and Disclosures, was approximately 57.5% Level 1, 42.4% Level 2 and 0.1% Level 3.

Distribution and service fees are earned based on a percentage of assets under management and are paid monthly pursuant to the terms of the respective distribution and service fee contracts.

Administration and transfer agent fees consist of fund administration fees, transfer agent fees and fiduciary fees. Fund administration fees are earned based on the average daily assets in the funds. Transfer agent fees are earned based on the average daily assets in the funds. Fiduciary fees are recorded monthly based on the number of 401(k) accounts. We utilize outside service providers to perform some of the functions related to fund administration and shareholder services.

Other income and fees consist primarily of redemption income on the early redemption of certain share classes of mutual funds and brokerage commissions and fees earned for the distribution of nonaffiliated products. Commissions earned (and related expenses) are recorded on a trade date basis and are computed based upon contractual agreements.

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Accounting for Income Taxes

We account for income taxes in accordance with ASC 740, Income Taxes, which requires recognition of the amount of taxes payable or refundable for the current year, as well as deferred tax liabilities and assets for the future tax consequences of events that have been included in our financial statements or tax returns. Deferred tax liabilities and assets result from differences between the book value and tax basis of our assets, liabilities and carry-forwards, such as net operating losses or tax credits. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Our policy is to record interest and penalties related to income taxes as a component of income tax expense.

Significant judgment is required in determining the provision for income taxes and, in particular, any valuation allowance that is recorded against our deferred tax assets. Our methodology for determining the realizability of deferred tax assets includes consideration of taxable income in prior carryback year(s) if carryback is permitted under the tax law, as well as consideration of the reversal of deferred tax liabilities that are in the same period and jurisdiction and are of the same character as the temporary differences that gave rise to the deferred tax assets. Our methodology also includes estimates of future taxable income from our operations, as well as the expiration dates and amounts of carryforwards related to net operating losses and capital losses. These estimates are projected through the life of the related deferred tax assets based on assumptions that we believe to be reasonable and consistent with demonstrated operating results. Changes in future operating results not currently forecasted may have a significant impact on the realization of deferred tax assets. Valuation allowances are provided when it is determined that it is more likely than not that the benefit of deferred tax assets will not be realized.

Loss Contingencies

The likelihood that a loss contingency exists is evaluated using the criteria of ASC 450, Loss Contingencies, and an accrued liability is recorded if the likelihood of a loss is considered both probable and reasonably estimable at the date of the consolidated financial statements.

We believe that we have considered relevant circumstances that we may be currently subject to, and the consolidated financial statements accurately reflect our reasonable estimate of the results of our operations, financial condition and cash flows for the years presented.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

Substantially all of our revenues are derived from investment management, distribution and service, and administration and transfer agent fees, which are based on the market value of assets under management. Accordingly, a decline in the financial markets and prices of securities would cause our revenues and income to decline due to a decrease in the value of the assets under management. In addition, a decline in security prices could cause our clients to withdraw their investments in favor of other investments offering higher returns or lower risk, which would cause our revenues and income to decline.

We are also subject to market risk due to a decline in the market value of our investments, consisting primarily of marketable securities. At December 31, 2015, the fair value of marketable securities was $295.7 million. Assuming a 10.0% increase or decrease in the fair value of marketable securities at December 31, 2015, our net income attributable to common stockholders would change by $17.9 million, and our total comprehensive income would change by $18.0 million, in each case for the year ended December 31, 2015.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2015, we were exposed to interest rate risk as a result of holding investments in fixed-income sponsored funds of $457.6 million. Assuming a 1.0% increase or decrease in interest rates, the fair value of our fixed income investments would change by $4.4 million for the year ended December 31, 2015.

At December 31, 2015, we had no amounts outstanding under our Credit Facility. Amounts outstanding under the Credit Facility bear interest at an annual rate equal to, at our option, either LIBOR for interest periods of one, two, three or six months or an alternate base rate (as defined in the Credit Facility agreement), plus, in each case, an applicable margin, that ranges from 0.75% to 2.50%.

At December 31, 2015, the SPE that we consolidate had $152.6 million outstanding under a loan and security agreement. Amounts outstanding under the loan and security agreement bear interest at an annual rate equal to LIBOR for interest periods of three months plus, in each case, an applicable margin, that ranges from 1.25% to 2.00%.

Item 8. Financial Statements and Supplementary Data.

The audited Consolidated Financial Statements, including the Report of Independent Registered Public Accounting Firm and the required supplementary quarterly information, required by this item are presented under Item 15 beginning on page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2015, the end of the period covered by this Annual Report on Form 10-K.

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Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. 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 risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policy or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015 based upon the Internal Control-Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, as stated in their report, which is included in Item 15 of this Annual Report on Form 10-K.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information concerning the Company's directors and nominees under the caption "Item 1—Election of Directors," information concerning the Audit Committee and the "audit committee financial expert" under the caption "Corporate Governance—Audit Committee," information concerning the Company's executive officers under the caption "Executive Officers," and the information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the Company's 2016 Annual Meeting of Shareholders, are incorporated herein by reference.

The Company has adopted a Code of Conduct that applies to the Company's Chief Executive Officer, senior financial officers and all other Company employees, officers and Board members. The Code of Conduct is available on the Company's website, www.virtus.com, under "Investor Relations," and is available in print to any person who requests it. Any substantive amendment to the Code of Conduct and any waiver in favor of a Board member or an executive officer may only be granted by the Board of Directors and will be publicly disclosed on the Company's website, www.virtus.com, under "About Us," "Investor Relations."

The information concerning procedures by which shareholders may recommend director nominees set forth under the caption "Corporate Governance—Governance Committee—Director Nomination Process" in the Company's Proxy Statement for the Company's 2016 Annual Meeting of Shareholders is incorporated herein by reference.

Item 11. Executive Compensation.

The information relating to executive compensation and the Company's policies and practices as they relate to the Company's risk management is set forth under the captions "Executive Compensation," "Director Compensation," "Corporate Governance—Compensation Committee—Risks Related to Compensation Policies and Practices" and "Corporate Governance—Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement for the Company's 2016 Annual Meeting of Shareholders and is incorporated herein by reference. The information included under the caption "Executive Compensation—Report of the Compensation Committee" in the Company's Proxy Statement for the Company's 2016 Annual Meeting of Shareholders is incorporated herein by reference but shall be deemed "furnished" (and not "filed") with this report.

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

The information set forth under the caption "Security Ownership by Certain Beneficial Owners and Management" in the Company's Proxy Statement for the Company's 2016 Annual Meeting of Shareholders is incorporated herein by reference.

The following table sets forth information as of December 31, 2015 with respect to compensation plans under which shares of our common stock may be issued:

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b) (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities

			reflected in column (a)(c)
Equity compensation plans approved by security holders (2)	348,253	$ 18.78	322,986
Equity compensation plans not approved by security holders	—	—	—
Total	348,253	$ 18.78	322,986

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(1) The weighted-average exercise price set forth in this column is calculated excluding outstanding restricted stock unit awards ("RSUs") since recipients of such awards are not required to pay an exercise price to receive the shares subject to these awards. The weighted-average exercise price of outstanding options, warrants and rights, including RSUs, was $8.45.

(2) Represents 156,636 shares of common stock issuable upon the exercise of stock options and 191,617 shares of our common stock issuable upon the vesting of RSUs outstanding under the Company's Omnibus Incentive and Equity Plan (the "Omnibus Plan"). Of the 1,800,000 maximum number of shares of our common stock authorized for issuance under the Omnibus Plan, 80,639 shares of common stock have been issued on a cumulative basis in the form of direct grants to directors.

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

The information set forth under the captions "Corporate Governance—Transactions with Related Persons" and "Corporate Governance—Director Independence" in the Company's Proxy Statement for the Company's 2016 Annual Meeting of Shareholders is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information regarding auditors fees and services and the Company's pre-approval policies and procedures for audit and non-audit services to be provided by the Company's independent registered public accounting firm set forth under the caption "Item 3—Ratification of the Appointment of the Independent Registered Public Accounting Firm" in the Company's Proxy Statement for the 2016 Annual Meeting of Shareholders is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements: The following Report of Independent Registered Public Accounting Firm and Consolidated Financial Statements of Virtus are included in this Annual Report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2015 and 2014

Consolidated Statements of Operations for the Years Ended December 31, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2015, 2014 and 2013

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules:

All financial statement schedules have been omitted because the required information is either presented in the consolidated financial statements or the notes thereto or is not applicable or required.

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(a)(3) Exhibits:

The following exhibits are filed herewith or incorporated herein by reference:

Exhibit Number	Exhibit Description
(2)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession
2.1	Separation Agreement, Plan of Reorganization and Distribution by and between The Phoenix Companies, Inc. and the Registrant, dated as of December 18, 2008 (incorporated by reference to Exhibit 2.1 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).
(3)	Articles of Incorporation and Bylaws
3.1	Amended and Restated Certificate of Incorporation of the Registrant, dated December 18, 2008 (incorporated by reference to Exhibit 3.1 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).
3.2	Amended and Restated Bylaws of the Registrant, as adopted on January 28, 2010 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed February 2, 2010).
3.3	Certificate of Designations of Series A Non-Voting Convertible Preferred Stock and Series B Voting Convertible Preferred Stock of the Registrant, dated October 31, 2008 (incorporated by reference to Exhibit 4.2 of the Registrant's Amendment No. 2 to Form 10, filed November 14, 2008).
3.4	Certificate of Amendment of the Certificate of Designations of Series A Non-Voting Convertible Preferred Stock and Series B Voting Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q, filed August 13, 2009).
3.5	Certificate of Designations of Series C Junior Participating Preferred Stock of the Registrant, dated December 29, 2008 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed January 2, 2009).
(4)	Instruments Defining the Rights of Security Holders, Including Indentures
4.1	Note in favor of The Bank of New York Mellon as Lender, dated September 1, 2009 (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K, filed September 4, 2009).
4.2	Note in favor of PNC Bank, National Association as Lender, dated September 1, 2009 (incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K, filed September 4, 2009).
(10)	Material Contracts
10.1	Transition Services Agreement by and between The Phoenix Companies, Inc. and the Registrant, dated as of December 18, 2008 (incorporated by reference to Exhibit 10.1 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).
10.2	Tax Separation Agreement by and between The Phoenix Companies, Inc. and the Registrant, dated December 18, 2008 (incorporated by reference to Exhibit 10.2 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).
10.3	Amendment to Tax Separation Agreement, dated April 8, 2009, by and between The Phoenix Companies, Inc. and the Registrant, dated as of December 18, 2008 (incorporated by reference to Exhibit 10.15 of the Registrant's Annual Report on Form 10-K, filed April 10, 2009).
10.4	

Employee Matters Agreement by and between The Phoenix Companies, Inc. and the Registrant, dated December 18, 2008 (incorporated by reference to Exhibit 10.3 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).

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*10.5	Change in Control Agreement between George R. Aylward and the Registrant, effective as of December 31, 2008 (incorporated by reference to Exhibit 10.4 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).
*10.6	Amended and Restated Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan, effective as of January 1, 2014 (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed May 16, 2014).
*10.7	Virtus Investment Partners, Inc. Non-Qualified Excess Investment Plan, effective as of November 1, 2008 (incorporated by reference to Exhibit 10.6 of the Registrant's Amendment No. 2 to Form 10, filed November 14, 2008).
*10.8	First Amendment to the Virtus Investment Partners, Inc. Non-Qualified Excess Investment Plan, effective as of February 1, 2010 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed May 4, 2010).
*10.9	Virtus Investment Partners, Inc. Amended and Restated Executive Severance Allowance Plan, effective as of February 2, 2009 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed February 4, 2009).
10.10	Investment and Contribution Agreement by and among Phoenix Investment Management Company, the Registrant, Harris Bankcorp, Inc. and The Phoenix Companies, Inc., dated as of October 30, 2008 (incorporated by reference to Exhibit 10.8 of the Registrant's Amendment No. 2 to Form 10, filed November 14, 2008).
10.11	Annex A to the Investment and Contribution Agreement by and among Phoenix Investment Management Company, the Registrant, Harris Bankcorp, Inc. and The Phoenix Companies, Inc., dated October 30, 2008 (incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K, filed March 1, 2011).
10.12	Transaction Agreement by and among Harris Investment Management, Inc., Phoenix Investment Counsel, Inc., Harris Financial Corp. and Phoenix Investment Partners, LTD., dated as of March 28, 2006 (incorporated by reference Exhibit 6.01 of the Schedule 13D, filed January 12, 2009 by Bank of Montreal, Harris Financial Corp. and Harris Bankcorp, Inc.).
10.13	Strategic Partnership Agreement by and between Harris Investment Management, Inc. and Phoenix Investment Counsel, Inc., dated as of March 28, 2006 (incorporated by reference to Exhibit 6.02 of the Schedule 13D, filed January 12, 2009 by Bank of Montreal, Harris Financial Corp. and Harris Bankcorp, Inc.).
*10.14	Form of Non-Qualified Stock Option Agreement under the Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q, filed May 13, 2009).
*10.15	Form of Restricted Stock Units Agreement under the Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q, filed May 13, 2009).
*10.16	Form of Performance Share Units Agreement under the Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.30 of the Registrant's Quarterly Report on Form 10-Q, filed August 5, 2011).
10.17	Amended and Restated Credit Agreement, dated as of September 10, 2012 among the Registrant, as Borrower, the lenders party thereto, PNC Bank, National Association, as Syndication Agent, and The Bank of New York Mellon, as Administrative Agent, as Swingline Lender and as Issuing Bank (the "Credit Agreement") (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed November 7, 2012).

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10.18	Amendment No. 1, dated as of July 2, 2013, to the Credit Agreement, dated as of September 10, 2012, among the Registrant, as Borrower, the lenders party thereto, PNC Bank, National Association, as Syndication Agent, and The Bank of New York Mellon, as Administrative Agent, as Swingline Lender and as Issuing Bank (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed August 2, 2013).
10.19	Amendment No. 2, dated as of September 18, 2013, to the Credit Agreement, dated as of September 10, 2012, among the Registrant, as Borrower, the lenders party thereto, PNC Bank, National Association, as Syndication Agent, and The Bank of New York Mellon, as Administrative Agent, as Swingline Lender and as Issuing Bank (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed November 4, 2013).
10.20	Guarantee Agreement among the Registrant, each of the subsidiary guarantors party thereto and The Bank of New York Mellon, as Administrative Agent, dated as of September 1, 2009 (incorporated by reference to Exhibit 10.24 of the Registrant's Annual Report on Form 10-K, filed March 1, 2011).
10.21	Reaffirmation of Guarantee among the Registrant as Borrower, each of the subsidiary guarantors party thereto and the Bank of New York Mellon, as Administrative Agent, as Swingline Lender and as Issuing Bank under the Credit Agreement (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q, filed November 7, 2012).
10.22	Security Agreement among the Registrant, each of the other grantors party thereto and The Bank of New York Mellon, as Administrative Agent, dated as of September 1, 2009 (incorporated by reference to Exhibit 10.25 of the Registrant's Annual Report on Form 10-K, filed March 1, 2011).
10.23	Amendment No. 1, dated as of September 10, 2012, to the Security Agreement, dated as of September 1, 2009, among the Registrant, as Borrower, each of the subsidiary guarantors party thereto, and the Bank of New York Mellon, as Administrative Agent under the Credit Agreement (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q, filed November 7, 2012).
*10.24	Form of Indemnity Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, filed November 4, 2009).
*10.25	Offer Letter from the Registrant to Jeffrey T. Cerutti dated May 18, 2010 (incorporated by reference to Exhibit 10.27 of the Registrant's Annual Report on Form 10-K, filed March 1, 2011).
10.26	Conversion and Voting Agreement, dated as of October 27, 2011, between BMO, Inc. (f/k/a Harris Bankcorp, Inc.) and the Registrant (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed November 2, 2011).
*10.27	Offer Letter from the Registrant to Mark S. Flynn dated December 9, 2010 (incorporated by reference to Exhibit 10.31 of the Registrant's Annual Report on Form 10-K, filed March 1, 2012).
10.28	Amendment No. 3 dated as of December 4, 2013 to the Credit Agreement, dated as of September 10, 2012, among the Registrant, as Borrower, the lenders party thereto, PNC Bank, National Association, as Syndication Agent, and The Bank of New York Mellon, as Administrative Agent, as Swingline Lender and as Issuing Bank (incorporated by reference to Exhibit 10.29 of the Registrant's Annual Report on Form 10-K, filed February 24, 2014).
10.29	Amendment No. 2, dated as of December 4, 2013, to the Security Agreement, dated as of September 1, 2009, among the Registrant, as Borrower, each of the subsidiary guarantors party thereto, and the Bank of New York Mellon, as Administrative Agent under the Credit Agreement (incorporated by reference to Exhibit 10.30 of the Registrant's Annual Report on Form 10-K, filed February 24, 2014).

10.30	Amendment No. 4, dated as of August 12, 2015, to the Credit Agreement, dated as of September 10, 2012, among the Registrant, as Borrower, the lenders party thereto, PNC Bank National Association, as syndication agent, and the Bank of New York Mellon, as Administrative Agent, the Swingline Lender, and as Issuing Bank (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed October 30, 2015).
(21)	Subsidiaries of the Registrant
21.1	Virtus Investment Partners, Inc., Subsidiaries List.

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(23)	Consents of Experts and Counsel
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certifications of Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Registrant's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following information formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2015 and December 31, 2014, (ii) Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, (v) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013 and (iv) Notes to Consolidated Financial Statements.

* Management contract, compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs at the date they were made or at any other time.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 24, 2016

Virtus Investment Partners, Inc.

By: /S/ MICHAEL A. ANGERTHAL
Michael A. Angerthal
Executive Vice President
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of February 24, 2016.

/S/ MARK C. TREANOR
Mark C. Treanor
Director and Non-Executive Chairman

/S/ GEORGE R. AYLWARD
George R. Aylward
President, Chief Executive Officer and Director
(Principal Executive Officer)

/S/ JAMES R. BAIO
James R. Baio
Director

/S/ DIANE M. COFFEY
Diane M. Coffey
Director

/S/ SUSAN S. FLEMING
Susan S. Fleming
Director

/S/ TIMOTHY A. HOLT
Timothy A. Holt
Director

/S/ MELODY L. JONES
Melody L. Jones
Director

/S/ RUSSEL C. ROBERTSON
Russel C. Robertson
Director

/S/ EDWARD M. SWAN, JR.
Edward M. Swan, Jr.
Director

/S/ STEPHEN T. ZARRILLI
Stephen T. Zarrilli
Director

/S/ MICHAEL A. ANGERTHAL
Michael A. Angerthal
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Virtus Investment Partners, Inc.
In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Virtus Investment Partners, Inc. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.
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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
February 24, 2016

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Virtus Investment Partners, Inc.
Consolidated Balance Sheets

	December 31, 2015	December 31, 2014
Assets:		
Cash and cash equivalents	$87,574	$202,847
Investments	56,738	63,448
Accounts receivable, net	38,757	49,721
Assets of consolidated sponsored investment products		
Cash of consolidated sponsored investment products	1,513	457
Cash pledged or on deposit of consolidated sponsored investment products	10,353	8,230
Investments of consolidated sponsored investment products	323,335	236,652
Other assets of consolidated sponsored investment products	8,549	6,960
Assets of consolidated investment product		
Cash equivalents of consolidated investment product	8,297	—
Investments of consolidated investment product	199,485	—
Other assets of consolidated investment product	1,467	—
Furniture, equipment, and leasehold improvements, net	9,116	7,193
Intangible assets, net	40,887	41,783
Goodwill	6,701	5,260
Deferred taxes, net	54,143	60,162
Other assets	12,814	16,060
Total assets	$859,729	$698,773
Liabilities and Equity		
Liabilities:		
Accrued compensation and benefits	$49,617	$54,815
Accounts payable and accrued liabilities	23,036	31,627
Dividends payable	4,233	4,270
Other liabilities	13,051	9,082
Liabilities of consolidated sponsored investment products	15,387	12,556
Liabilities of consolidated investment product		
Debt of consolidated investment product	152,597	—
Securities purchased payable and other liabilities of consolidated investment product	18,487	—
Total liabilities	276,408	112,350
Commitments and Contingencies (Note 10)		
Redeemable noncontrolling interests	73,864	23,071
Equity:		
Equity attributable to stockholders:		
Common stock, $0.01 par value, 1,000,000,000 shares authorized; 9,613,088 shares issued and 8,398,944 shares outstanding at December 31, 2015 and 9,551,274 shares issued and 8,975,833 shares outstanding at December 31, 2014	96	96
Additional paid-in capital	1,140,875	1,148,908
Accumulated deficit	(472,614)	(507,521)
Accumulated other comprehensive loss	(1,034)	(242)
Treasury stock, at cost, 1,214,144 and 575,441 shares at December 31, 2015 and December 31, 2014, respectively	(157,699)	(77,699)
Total equity attributable to stockholders	509,624	563,542
Noncontrolling interests	(167)	(190)
Total equity	509,457	563,352

Total liabilities and equity	$859,729	$698,773

The accompanying notes are an integral part of these consolidated financial statements.

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Virtus Investment Partners, Inc.
Consolidated Statements of Operations

($ in thousands, except per share data)	Years Ended December 31, 2015	2014	2013
Revenues			
Investment management fees	$264,865	$300,663	$260,557
Distribution and service fees	67,066	91,950	78,965
Administration and transfer agent fees	48,247	56,016	48,185
Other income and fees	1,799	1,969	1,508
Total revenues	381,977	450,598	389,215
Operating Expenses			
Employment expenses	137,095	139,809	131,768
Distribution and other asset-based expenses	89,731	123,665	97,786
Other operating expenses	63,901	46,531	38,321
Other operating expenses of consolidated sponsored investment products	4,134	3,038	798
Restructuring and severance	—	294	203
Depreciation and other amortization	3,443	2,763	2,422
Amortization expense	3,295	3,778	4,413
Total operating expenses	301,599	319,878	275,711
Operating Income	80,378	130,720	113,504
Other Income (Expense)			
Realized and unrealized (loss) gain on investments, net	(862)	914	2,350
Realized and unrealized (loss) gain on investments of consolidated sponsored investment products, net	(23,181)	(4,648)	3,515
Realized and unrealized loss on investments of consolidated investment product, net	(3,505)	—	—
Other income, net	898	891	74
Total other (expense) income, net	(26,650)	(2,843)	5,939
Interest Income (Expense)			
Interest expense	(523)	(537)	(782)
Interest and dividend income	1,261	1,706	664
Interest and dividend income of investments of consolidated sponsored investment products	11,504	7,268	2,583
Interest income of investments of consolidated investment product, net	1,673	—	—
Total interest income, net	13,915	8,437	2,465
Income Before Income Taxes	67,643	136,314	121,908
Income tax expense	36,972	39,349	44,778
Net Income	30,671	96,965	77,130
Noncontrolling interests	4,435	735	(1,940)
Net Income Attributable to Common Stockholders	$35,106	$97,700	75,190
Earnings per Share-Basic	$3.99	$10.75	9.18
Earnings per Share-Diluted	$3.92	$10.51	8.92
Cash Dividends Declared per Share	$		