VIRTUS INVESTMENT PARTNERS, INC.
Form 10-Q
November 04, 2013
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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 September 30, 2013

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 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	¨	Accelerated filer	x
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 9,101,026 as of October 30, 2013.

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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

Virtus Investment Partners, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

($ in thousands, except share data)	September 30, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 244,683	$ 63,432
Cash and cash equivalents of consolidated sponsored investment products	44	14
Trading securities, at fair value	18,917	12,392
Available-for-sale securities, at fair value	2,684	2,656
Investments of consolidated sponsored investment products	95,998	43,227
Accounts receivable, net	46,655	37,328
Deferred taxes, net	4,843	1,143
Prepaid expenses and other current assets	4,312	3,951
Other current assets of consolidated sponsored investment products	43,002	683
Total current assets	461,138	164,826
Furniture, equipment, and leasehold improvements, net	7,335	7,788
Intangible assets, net	45,907	48,711
Goodwill	5,260	5,260
Deferred taxes, net	63,274	95,780
Long-term investments ($3,783 and $2,970 at fair value, respectively) and other assets	18,720	10,384
Total assets	$ 601,634	$ 332,749
Liabilities and Stockholders Equity		
Current Liabilities		
Accrued compensation and benefits	$ 39,410	$ 41,252
Accounts payable	10,842	7,582
Investment securities purchased of consolidated sponsored investment products	42,503	260
Other accrued liabilities	8,499	7,048
Other accrued liabilities of consolidated sponsored investment products	295	117
Broker-dealer payable	7,354	6,152

Total current liabilities		108,903		62,411
Long-term debt				15,000
Lease obligations and other long-term liabilities		8,072		7,704
Total liabilities		116,975		85,115
Commitments and Contingencies (Note 13)				
Redeemable noncontrolling interests		18,855		3,163
Stockholders Equity:				
Equity attributable to stockholders:				
Common stock, $0.01 par value, 1,000,000,000 shares authorized; 9,450,798 shares issued and 9,100,798 shares outstanding at September 30, 2013 and 8,071,674 shares issued and 7,826,674 shares outstanding at December 31, 2012		95		81
Additional paid-in capital		1,133,350		942,825
Accumulated deficit		(629,977)		(680,411)
Accumulated other comprehensive loss		(177)		(287)
Treasury stock, at cost, 350,000 and 245,000 shares at September 30, 2013 and December 31, 2012, respectively		(37,438)		(17,734)
Total equity attributable to stockholders		465,853		244,474
Noncontrolling interest		(49)		(3)
Total equity		465,804		244,471
Total liabilities and equity	$	601,634	$	332,749

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)

($ in thousands, except per share data)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Revenues				
Investment management fees	$ 67,119	$ 47,985	$ 189,371	$ 134,710
Distribution and service fees	20,322	14,661	57,007	40,969
Administration and transfer agent fees	12,492	8,774	35,248	24,199
Other income and fees	476	531	1,091	1,289
Total revenues	100,409	71,951	282,717	201,167
Operating Expenses				
Employment expenses	33,022	25,899	98,311	77,724
Distribution and administration expenses	25,253	17,764	71,133	52,483
Other operating expenses	8,538	8,346	27,778	25,274
Other operating expenses of consolidated sponsored investment products	231	154	547	154
Restructuring and severance		555	203	1,349
Depreciation expense	610	435	1,782	1,194
Amortization expense	1,125	1,031	3,351	3,016
Total operating expenses	68,779	54,184	203,105	161,194
Operating Income	31,630	17,767	79,612	39,973
Other Income (Expense)				
Realized and unrealized gain on trading securities, net	1,285	629	1,887	1,639
Realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net	324	541	(2,460)	541
Other income (expense), net	111	(16)	82	(16)
Total other income (expense), net	1,720	1,154	(491)	2,164
Interest Income (Expense)				
Interest expense	(207)	(196)	(634)	(671)
Interest and dividend income	126	98	426	375
Interest and dividend income of investments of consolidated sponsored investment products	600	98	1,692	98

Total interest income (expense), net	519		1,484	(198)
Income Before Income Taxes	33,869	18,921	80,605	41,939
Income tax expense	12,567	7,279	30,335	16,480
Net Income	21,302	11,642	50,270	25,459
Noncontrolling interests	(213)		164	
Allocation of earnings to preferred stockholders				(64)
Net Income Attributable to Common Stockholders	$ 21,089	$ 11,642	$ 50,434	$ 25,395
Earnings per share Basic	$ 2.64	$ 1.48	$ 6.40	$ 3.30
Earnings per share Diluted	$ 2.56	$ 1.43	$ 6.21	$ 3.15
Weighted Average Shares Outstanding Basic (in thousands)	7,995	7,843	7,879	7,692
Weighted Average Shares Outstanding Diluted (in thousands)	8,227	8,117	8,125	8,055

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
($ in thousands)				
Net Income	$ 21,302	$ 11,642	$ 50,270	$ 25,459
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax of ($23) and ($12) for the three and nine months ended September 30, 2013, respectively	37		19	
Unrealized (loss) gain on available-for-sale securities, net of tax of $29 and $58 for the three months ended September 30, 2013 and 2012, respectively and $207 and $35 for the nine months ended September 30, 2013 and 2012, respectively	(48)	(89)	91	(54)
Other comprehensive (loss) income	(11)	(89)	110	(54)
Comprehensive income	21,291	11,553	50,380	25,405
Allocation of comprehensive income to preferred stockholders				(64)
Comprehensive (income) loss attributable to noncontrolling interests	(213)		164	
Comprehensive income attributable to common stockholders	$ 21,078	$ 11,553	50,544	$ 25,341

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)

($ in thousands)	Nine Months Ended September 30, 2013	2012
Cash Flows from Operating Activities:		
Net income	$ 50,270	$ 25,459
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	1,782	1,194
Intangible asset and other amortization	3,509	3,016
Stock-based compensation	5,983	5,366
Amortization of deferred commissions	10,032	8,089
Payments of deferred commissions	(13,993)	(7,744)
Realized and unrealized gains on trading securities	(1,887)	(1,639)
Realized and unrealized losses (gains) on investments of consolidated sponsored investment products	2,460	(541)
(Purchases) and sales of trading securities, net	(1,163)	691
Purchase of investments by consolidated sponsored investment products, net	(53,531)	(35,024)
Loss on disposal of fixed assets	29	17
Equity in earnings of affiliates	(98)	
Deferred income taxes	29,001	15,952
Changes in operating assets and liabilities:		
Accounts receivable	(9,327)	(5,747)
Prepaid expenses and other assets	(781)	(1,518)
Other current assets of consolidated sponsored investment products	(40,944)	
Accounts payable and accrued liabilities	2,820	1,288
Other liabilities	966	3,511
Investment securities purchased of consolidated sponsored investment products	40,824	2,054
Other accrued liabilities of consolidated sponsored investment products	127	128
Net cash provided by operating activities	26,079	14,552
Cash Flows from Investing Activities:		
Capital expenditures	(1,654)	(2,612)
Purchase of investment management contracts		(350)
Change in cash and cash equivalents of consolidated sponsored investment products due to deconsolidation	(666)	
Acquisition of equity method investee	(3,364)	

Purchase of available-for-sale securities	(145)	(232)
Net cash used in investing activities	(5,829)	(3,194)
Cash Flows from Financing Activities:		
Contingent consideration paid for acquired investment management contracts	(420)	(510)
Repurchase of common shares	(19,704)	(3,059)
Proceeds from exercise of stock options	478	1,787
Payment of deferred financing costs	(26)	(563)
Taxes paid related to net share settlement of restricted stock units	(7,493)	(11,280)
Proceeds from issuance of common stock, net of issuance costs	191,800	
Repayment of debt	(15,000)	
Contributions of noncontrolling interests, net	11,396	235
Net cash provided by (used in) financing activities	161,031	(13,390)
Net increase (decrease) in cash and cash equivalents	181,281	(2,032)
Cash and cash equivalents, beginning of period	63,446	45,267
Cash and Cash Equivalents, end of period	$ 244,727	$ 43,235
Non-Cash Financing Activities:		
Increase to noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment products	$ 4,414	$
Preferred stock conversion	$	$ 35,217

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 Stockholders Equity

(Unaudited)

(in thousands)	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 Shareholders	Non-controlling Interest	Total Equity	Redeema Non-controlli Interes
lances at cember 31, 11	6,188,295	$ 63	$ 909,983	$ (718,083)	$ (14)	155,000	$ (8,794)	$ 183,155	$	$ 183,155	$
t income				25,459				25,459		25,459	
t unrealized s on securities ilable-for-sale					(54)			(54)		(54)	
tivity of ncontrolling erests, net											23
ferred stock nversion	1,349,300	14	35,203					35,217		35,217	
purchase of nmon shares	(35,000)					35,000	(3,060)	(3,060)		(3,060)	
uance of nmon stock ated to ployee stock nsactions	334,817	3	2,336					2,339		2,339	
xes paid on ck-based npensation			(11,280)					(11,280)		(11,280)	
ck-based npensation			4,921					4,921		4,921	
lances at otember 30, 12	7,837,412	$ 80	$ 941,163	$ (692,624)	$ (68)	190,000	$ (11,854)	$ 236,697	$	$ 236,697	$ 23
lances at cember 31, 12	7,826,674	$ 81	$ 942,825	$ (680,411)	$ (287)	245,000	$ (17,734)	$ 244,474	$ (3)	$ 244,471	$ 3,16

t income (loss)				50,434				50,434	(46)	50,388	(11
t unrealized n on securities ilable-for-sale					91			91		91	
reign currency nslation ustment					19			19		19	
tivity of ncontrolling erests, net											15,81
uance of nmon stock,	1,298,386	13	191,568					191,581		191,581	
purchase of nmon shares	(105,000)					105,000	(19,704)	(19,704)		(19,704)	
uance of nmon stock ated to ployee stock nsactions	80,738	1	982					983		983	
xes paid on ck-based npensation			(7,493)					(7,493)		(7,493)	
ck-based npensation			5,468					5,468		5,468	
lances at otember 30, 13	9,100,798	$ 95	$ 1,133,350	$ (629,977)	$ (177)	350,000	$ (37,438)	$ 465,853	$ (49)	$ 465,804	$ 18,85

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 wholly-owned 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, variable insurance funds and separately managed accounts. Separately managed accounts are offered through intermediary programs that are sponsored and distributed by unaffiliated broker-dealers, and individual direct managed account investment services that are provided by the Company. Institutional investment management services are provided primarily to corporations, multi-employer retirement funds, public employee retirement systems, foundations and endowments and special purpose funds.

2. Basis of Presentation and Significant Accounting Policies

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 fair presentation of the Company s financial condition and results of operations. The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and sponsored investment products in which it has a controlling interest. Material intercompany accounts and transactions have been eliminated. Operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

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 December 31, 2012 filed with the Securities and Exchange Commission (SEC). The Company s significant accounting policies, which have been consistently applied, are summarized in the Company s 2012 Annual Report on Form 10-K.

Certain amounts in the prior years financial statements have been reclassified to conform to the current year s presentation.

3. Intangible Assets, Net

Intangible assets, net are summarized as follows:

	September 30, 2013	December 31, 2012

($ in thousands)		
Definite-lived intangible assets:		
Investment contracts	$ 162,358	$ 197,704
Accumulated amortization	(148,867)	(181,409)
Definite-lived intangible assets, net	13,491	16,295
Indefinite-lived intangible assets	32,416	32,416
Total intangible assets, net	$ 45,907	$ 48,711

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Activity in intangible assets, net is as follows:

	Nine Months Ended September 30,	
($ in thousands)	2013	2012
Intangible assets, net		
Balance, beginning of period	$ 48,711	$ 52,096
Purchases	356	350
Amortization	(3,160)	(2,893)
Balance, end of period	$ 45,907	$ 49,553

4. Equity Method Investment in Affiliate

On April 9, 2013, the Company acquired a 24% noncontrolling equity interest in Kleinwort Benson Investors International, Ltd. (KBII), a subsidiary of Kleinwort Benson Investors (Dublin) (KBID) for 2.6 million or $3.4 million. KBII is a U.S. registered investment adviser that provides specialized equity strategies to institutional clients. As of the date of acquisition, the Company allocated $2.5 million of this investment to goodwill, $0.6 million to definite-lived intangible assets that are being amortized over 7 years and $0.3 million allocated to the remaining assets and liabilities of KBII. In conjunction with this investment, the Company entered into a put and call option with KBID.

The Company s investment is a Euro-denominated noncontrolled affiliate that is accounted for under the equity method of accounting in accordance with Accounting Standard Codification (ASC) 323, *Investments-Equity Method and Joint Ventures*. The entire investment in KBII, including goodwill and definite-lived intangible assets, is recorded on the Condensed Consolidated Balance Sheet within long-term investments and other assets. Under the equity method of accounting, the Company s share of the noncontrolled affiliate s net income or loss is recorded in other income (expense), net in the accompanying Condensed Consolidated Statement of Operations. Distributions received reduce the Company s investment balance. The investment is evaluated for impairment as events or changes indicate that the carrying amount exceeds its fair value. If the carrying amount of this investment does exceed fair value and the decline in fair value is deemed to be other than temporary, an impairment charge will be recorded. If the carrying amounts of the assets exceed their respective fair values, additional impairment tests are performed to measure the amount of the impairment loss, if any.

This investment is translated into U.S. dollars at current exchange rates as of the end of each accounting period. Net income or loss of the noncontrolled affiliate is translated at average exchange rates in effect during the accounting period. Net translation exchange gains and losses are excluded from income and recorded in accumulated other comprehensive income.

5. Marketable Securities

The Company s marketable securities consist of trading securities, investments of consolidated sponsored investment products, and available-for-sale securities. The composition of the Company s marketable securities as of September 30, 2013 and December 31, 2012 is summarized as follows:

September 30, 2013

($ in thousands)	Cost	Unrealized Loss	Unrealized Gain	Fair Value
Trading:				
Sponsored mutual funds and variable insurance funds	$ 11,845	$ (685)	$ 2,653	$ 13,813
Equity securities	3,898		1,206	5,104
Investments of consolidated sponsored investment products:				
Debt securities	29,598	(2,154)	165	27,609
Equity securities	66,679	(415)	2,125	68,389
Available-for-sale:				
Sponsored closed-end funds	2,764	(125)	45	2,684
Total marketable securities	$ 114,784	$ (3,379)	$ 6,194	$ 117,599

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December 31, 2012

($ in thousands)	Cost	Unrealized Loss	Unrealized Gain	Fair Value
Trading:				
Sponsored mutual funds and variable insurance funds	$ 7,312	$ (689)	$ 1,390	$ 8,013
Equity securities	3,739		640	4,379
Investments of consolidated sponsored investment products:				
Debt securities	24,830	(21)	1,003	25,812
Equity securities	16,537	(144)	1,022	17,415
Available-for-sale:				
Sponsored closed-end funds	2,619	(37)	74	2,656
Total marketable securities	$ 55,037	$ (891)	$ 4,129	$ 58,275

6. Fair Value Measurements

The Company s assets measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012 by fair value hierarchy level were as follows:

September 30, 2013

($ in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities trading:				
Sponsored mutual funds and variable insurance funds	$ 13,813	$	$	$ 13,813
Equity securities	5,104			5,104
Investments of consolidated sponsored investment products:				
Debt securities		27,609		27,609
Equity securities	67,449	940		68,389
Marketable securities available for sale:				
Sponsored closed-end funds	2,684			2,684
Other assets				
Nonqualified retirement plan assets	3,783			3,783
Total assets measured at fair value	$ 92,833	$ 28,549	$	$ 121,382

December 31, 2012

	Level 1	Level 2	Level 3	Total

($ in thousands)				
Assets				
Marketable securities trading:				
Sponsored mutual funds and variable insurance funds	$ 8,013	$	$	$ 8,013
Equity securities	4,379			4,379
Investments of consolidated sponsored investment products:				
Debt securities		25,812		25,812
Equity securities	10,092	7,323		17,415
Marketable securities available for sale:				
Sponsored closed-end funds	2,656			2,656
Other assets				
Nonqualified retirement plan assets	2,970			2,970
Total assets measured at fair value	$ 28,110	$ 33,135	$	$ 61,245

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

Sponsored mutual funds and variable insurance funds represent investments in open-end mutual funds and variable insurance funds for which the Company acts as advisor and distributor. The fair value of these securities is determined based on their published net asset values and are categorized as Level 1.

Investments of consolidated sponsored investment products represent the underlying debt and equity securities held in sponsored mutual funds in which the Company has an investment and are consolidated by the Company. 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 non-U.S. 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.

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 classified within Level 1.

Sponsored closed-end funds represent investments for which the Company acts as advisor and are actively traded on the New York Stock Exchange. The fair value of these securities is determined based on the official closing price 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 classified as Level 1.

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. The estimated fair value of long-term debt at December 31, 2012, which has a variable interest rate, approximates its carrying value and is classified as Level 2. Marketable securities are reflected in the financial statements at fair value based upon publicly quoted market prices.

Transfers into and out of levels are reflected when significant inputs, including market inputs or performance attributes, used for the fair value measurement 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 of certain equity method investments no longer represents fair value. Securities held by the consolidated sponsored investment products, with an end-of-period value of $5.2 million were transferred from Level 2 to Level 1 during the nine months ended September 30, 2013 due to the availability of unadjusted quoted market prices in active markets. There were no transfers from Level 1 to Level 2 during the nine months ended September 30, 2013. There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2012.

7. Equity Transactions

During September 2013, the Company issued 1.3 million shares of common stock in a public offering for net proceeds of $191.6 million after underwriting discounts, commissions and other offering expenses, pursuant to an already effective shelf registration statement.

During the nine months ended September 30, 2013, pursuant to the Company s initial share repurchase program implemented in the fourth quarter of 2010, the Company repurchased 105,000 common shares at a weighted average price of $187.61 per share plus transaction costs for a total cost of approximately $19.7 million. During the nine months ended September 30, 2012, the Company repurchased 35,000 common shares at a weighted average price of $87.41 per share for a total cost of approximately $3.1 million under the initial share repurchase program. As of September 30, 2013, the Company has repurchased a total of 350,000 shares of common stock at a weighted average price of $106.92 per share plus transaction costs for a total cost of $37.4 million completing the initial share repurchase program.

In May 2013, the Company s board of directors authorized an extension of its share repurchase program to permit the purchase of an additional 350,000 shares of common stock prior to May 21, 2016. At September 30, 2013, there were 350,000 shares of common stock remaining authorized for repurchase under the extended share repurchase program.

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8. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income by component for the nine months ended September 30, 2013 and 2012 are as follows:

($ in thousands)	Unrealized Gains and (Losses) on Securities Available-for-Sale		Foreign Currency Translation Adjustments	
Balance December 31, 2012	$	(287)	$	
Unrealized net gains on investments, net of tax of $207		91		
Foreign currency translation adjustments, net of tax of ($12)				19
Amounts reclassified from accumulated other comprehensive income				
Net current-period other comprehensive income		91		19
Balance September 30, 2013	$	(196)	$	19

($ in thousands)	Unrealized Losses on Securities Available-for-Sale	
Balance December 31, 2011	$	(14)
Unrealized net losses on investments, net of tax of $35		(54)
Amounts reclassified from accumulated other comprehensive income		
Net current-period other comprehensive income		(54)
Balance September 30, 2012	$	(68)

9. Related Party Transactions

In May 2006, the Company acquired the rights to advise, distribute and administer the Insight Funds from BMO Asset Management Corp. (BMO), a subsidiary of BMO Financial Corp. BMO and BMO Financial Corp., a significant stockholder of the Company, are related parties of the Company.

Sub-advisory investment management fees and distribution and administration fee expenses paid or payable to BMO were $0.1 million and $0.4 million for the three months ended September 30, 2013 and 2012, respectively and $0.5

million and $1.8 million for the nine months ended September 30, 2013 and 2012, respectively. At both September 30, 2013 and December 31, 2012, less than $0.1 million was payable to BMO and its affiliates related to sub-advisory investment management fees and distribution fees.

10. Stock-Based Compensation

The Company has an Omnibus Incentive and Equity Plan (the Plan) under which employees, directors and consultants may be granted equity-based awards, including restricted stock units (RSUs), stock options and unrestricted shares of common stock. At September 30, 2013, 496,694 shares of common stock remain 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 Virtus common stock when the restriction expires. RSUs generally have a term of three years and may be time-vested or performance-contingent. Stock options generally vest over 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. Shares that are issued upon exercise of employee stock options and vesting of RSUs are newly issued shares and not issued from treasury stock.

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Restricted Stock Units

RSU activity for the nine months ended September 30, 2013 is summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012	292,057	$ 57.89
Granted	46,000	$ 188.36
Forfeited	(11,942)	$ 88.00
Settled	(91,269)	$ 38.23
Outstanding at September 30, 2013	234,846	$ 88.26

For the nine months ended September 30, 2013, a total of 38,128 RSUs were withheld by the Company as a result of net share settlements to satisfy employee tax withholding obligations. During the nine months ended September 30, 2013, the Company paid $7.5 million in employee tax withholding obligations related to the RSUs withheld. These net share settlements had the effect of share repurchases by the Company as they reduced the number of shares that would have been otherwise issued as a result of the vesting.

Stock Options

Stock option activity for the nine months ended September 30, 2013 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2012	220,349	$ 20.03
Exercised	(25,512)	$ 18.76
Forfeited	(363)	$ 55.18
Outstanding at September 30, 2013	194,474	$ 20.13

During the three months ended September 30, 2013 and 2012, the Company recognized $2.0 million and $1.6 million, respectively, in total stock-based compensation expense. During the nine months ended September 30, 2013 and 2012, the Company recognized $6.0 million and $5.4 million, respectively, in total stock-based compensation expense. As of September 30, 2013, unamortized stock-based compensation expense for unvested RSUs and stock options was $11.2 million and $0.1 million, respectively, with weighted-average remaining amortization periods of 1.2 years and 0.5 years, respectively.

11. Earnings per Share

Basic earnings per share (EPS) excludes dilution for potential common stock issuances and is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted EPS, the basic weighted-average number of shares is increased by the dilutive effect of RSUs and stock options using the treasury stock method.

The computation of basic and diluted EPS is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
($ in thousands, except per share amounts)				
Net Income	$ 21,302	$ 11,642	$ 50,270	$ 25,459
Noncontrolling interests	(213)		164	
Allocation of earnings to preferred stockholders				(64)
Net Income Attributable to Common Stockholders	$ 21,089	$ 11,642	50,434	$ 25,395
Shares *(in thousands)*:				
Basic: Weighted-average number of shares outstanding	7,995	7,843	7,879	7,692
Plus: Incremental shares from assumed conversion of dilutive instruments	232	274	246	363
Diluted: Weighted-average number of shares outstanding	8,227	8,117	8,125	8,055
Earnings per share - basic	$ 2.64	$ 1.48	$ 6.40	$ 3.30
Earnings per share - diluted	$ 2.56	$ 1.43	$ 6.21	$ 3.15

For the three and nine months ended September 30, 2013, respectively, there were 3,115 instruments excluded from the above computation of weighted-average shares for diluted EPS because the effect would be anti-dilutive. For the three and nine months ended September 30, 2012, respectively, there were no instruments excluded from the above computation of weighted-average shares for diluted EPS because the effect would be anti-dilutive.

12. Long Term Debt

During the third quarter of 2013, the Company repaid the $15.0 million outstanding balance under its senior secured revolving credit facility (Credit Facility). As of September 30, 2013, no amount remains outstanding and the Company had the capacity to draw on the full $75.0 million available under the Credit Facility.

13. Commitments and Contingencies

The Company can be involved in litigation and arbitration as well as examinations 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, subadvisors and other activities. Legal and regulatory matters of this nature may involve activities of the Company as an employer, issuer of securities, investor, investment advisor, broker-dealer or taxpayer. The Company cannot predict the ultimate outcome of such legal claims or matters or in certain instances provide reasonable ranges of potential losses. As of the date of this report, the Company believes that the outcomes of its legal or regulatory matters are not likely, either individually or in the aggregate, to have a material adverse effect on its consolidated financial statements. However, in the event of unexpected subsequent developments and given the inherent unpredictability of these legal and regulatory matters, there can be no assurance that the Company s 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.

14. Consolidation of Sponsored Investment Products

In the normal course of its business, the Company sponsors and is the manager of various types of investment products. During the nine months ended September 30, 2013 and the year ended December 31, 2012, the Company sponsored and consolidated several mutual funds in which it had a majority voting interest. The consolidation of these investment products has 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. The Company has no right to the benefits from, nor does it bear the risks associated with, these investment products, beyond the Company s investments in, and fees generated from these products. If the Company were to liquidate, these investments would not be available to the general creditors of the Company. The Company does not consider cash and cash equivalents and investments held by consolidated sponsored investment products to be assets of the Company other than its direct investment in these products.

During the nine months ended September 30, 2013, the Company consolidated three additional mutual funds and deconsolidated three mutual funds because it no longer had a majority voting interest. As of September 30, 2013, the Company consolidated a total of eight mutual funds.

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The following tables reflect the impact of the consolidated sponsored investment products in the Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012 respectively:

As of September 30, 2013

($ in thousands)	**Balance Before Consolidation of Investment Products**	**Consolidated Investment Products**	**Eliminations and Adjustments (a)**	**Balances as Reported in Condensed Consolidated Balance Sheet**
Current assets	$ 399,485	$ 139,044(1)	$ (77,391)	$ 461,138
Non-current assets	140,496			140,496
Total assets	$ 539,981	$ 139,044	$ (77,391)	$ 601,634
Current liabilities	$ 66,105	$ 42,824	$ (26)	$ 108,903
Non-current liabilities	8,072			8,072
Total liabilities	74,177	42,824	(26)	116,975
Redeemable noncontrolling interest			18,855	18,855
Equity attributable to stockholders of the Company	465,853	96,220	(96,220)	465,853
Non-redeemable noncontrolling interest	(49)			(49)
Total liabilities and equity	$ 539,981	$ 139,044	$ (77,391)	$ 601,634

As of December 31, 2012

($ in thousands)	**Balance Before Consolidation of Investment Products**	**Consolidated Investment Products**	**Eliminations and Adjustments (a)**	**Balances as Reported in Consolidated Balance Sheet**
Current assets	$ 161,286	$ 43,924	$ (40,384)	$ 164,826
Non-current assets	167,923			167,923
Total assets	$ 329,209	$ 43,924	$ (40,384)	$ 332,749
Current liabilities	$ 62,034	$ 364	$ 13	$ 62,411
Other non-current liabilities	22,704			22,704

Total liabilities	84,738	364	13	85,115
Redeemable noncontrolling interest			3,163	3,163
Equity attributable to stockholders of the Company	244,474	43,560	(43,560)	244,474
Non-redeemable noncontrolling interest	(3)			(3)
Total liabilities and equity	$ 329,209	$ 43,924	$ (40,384)	$ 332,749

(1) Includes other current assets of $41.0 million related to unsettled fund share receivables of consolidated sponsored investment products at September 30, 2013.

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The following table reflects the impact of the consolidated sponsored investment products in the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2013 and 2012:

For the Three Months Ended September 30, 2013

($ in thousands)	Balance Before Consolidation of Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Condensed Consolidated Statement of Operations
Total operating revenues	$ 100,319	$	$ 90	$ 100,409
Total operating expenses	68,547	142	90	68,779
Operating income (loss)	31,772	(142)		31,630
Total other non-operating income (expense)	1,870	923	(554)	2,239
Income (loss) before income tax expense	33,642	781	(554)	33,869
Income tax expense	12,567			12,567
Net income (loss)	21,075	781	(554)	21,302
Noncontrolling interests	14		(227)	(213)
Net income (loss) attributable to the Company	$ 21,089	$ 781	$ (781)	$ 21,089

For the Three Months Ended September 30, 2012

($ in thousands)	Balance Before Consolidation of Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Condensed Consolidated Statement of Operations
Total operating revenues	$ 71,825	$	$ 126	$ 71,951
Total operating expenses	54,030	28	126	54,184

Operating income (loss)	17,795	(28)		17,767
Total other non-operating income (expense)	1,126	639	(611)	1,154
Income (loss) before income tax expense	18,921	611	(611)	18,921
Income tax expense	7,279			7,279
Net income (loss)	11,642	611	(611)	11,642
Noncontrolling interests				
Net income (loss) attributable to the Company	$ 11,642	$ 611	$ (611)	$ 11,642

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For the Nine Months Ended September 30, 2013

($ in thousands)	Balance Before Consolidation of Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Condensed Consolidated Statement of Operations
Total operating revenues	$ 282,575	$	$ 142	$ 282,717
Total operating expenses	202,557	406	142	203,105
Operating income (loss)	80,018	(406)		79,612
Total other non-operating income (expense)	705	(768)	1,056	993
Income (loss) before income tax expense	80,723	(1,174)	1,056	80,605
Income tax expense	30,335			30,335
Net income (loss)	50,388	(1,174)	1,056	50,270
Noncontrolling interests	46		118	164
Net income (loss) attributable to the Company	$ 50,434	$ (1,174)	$ 1,174	$ 50,434

For the Nine Months Ended September 30, 2012

	Balance Before Consolidation of Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Condensed Consolidated Statement of Operations
Total operating revenues	$ 201,041	$	$ 126	$ 201,167
Total operating expenses	161,040	28	126	161,194
Operating income (loss)	40,001	(28)		39,973
	1,938	639	(611)	1,966

Total other non-operating income (expense)								
Income (loss) before income tax expense		41,939		611		(611)		41,939
Income tax expense		16,480						16,480
Net income (loss)		25,459		611		(611)		25,459
Allocation of earnings to preferred stockholders		(64)						(64)
Net income (loss) attributable to the Company	$	25,395	$	611	$	(611)	$	25,395

(a) Adjustments include the elimination of intercompany transactions between the Company and its consolidated sponsored investment products, primarily the elimination of the investments and equity and recording of any noncontrolling interest.

14. New Accounting Standards

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2012-04, *Technical Corrections and Improvements*. This update amends source literature, clarifies guidance and reference corrections and relocates some guidance within the ASC. The Company adopted this standard as of January 2013.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income*. Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income (AOCI) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes thereto, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. The Company has adopted this standard as of January 2013.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report on Form 10-Q 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, plan, inten believe, anticipate, may, will, should, could, continue, project, opportunity, pipeline, predict, forecast, likely, targets 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, and 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, and future credit facilities, for all future periods. All of our forward-looking statements contained in this Quarterly Report are as of the date of this Quarterly Report only.

We can give no assurance that such expectations or forward-looking statements will prove to be correct. Actual results may differ materially. The Company does 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 Quarterly Report, 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 Quarterly Report, such statements or disclosures will be deemed to modify or supersede such statements in this Quarterly Report.

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 our 2012 Annual Report on Form 10-K, under Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2013 and June 30, 2013, and under Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report on Form 10-Q, as well as the following risks and uncertainties: (a) any reduction in our assets under management due to market conditions, investment performance, redemptions or terminations of investment contracts, or regulatory factors; (b) damage to our reputation; (c) our money market funds do not maintain stable net asset values; (d) our inability to attract and retain key personnel; (e) the competition we face in our business, including competition related to investment products and fees; (f) limitations on our deferred tax assets; (g) changes in key distribution relationships; (h) interruptions in service or failure to provide service by third-party service providers for technology services critical to our business; (i) adverse regulatory and legal developments; (j) impairment of our goodwill or intangible assets; (k) lack of availability of required and necessary capital on satisfactory terms; (l) liabilities and losses not covered by our insurance policies; (m) significant reductions to our fee rates; and (n) certain other risks and uncertainties described in our 2012 Annual Report on Form 10-K or in any of our filings with the Securities and Exchange Commission (SEC). Any occurrence of, or any material adverse change in, one or more risk factors or risks and uncertainties referred to in this Quarterly Report or included in our 2012 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.

Certain other factors which may impact our continuing operations, prospects, financial results and liquidity or which may cause actual results to differ from such forward-looking statements are discussed or included in the Company s periodic reports filed with the SEC and are available on our website at www.virtus.com under Investor Relations. You are urged to carefully consider all such factors.

Overview

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 and be less exposed to changes in market cycles and investor preferences, allowing us to participate in growth opportunities across different market cycles. 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 (equity, fixed income,

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money market 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, variable insurance funds and separately managed accounts. We also offer certain of our investment strategies to institutional clients.

We distribute our open-end mutual funds 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 independent financial advisory firms. In many of these firms, we have a number of products that are on the firms preferred recommended lists and on fee-based advisory programs. Our sales efforts are supported with two teams of external and internal regional sales professionals (for the national wirehouse and regional broker channel and the independent /registered investment advisor channel), and a national account relationship group, and separate teams for the retirement and insurance markets.

Our separately managed accounts are distributed through financial intermediaries and we also serve high net-worth clients through specialized teams at our affiliated managers who develop relationships in this market and deal directly with these clients. Our institutional distribution strategy is an affiliate-centric and coordinated model. Institutional resources at affiliates and certain combined resources work collaboratively on institutional sales efforts. Through relationships with consultants, they target key market segments, including foundations and endowments, corporate, public and private pension plans.

Financial Highlights

Total sales of $4.9 billion in the third quarter of 2013 increased $1.0 billion, or 24.6%, from $3.9 billion in the third quarter of 2012, driven by higher long-term open-end mutual fund sales.

Long-term open-end mutual fund sales increased $1.0 billion, or 28.8%, to $4.3 billion in the third quarter of 2013 from $3.3 billion in the third quarter of 2012.

Third quarter 2013 total positive net flows were $1.2 billion primarily from long-term open-end mutual fund sales. Assets under management increased to $55.0 billion at September 30, 2013 from $45.5 billion at December 31, 2012.

Total revenue was $100.4 million in the third quarter of 2013, an increase of 39.6% from $72.0 million in the third quarter of 2012 and investment management fees increased 39.9% in the third quarter of 2013 to $67.1 million from $48.0 million in the third quarter of 2012.

Assets Under Management

At September 30, 2013, we managed $55.0 billion in total assets, representing an increase of $13.2 billion or 31.6%, from the $41.8 billion managed at September 30, 2012 and an increase of $9.5 billion or 20.8% from December 31, 2012. Long-term assets under management, which exclude cash management products, were $53.4 billion at September 30, 2013, an increase of 33.4% from September 30, 2012 and an increase of 22.6% from December 31, 2012. Average assets under management, which generally correspond to our fee-earning asset levels, were $51.8 billion for the nine months ended September 30, 2013, an increase of 35.6% from $38.2 billion for the nine months ended September 30, 2012.

The increase in assets under management for the three and nine months ended September 30, 2013 was due primarily to overall positive net flows of $1.2 billion and $7.5 billion, respectively, and by market appreciation of $1.3 billion and $2.6 billion, respectively. The positive net flows for both the three and nine months ended September 30, 2013 were primarily the result of strong sales of long-term open-end mutual fund products. Our best-selling open-end mutual fund was the Virtus Emerging Markets Opportunities Fund, which represented 25.6% and 31.4% of long-term open-end mutual fund sales for the three and nine months ended September 30, 2013, respectively.

During the first quarter of 2013, we limited new investments into the Virtus Emerging Markets Opportunities Fund to those from existing shareholders and from shareholders on certain designated broker-dealer platforms. With some investment strategies, it can become necessary to limit the amount of assets managed to ensure appropriate execution of the strategy.

Market appreciation for the three and nine months ended September 30, 2013 for assets under management was consistent with the performance of the securities markets during the same periods.

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Assets Under Management by Product

The following table summarizes our assets under management by product:

	As of September 30,		Change	
	2013	2012	2013 vs. 2012	%
($ in millions)				
Retail Assets				
Mutual fund assets				
Long-term open-end funds	$ 34,173.0	$ 23,615.7	$ 10,557.3	44.7%
Closed-end funds	6,379.4	6,365.3	14.1	0.2%
Money market open-end funds	1,610.2	1,763.8	(153.6)	(8.7)%
Total mutual fund assets	42,162.6	31,744.8	10,417.8	32.8%
Variable Insurance Funds	1,286.8	1,311.9	(25.1)	(1.9)%
Separately managed accounts				
Intermediary sponsored programs	4,744.6	2,420.6	2,324.0	96.0%
Private client accounts	2,206.1	2,110.4	95.7	4.5%
Total managed account assets	6,950.7	4,531.0	2,419.7	53.4%
Total retail assets	**50,400.1**	**37,587.7**	**12,812.4**	**34.1%**
Institutional Assets				
Institutional accounts	4,017.1	3,525.8	491.3	13.9%
Structured finance products	589.8	686.9	(97.1)	(14.1)%
Total institutional assets	**4,606.9**	**4,212.7**	**394.2**	**9.4%**
Total Assets Under Management	**$ 55,007.0**	**$ 41,800.4**	**$ 13,206.6**	**31.6%**
Average Assets Under Management	**$ 51,780.8**	**$ 38,185.1**	**$ 13,595.7**	**35.6%**

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Asset Flows by Product

The following table summarizes our asset flows by product:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in millions)	**2013**	**2012**	**2013**	**2012**
Mutual Funds - Long-term Open-end				
Beginning balance	$ 32,351.2	$ 21,126.1	$ 25,827.1	$ 16,896.6
Inflows	4,256.0	3,304.8	15,036.5	8,947.5
Outflows	(3,125.3)	(1,708.9)	(7,742.3)	(4,275.0)
Net flows	1,130.7	1,595.9	7,294.2	4,672.5
Market appreciation	635.2	911.9	847.6	2,066.9
Other (1)	55.9	(18.2)	204.1	(20.3)
Ending balance	**$ 34,173.0**	**$ 23,615.7**	**$ 34,173.0**	**$ 23,615.7**
Mutual Funds - Closed-end				
Beginning balance	$ 6,422.3	$ 6,051.6	$ 6,231.6	$ 5,675.6
Inflows		229.2		444.2
Outflows				
Net flows		229.2		444.2
Market appreciation	118.7	181.5	507.3	406.4
Other (1)	(161.6)	(97.0)	(359.5)	(160.9)
Ending balance	**$ 6,379.4**	**$ 6,365.3**	**$ 6,379.4**	**$ 6,365.3**
Mutual Funds - Money Market Open-end				
Beginning balance	$ 1,707.7	$ 1,818.7	$ 1,994.1	$ 2,294.8
Other (1)	(97.5)	(54.9)	(383.9)	(531.0)
Ending balance	**$ 1,610.2**	**$ 1,763.8**	**$ 1,610.2**	**$ 1,763.8**
Variable Insurance Funds				
Beginning balance	$ 1,250.8	$ 1,295.9	$ 1,295.7	$ 1,308.6
Inflows	13.1	13.5	35.2	32.5
Outflows	(59.4)	(52.8)	(186.1)	(177.9)
Net flows	(46.3)	(39.3)	(150.9)	(145.4)
Market appreciation	82.3	55.3	141.5	148.7
Other (1)			0.5	
Ending balance	**$ 1,286.8**	**$ 1,311.9**	**$ 1,286.8**	**$ 1,311.9**

Separately Managed Accounts (2)								
Beginning balance	$	6,521.7	$	4,367.7	$	5,829.0	$	3,933.8
Inflows		312.7		246.6		1,004.3		896.6
Outflows		(283.4)		(211.1)		(812.7)		(695.0)