VIRTUS INVESTMENT PARTNERS, INC.
Form 10-Q
May 03, 2016

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
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: 001-10994

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) (Zip Code)
(800) 248-7971
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x 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). YES x NO ¨
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 the 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 Exchange Act). YES ¨ NO x
The number of shares outstanding of the registrant's common stock was 8,263,443 as of April 25, 2016.

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"We," "us," "our," the "Company" and "Virtus" as used in this Quarterly Report on Form 10-Q, refer to Virtus Investment Partners, Inc., a Delaware corporation, and its subsidiaries.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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Virtus Investment Partners, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

($ in thousands, except share data)	March 31, 2016	December 31, 2015
Assets:		
Cash and cash equivalents	$50,402	$ 87,574
Investments	95,894	56,738
Accounts receivable, net	37,939	38,757
Assets of consolidated sponsored investment products		
Cash of consolidated sponsored investment products	1,409	1,513
Cash pledged or on deposit of consolidated sponsored investment products	7,639	10,353
Investments of consolidated sponsored investment products	199,630	323,335
Other assets of consolidated sponsored investment products	63,929	8,549
Assets of consolidated investment product		
Cash equivalents of consolidated investment product	7,440	8,297
Investments of consolidated investment product	193,663	199,485
Other assets of consolidated investment product	1,585	1,467
Furniture, equipment and leasehold improvements, net	8,692	9,116
Intangible assets, net	40,236	40,887
Goodwill	6,703	6,701
Deferred taxes, net	49,085	54,143
Other assets	17,058	12,814
Total assets	$781,304	$ 859,729
Liabilities and Equity		
Liabilities:		
Accrued compensation and benefits	$15,035	$ 49,617
Accounts payable and accrued liabilities	20,563	23,036
Dividends payable	4,173	4,233
Other liabilities	13,493	13,051
Liabilities of consolidated sponsored investment products	20,211	15,387
Liabilities of consolidated investment product		
Debt of consolidated investment product	155,464	152,597
Securities purchased payable and other liabilities of consolidated investment product	6,554	18,487
Total liabilities	235,493	276,408
Commitments and Contingencies (Note 11)		
Redeemable noncontrolling interests	40,425	73,864
Equity:		
Equity attributable to stockholders:		
Common stock, $0.01 par value, 1,000,000,000 shares authorized; 9,650,179 shares issued and 8,259,831 shares outstanding at March 31, 2016 and 9,613,088 shares issued and 8,398,944 shares outstanding at December 31, 2015	97	96
Additional paid-in capital	1,139,181	1,140,875
Accumulated deficit	(460,251)	(472,614)
Accumulated other comprehensive loss	(775)	(1,034)
Treasury stock, at cost, 1,390,348 and 1,214,144 shares at March 31, 2016 and December 31, 2015, respectively	(172,699)	(157,699)
Total equity attributable to stockholders	505,553	509,624

Noncontrolling interests	(167)	(167)
Total equity	505,386	509,457
Total liabilities and equity	$781,304	$ 859,729

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

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Virtus Investment Partners, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
($ in thousands, except per share data)		
Revenues		
Investment management fees	$57,644	$70,496
Distribution and service fees	12,478	19,598
Administration and transfer agent fees	9,998	13,042
Other income and fees	175	695
Total revenues	80,295	103,831
Operating Expenses		
Employment expenses	35,977	35,622
Distribution and other asset-based expenses	18,101	24,507
Other operating expenses	10,765	16,726
Other operating expenses of consolidated sponsored investment products	1,133	818
Other operating expenses of consolidated investment product	56	—
Depreciation and other amortization	862	779
Amortization expense	651	837
Total operating expenses	67,545	79,289
Operating Income	12,750	24,542
Other Income (Expense)		
Realized and unrealized (loss) gain on investments, net	(658)	545
Realized and unrealized gain on investments of consolidated sponsored investment products, net	295	2,590
Realized and unrealized gain on investments of consolidated investment product, net	2,235	—
Other income, net	228	435
Total other income, net	2,100	3,570
Interest Income (Expense)		
Interest expense	(132)	(123)
Interest and dividend income	273	280
Interest and dividend income of investments of consolidated sponsored investment products	2,961	2,324
Interest income of investments of consolidated investment product	1,474	—
Total interest income, net	4,576	2,481
Income Before Income Taxes	19,426	30,593
Income tax expense	7,556	10,868
Net Income	11,870	19,725
Noncontrolling interests	493	(383)
Net Income Attributable to Common Stockholders	$12,363	$19,342
Earnings per Share—Basic	$1.48	$2.16
Earnings per Share—Diluted	$1.45	$2.11
Cash Dividends Declared per Share	$0.45	$0.45
Weighted Average Shares Outstanding—Basic (in thousands)	8,344	8,964
Weighted Average Shares Outstanding—Diluted (in thousands)	8,506	9,151

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

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Virtus Investment Partners, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

($ in thousands)	Three Months Ended March 31, 2016	2015
Net Income	$11,870	$19,725
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment, net of tax of ($61) and $165 for the three months ended March 31, 2016 and 2015, respectively	99	(271)
Unrealized gain on available-for-sale securities, net of tax of ($97) and ($1) for the three months ended March 31, 2016 and 2015, respectively	160	4
Other comprehensive income (loss)	259	(267)
Comprehensive income	12,129	19,458
Comprehensive loss (income) attributable to noncontrolling interests	493	(383)
Comprehensive Income Attributable to Common Stockholders	$12,622	$19,075

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

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Virtus Investment Partners, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
($ in thousands)		
Cash Flows from Operating Activities:		
Net income	$11,870	$19,725
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense, intangible asset and other amortization	1,573	1,671
Stock-based compensation	3,270	3,063
Excess tax benefits from stock-based compensation	(130)	(1,314)
Amortization of deferred commissions	763	3,064
Payments of deferred commissions	(500)	(1,168)
Equity in earnings of equity method investments	(218)	(425)
Realized and unrealized losses (gains) on trading securities, net	658	(545)
Realized and unrealized gains on investments of consolidated sponsored investment products, net	(683)	(1,659)
Realized and unrealized gains on investments of consolidated investment product, net	(2,235)	—
Sales of trading securities, net	11,197	8,710
Purchases of investments by consolidated sponsored investment products, net	(21,545)	(16,583)
(Purchases) sales of securities sold short by consolidated sponsored investment products, net	(3,655)	1,533
Purchases of investments by consolidated investment product, net	(4,079)	—
Deferred taxes, net	4,900	2,368
Changes in operating assets and liabilities:		
Cash pledged or on deposit of consolidated sponsored investment products	1,682	(2,245)
Accounts receivable, net and other assets	(4,944)	(6,054)
Other assets of consolidated sponsored investment products	(1,292)	(81)
Other assets of consolidated investment product	(163)	—
Accrued compensation and benefits, accounts payable, accrued liabilities and other liabilities	(35,710)	(35,020)
Liabilities of consolidated sponsored investment products	618	108
Liabilities of consolidated investment product, net	248	—
Net cash used in operating activities	(38,375)	(24,852)
Cash Flows from Investing Activities:		
Capital expenditures	(591)	(1,397)
Change in cash and cash equivalents of consolidated sponsored investment products due to deconsolidation	103	—
Purchases of other investments	(759)	—
Purchases of available-for-sale securities	(60)	(43)
Net cash used in investing activities	(1,307)	(1,440)
Cash Flows from Financing Activities:		
Borrowings of proceeds from short sales by consolidated sponsored investment products	—	921
Payments on borrowings by consolidated sponsored investment products	(1,839)	—
Borrowings of debt of consolidated investment product	2,867	—
Dividends paid	(3,911)	(4,129)
Repurchases of common shares	(15,000)	(14,000)

Proceeds from exercise of stock options	375	54
Taxes paid related to net share settlement of restricted stock units	(1,001)	(4,122)
Excess tax benefits from stock-based compensation	130	1,314
Contributions of noncontrolling interests, net	19,928	11,039
Net cash provided by (used in) financing activities	1,549	(8,923)
Net decrease in cash and cash equivalents	(38,133)	(35,215)
Cash and cash equivalents, beginning of period	97,384	203,304
Cash and Cash Equivalents, End of Period	$59,251	$168,089
Non-Cash Investing Activities:		
Change in accrual for capital expenditures	$(153)	$458
Non-Cash Financing Activities:		
(Decrease) increase to noncontrolling interest due to (deconsolidation) consolidation of consolidated sponsored investment products, net	$(52,874)	$450
Dividends payable	$4,173	$4,095

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

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Virtus Investment Partners, Inc.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

($ in thousands except per share data)	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total Attributed To Stockholders	Non-controlling Interests	Total Equity
Balances at December 31, 2014	8,975,833	$96	$1,148,908	$(507,521)	$(242)	575,441	$(77,699)	$563,542	$(190)	$563,352
Net income (loss)	—	—	—	19,342	—	—	—	19,342	(34)	19,308
Net unrealized gain on securities available-for-sale	—	—	—	—	4	—	—	4	—	4
Foreign currency translation adjustments	—	—	—	—	(271)	—	—	(271)	—	(271)
Activity of noncontrolling interests, net	—	—	—	—	—	—	—	—	—	—
Cash dividends declared ($0.45 per common share)	—	—	(4,095)	—	—	—	—	(4,095)		(4,095)
Repurchases of common shares	(103,818)	—	—	—	—	103,818	(14,000)	(14,000)	—	(14,000)
Issuance of common shares related to employee stock transactions	39,851	—	54	—	—	—	—	54	—	54
Taxes paid on stock-based compensation	—	—	(4,122)	—	—	—	—	(4,122)	—	(4,122)
Stock-based compensation	—	—	3,784	—	—	—	—	3,784	—	3,784
Excess tax benefits from stock-based compensation	—	—	1,130	—	—	—	—	1,130	—	1,130
Balances at March 31, 2015	8,911,866	$96	$1,145,659	$(488,179)	$(509)	679,259	$(91,699)	$565,368	$(224)	$565,144
Balances at December 31, 2015	8,398,944	$96	$1,140,875	$(472,614)	$(1,034)	1,214,144	$(157,699)	$509,624	$(167)	$509,457
Net income (loss)	—	—	—	12,363	—	—	—	12,363	—	12,363
Net unrealized gain on securities	—	—	—	—	160	—	—	160	—	160

available-for-sale										
Foreign currency translation adjustments	—	—	—	—	99	—	—	99	—	99
Activity of noncontrolling interests, net	—	—	—	—	—	—	—	—	—	—
Cash dividends declared ($0.45 per common share)	—	—	(3,850)	—	—	—	—	(3,850)	—	(3,850)
Repurchases of common shares	(176,204)	—	—	—	—	176,204	(15,000)	(15,000)	—	(15,000)
Issuance of common shares related to employee stock transactions	37,091	1	374	—	—	—	—	375	—	375
Taxes paid on stock-based compensation	—	—	(1,001)	—	—	—	—	(1,001)		(1,001)
Stock-based compensation	—	—	4,029	—	—	—	—	4,029	—	4,029
Tax deficiencies from stock-based compensation	—	—	(1,246)	—	—	—	—	(1,246)	—	(1,246)
Balances at March 31, 2016	8,259,831	$97	$1,139,181	$(460,251)	$(775)	1,390,348	$(172,699)	$505,553	$(167)	$505,386

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

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Virtus Investment Partners, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Business

Virtus Investment Partners, Inc. (the “Company,” “we,” “us,” “our” or “Virtus”), a Delaware corporation, operates in the investment management industry through its subsidiaries.

The Company provides investment management and related services to individuals and institutions throughout the United States of America. The Company’s retail investment management services are provided to individuals through products consisting of open-end mutual funds, closed-end funds, exchange traded funds ("ETFs"), variable insurance funds, Undertaking for Collective Investment in Transferable Securities (“UCITS”) and separately managed accounts. Institutional investment management services are provided to corporations, multiemployer retirement funds, employee retirement systems, foundations, endowments and as a subadviser to unaffiliated mutual funds.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company’s financial condition and results of operations. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. The Company has reclassified certain amounts in prior-period financial statements to conform to the current period's presentation.

The condensed consolidated financial statements include the accounts of the Company, its subsidiaries and investment products that are consolidated. Voting interest entities ("VOEs") are consolidated when the Company is considered to have a controlling financial interest which is typically present when the Company owns a majority of the voting interest in an entity or otherwise has the power to govern the financial and operating policies of the subsidiary or investment product.

The Company evaluates any variable interest entities (“VIEs”) in which the Company has 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 through voting or similar rights to direct the activities that most significantly impact the entity’s economic 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 an investor with disproportionately fewer voting rights. If any entity has any of these characteristics, it is considered a VIE and is 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.

The Company's investment products that are consolidated are referred to as consolidated sponsored investment products or the consolidated investment product. Consolidated sponsored investment products are investment products in which the Company generally holds a majority of the economic interests. The consolidated investment product is a special purpose entity ("SPE") that was created specifically to accumulate bank loan assets for securitization as a potential consolidated loan obligation ("CLO"). The Company does not hold a majority of the economic interests of the consolidated investment product. The consolidation and deconsolidation of these investment products have no impact on net income attributable to stockholders. The Company’s risk with respect to these investments is limited to its investment in these products and the investment management fee it earns. The Company has no right to the benefits from, and does not bear the risks associated with these investment products, beyond the Company’s investments in, and fees generated from these products. The Company does not consider cash and investments held by the investment products it consolidates to be assets of the Company other than its direct investment in these products. See Note 12 for additional information related to the consolidation of sponsored investment products and the investment product. Intercompany accounts and transactions have been eliminated.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended

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December 31, 2015 filed with the Securities and Exchange Commission. The Company’s significant accounting policies, which have been consistently applied, are summarized in its 2015 Annual Report on Form 10-K.

New Accounting Standards Implemented

The Company adopted ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02") on January 1, 2016. This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain entities. Adoption of this standard did not have a material impact on the Company’s condensed consolidated financial statements. Certain unconsolidated entities that had been classified as VOEs under previous consolidation guidance are now classified as VIEs under ASU 2015-02. As such, disclosure for VIEs is included in Note 12 to the condensed consolidated financial statements.

The Company adopted ASU No. 2014-13, Measuring the Financial Assets and Financial Liabilities of a Consolidated Collateralized Financing Entity (“CFE”) ("ASU 2014-13") on January 1, 2016. This new guidance requires reporting entities to use the more observable of the fair value of the financial assets or the financial liabilities to measure the financial assets and the financial liabilities of a CFE when a CFE is initially consolidated. It permits entities to make an accounting policy election to apply this same measurement approach after initial consolidation or to apply other GAAP to account for the consolidated CFE’s financial assets and financial liabilities. It also prohibits all entities from electing to use the fair value option in ASC 825, Financial Instruments, to measure either the financial assets or financial liabilities of a consolidated CFE that is within the scope of this issue. Adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements. The Company has elected the measurement alternative for its consolidated investment product, and the Company's subsequent earnings from the consolidated investment product will reflect changes in value of the Company's own economic interest in the consolidated investment product.

The Company adopted Accounting Standards Update ("ASU") No. 2015-16 on January 1, 2016, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” ("ASU 2015-16) which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 requires that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date.

The Company adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-3") on January 1, 2016, which changes the presentation of debt issuance costs in the balance sheet. The new guidance requires that debt issuance costs be presented as a deduction from the carrying amount of the related debt rather than being presented as an asset. Amortization of debt issuance costs will continue to be reported as interest expense. In August 2015, the FASB issued ASU 2015-15 to amend ASU 2015-03 to address line-of-credit agreements. ASU 2015-15 allows entities to present debt issuance costs related to line-of-credit agreements as an asset and amortize deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings.

New Accounting Standards Not Yet Implemented

In March 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718) ("ASU 2016-09"). This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). The standard replaces current codification Topic 840 with updated guidance on accounting for leases and requires a lessee to recognize assets and liabilities arising from an operating lease on the balance sheet, whereas previous U.S. GAAP did not require lease assets and liabilities to be recognized for most leases. Furthermore, companies are permitted to make an accounting policy election to not recognize lease assets and liabilities for leases with a term of 12 months or less. For both finance leases and operating leases, the lease liability should be initially measured at the present value of the lease payments. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change under this new guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods therein. Early

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adoption is permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-1"), which requires all equity investments (other than those accounted for under the equity method) to be measured at fair value with changes in the fair value recognized through net income. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017 and interim periods therein. Early adoption is not permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 provides a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. Companies may use either a full retrospective or a modified retrospective approach. In July 2015, the FASB confirmed a deferral of the effective date by one year, with early adoption on the original effective date permitted. As deferred, ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2017 with early adoption permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

3. Intangible Assets, Net

Intangible assets, net are summarized as follows:

	March 31, 2016	December 31, 2015
($ in thousands)		
Definite-lived intangible assets:		
Investment contracts	$158,747	$158,747
Accumulated amortization	(153,327)	(152,676)
Definite-lived intangible assets, net	5,420	6,071
Indefinite-lived intangible assets	34,816	34,816
Total intangible assets, net	$40,236	$40,887

Activity in intangible assets, net is as follows:

	Three Months Ended March 31, 2016	2015
($ in thousands)		
Intangible assets, net		
Balance, beginning of period	$40,887	$41,783
Amortization	(651)	(837)
Balance, end of period	$40,236	$40,946

4. Investments

Investments consist primarily of investments in the Company's sponsored mutual funds. The Company’s investments, excluding the investments of consolidated sponsored investment products and the investments of the consolidated investment product, which are separately discussed in Note 12, at March 31, 2016 and December 31, 2015 were as follows:

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($ in thousands)	March 31, 2016	December 31, 2015
Marketable securities	$ 79,505	$ 41,496
Equity method investments	10,145	9,007
Nonqualified retirement plan assets	5,319	5,310
Other investments	925	925
Total investments	$ 95,894	$ 56,738

Marketable Securities

The Company's marketable securities consist of both trading and available-for-sale securities. The composition of the Company's marketable securities is summarized as follows:

March 31, 2016

($ in thousands)	Cost	Unrealized Loss	Unrealized Gain	Fair Value
Trading:				
Sponsored funds	$69,144	$ (3,186)	$ 186	$66,144
Equity securities	10,055	(340)	333	10,048
Available-for-sale:				
Sponsored closed-end funds	3,417	(260)	156	3,313
Total marketable securities	$82,616	$ (3,786)	$ 675	$79,505

December 31, 2015

($ in thousands)	Cost	Unrealized Loss	Unrealized Gain	Fair Value
Trading:				
Sponsored funds	$31,167	$ (2,134)	$ 298	$29,331
Equity securities	9,434	(386)	120	9,168
Available-for-sale:				
Sponsored closed-end funds	3,355	(365)	7	2,997
Total marketable securities	$43,956	$ (2,885)	$ 425	$41,496

For the three months ended March 31, 2016, the Company recognized a net realized loss of $0.4 million on trading securities, and for the three months ended March 31, 2015, the Company recognized a net realized gain of $0.4 million on trading securities.

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5. Fair Value Measurements

The Company's assets and liabilities measured at fair value on a recurring basis, excluding the assets and liabilities of consolidated sponsored investment products and the consolidated investment product, which are separately discussed in Note 12, as of March 31, 2016 and December 31, 2015 by fair value hierarchy level were as follows:

March 31, 2016

	Level 1	Level 2	Level 3	Total
($ in thousands)				
Assets				
Cash equivalents	$28,617	$ —	$ —	$28,617
Marketable securities trading:				
Sponsored funds	66,144	—	—	66,144
Equity securities	10,048	—	—	10,048
Marketable securities available-for-sale:				
Sponsored closed-end funds	3,313	—	—	3,313
Other investments:				
Nonqualified retirement plan assets	5,319	—	—	5,319
Total assets measured at fair value	$113,441	$ —	$ —	$113,441

December 31, 2015

	Level 1	Level 2	Level 3	Total
($ in thousands)				
Assets				
Cash equivalents	$54,772	$ —	$ —	$54,772
Marketable securities trading:				
Sponsored funds	29,331	—	—	29,331
Equity securities	9,168	—	—	9,168
Marketable securities available-for-sale:				
Sponsored closed-end funds	2,997	—	—	2,997
Other investments				
Nonqualified retirement plan assets	5,310	—	—	5,310
Total assets measured at fair value	$101,578	$ —	$ —	$101,578

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

Cash equivalents represent investments in money market funds. Cash investments in actively traded money market funds are valued using published net asset values and are classified as Level 1.

Sponsored funds represent investments in open-end mutual funds, variable insurance funds and closed-end funds for which the Company acts 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 on the exchange they are traded on and are categorized as Level 1.

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.

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Cash, accounts receivable, accounts payable and accrued liabilities equal or approximate fair value based on the short-term nature of these instruments.

Transfers into and out of levels are reflected when significant inputs used for the fair value measurement, including market inputs or performance attributes, become observable or unobservable or when the Company determines it has the ability, or no longer has the ability, to redeem, in the near term, certain investments that the Company values using a net asset value, or if the book value no longer represents fair value. There were no transfers between Levels during the three months ended March 31, 2016 and 2015.

6. Equity Transactions

During the three months ended March 31, 2016 and 2015, the Company repurchased 176,204 and 103,818 common shares, respectively, at a weighted average price of $85.09 and $134.81 per share, respectively, plus transaction costs for a total cost of approximately $15.0 million and $14.0 million, respectively. The Company has repurchased a total of 1.4 million shares of common stock at a weighted average price of $124.17 per share plus transaction costs for a total cost of $172.6 million under its share repurchase program. At March 31, 2016, there were 1.3 million shares of common stock available to repurchase under the Company’s current share repurchase program.

The Board of Directors declared cash dividends of $0.45 per share in each of the first quarters of 2016 and 2015. Total dividends declared were $3.9 million and $4.1 million for the three months ended March 31, 2016 and 2015, respectively. Dividends declared in the first quarter of 2016 will be paid on May 13, 2016 to all shareholders of record on April 29, 2016.

7. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component for the three months ended March 31, 2016 and 2015 were as follows:

($ in thousands)	Unrealized Gains and (Losses) on Securities Available-for-Sale	Foreign Currency Translation Adjustments
Balance December 31, 2015	$ (465)	$ (569)
Unrealized net gains on securities available-for-sale, net of tax of ($97)	160	—
Foreign currency translation adjustments, net of tax of ($61)	—	99
Amounts reclassified from accumulated other comprehensive income (loss)	—	—
Net current-period other comprehensive income	160	99
Balance March 31, 2016	$ (305)	$ (470)

($ in thousands)	Unrealized Gains and (Losses) on Securities Available-for-Sale	Foreign Currency Translation Adjustments
Balance December 31, 2014	$ (107)	$ (135)
Unrealized net gains on securities available-for-sale, net of tax of ($1)	4	—
Foreign currency translation adjustments, net of tax of $165	—	(271)
Amounts reclassified from accumulated other comprehensive income	—	—
Net current-period other comprehensive income (loss)	4	(271)
Balance March 31, 2015	$ (103)	$ (406)

8. Stock-based Compensation

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The Company has an Omnibus Incentive and Equity Plan (the “Plan”) under which officers, employees and directors may be granted equity-based awards, including restricted stock units (“RSUs”), stock options and unrestricted shares of common stock. At March 31, 2016, 179,179 shares of common stock remained available for issuance of the 1,800,000 shares that were reserved for issuance under the Plan. Each RSU entitles the holder to one share of common stock when the restriction expires. RSUs generally have a term of one to three years and may be time-vested or performance-contingent. Stock options generally cliff vest after three years and have a contractual life of ten years. Stock options are granted with an exercise price equal to the fair market value of the shares at the date of grant. The fair value of each RSU is estimated using the intrinsic value method, which is based on the fair market value price on the date of grant unless it contains a performance metric that is considered a market condition. RSUs that contain a market condition are valued using a simulation valuation model. Shares that are issued upon exercise of stock options and vesting of RSUs are newly issued shares from the Plan and are not issued from treasury stock.

Restricted Stock Units

RSU activity for the three months ended March 31, 2016 is summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2015	191,617	$ 156.66
Granted	143,937	$ 75.05