

MAY 2019

# Investor Presentation



# Forward looking statements

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the current views and assumptions of management with respect to future events regarding our business and industry in general. These forward-looking statements include all statements, other than statements of historical fact, regarding our financial position, business strategy and other plans and objectives for future operations, including statements with respect to revenues and earnings, the amount and composition of assets under management, distribution sources, expense levels, redemption rates and the financial markets and other conditions. These statements are generally identified by the use of such words as "may," "could," "should," "would," "believe," "anticipate," "forecast," "estimate," "expect," "intend," "plan," "project," "outlook," "will," "potential" and similar statements of a future or forward-looking nature. Readers are cautioned that any forward-looking information provided by us or on our behalf is not a guarantee of future performance. Actual results may differ materially from those contained in these forward-looking statements as a result of various factors, including but not limited to those discussed below. If one or more events related to these or other risks, contingencies or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from those forecasted or expected. Certain important factors that could cause actual results to differ materially from our expectations are disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018, which include, without limitation:

- The loss of existing distribution channels or inability to access new distribution channels;
- A reduction in assets under our management on short notice, through increased redemptions in our distribution channels or our Funds, particularly those Funds with a high concentration of assets, or investors terminating their relationship with us or shifting their funds to other types of accounts with different rate structures;
- The adverse ruling or resolution of any litigation, regulatory investigations and proceedings, or securities arbitrations by a federal or state court or regulatory body;
- Changes in our business model, operations and procedures, including our methods of distributing our proprietary products, as a result of the Department of Labor's new fiduciary rule;
- The introduction of legislative or regulatory proposals or judicial rulings that change the independent contractor classification of our financial advisors at the federal or state level for employment tax or other employee benefit purposes;
- A decline in the securities markets or in the relative investment performance of our Funds and other investment portfolios and products as compared to competing funds;
- Our inability to reduce expenses rapidly enough to align with declines in our revenues, the level of our assets under management or our business environment.
- Non-compliance with applicable laws or regulations and changes in current legal, regulatory, accounting, tax or compliance requirements or governmental policies;
- Our inability to attract and retain senior executive management and other key personnel to conduct our broker-dealer, fund management and investment advisory business;
- A failure in, or breach of, our operational or security systems or our technology infrastructure, or those of third parties on which we rely; and
- Our inability to implement new information technology and systems, or our inability to complete such implementation in a timely or cost effective manner.

The foregoing factors should not be construed as exhaustive and should be read together with other cautionary statements included in this and other reports and filings we make with the Securities and Exchange Commission, including the information in Item 1 "Business" and Item 1A "Risk Factors" of Part I and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II to our Annual Report on Form 10-K for the year ended December 31, 2018 and as updated in our quarterly reports on Form 10-Q for the year ending December 31, 2019. All forward-looking statements speak only as of the date on which they are made and we undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

# Firm Overview


We work to consistently bring individual skills and innovative ideas together as we continue to adapt to a changing environment. Our distinct business model, refined across more than 80 years in the industry, is built upon a unique combination of manufacturing and distribution.



**ASSET MANAGER**

Skilled and proven investment management capabilities

Targeted distribution of investment products to retail and institutional clients



**WEALTH MANAGER**

Nationally based independent financial advisors

Breadth of products and services offered, including full service brokerage, advisory services, and mutual funds from affiliated and unaffiliated asset managers

Broad product capabilities with an established distribution network:

- Ivy Funds, open-end mutual funds
- Ivy High Income Opportunities Fund, closed-end mutual fund
- Ivy Variable Insurance Portfolios
- Model-Delivery SMAs
- Ivy InvestEd 529 Plan
- Ivy NextShares™ exchange-traded managed funds
- Institutional Separate Accounts
- Collective Investment Trusts
- Advisory Programs

WDR Snapshot			
Stock Price / 52-Week Range <sup>1</sup>	\$17.30 / \$16.01 - \$21.63		
Total Shareholder Return <sup>2</sup> :	1-Year	2-Year	3-Year
WDR	-8.68%	15.07%	3.39%
Asset Managers	-7.37%	11.63%	25.33%
Russell 2000 Index	-5.72%	12.48%	38.94%
Book Value / Share <sup>3</sup>	\$11.48		
Market Capitalization <sup>1</sup>	\$1.3b		
Assets Under Management <sup>3</sup>	\$71.7b		
Assets Under Administration <sup>3</sup>	\$56.1b		
Return on Equity (QTD annualized) <sup>3</sup>	14.97%		
Dividend Yield <sup>1</sup>	5.78%		
Corporate Cash and Investments <sup>3</sup>	\$814m		
<sup>1</sup> Market data through May 21, 2019 <sup>2</sup> Total shareholder return represents the total returns including both capital gains plus reinvested dividends for the periods represented through May 24, 2019. <sup>3</sup> Financial information as of March 31, 2019			

# WDR Investment Highlights

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## Diverse, High-Quality Product Offerings

- Diverse investment capabilities with strong performance in multiple strategies
- Progress on initiatives to improve product offerings, performance and distribution reach

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## Effective and Long-Standing Distribution Capabilities

- Long-standing network of retail intermediaries
- National network of diverse and client-centric associated independent financial advisors

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## Unique Business Model; Underlying Independent Wealth Manager Offering Synergy and Margin Opportunity

- Robust wealth management practice with a comprehensive suite of product offerings and increasing fee-based advisory assets
- Significant progress made towards a fully independent wealth management platform

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## Strong Financial Profile

- Strong balance sheet with ample liquidity
- Attractive dividend yield and opportunistic share buyback program

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## Underlying Growth Catalysts Taking Shape

- Institutionalized approach to changing retail distribution landscape; well positioned to meet the changing demands of gatekeepers and decision makers
- Distribution model repositioned to take advantage of best opportunities

# Executing our organic growth plans

## **STRENGTHEN INVESTMENT MANAGEMENT RESOURCES, PROCESSES AND RESULTS**

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- Continued investment performance improvement across 1-year, 3-year and 5-year periods. At March 31, 2019, 59% of our assets under management ranked in the top half of their Morningstar peer group over the most recent one-year period.
- Added nine investment analysts during 2018 with average experience of eight years.
- Continued realignment of portfolio management resources into teams.

## **EVOLVE WEALTH MANAGER TO SELF-SUSTAINING, COMPETITIVE, PROFITABLE ENTITY**

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- Developing an integrated advisor technology platform in conjunction with leading financial services technology partners.
- Expanded product offerings and partners, notably the launch of a new advisory program and rollout of our custom practice development program “GPS”.
- Exiting field real-estate by the end of 2020, while enhancing our advisor payout grid to best-in-class.

## **REINVIGORATE PRODUCT LINE AND SALES**

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- Introduced seven equity strategies in a model-delivery format, providing the marketplace a new way to access existing strategies.
- Evaluated and realigned resources and sales incentives to provide optimal coverage in order to maximize sales among all distribution channels.
- Enhanced data strategy and sales training programs for distribution teams underway.

## **FOCUS INVESTMENT ON SUPPORT OF BUSINESS MODEL, IMPROVING OPERATING EFFICIENCY**

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- Advancing our culture through our core values and further investing in our people through areas such as talent management, employee experiences, diversity and inclusion and total rewards.
- Decreased controllable operating expenses nearly 8% from 2015, while making targeted investments in growth areas. Continued focus on strong expense control in 2019.
- Returned capital of \$217.1 million through share repurchases and dividends in 2018.

# Asset Management Business Overview

## AT A GLANCE

- Active portfolio management across a variety of asset classes utilizing proprietary fundamental research
  - Ivy Funds, open-end mutual funds
  - Ivy High Income Opportunities Fund, closed-end mutual fund
  - Ivy Variable Insurance Portfolios
  - Model-Delivery SMAs
  - Ivy InvestEd 529 Plan
  - Ivy NextShares™ exchange-traded managed funds
  - Institutional Separate Accounts
  - Collective Investment Trusts
- Continued investment performance improvement across 1-year, 3-year and 5-year periods. At March 31, 2019, 59% of our assets under management ranked in the top half of their Morningstar peer group over the most recent one-year period

## INVESTMENT TEAM LEADERSHIP

### Philip J. Sanders, CFA

Chief Executive Officer,  
Chief Investment Officer  
- 30 years experience

### Mark G. Beischel, CFA

Global Director of Fixed  
Income  
- 25 years experience

### Gilbert C. Scott, CFA

Global Director Equity and  
Fixed Income Research  
- 27 years experience

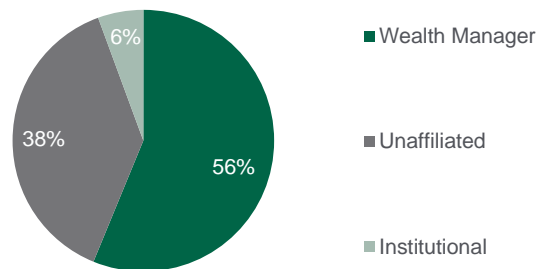
### Daniel G. Scherman, CFA

Chief Risk Officer,  
Independent Risk  
Management Group  
- 34 years experience

### John E. Sundeen, CFA

Chief Administrative Officer -  
Investments  
- 36 years experience

## AUM BY CHANNEL (as of 3/31/19)



## TOP STRATEGIES BY AUM (as of 3/31/19)

Science & Technology	\$ 8.1
International Core Equity	\$ 6.8
Mid-Cap Growth	\$ 6.7
Large-Cap Growth	\$ 6.2
High Yield Fixed Income	\$ 6.0

In billions

## 91 INVESTMENT PROFESSIONALS (as of 3/31/19)

Executives	5
Portfolio Managers	32
Asst. Portfolio Managers*	8
Research Analysts	26
Economists	3
Derivatives	3
Traders/Other	14

\*Assistant Portfolio Managers also hold research responsibilities

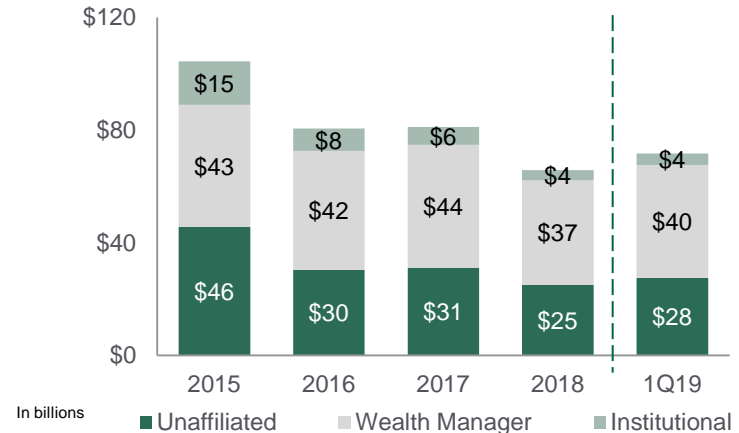
# Asset Management

## Assets Under Management

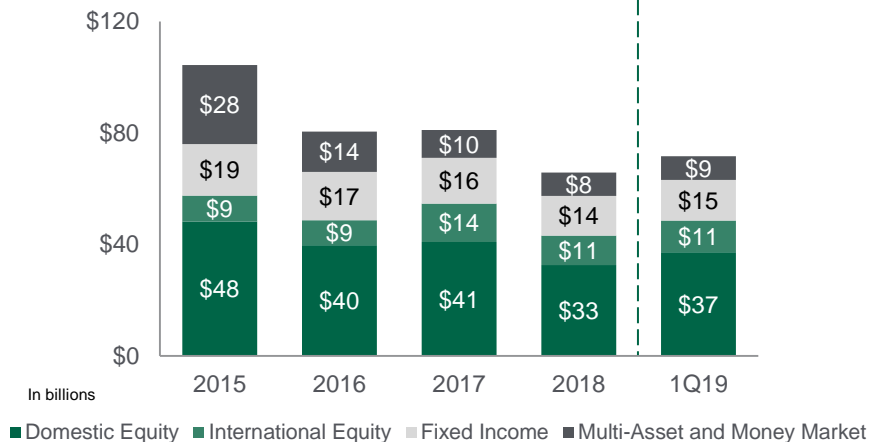
### Overview

- AUM levels stabilizing, less concentrated and more balanced across products
- Deep experience with equity, multi-asset and high-yield strategies, which represent approximately 89% of AUM at 3/31/19
- Significant investment in portfolio management, research and risk management teams

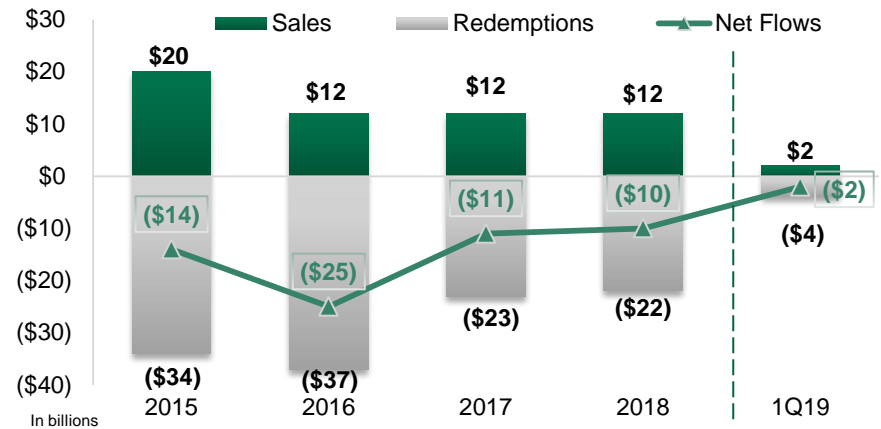
### AUM Trend



### AUM by Asset Class



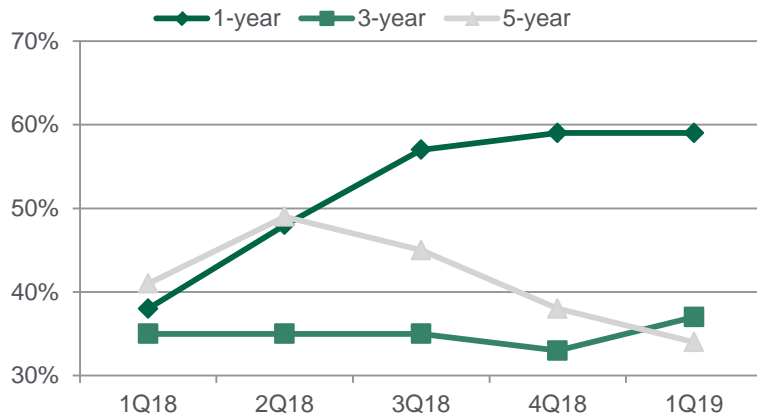
### Net Flows



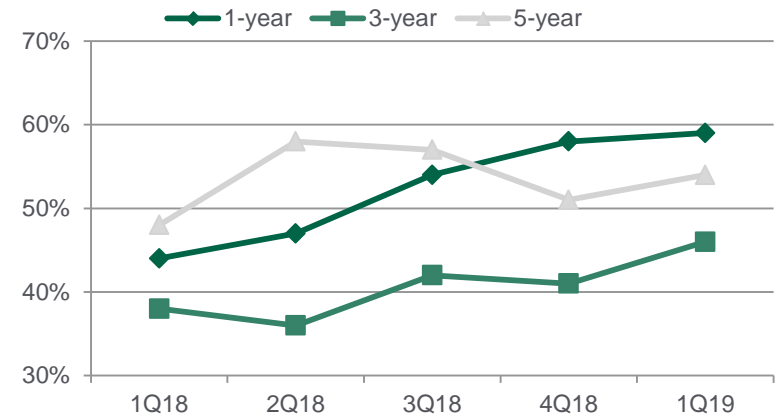
# Asset Management

## Performance

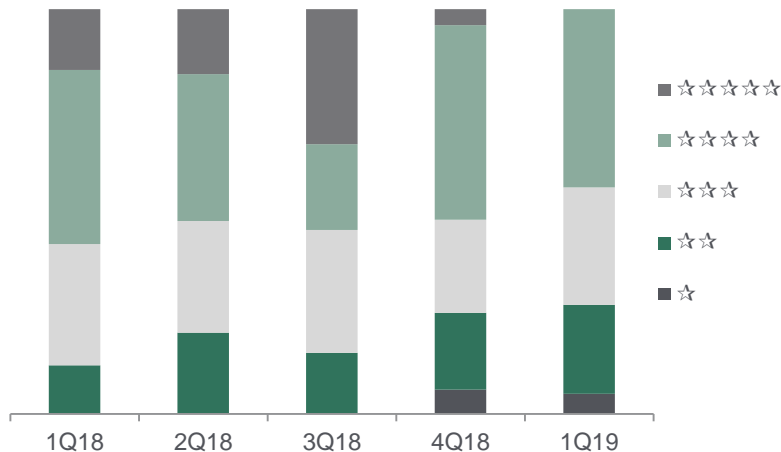
Ivy Funds Morningstar Rankings  
% of Funds Ranked in Top Half



Ivy Funds Morningstar Rankings  
% of Assets Ranked in Top Half



Ivy Funds Morningstar Rankings  
% of Total Ending AUM by Morningstar



### Commentary

- 1-year and 3-year performance for percentage of funds and percentage of assets ranked in top half steadily improving
- 5-year performance for the percentage of assets ranked in top half picking up; the outsized impact from 2016 is being overcome by recent performance improvement



# Asset Management

## Distribution Footprint

Open-end Funds, Closed-end Fund, Variable Insurance Portfolios, Model-Delivery SMAs, 529 Plan, ETFs, Institutional Separate Accounts, Collective Investment Trusts

### Ivy Distributors, Inc.

Amy J. Scupham  
SVP Distribution, President IDI  
21 years experience

### Professional Buyers Group

Grant T. Cleghorn  
Global Head of Institutional Distribution  
20 years experience

### National Channel

Joseph M. Moran  
Head of Intermediary Distribution  
27 years experience

Institutional	Insurance	Consultant Relations	DCIO	RIA
<ul style="list-style-type: none"> <li>• Sub-Advisory</li> <li>• Corporate DB/DC</li> <li>• Public Pension</li> <li>• Foundations and Endowments</li> <li>• Taft Hartley</li> <li>• Charitable Trust</li> </ul>	<ul style="list-style-type: none"> <li>• Insurance Providers</li> <li>• Annuity Providers</li> </ul>	<ul style="list-style-type: none"> <li>• Centralized Research for:</li> <li>• Consultants</li> <li>• DC Aggregators</li> <li>• B/Ds</li> <li>• Insurance</li> <li>• Private Banks</li> <li>• RIA Aggregators</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement Specialist Advisors</li> <li>• National and Regional Retirement Aggregators</li> <li>• DC Boutiques</li> <li>• Retirement Platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Independent RIAs</li> <li>• "RIA-friendly" B/Ds</li> <li>• Family Offices</li> <li>• RIA Aggregators</li> <li>• Bank Trust</li> </ul>

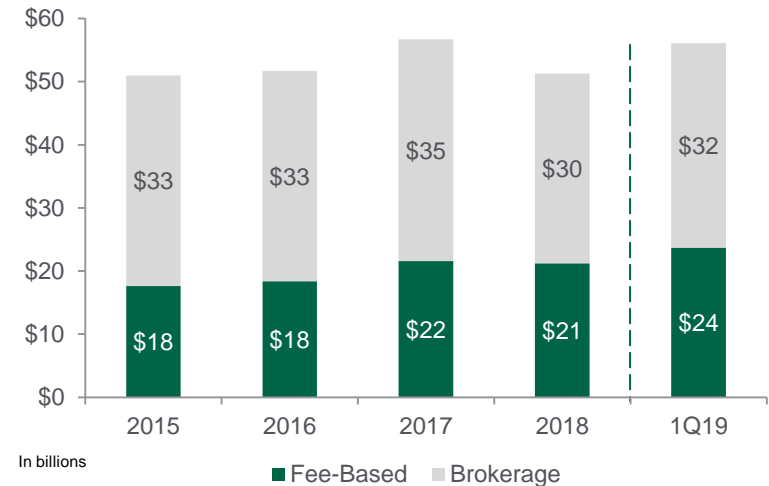
Independent	Regional	Wirehouse
<ul style="list-style-type: none"> <li>• LPL</li> <li>• W&amp;R, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>• Edward Jones</li> <li>• Raymond James</li> <li>• Ameriprise</li> </ul>	<ul style="list-style-type: none"> <li>• Merrill Lynch</li> <li>• Morgan Stanley</li> <li>• UBS</li> <li>• Wells Fargo</li> </ul>

# Wealth Management Business Overview

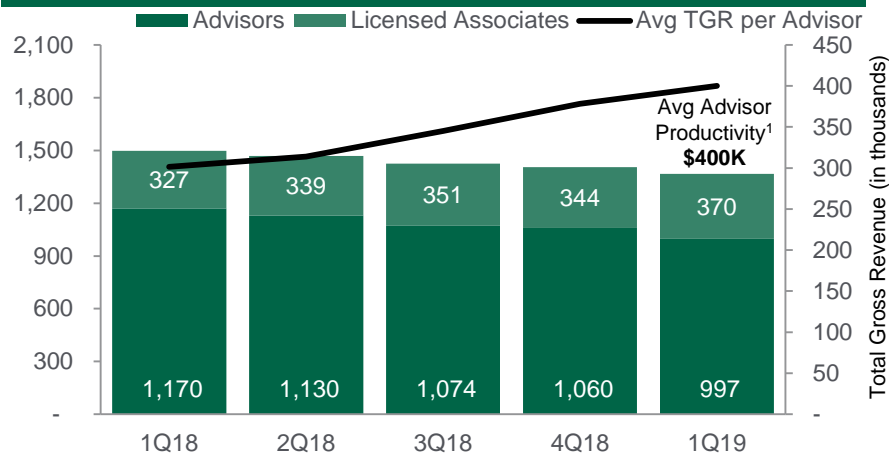
## AT A GLANCE

- Dually Registered Broker/Dealer and Registered Investment Adviser
- Independent contractor model
- Focus on growing AUA and driving profitability
- Providing advisors with access to an attractive span of programs and services, including a diverse set of fee-based advisory programs
- Continuing our development of efficient business processing platforms through best-in-class technologies
- Enhanced recruiting package for new independent advisors who meet qualifying criteria

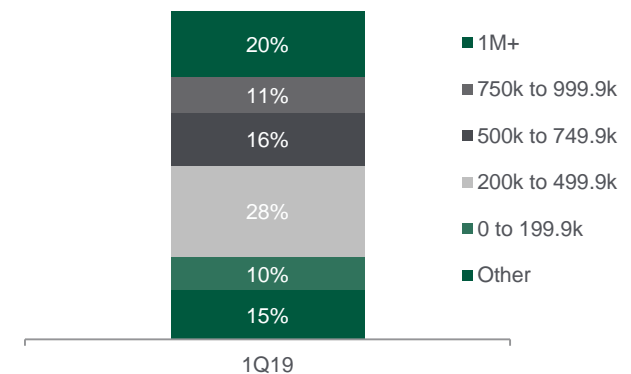
## AUA Fee-based vs Brokerage



## Advisor Productivity



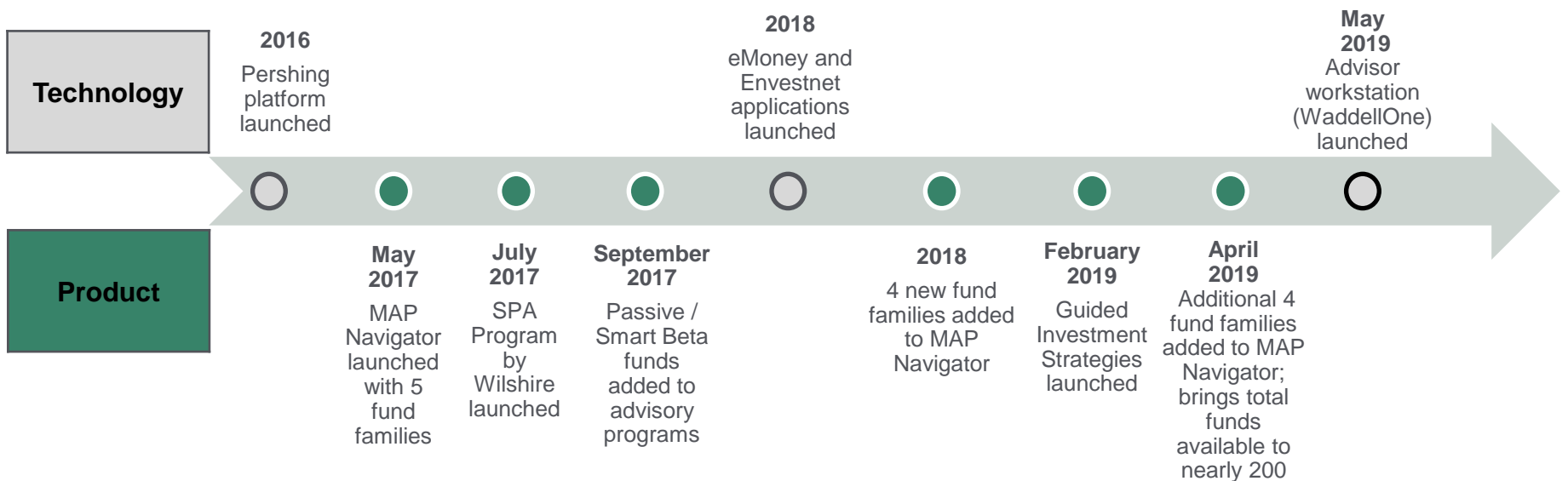
## Advisor Production Stratification



<sup>1</sup>Production per Adviser is calculated as trailing 12-month Total underwriting and distribution fees less "other" underwriting and distribution fees divided by the average number of Advisers. "Other" underwriting and distribution fees predominantly includes fees paid by Advisers for programs and services.

# Wealth Management

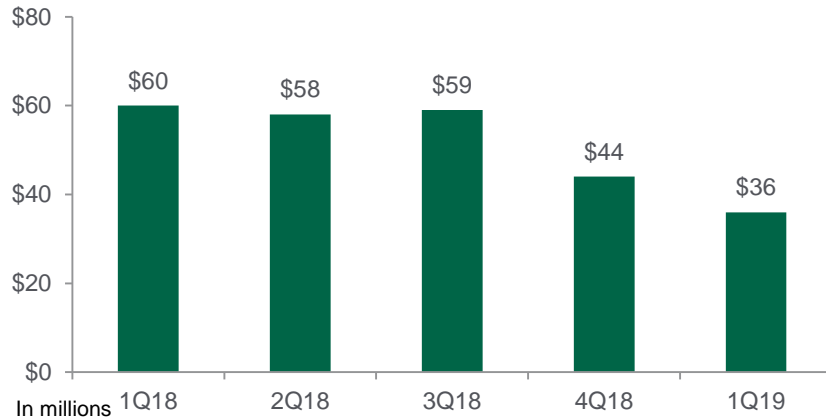
Continued progress towards fully independent wealth management platform



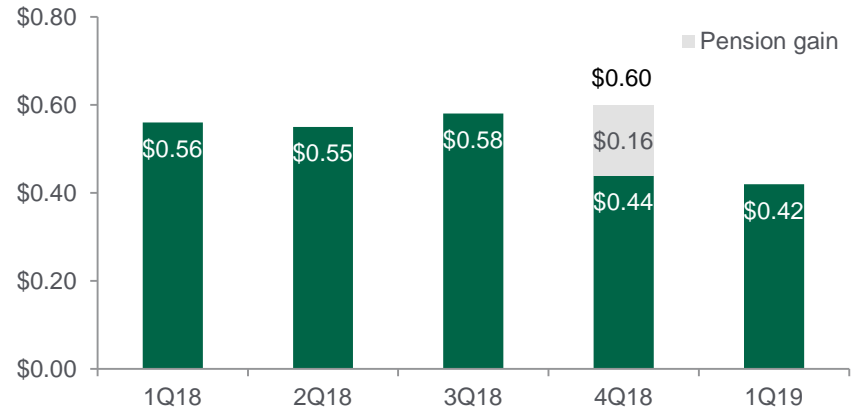
# Waddell & Reed Financial, Inc.

## Financial Summary

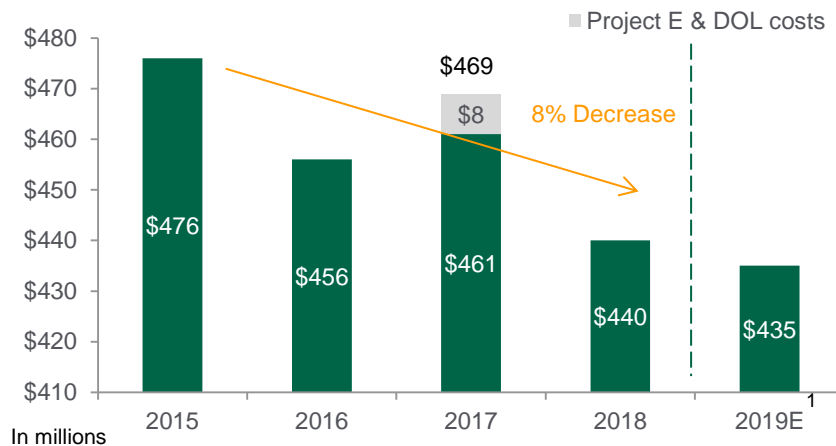
### Operating Income



### Earnings Per Share



### Controllable Expenses



### Commentary

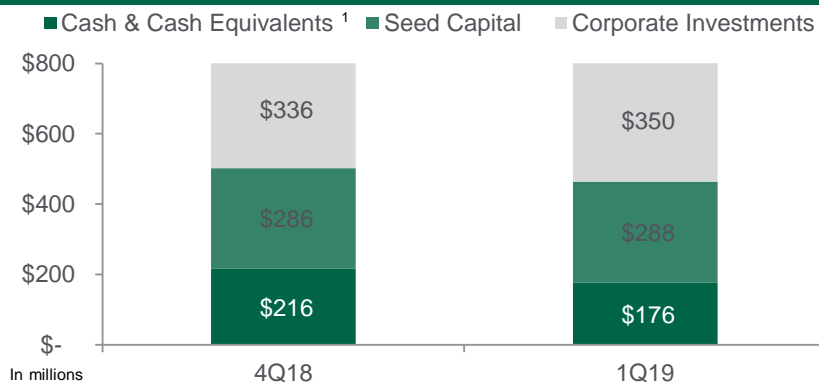
- Operating income shifting towards recurring revenue streams and streamlined operations
- Field real estate exit will shift approximately \$20 million of costs from fixed costs to variable distribution costs
- Continued expense focus after reducing controllable expenses 8% since 2015; estimated 2019 controllable expenses reduced another 1%

<sup>1</sup>2019 estimated controllable expenses defined as compensation, share-based compensation, general and administrative, occupancy, technology, and marketing and administration costs

# Strong Capital Position

## Increased Flexibility

### Capital Position 1Q19

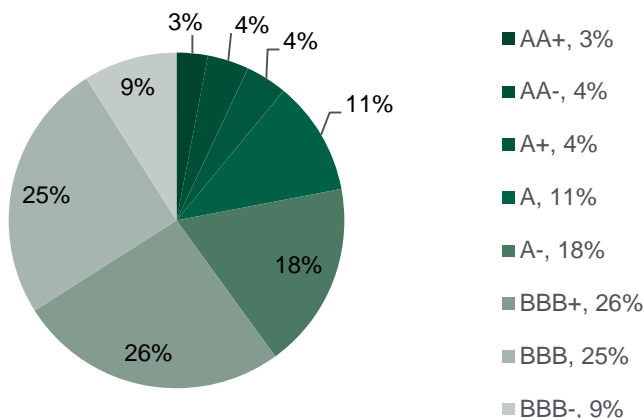


<sup>1</sup>Excludes client restricted cash

### Commentary

- Ample liquidity with cash and investments of \$814 million as of 3/31/19
- Balanced capital management program with attractive dividend and an opportunistic share buyback program
- As of 3/31/19, completed 78% of a \$250 million share buyback program announced in 2017
- Seed capital for products that further enhance our product offerings and distribution efforts

### S&P Ratings of Corporate Bond Portfolio 1Q19



### Investment Portfolio 1Q19

- High-quality, diversified investment portfolio primarily invested in investment grade corporate bonds (95%) with the remaining invested in commercial paper and US Treasury securities
- Average duration at 1.5 years
- Stable yields; 1Q19 yield ~ 2.8%

# Growth Opportunities

## Area

### Product

### Distribution

### M&A

### Technology

## Asset Management

- Offer existing strategies in additional product structures and continued focus on improved performance

- Continued institutional approach and deployment of resources to best opportunities

- Utilize capital to selectively add differentiated or complementary investment strategies

- Enable a fully data-driven distribution strategy to direct resources to best sales opportunities

## Wealth Management

- Continued focus on advisory programs to drive future sales and longer-term, relationship-based assets

- Recruiting of productive advisors looking for a differentiated service model

- Seek recruiting opportunities and utilize capital to add independent wealth management business or groups of financial advisors that meet our productivity targets

- Enhanced advisor technology platform

# WDR Management Team

Mr. Philip J. Sanders

**Chief Executive Officer and Chief Investment Officer**

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Mr. Brent K. Bloss

**Executive Vice President and Chief Operating Officer**

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Mr. Mark P. Buyle

**Senior Vice President, General Counsel, Chief Legal Officer and Secretary**

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Mr. Benjamin R. Clouse

**Senior Vice President, Chief Financial Officer and Treasurer**

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Mr. Shawn M. Mihal

**Senior Vice President – Broker-Dealer**

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Mr. Christopher W. Rackers

**Senior Vice President and Chief Human Resources Officer**

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Ms. Amy J. Scupham

**Senior Vice President - Distribution**

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