Pzena Investment Management, Inc.
Form 10-K
March 14, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ý Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2015
or
o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission file number 001-33761
PZENA INVESTMENT MANAGEMENT, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	20-8999751
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

320 Park Avenue
New York, New York 10022
(Address of Principal Executive Offices)
Registrant's telephone number, including area code: (212) 355-1600

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2015, the last business day of its most recently completed second fiscal quarter, was approximately $135.4 million based on the closing sale price of $11.05 per share of Class A common stock of the registrant on such date on the New York Stock Exchange. For purposes of this calculation only, it is assumed that the affiliates of the registrant include only directors and executive officers of the registrant.

As of March 9, 2016, there were 15,157,705 outstanding shares of the registrant's Class A common stock, par value $0.01 per share.

As of March 9, 2016, there were 52,163,740 outstanding shares of the registrant's Class B common stock, par value $0.000001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Annual Report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 27E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements provide our current views, expectations, or forecasts, of future events and performance and include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as “anticipate,” “believe,” “continue,” “ongoing,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project” or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties, including but not limited to those noted below and described in Part I, Item 1A — "Risk Factors" of this Annual Report, and are based on assumptions and estimates. If one or more of these risks or uncertainties materialize, or if one or more of our assumptions or estimates prove incorrect, our actual results could differ materially from those expected or implied by the forward-looking statements. Accordingly, you should not unduly rely on any forward-looking statements. The forward-looking statements in this Annual Report, speak only as of the date of this Annual Report. There may be additional risks, uncertainties and factors that we do not currently view as material or that are not known. We undertake no obligation to publicly revise any forward-looking statements to reflect circumstances or events after the date of this Annual Report, or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission, or SEC, after the date of this Annual Report.

Forward-looking statements include, but are not limited to, statements about:

- our ability to respond to global economic, market, business and geopolitical conditions;
- our anticipated future results of operations and operating cash flows;
- our successful formulation and execution of business strategies and investment policies;
- our financing plans and the availability of short- or long-term borrowing, or equity financing;
- our competitive position and the effects of competition on our business;
- our ability to identify and capture potential growth opportunities available to us;
- the recruitment and retention of our employees;
- our expected levels of compensation for our employees;
- our potential operating performance, achievements, efficiency and cost reduction efforts;
- our expected tax rate;
- changes in interest rates;
- our expectation with respect to the economy, capital markets, the market for asset management services and other industry trends; and
- the impact of future legislation and regulation, and changes in existing legislation and regulation, on our business.

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Preliminary Notes

In this Annual Report, “we,” “our,” “us,” and "the Company" refer to Pzena Investment Management, Inc. and its consolidated subsidiaries.

Each Russell Index referred to in this Annual Report is a registered trademark or trade name of Frank Russell Company®. Frank Russell Company® is the owner of all copyrights relating to these indices and is the source of the performance statistics of these indices that are referred to herein.

Information with respect to Morgan Stanley Capital International, which we refer to as MSCI, requires a license from MSCI. All MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. MSCI is the owner of all copyrights relating to these indices and is the source of the performance statistics of these indices that are referred to in this Annual Report.

The S&P 500 Index is licensed from Standard & Poor's Financial Services LLC, which is the source of the performance statistics of this index.

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PART I.

ITEM 1. BUSINESS

Overview

Pzena Investment Management, Inc. was formed in 2007 and is the sole managing member of Pzena Investment Management, LLC, which is our operating company. Founded in 1995, Pzena Investment Management, LLC is a value-oriented investment management company. We believe that we have established a positive, team-oriented culture that enables us to attract and retain highly qualified people. Over the past twenty years, we have built a diverse, global client base of respected and sophisticated institutional investors, select third-party distributed mutual funds for which we act as sub-investment adviser, and funds for which we act as investment adviser.

Pzena Investment Management, LLC is comprised of Class A and Class B membership units, each of which have an identical economic interest in the operating company. As a holding company, we hold all the Class A membership units and recognize income generated from our economic interest in our operating company's net income. The Class B membership units of the operating company are held by employees and certain outside members. For each Class A membership unit held, we have issued one corresponding share of Class A common stock, par value $0.01 per share, which entitles the holder to one vote per share. For each Class B membership unit, we have issued one corresponding share of Class B common stock, par value $0.000001 per share, which entitles the holder to five votes per share without dividend rights, as described below in the graphic illustration. As of December 31, 2015, we owned approximately 22.6% of the economic interest in our operating company and our Class A shareholders hold approximately 5.5% of our voting interests.

The graphic below illustrates our holding company structure and ownership as of December 31, 2015.

(1) As of December 31, 2015, the members of Pzena Investment Management, LLC, other than us, consisted of:

- Our named executive officers and their estate planning vehicles, who collectively held approximately 55.4% of the economic interests in Pzena Investment Management, LLC.
- 33 of our other employee members and their estate planning vehicles, who collectively held approximately 4.7% of the economic interests in Pzena Investment Management, LLC.
- Certain other members of our operating company, including one of our directors and his related entities, and former employees, who collectively held approximately 17.3% of the economic interests in Pzena Investment Management, LLC.

(2) Each share of Class A common stock is entitled to one vote per share.

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(3) Each share of Class B common stock is entitled to five votes per share for so long as the number of shares of Class B common stock outstanding represents at least 20% of all shares of common stock outstanding. Holders of Class B common stock have the right to receive the par value of the Class B common stock held by them upon our liquidation, dissolution or winding up, but do not share in dividends.

(4) As of December 31, 2015, we held 15,248,223 Class A units of Pzena Investment Management, LLC, which represented the right to receive 22.6% of the distributions made by Pzena Investment Management, LLC.

(5) As of December 31, 2015, the principals collectively held 52,147,440 Class B units of Pzena Investment Management, LLC, which represented the right to receive 77.4% of the distributions made by Pzena Investment Management, LLC.

(6) Pursuant to the operating agreement of our operating company, each vested Class B unit is exchangeable for a share of the Company's Class A common stock, subject to certain timing and volume restrictions. When a vested Class B unit is exchanged for a share of Class A common stock, or is forfeited, a corresponding share of the Company's Class B common stock will automatically be redeemed and cancelled. When a share of Class A common stock or Class B unit is repurchased and retired, a corresponding membership unit or share of Class B common stock is redeemed and cancelled, respectively. Conversely, to the extent that we issue shares of Class A common stock, or additional Class B units pursuant to our equity incentive plans, the corresponding Class A membership units or shares of Class B common stock will be issued, respectively.

We utilize a classic value approach to investing and seek to make investments in good businesses at low prices, which requires:

- willingness to invest in companies before their stock prices reflect signs of business improvement, and
- significant patience, based upon our understanding of the business’ fundamentals, and our long-term investment horizon.

Our approach and process aim to achieve attractive returns over the long term. We manage assets in value-oriented investment strategies reflecting varying degrees of portfolio concentrations across a wide range of market capitalizations in both U.S. and non-U.S. capital markets.

Our assets under management, or AUM, were $26.0 billion at December 31, 2015, and we managed money on behalf of institutions, acted as sub-investment adviser to a variety of SEC-registered mutual funds and non-U.S. funds as well as investment adviser to certain Pzena SEC-registered mutual funds and non-U.S. funds.

Our operating company is led by a committee, consisting of our Chief Executive Officer (CEO), Mr. Richard S. Pzena, each of our Presidents, Messrs. John P. Goetz and William L. Lipsey, and our Executive Vice President, Mr. Michael D. Peterson (the "Executive Committee").

Our Competitive Strengths

We believe that the following are our competitive strengths:

- Focus on Investment Excellence. We recognize that we must achieve investment excellence in order to attain long-term business success. All of our business decisions, including the design of our investment process and our willingness to limit AUM in our investment strategies, are focused on producing attractive long-term investment results. We believe that our long-term investment performance, together with our willingness to close our strategies to new investors in order to optimize the prospects for future performance, has contributed to our positive reputation among our clients and the institutional consultants who advise them.

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Consistency of Investment Process. Since our inception over twenty years ago, we have utilized a classic value investment approach and a systematic, disciplined investment process to construct portfolios for our investment strategies in U.S. and non-U.S. markets across all market capitalizations. The consistency of our process has allowed us to leverage the same investment team to launch new strategies. We believe that our consistent investment process has resulted in our strong brand recognition in the investment community.

- Diverse and High Quality Client Base. We believe that we have developed a favorable reputation in the institutional investment community. This is evidenced by our strong relationships with institutional investors, investment consultants, and mutual fund providers, as well as the diversity and sophistication of our investors. For more information concerning our client base, see “Our Client Relationships and Distribution Approach” below.

- Experienced Investment Professionals and a Team-Oriented Approach. We believe that our greatest asset is the experience of the individuals on our team. For more information on our investment team, see “Our Investment Team” below.

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- Employee Retention. We have focused on building an environment that we believe is attractive to talented investment professionals. Important among our practices are our team-oriented approach to investment decisions, rotation of coverage areas among individuals, and our culture of employee ownership.

- Culture of Ownership. We believe in significant ownership of our business by the key contributors to our success. Since our inception, we have communicated to all our employees that they have the opportunity to become members of our operating company. As of December 31, 2015, we had 38 employee members positioned within all of our functional areas. We believe this ownership model results in a shared sense of purpose with our clients and their advisers. We intend to continue fostering a culture of ownership through our equity incentive plans, which are designed to align our team's interests with those of our stockholders and clients. We believe this culture of ownership contributes to our team orientation and connection with clients.

Our Business Strategy

The key to our success is continued long-term investment performance. In conjunction with this, we believe the following strategies will enable us to grow our business over time.

- Unwavering Focus on Classic Value Investing. We view our unwavering focus on long-term classic value investment excellence to be the key driver of our business success.

- Capitalize on Growth Opportunities Created By Our Global Strategies. Among both institutional and retail investors industry-wide, over the past few years, there have been increasing levels of investments in portfolios including non-U.S. equities. As of December 31, 2015, the total AUM in our Global Value strategies, International (ex-U.S.) Value strategies, Emerging Markets Focused Value strategy, and other non-U.S. strategies was $11.5 billion, or 44.2% of our overall AUM. Our global capability provides opportunity for implementation of our strategies around the world.

- Work with Our Strong Consultant Relationships. We believe that we have built strong relationships with the leading investment consulting firms who advise potential institutional clients. Historically, new accounts sourced through consultant-led searches have been a large driver of our inflows and are expected to be a major component of our future inflows. We estimate that approximately 70% of all retirement plan assets are advised by investment consultants, with a relatively small number of these consultants representing a significant majority of these relationships. As a result of a consistent servicing effort over our history, we have built strong relationships with consulting firms that we believe are the most important. New accounts sourced through consultant-led searches have been a large driver of our historical growth and are expected to be a major component of our future growth. As of December 31, 2015, our largest consultant relationship represented approximately 11% of our AUM.

- Expand Our Non-U.S. Client Base. In recent years, we have increased our efforts to develop our non-U.S. client base. Through our strong relationships with global consultants, we have been able to accelerate the development of our relationships with their non-U.S. branches. Over time, we aim to achieve growth of this client base through these relationships and by directly calling on the world's largest institutional investors. We have also sought to expand our non-U.S. base through our relationships with non-U.S. mutual funds and other investment fund advisers. During 2015, we expanded our physical presence to three continents with the launch of a business development and client service office in London, in addition to our headquarters in the United States and representative office in Melbourne. To date, these marketing efforts have resulted in client relationships in more than fifteen non-U.S. countries, including the United Kingdom, Australia and Canada. As of December 31, 2015, we managed $6.9 billion on behalf of non-U.S. clients.

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Provide Access To Our Strategies Through a Range of Investment Vehicles. Our clients access our investment strategies through a range of investment vehicles, including separately managed accounts, mutual funds that we sub-advise, and certain private placement vehicles and non-U.S. funds that we offer to institutional investors. During 2014 we launched three SEC-registered Pzena mutual funds for which we act as investment adviser in an effort to expand the access investors have to our strategies. For more information concerning access to our strategies, see "Our Client Relationships and Distribution Approach" below.

Employ Global Team to Serve Clients and Prospects. Our business development and client service professionals are critical to our business, as noted below under "Business Development and Client Service Teams" and are generally focused geographically. In addition to our headquarters in the United States and representative office in Melbourne, we have two dedicated professionals located in our London office. During 2015 we demonstrated our commitment to the

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retail market with an expanded two person leadership team focusing on the growth of our distribution capabilities and intermediary business across channels.

Our Investment Team

We have built an investment team that is well-suited to implementing our classic value investment strategy. The members of our investment team have a diverse set of backgrounds, including former corporate management, private equity, management consulting, accounting and Wall Street professionals. Their diverse business backgrounds are instrumental in enabling us to make investments in companies where we would be comfortable owning the entire business for a three- to five-year period. We look beyond temporary earnings shortfalls that result in stock price declines, which may lead others to forego investment opportunities, if we believe the long-term fundamentals of a company remain attractive.

As of December 31, 2015, we had a 24-member investment team. Each member serves as a research analyst, and certain members of the team also have portfolio management responsibilities. There are generally three portfolio managers for each investment strategy. These three managers have joint decision-making responsibility, and each has “veto authority” over all decisions regarding the relevant portfolio. Research analysts have sector and company-level research responsibilities which span all of our investment strategies, including those with a non-U.S. focus. In order to facilitate the professional development of our team, and to keep a fresh perspective on the companies in our investment portfolios, our research analysts generally rotate industry coverage every three to four years.

We follow a collaborative, consensus-oriented approach to making investment decisions, such that all members of our investment team, irrespective of their seniority, can play a significant role in this decision making process. We hold weekly research review meetings attended by all portfolio managers and relevant research analysts, and are open to other employees, at which we openly discuss and debate our findings regarding the normalized earnings power of potential portfolio companies. In addition, we hold daily morning meetings, attended by our portfolio managers, research analysts, portfolio implementation, and client service personnel, in order to review developments in our holdings and set a trading strategy for the day. These meetings are critical for sharing relevant developments and analysis of the companies in our portfolios. We believe that our collaborative culture is attractive to our investment professionals.

Our Investment Strategies

As of December 31, 2015, our approximately $26.0 billion in AUM was invested in a variety of value-oriented investment strategies, representing differing degrees of concentration, and capitalization segments of U.S. and non-U.S. markets. See "Item 7 — Management's Discussion and Analysis of Financial Condition & Results of Operations — Operating Results — Assets Under Management and Flows" for additional details about our strategies. The following table identifies our current U.S. and non-U.S. investment strategies, and the allocation of our approximately $26.0 billion in AUM among them, as of December 31, 2015.

Strategy[1]	As of December 31,		
	2015	2014	2013
U.S. Strategies	(in billions)		
Large Cap Value	$9.9	$11.9	$11.4
Mid Cap Value	1.8	1.8	0.4
Value	1.6	1.8	1.9
Small Cap Value	1.1	1.3	1.3
Other U.S. Strategies	0.1	—	—
Non-U.S. Strategies			

Global Value	4.2	5.6	6.2
International (ex-U.S.)Value	4.2	3.4	2.1
Emerging Markets Value	1.8	1.1	0.9
European Value	1.1	0.7	0.7
Other Global and Non-U.S. Strategies	0.2	0.1	0.1
Total	$ 26.0	$ 27.7	$ 25.0

1 Inclusive of our Expanded Value, Focused Value and variations thereof.

We follow the same investment process for each of these strategies. Our investment strategies are distinguished by the market capitalization ranges from which we select securities for their portfolios, which we refer to as each strategy's investment universe, as well as the regions in which we invest. In addition, the number of holdings typically found in the portfolios of each of our investment strategies may vary depending on the degree of concentration in the portfolio, with our Focused value strategies generally reflecting fewer holdings than our Expanded value strategies.

Our largest investment strategies as of December 31, 2015 are further described below. This strategy detail is representative of our Expanded and Focused value strategies, and variations thereof.

U.S. Strategies

Large Cap Value. These strategies reflect portfolios composed of approximately 30 to 80 stocks drawn generally from a universe of 500 of the largest U.S. listed companies, based on market capitalization.

Value. This strategy reflects a portfolio composed of a portfolio of approximately 30 to 40 stocks drawn generally from a universe of 1,000 of the largest U.S. listed companies, based on market capitalization.

Small Cap Value. This strategy reflects a portfolio composed of approximately 40 to 50 stocks drawn generally from a universe of U.S. listed companies ranked from the 1,001st to 3,000th largest, based on market capitalization.

Mid Cap Value. These strategies reflect portfolios composed of approximately 30 to 80 stocks drawn generally from a universe of U.S. listed companies ranked from the 201st to 1,200th largest, based on market capitalization.

Non-U.S. Strategies

Global Value. These strategies reflect portfolios composed of approximately 40-95 stocks drawn generally from a universe of 2,000 of the largest companies across the world, based on market capitalization.

International (ex-U.S.) Value. These strategies reflect portfolios composed of approximately 30-80 stocks drawn generally from a universe of 1,500 of the largest companies across the world, excluding the United States, based on market capitalization.

Emerging Markets Value. This strategy reflects a portfolio composed of approximately 40 to 80 stocks drawn generally from a universe of 1,500 of the largest emerging market companies, based on market capitalization.

European Value. This strategy reflects a portfolio composed of approximately 40-50 stocks drawn generally from a universe of 750 of the largest European companies, based on market capitalization.

We believe that our ability to retain and grow assets has been, and will continue to be, driven primarily by delivering attractive long-term investment results to our clients. We have therefore prioritized, and will continue to prioritize, investment performance over asset accumulation. Where we have deemed it necessary, we have, at times, closed certain products to new investors in order to preserve capacity to effectively implement our concentrated investment strategies for the benefit of existing clients. Currently, all of our investment strategies are open to new investors.

Our Strategy Development Approach

Historically, a major component of our growth has been the development of new strategies. Prior to incubating a new strategy, we perform in-depth research on the potential market for the product, as well as its overall compatibility with our investment expertise. This process involves analysis by our client team, as well as by our investment professionals. We will only launch a new product if we believe that it can add value to a client's investment portfolio. In the past, as appropriate, we have created partnerships with third parties to enhance the distribution of a strategy or add expertise that we do not have in-house. Prior to marketing a new strategy, we generally incubate the product for a period of one to five years, so that we can test and refine our investment strategy and process before actively marketing the product to our clients.

Furthermore, we continually seek to identify opportunities to extend our investment process into new markets or to apply it in different ways to offer clients additional strategies. We are currently incubating several strategies which we believe may be attractive to our clients in the future.

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Our Investment Performance

Since we are long-term fundamental investors, we believe that our investment strategies yield the most benefits and are best evaluated, over a long-term timeframe. For more information on our performance, see "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Operating Results."

Our Client Relationships and Distribution Approach

We believe that strong relationships with our clients are critical to our ability to succeed and to grow our AUM. In building these relationships, we have focused our efforts where we can efficiently access and service large pools of sophisticated clients with our team of dedicated business development and client service professionals.

We distribute our products to institutional and retail clients primarily through the efforts of our business development and client service team, who communicate directly with our clients and with the consultants who serve them, as well as through the marketing programs of our sub-investment advisory partners and intermediary distribution partners. Since our objective is to attract long-term investors with an investment horizon in excess of three years, our business development and client service efforts focus on educating our investors and intermediary distribution partners regarding our disciplined classic value investment process and philosophy.

Our business development and client service team is responsible for:

- identifying, developing relationships with, and marketing to prospective institutional clients;
- providing ongoing service to existing institutional accounts;
- responding to requests for investment management proposals;
- developing and maintaining relationships with independent consultants;
- developing and maintaining relationships with intermediary partners to grow retail distribution capabilities;
- addressing all ongoing client needs, including periodic updates and reporting requirements; and
- developing direct relationships with clients sourced through consultant-led searches.

Our business development and client service team is actively engaged with our research team to ensure our clients receive content-based information. We introduce members of our research and portfolio management team into client portfolio reviews to ensure that our clients are exposed to the full breadth of our investment resources. We also provide quarterly reports to our clients in order to share our investment perspectives. We additionally meet and hold conference calls regularly with clients to share perspectives on the portfolio and the current investment environment.

Distribution Channels

We manage assets in two principal distribution channels. A summary of selected financial data attributable to our operations for each distribution channel is included in "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations". The following table provides information regarding the composition of our total assets under management by distribution channel:

As of December 31,

Assets Under Management	2015	2014	2013
	(in billions)		
Institutional Accounts	$14.9	$15.6	$15.4
Retail Accounts	11.1	12.1	9.6
Total	$26.0	$27.7	$25.0

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Institutional Distribution Channel

Since our inception, we have directly offered institutional investment products to public and corporate pension funds, endowments, foundations and certain commingled vehicles geared toward institutional investors. We continue to develop direct relationships with the largest U.S. institutional investors and consultants. Over the past few years, we have focused on expanding our potential institutional clients and consultant relationships outside of the United States.

Retail Distribution Channel

We have established relationships with mutual fund and fund providers globally, that offer us opportunities to efficiently access market segments geared primarily toward retail investors through sub-investment advisory roles. The funds that we sub-advise are generally either multi-manager funds, in which we manage only a portion of the fund's portfolio, or funds for which we are the sole sub-adviser.

We currently sub-advise four funds that are advised by The Vanguard Group. We manage a portion of each of the Vanguard Windsor Fund, Vanguard Selected Value Fund, and Vanguard Emerging Markets Select Stock Fund, and are the sole sub-adviser of the Vanguard U.S. Fundamental Value Fund. As of December 31, 2015, these four funds represented $6.5 billion, or 25.1%, of our AUM. For the years ended December 31, 2015, 2014, and 2013, approximately 10.8%, 9.4%, and 6.9%, respectively, of our total revenue was generated from our sub-investment advisory agreements with The Vanguard Group.

We sub-advise a mutual fund that is advised by John Hancock Advisers, namely the John Hancock Classic Value Fund. As of December 31, 2015, this fund represented $2.0 billion, or 7.5%, of our AUM. For the years ended December 31, 2015, 2014, and 2013 approximately 5.9%, 7.6%, and 7.7%, respectively, of our total revenue was generated from our sub-investment advisory agreement with John Hancock Advisers.

Pzena Funds

U.S. investors that do not meet our minimum account size for a separate account, or who otherwise prefer to invest through a mutual fund, can invest in certain of our strategies through our Pzena Mutual Funds, which were launched during 2014 and are included in our retail distribution category. We act as the investment adviser to three Pzena Mutual Funds that offer no-load, open-end share classes designed to meet the needs of a range of investor types.

In addition, we serve as investment manager and promoter of Pzena Value Funds plc and its respective sub-funds, a family of Irish-based UCITS funds primarily reflecting institutional investors. Pzena Value Funds plc began operations in 2005 and offers shares to non-U.S. investors. We currently offer a sub-fund corresponding to our Emerging Markets Focused Value, Global Expanded Value, Global Focused Value, and Large Cap Expanded Value strategies.

We also offer access to certain of our Global and non-U.S. strategies through private placement vehicles and collective investment trusts.

Advisory Fees

We earn advisory fees on the accounts that we manage for institutional clients and for retail clients which are primarily sub-advised mutual funds.

On our institutional accounts, we are paid fees according to a schedule which varies by investment strategy. The substantial majority of these accounts pay us management fees pursuant to a schedule in which the rate we earn on the

AUM declines as the amount of AUM increases.

With respect to our retail accounts, as of December 31, 2015, we sub-advised fifteen SEC-registered mutual funds that each have an initial two-year term and are thereafter subject to annual renewal by each fund’s board of directors pursuant to the Investment Company Act of 1940, as amended (the “Investment Company Act”). Twelve of these fifteen sub-investment advisory agreements are beyond their initial two-year terms as of December 31, 2015. In addition, we sub-advise seventeen non-U.S. funds. Under these agreements, we are generally paid a management fee according to a schedule, pursuant to which the rate we earn on the AUM declines as the amount of AUM increases. Certain of these funds pay us fixed-rate management fees. Due to the substantially larger account size of certain of these accounts, the average advisory fees we earn on them, as a percentage of assets under management, are lower than the advisory fees we earn on our institutional accounts.

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Advisory fees we earn on institutional accounts are generally based on the value of AUM at a specific date on a quarterly basis. Certain of our institutional accounts, and all of the mutual funds that we sub-advise, are calculated based on the average of the monthly or daily market value of the account. Advisory fees are also generally adjusted for any cash flows into or out of a portfolio, where the cash flow represents greater than 10% of the value of the portfolio. While a specific group of accounts may use the same fee rate, the calculation methodology may differ, as described above.

Certain of our clients pay us performance fees according to the performance of their accounts relative to certain agreed-upon benchmarks, which results in a lower base fee, but allows for us to earn higher fees if the relevant investment strategy outperforms the agreed-upon benchmark. Some performance-based fee arrangements include high-water mark provisions, which generally provide that if a client account underperforms relative to its performance target, it must gain back such underperformance before we can collect future performance-based fees.

Competition

We compete in all aspects of our business with a large number of investment management firms, commercial banks, broker-dealers, insurance companies and other financial institutions.

In order to grow our business, we must be able to compete effectively to maintain existing AUM and attract additional AUM. Historically, we have competed for AUM principally on the basis of:

- the performance of our investment strategies;
- our clients' perceptions of our drive, focus and alignment of our interests with theirs;
- the quality of the service we provide to our clients and the duration of our relationships with them;
- our brand recognition and reputation within the investing community;
- the range of strategies and investment vehicles we offer; and
- the level of advisory fees we charge for our investment management services.

Our ability to continue to compete effectively will also depend upon our ability to attract highly qualified investment professionals and retain our existing employees. For additional information concerning the competitive risks that we face, see "Item 1A — Risk Factors — Risks Related to Our Business — The investment management business is intensely competitive."

Employees

At December 31, 2015, we had 88 full-time employees, including 24 investment professionals and 13 business development and client service professionals.

Regulatory Environment and Compliance

Our business is subject to extensive regulation in the United States at both the federal and state level, as well as by self-regulatory organizations. Under these laws and regulations, agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict or prohibit an investment adviser from carrying on its business in the event that it fails to comply with such laws and regulations. Possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines. Our business is also subject to foreign regulation, as discussed below.

SEC Regulation

Our operating company, Pzena Investment Management, LLC, is registered as an investment adviser with the SEC. As a registered investment adviser, it is subject to the requirements of the Investment Advisers Act of 1940, as amended, which we refer to as the Investment Advisers Act, and the SEC’s regulations thereunder, as well as to examination by the SEC’s staff. The Investment Advisers Act imposes substantive regulation on virtually all aspects of Pzena Investment Management, LLC's business and its relationships with its clients. As an investment adviser, Pzena Investment Management, LLC owes fiduciary duties to its clients, which relate to conflicts of interest, client recommendations and other fundamental matters. Applicable requirements relate to, among other things, engaging in transactions with clients, maintaining an effective compliance program, performance fees, solicitation arrangements, advertising, recordkeeping, reporting and disclosure requirements.

The U.S. funds for which Pzena Investment Management, LLC acts as the sub-investment adviser and three of the U.S. funds for which Pzena Investment Management, LLC acts as investment adviser, are registered with the SEC under the Investment Company Act. The Investment Company Act imposes additional obligations, including detailed operational requirements for both the funds and their advisers. Moreover, the Investment Company Act requires that an investment adviser's contract with a registered fund may be terminated by the fund on not more than 60 days' notice, and is subject to annual renewal by the fund's board after an initial two-year term.

Both the Investment Advisers Act and the Investment Company Act regulate the "assignment" of advisory contracts by the investment adviser. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act and the Investment Company Act, ranging from fines and censures to termination of an investment adviser's registration.

Pzena Financial Services, LLC, our SEC registered broker-dealer subsidiary, is subject to the SEC's Uniform Net Capital Rule, which requires that at least a minimum part of a registered broker-dealer's assets be kept in relatively liquid form. At December 31, 2015, Pzena Financial Services, LLC had net capital of $262,163, which was $256,749 in excess of its net capital requirement of $5,414.

ERISA-Related Regulation

With respect to our benefit plan clients, Pzena Investment Management, LLC is a "fiduciary" under the Employment Retirement Act of 1974, or ERISA, and is therefore subject to ERISA, and to regulations promulgated thereunder. ERISA and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients and provide monetary penalties for violations of these prohibitions.

Foreign Regulation

Pzena Investment Management, LLC currently avails itself of the international adviser exemption in Ontario, Canada. In addition, Pzena Investment Management, LLC is registered as an exempt market dealer in Ontario, Canada. As an exempt adviser, Pzena Investment Management, LLC is only permitted to provide advice in Ontario to certain institutional and high net worth individual clients. As an exempt market dealer, Pzena Investment Management, LLC is permitted to act as a market intermediary for only certain types of trades, and is permitted to market, sell and distribute prospectus-exempt securities to accredited investors. An exempt adviser and market dealer must, upon the request of the Ontario Securities Commission, or OSC, produce all books, papers, documents, records and correspondence relating to its activities in Ontario, and inform the OSC if it becomes the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority.

Pzena Investment Management, LLC maintains a representative office in Melbourne, Australia, and maintains an exemption from the Australian Financial Services license requirement under the Corporations Act 2001 of the Commonwealth of Australia.

Pzena Investment Management, Ltd, our United Kingdom subsidiary, plans to file an application with the Financial Conduct Authority ("FCA") in the United Kingdom. We anticipate becoming an FCA authorized and regulated entity by the end of 2016.

We operate in various other foreign jurisdictions without registration in reliance upon applicable exemptions under the laws of those jurisdictions.

Our Executive Officers

Richard S. Pzena was appointed our Chairman, Chief Executive Officer and Co-Chief Investment Officer in May 2007. Prior to forming Pzena Investment Management, LLC in 1995, Mr. Pzena was the Director of U.S. Equity Investments and Chief Research Officer for Sanford C. Bernstein & Company. Mr. Pzena joined Sanford C. Bernstein & Company in 1986 as an oil industry analyst. During 1990 and 1991, Mr. Pzena served as Chief Investment Officer, Small Cap Equities, and assumed his broader domestic equity role in 1991. Prior to joining Bernstein, Mr. Pzena worked for the Amoco Corporation in various financial and planning roles. He earned a B.S. summa cum laude and an M.B.A. from the Wharton School of the University of Pennsylvania in 1979 and 1980, respectively.

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John P. Goetz was appointed our President, Co-Chief Investment Officer in June 2007, and became a member of our Board of Directors in May 2011. Mr. Goetz joined us in 1996 as Director of Research and has been Co-Chief Investment Officer since 2005. Previously, Mr. Goetz held a range of key positions at Amoco Corporation for over 14 years, most recently as the Global Business Manager for Amoco's $1 billion polypropylene business, where he had bottom-line responsibility for operations and development worldwide. Prior positions at Amoco included strategic planning, joint venture investments and project financing in various oil and chemical businesses. Prior to joining Amoco, Mr. Goetz had been employed by The Northern Trust Company and Bank of America. He earned a B.A. summa cum laude in Mathematics and Economics from Wheaton College in 1979 and an M.B.A. from the Kellogg School at Northwestern University in 1982.

William L. Lipsey was appointed our President, and Head of Business Development and Client Service in June 2007, and became a member of our Board of Directors in May 2011. Before joining Pzena Investment Management in 1997, Mr. Lipsey was an Investment Advisory Consultant and a Senior Vice President at Oppenheimer & Company, Inc. Prior to joining Oppenheimer, Mr. Lipsey's career included positions at Morgan Stanley, Kidder Peabody and Hewitt Associates. At Morgan Stanley and Kidder Peabody, Mr. Lipsey managed assets for institutional and private clients. He earned a B.S. in Economics from the Wharton School of the University of Pennsylvania in 1980 and an M.B.A. in Finance from the University of Chicago in 1986.

Gary J. Bachman was appointed our Chief Financial Officer in September 2012. Prior to joining Pzena Investment Management, Mr. Bachman served as Executive Director of the Investment Bank Finance Department at JP Morgan Chase, from 2008 to 2012. Prior to this, Mr. Bachman worked in the Strategic Transaction and Accounting Policy and External Reporting groups at Lehman Brothers, from 2000 to 2008. Mr. Bachman received his B.S. from Binghamton University in 1990 and an M.B.A. from Fordham University in 1998. Mr. Bachman is a Certified Public Accountant.

Michael D. Peterson was appointed Executive Vice President in February 2011. He is also a Portfolio Manager of our Global Focused Value, International (ex-US) Focused Value, International (ex-US) Expanded Value, Global Expanded Value, and European Focused Value strategies. Prior to joining Pzena Investment Management in 1998, Mr. Peterson was an engagement manager at McKinsey & Company. At McKinsey, he was a member of the Financial Institutions Group, as well as the Pricing Practice. Prior to joining McKinsey, he was an Assistant Professor at the Indiana University School of Public and Environmental Affairs, where he taught operations research and operations management. He holds a PhD in Management (Operations Research) from the M.I.T. Sloan School of Management, where he was a National Science Foundation fellow from 1989 to 1992. Prior to that, he received a M.A. in Mathematics from the University of Cambridge in 1988 and an A.B. summa cum laude in Economics from Princeton University.

Available Information

We make available free of charge through our website, www.pzena.com, our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K, as well as amendments to those reports, and other filings required under the Securities Act of the Exchange Act as soon as reasonably practicable after they are electronically filed with the Securities and Exchange Commission ("SEC"). To retrieve these reports, and any amendments thereto, visit the Investor Relations section of our website. The SEC maintains a website at www.sec.gov. All of the materials we filed with the SEC may be accessed free of charge on the SEC's website through its EDGAR page. The SEC also has a Public Reference Room at 100 F Street, NE Washington, D.C., where our materials may be read and/or copied. Information about the operation of the Public Reference Room can be obtained by calling 1-800-SEC-0330.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers, and Board of Directors committee charters (including the charters of the Audit Committee, Compensation

Committee, and Nominating and Corporate Governance Committee) are also available free of charge through our website under "Investor Relations — Corporate Governance".

The information on the Company's website is not part of, or incorporated by reference into, this Annual Report, or any other report we file with, or furnish to the SEC.

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ITEM 1A. RISK FACTORS

We face a variety of significant and diverse risks, many of which are inherent in our business. Described below are the risks we currently believe could materially and adversely affect our business, financial condition, results of operations or cash flow.

Risks Related to Our Business

Our primary source of revenue is derived from management fees, which are directly tied to our assets under management. Fluctuations in AUM therefore will directly impact our revenue.

Substantially all of our revenue is derived from management fees paid by our clients, based on a percentage of the market value of our AUM. Any decline and/or significant impairment in AUM would greatly affect our revenue, and could occur due to a variety of factors, including:

- Poor performance of our strategies: Poor performance of our investment strategies may result in decreased market value of AUM. In addition, underperformance could impact our ability to maintain our existing client base and develop new relationships, both of which could negatively impact AUM.

- Poor market environment: We expect our business may generate lower revenue in a depressed equities market or general economic downturn as a result of depreciation of our AUM. Any decline in the market value of securities held in client portfolios due to such adverse conditions would reduce AUM and lead to a decrease in revenue. Investor sentiment in a poor equities market environment could also decrease inflows and increase outflows from our investment strategies in favor of investments perceived as more attractive.

- Global market, economic, geo-political and other conditions: As a company that invests in both U.S. and non-U.S. markets, and with a global client base, our business is subject to changing conditions in the global financial markets, and may also be affected by worldwide political, social and economic conditions, any of which could negatively impact our investment performance, growth strategy and AUM. See "Our non-U.S. strategies consist primarily of investments in the securities of issuers located outside of the United States, which may involve foreign currency exchange, political, social and economic uncertainties and risks" below.

- Termination of significant relationships: Our clients can generally terminate our advisory agreements or reduce assets under management upon short notice and for any reason. Investors in the pooled funds that we manage may also redeem their investments in the funds at any time without prior notice. As of December 31, 2015, three client relationships represented 40% and 22% of our AUM and revenue, respectively, including one client relationship which represents approximately 25% and 11% of our AUM and revenue respectively. The termination of any of these relationships and outflow of money from our pooled funds could significantly reduce our revenue, and we may not be able to establish relationships with other clients in order to replace the lost revenue. There can also be no assurance that our agreements with respect to these relationships will remain in place going forward.

- Defined benefit plans are declining: Defined benefit plans are declining as corporate plan sponsors are decreasing their liabilities and shifting employee enrollment to defined contribution plans. We currently do not have significant exposure to the defined contribution market but are actively trying to gain new assets in this market. There is no guarantee that we will be successful in increasing our penetration of the defined contribution market, which could impact our AUM.

- Intermediary dependence: New accounts sourced through consultant-led searches have been a large driver of our inflows in the past, and are expected to be a major component of our inflows going forward. We have also established relationships with certain mutual fund providers who have offered us opportunities to access certain market segments through sub-investment advsiory roles. Such consultants and mutual fund providers routinely review and evaluate our organization and the services we offer, and poor evaluations may result in client outflows and impact our ability to attract new assets through such intermediaries. See "Item 1 — Our Business Strategy — Work with Our Strong Consultant Relationships" and "Item 1 — Our Client Relationships and Distribution Approach — Distribution Channels — Retail Distribution Channel".

- Passive strategies have grown substantially in relation to active strategies: During the past decade, investors have generally exhibited a preference for passive investment products, such as index and exchange traded funds, over active strategies managed by asset managers such as ourselves. If this market preference continues, existing and prospective

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clients may choose to invest in passive investment products, our growth strategy may be impaired and our AUM may be negatively impacted.

We may face capacity constraints in certain of our strategies which may prevent us from accepting new investors in those strategies.

Our ability to retain and grow assets as a firm has been, and will be, driven primarily by delivering attractive investment results to our clients. As a consequence, we have prioritized, and will continue to prioritize, investment performance over asset accumulation. Where we deemed it necessary, we have, at times, closed certain strategies to new investors in order to preserve capacity to effectively implement our concentrated investment strategies for the benefit of existing clients. We may in the future close certain of our strategies to new investors or to new inflows from existing investors. Any such closures may limit our future AUM growth and hence our revenue growth.

Market and competitive pressures to lower our advisory fees could lead to a decline in our profit and earnings.

Market and competitive pressures in recent years have created a trend towards lower management fees in the asset management industry and there can be no assurance that we will be able to maintain our current fee structure going forward. As a result, a shift in the composition of our AUM from higher to lower fee-generating client relationships would result in a decrease in revenue, even if our aggregate level of AUM remains unchanged or increases.

A portion of our investment advisory revenue is also derived from performance fees. We generally earn performance fees under certain client agreements according to the performance relative to an agreed-upon benchmark. This fee structure results in a lower base fee but allows for us to earn higher fees if the investment strategy outperforms the benchmark. Some performance-based fee arrangements include high-water mark provisions, which generally provide that if a client account underperforms relative to its performance target, it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we fail to achieve the performance target for a particular period, we may not earn a performance fee for that period and for accounts with a high-water mark provision, our ability to earn future performance fees may be impaired. During fiscal years 2015 and 2014, we earned $ 4.5 million and $3.8 million in performance fees, respectively. An increase in performance-based fee arrangements with clients could create greater fluctuations in our revenue and earnings.

Increases in our expenses could lead to a decline in our profit margin and increase the volatility of our earnings.

Our expenses are subject to increase based on a variety of factors such as higher operating expenses resulting from business expansion, product development and increased marketing efforts; higher compensation expense due to increased competition for talent, headcount and seniority level; and related expenses to meet business and regulatory needs. Some or all of these expenses may remain at higher levels for the foreseeable future, leading to higher costs for our business. Fluctuations in expenses could impact our profit margins and contribute to earnings volatility.

Loss of key employees, and difficulties in attracting qualified investment professionals, could have a material adverse effect on the performance of our strategies, which may lead to a decrease in revenue and profitability.

The success of our business largely depends on the participation of Richard S. Pzena, John P. Goetz, William L. Lipsey, and Michael D. Peterson, our CEO, two Presidents, and Executive Vice President, respectively. Their professional reputations, expertise in investing, and relationships with our clients and within the investing community in the U.S. and abroad are critical to executing our business strategy and attracting and retaining clients. The retention of these individuals is crucial to our future success. There is no guarantee that they will not resign, join our competitors or form a competing company. The terms of the current operating agreement of our operating company restrict each of these individuals from competing with us or soliciting our clients or employees during the term of their employment with us and for a certain period thereafter. The penalty for breach of these restrictive covenants may be the forfeiture of a number of Class B units held by the individual, and his permitted transferees, as of the earlier of the date of his breach or the termination of his employment. Although we may seek specific performance of these restrictive covenants, there can be no assurance that we would be successful in obtaining this relief. After this post-employment restrictive period, we may not be able to prohibit them from competing with us or soliciting our clients or employees. Furthermore, we do not carry any "key man" insurance that would provide us with proceeds in the event of the death or disability of any of the above mentioned employees.

In addition to the participants mentioned above, our success also depends on our ability to retain the senior members of our investment team and to recruit additional qualified investment professionals. We may not be successful in our efforts to retain and recruit such individuals as the market for investment professionals is extremely competitive. Our portfolio managers possess substantial experience and expertise in classic value investing and maintain significant relationships with our clients. The loss of any of our senior investment professionals could limit our ability to successfully execute our investment approach and to sustain the performance of our investment strategies, which, in turn, could have a material adverse effect on our reputation, client relationships and our revenue and earnings.

Future growth of our business may place significant demands on our resources and employees, and may increase our expenses, risks and regulatory oversight.

Future growth of our business may place significant demands on our infrastructure, our investment team and other employees, which may increase our expenses. In addition, we are required to continuously develop our infrastructure in response to the increasing sophistication of the investment management market, as well as compliance with legal and regulatory developments. We may face significant challenges in: maintaining and developing adequate financial and operational controls; implementing new or updated information and financial systems, and procedures and training; and managing and appropriately sizing our work force, and other components of our business on a timely and cost-effective basis. There can be no assurance that we will be able to manage the growth of our business effectively, or that we will be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control expenses.

The potential inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses and potentially raise regulatory issues. In recent years, we have substantially upgraded and expanded the capabilities of our data processing systems and other operating technology, and we expect that we may need to continue to upgrade and expand these capabilities in the future to avoid disruption of, or constraints on, our operations.

We face risks, and corresponding potential costs and expenses, associated with conducting operations and growing our business in numerous countries.

We have started to offer investment management services in many different regulatory jurisdictions around the world, and intend to continue to expand our operations internationally. In order to remain competitive, we must be proactive and prepared to deploy necessary resources when and where growth opportunities present themselves. If we lack the necessary resources and/or personnel, we may be unable to take full advantage of strategic opportunities when they appear and our strategic decisions may not be efficiently implemented. Meeting local requirements and complying with local industry standards may also place additional demands on sales and compliance personnel and resources that we may not be able to meet. Finding and hiring additional, well-qualified personnel and crafting and adopting policies, procedures and controls to address local or regional requirements remain a challenge as we expand our operations internationally. Moreover, regulators could also change their policies or laws in a manner that might restrict or otherwise impede our ability to offer our investment products in their respective markets. Any of these requirements, activities, or needs could increase the costs and expenses we incur in a specific jurisdiction without any corresponding increase in revenue and income from operating in such jurisdiction.

The investment management business is intensely competitive.

Competition in the investment management business is based on a variety of factors, including investment performance; investor perception of an investment manager's drive, focus and alignment of interests; quality of service provided to clients and duration of client relationships; business reputation; and level of fees charged for services. We compete in all aspects of our business with a large number of investment management firms, commercial banks, broker-dealers, insurance companies and other financial institutions. Our competitive risks are heightened by the fact that some of our competitors may implement investment styles that are viewed more favorably than ours or they may invest in alternative asset classes which the markets may perceive as more attractive than the public equity markets. If we are unable to compete effectively, our revenue could be reduced, and our business could be materially affected.

We may not be successful in expanding into new investment strategies, markets and businesses.

We actively consider the opportunistic expansion of our businesses. We may not be successful in any such attempted expansion. Attempts to expand our businesses involve a number of risks, including entry into markets in which we may have limited or no experience, increasing the demands on our operational systems, the broadening of our geographic footprint, increasing the risks associated with conducting operations in non-U.S. jurisdictions and the diversion of management's attention from our core businesses.

We also may not be successful in identifying new investment strategies or geographic markets that increase our profitability. Because we have not yet identified all of these potential new investment strategies, geographic markets or

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businesses, we cannot identify all the risks we may face and the potential adverse consequences. We also do not know how long it may take for us to expand, if we do so at all.

A change of control could result in termination of our investment advisory or sub-investment advisory agreements.

Pursuant to the Investment Company Act, each of the investment advisory or sub-investment advisory agreements for the SEC-registered mutual funds that we advise will automatically terminate upon their deemed “assignment,” and a fund’s board and shareholders must approve a new agreement in order for us to continue to act as its investment adviser or sub-investment adviser. In addition, pursuant to the Investment Advisers Act, each of our investment advisory agreements for the separate accounts we manage contains a provision that states that the agreement may not be “assigned” without the consent of the client. An "assignment," pursuant to both the Investment Company Act and the Investment Advisers Act, could be deemed to occur upon a sale or transfer of a controlling block of our voting securities. Such an assignment may be deemed to occur in the event that the holders of the Class B units of our operating company exchange enough of their Class B units for shares of our Class A common stock such that they no longer own a controlling interest in us. If such a deemed assignment occurs, there can be no assurance that we will be able to obtain the necessary consents from clients whose assets are managed pursuant to separate accounts, or the necessary approvals from the boards and shareholders of the SEC-registered funds that we sub-advise. An assignment, actual or constructive, would trigger these termination and consent provisions and, unless the necessary approvals and consents are obtained, could adversely affect our ability to continue managing client accounts, resulting in the loss of AUM and a corresponding loss of revenue.

Extensive regulation of our business has been and will be expensive and time consuming, and exposes us to the potential for significant penalties, including fines or limitations on our ability to conduct our business.

We are subject to extensive regulation of our investment management business and operations. As a registered investment adviser, the SEC oversees our activities pursuant to its regulatory authority under the Investment Advisers Act. In addition, we must comply with certain requirements under the Investment Company Act with respect to the SEC-registered funds for which we act as investment adviser or sub-investment adviser. Pzena Financial Services, LLC, our SEC registered broker dealer subsidiary is regulated by the Financial Industry Regulatory Authority ("FINRA"). Pzena Investment Management, Ltd,our United Kingdom subsidiary, plans to file an application with the Financial Conduct Authority ("FCA") in the United Kingdom. We anticipate becoming an FCA authorized and regulated entity by the end of 2016. Each of the regulatory bodies with jurisdiction over us has the authority to regulate various aspects of financial services, including the authority to grant, and, in specific circumstances to cancel, permissions to carry on particular businesses. Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or other sanctions, including revocation of our registration as an investment adviser. Even if a sanction imposed against us is small in monetary amount, the adverse publicity arising from the imposition of such sanctions by regulators could harm our reputation, result in withdrawal by our clients and/or impede our ability to retain clients and develop new client relationships. As we continue to expand into the international market, we may also be under the regulatory scope of local regulatory authorities and non-compliance with any of these authorities may result in fines, sanctions and inability to operate in that local market.

We also face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations, and judicial or administrative proceedings that may result in substantial penalties. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us, and are not designed to protect our stockholders. Any regulatory and legislative actions and reforms affecting the investment advisory industry may negatively impact earnings by increasing our costs of operations.

In addition, the regulatory environment in which we operate is subject to ongoing modification and further regulation. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“the Dodd-Frank Act”), and regulations to be promulgated pursuant to it, is one such example. Certain provisions of the Dodd-Frank Act may have unintended consequences on the financial market as a whole that could negatively affect our business.

Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and liquidity.

We are subject to income- as well as non-income-based taxes, in both the U.S. and non-U.S. jurisdictions. We are also subject to potential tax audits in various jurisdictions and in such event, tax authorities may disagree with certain positions we have taken and assess penalties or additional taxes. We regularly assess the likely outcomes of these potential audits in order to determine the appropriateness of our tax provision; however, there can be no assurance that we will accurately predict the outcomes of these potential audits. The actual outcomes of these potential audits could have a material impact on our net income or financial condition and any changes in tax laws or tax rulings could materially impact our effective tax rate and earnings.

Certain changes in accounting and/or financial reporting standards issued by the Financial Accounting Standards Board (“FASB”), the SEC or other standard-setting bodies could have a material impact on our reported financial position or results of our operations.

We are subject to the application of generally accepted accounting principles in the United States (“GAAP”), which are periodically revised and/or expanded. As such, we are required to adopt new or revised accounting and/or financial reporting standards issued by recognized accounting standard setters or regulators, such as the FASB and the SEC. Changes associated with the adoption of revised financial reporting standards could have a material impact on our reported financial position or results of our operations.

Inadequate business continuity plans, including those of our significant third-party vendors, could lead to material financial loss, reputational harm and inability to continue business.

We rely heavily on our financial, accounting, trading, compliance and other data processing systems. Any failure or interruption of these systems, whether caused by natural disaster, power or telecommunications failure, act of terrorism or war or otherwise, could result in a disruption of our business, liability to clients, regulatory intervention or reputational damage, and thus materially adversely affect our business. The back-up systems that we have in place and other protective measures that we have taken may not be adequate in the event of a failure or interruption.

We depend on our headquarters in New York City for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our business, or directly affecting our headquarters, may have a material adverse impact on our ability to continue to operate our business without interruption.

We have a detailed business continuity plan in place that is tested on a quarterly basis. We strive to understand the protective measures of our third-party vendors, however there can be no assurance that these measures will be sufficient to mitigate the harm that may result from such a disaster or disruption.

Any significant security breach of our software applications, technology or other systems critical to our operations, may disrupt our business or cause us to lose sensitive and confidential information which in turn may cause reputational and financial harm.

We are dependent on the effectiveness of our, and our third-party vendors', information and cyber security infrastructure, policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides in or is transmitted through them. As part of our normal operations, we maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting, and unauthorized access to sensitive or confidential data is either prevented or detected in a timely manner. We also strive to understand the protective measures of our third-party vendors and ensure that we have complementary user controls in place to mitigate risk, however our information technology systems may still be vulnerable to unauthorized access or may be corrupted by cyber-attacks, computer viruses or other malicious software code, or authorized persons could inadvertently or intentionally release confidential or proprietary information. Although we take precautions to password protect and/or encrypt our electronic hardware, if such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly consequences to us. A breach of our technology systems could result in the loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by the breach, additional security costs to mitigate against future incidents and legal costs resulting from the incident. Moreover, loss of confidential customer information could harm our reputation, result in the termination of contracts by our existing customers and subject us to liability under laws that protect confidential data, resulting in loss of revenue.

The individuals, counterparties or issuers on whom we rely to perform services for us may be unable or unwilling to honor their contractual obligations to us.

We rely on various third parties and other vendors to fulfill their obligations to us, whether specified by contract, course of dealing or otherwise. Disruptions in the financial markets and other economic challenges may cause our counterparties and other vendors to experience significant cash flow problems or even render them insolvent, which may expose us to credit, operational or other risk.

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Operational risk, such as trade errors or system limitations or failures, may create significant financial impact to us, hamper future growth and cause potential reputational harm.

We face potential operational risk from our management of client assets and daily business. Risks include errors that may occur during the execution, confirmation or settlement phase of transactions and such errors may cause material financial loss, which in turn may cause material financial and reputational harm to us. We also face the potential of inaccurate recording of transactions in our internal systems, caused by human error, system limitations or system malfunctions. Such errors may involve client and public reporting, execution, confirmation and settlement of trades, and billing. The potential for operational risk could have significant regulatory, financial or reputational impact. There can be no assurance that all risks and errors can be prevented.

We are exposed to legal risks which could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us. Additionally, litigation may result in higher insurance premiums and increased insurance coverage risks which could increase our costs and reduce our profitability.

We depend to a large extent on our relationships with our clients and our reputation for integrity and high-caliber professional services to attract and retain clients. As a result, dissatisfaction with our services could be more damaging to our business than to other types of businesses. If our clients suffer significant losses, or are otherwise dissatisfied with our services, such as for breach of trading guidelines and/or perceived conflicts of interest, we could be subject to the risk of legal liabilities or actions alleging negligent misconduct, breach of fiduciary duty, or breach of contract. These risks are often difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time.

While we strive to conduct our business in accordance with the highest ethical standards, we are always open to the risk of litigation by parties in addition to our clients, for instance by our shareholders, employees and regulators. We may incur significant legal expenses in defending against litigation. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations, or cause significant reputational harm to us.

Potential regulatory and governmental inquiries, civil litigation or employment-related claims could involve substantial financial penalties. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or co-insurance liabilities, or pay higher premiums, which could increase our expenses and could have a material adverse effect on our results of operations.

Insurance coverage may not protect us from all of the liabilities that could arise from the risks inherent in our business.

We maintain insurance coverage focused on reducing potential losses related to our operations. We purchase insurance in amounts, and against risks, that we consider appropriate. There can be no assurance, however, that a claim or claims will be completely covered by insurance or, if covered at all, will not exceed the limits of our existing insurance coverage. If a loss occurs that is partially or completely uninsured, we may be exposed to substantial liability. Insurance costs are impacted by market conditions and our risk profile, and may increase significantly over relatively short periods. Renewals of insurance policies may result in additional costs through higher premiums or the assumption of higher deductibles or co-insurance liability. In addition, insurance and other safeguards might only partially reimburse us for our losses in the event our business continuity plan fails and our operations are significantly disrupted.

Our non-U.S. strategies consist primarily of investments in the securities of issuers located outside of the United States, which may involve foreign currency exchange, political, social and economic uncertainties and risks.

Our non-U.S. strategies, which together represented $11.5 billion and $10.9 billion of our AUM as of December 31, 2015 and 2014, respectively, are primarily invested in securities of companies located outside the United States. Investments in non-U.S. issuers may be affected by political, social and economic uncertainty affecting a country or region in which we are invested. Many emerging financial markets are not as developed, or as efficient, as the U.S. financial market, and, as a result, liquidity may be reduced and price volatility may increase. The legal and regulatory environments, including financial accounting standards and practices, may also be different, and there may be less publicly available information in respect of such companies. These risks could adversely impact the performance of our strategies that are invested in securities of non-U.S. issuers. In addition, fluctuations in foreign currency exchange rates may affect investment return and AUM since we do not engage in currency hedging for these portfolios. Due to these factors, our AUM may fluctuate from one reporting period to another causing volatility in earnings.

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Risks Related to Our Investment Strategies and Process

Our classic value investment style subjects us to the risk that the companies in which we invest may not achieve the level of earnings recovery that we initially expect, or at all.

We generally invest in companies after they have experienced, or are expected by the market to soon experience, a shortfall in their historic earnings, due to an adverse business development, management error, accounting scandal or other disruption, and before there is clear evidence of earnings recovery or business momentum. While investors are generally less willing to invest when companies lack earnings visibility, our classic value investment approach seeks to capture the return that can be obtained by investing in a company before the market has confidence in its ability to achieve earnings recovery. However, our investment approach entails the risk that the companies included in our portfolios are not able to execute as we had expected when we originally invested in them, thereby reducing the performance of our strategies. Since our positions in these investments are often substantial, even partial sales of a substantial position into the market may cause the market price of our investment to decline and there is the risk that we may be unable to find willing purchasers for our investments when we decide to sell them.

Since we apply the same investment process across all of our investment strategies, utilizing one analyst team, and given the overlapping universes of many of our investment strategies, we could have common positions and industry or sector concentrations across many of our investment strategies at the same time. As such, factors leading one of our investment strategies to underperform may lead other strategies to underperform simultaneously.

Our investment approach may underperform other investment approaches during certain market conditions.

Our products are best suited for investors with long-term investment horizons. In accordance with our classic value investment approach, we typically hold securities for an average of three to five years. Our investment strategies may not perform well during certain periods of time. For example, the disruption in the global credit markets and the deterioration of the economy and the financial markets beginning in the second half of 2007, and continuing through early 2009, created difficult conditions for most companies, including many of those in which we had invested. In addition, our strategies may not perform well during points in the economic cycle when value-oriented stocks are relatively less attractive. For instance, during the late stages of an economic cycle, investors may purchase relatively expensive stocks in order to obtain access to above average growth. Value-oriented strategies may also experience weakness during periods when the markets are focused on one investment thesis or sector.

Even when securities prices are rising generally, portfolio performance can be affected by our investment approach. The classic value approach has outperformed the market in some economic and market environments and underperformed it in others. In particular, a prolonged period in which the growth-style of investing outperforms the value-style may cause our investment strategy to go out of favor with clients, consultants and sub-advised relationships. Our investment strategy may be less favored during certain time periods for other reasons as well, including due to perceived riskiness or volatility of our approach. Poor performance relative to peers, coupled with changes in personnel, extensive periods in particular market environments, or other difficulties may result in a decline in our AUM.

Our investment process requires us to conduct extensive fundamental research on any company before investing, which may result in missed investment opportunities and reduce the performance of our investment strategies.

We take a considerable amount of time to complete the in-depth research projects that our investment process requires before adding any security to our portfolio. Our process requires that we take this time to understand the company and the business well enough to make an informed decision as to whether we are willing to own a significant position in a company that does not yet have clear earnings visibility. However, the time we take to make this judgment may cause us to miss the opportunity to invest in a company that has a sharp and rapid earnings recovery. Any such missed investment opportunities could adversely impact the performance of our investment strategies.

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Risks Related to Our Structure

We are dependent upon distributions from Pzena Investment Management, LLC to make distributions to our Class A stockholders, and to pay taxes and other expenses.

We are a holding company and have no material assets other than our ownership of membership units of our operating company. We have no independent means of generating revenue and cash flow. Our operating company is treated as a partnership for U.S. federal income tax purposes and, as such, is not itself subject to U.S. federal income tax. Instead, its taxable income is allocated to its members, including us, pro-rata according to the number of membership units each member owns. Accordingly, we incur income taxes on our proportionate share of any taxable income of our operating company. We also incur expenses related to our operations. We intend to have our operating company distribute cash to its members in an amount at least equal to that necessary to cover their tax liabilities, if any, with respect to the earnings of our operating company. To the extent we need funds to pay our tax or other liabilities or to fund our operations, and our operating company is restricted from making distributions to us under applicable laws or regulations, or contractual restrictions, or does not have sufficient earnings to make these distributions, we may have to borrow funds to meet these obligations and run our business and, thus, our liquidity and financial condition could be materially adversely affected. There can be no assurance that funds will be available to borrow under such circumstances on terms acceptable to us, or at all.

We are required to pay most of the tax benefit of any amortization deductions we may claim as a result of the tax basis step up we receive in connection with the sales of membership units and any future exchanges of Class B units and this tax treatment could be challenged by tax authorities.

As part of the reorganization we implemented with our initial public offering ("IPO"), we purchased membership units of our operating company from three of its members (the "Selling Members"). In addition, holders of Class B units may, at least once each year, exchange their Class B units of our operating company for shares of our Class A common stock. These purchases and subsequent exchanges have resulted, and are expected to continue to result, in increases in our share of the tax basis in the tangible and intangible assets of our operating company that otherwise would not have been available. These increases in tax basis have reduced, and are expected to continue to reduce, the amount of tax that we would otherwise be required to pay in the future, although the Internal Revenue Service ("IRS") might challenge all or part of this tax basis increase, and a court might sustain such a challenge.

Pursuant to a tax receivable agreement dated October 30, 2007, among the Selling Members, all holders of Class B units after our IPO, and us, we are required to pay the Selling Members, and certain holders of Class B units who elect to exchange their Class B units for shares of our Class A common stock, 85% of the amount of the cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the increases in amortizable tax basis due to the sale to us of their membership units. The actual increase in tax basis, as well as the amount and timing of any payments under this agreement, may vary depending upon a number of factors, including the timing of exchanges, the price of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of our income, and the tax rates then applicable. Payments under the tax receivable agreement are expected to give rise to certain additional tax benefits attributable to further increases in basis. Any such benefits are covered by the tax receivable agreement and may increase the amounts due thereunder. We expect that, as a result of the size and increases in our share of the tax basis in the tangible and intangible assets of our operating company attributable to our interest therein, the payments that we may make to these members likely may be substantial.

If we exercise our right to terminate the tax receivable agreement early, we may be obligated to make an early termination payment to the selling and converting shareholders, based upon the net present value of all payments that would be required to be paid by us. If certain change of control events were to occur, we would also be obligated to make an early termination payment.

Were the IRS to successfully challenge the tax basis increases described above, we would not be reimbursed for any payments made under the tax receivable agreement. As a result, in certain circumstances, we could be required to make payments under the tax receivable agreement in excess of our cash tax savings.

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Risks Related to Our Class A Common Stock

The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price of our Class A common stock has been, and may continue to be, highly volatile and subject to wide fluctuations. In addition, the trading volume of our Class A common stock may fluctuate and cause significant price variations to occur. If the market price of our Class A common stock declines significantly, you may be unable to resell your shares of our Class A common stock at or above your purchase price, if at all. We cannot assure you that the market price of our Class A common stock may not fluctuate or decline significantly in the future.

The market price of our Class A common stock could decline due to the large number of shares of our Class A common stock eligible for future sale upon the exchange of Class B units of our operating company or future issuance of shares of Class A common stock.

Pursuant to the operating agreement of our operating company, on at least one date designated by us each year, certain holders of Class B units may exchange up to 15% of certain of their Class B units for an equivalent number of shares of our Class A common stock, subject to certain restrictions and conditions set forth in the operating agreement. Also, since 2011, the non-employee members of our operating company may exchange all of their vested Class B units, in accordance with the timing restrictions set forth in the operating agreement.

Pursuant to the resale and registration rights agreement, dated October 30, 2007, among the holders of Class B units and us, these holders may resell the shares of Class A common stock issued to them upon the exchange of their Class B units as discussed above.

During 2015, we established July 27, 2015 as an exchange date. Certain employee members, non-employee members and permitted transferees of one of our executive officers, elected to exchange an aggregate of 2,772,171 of their Class B units for an equivalent number of shares of our Class A common stock, which, with the exception of those held by these permitted transferees, are freely tradable. As of December 31, 2015, there remained 49,855,929 shares of our Class A common stock that have previously been registered in various registration statements filed with the SEC, which may be issued upon the exchange of Class B units as discussed above.

In addition, we have an effective shelf registration statement filed with the SEC under which we may sell up to an aggregate of $150 million of our Class A common stock.

Anti-takeover provisions in our amended and restated certificate of incorporation and bylaws could discourage a change of control that our stockholders may favor, which could also adversely affect the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and bylaws may make it more difficult and expensive for a third party to acquire control of us, even if a change of control would be beneficial to our stockholders. For example, our amended and restated certificate of incorporation authorizes our Board of Directors to issue up to 200,000,000 shares of our preferred stock and to designate the rights, preferences, privileges and restrictions of unissued series of our preferred stock, each without any vote or action by our stockholders. We could issue a series of preferred stock to impede the consummation of a merger, tender offer or other takeover attempt. The anti-takeover provisions in our amended and restated certificate of incorporation and bylaws may impede takeover attempts, or other transactions, that may be in the best interests of our stockholders and, in particular, our Class A stockholders. In addition, the market price of our Class A common stock could be adversely affected to the extent that provisions of our amended and restated certificate of incorporation and bylaws discourage potential takeover attempts, or other transactions, that our stockholders may favor.

The disparity in the voting rights among the classes of our common stock may have a potential adverse effect on the price of our Class A common stock and may give rise to conflicts of interest.

Our Class B stockholders collectively hold approximately 94.5% of the combined voting power of our common stock. These stockholders consist of our named executive officers, 33 of our other employees, certain other members of our operating company, including one of our directors and his related entities, and former employees. Holders of shares of our Class B common stock have entered into a Class B Stockholders’ Agreement with respect to all shares of Class B common stock then held by them and any additional shares of Class B common stock they may acquire in the future. Pursuant to this agreement, they may vote these shares of Class B common stock together on all matters submitted to a vote of our common stockholders. To the extent that we cause our operating company to issue additional Class B units, which may be granted, subject to vesting,

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to our employees pursuant to the PIM LLC 2006 Equity Incentive Plan, these employees will be entitled to receive an equivalent number of shares of our Class B common stock, subject to the condition that they agree to enter into this Class B Stockholders' Agreement. Each share of our Class B common stock entitles its holder to five votes per share for so long as the Class B stockholders collectively hold 20% of the total number of shares of our common stock outstanding. When a Class B unit is exchanged for a share of our Class A common stock, an unvested Class B unit is forfeited due to the employee holder's failure to satisfy the conditions of the award agreement pursuant to which it was granted, or any Class B unit is forfeited as a result of a breach of any restrictive covenants contained in our operating company's amended and restated operating agreement, a corresponding share of our Class B common stock will automatically be redeemed by us.

For so long as our Class B stockholders hold at least 20% of the total number of shares of our common stock outstanding, they will be able to elect all of the members of our Board of Directors and thereby control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of securities, and the declaration and payment of dividends. In addition, they will be able to determine the outcome of all matters requiring approval of stockholders, and will be able to cause or prevent a change of control of our Company or a change in the composition of our Board of Directors, and could preclude any unsolicited acquisition of our Company. Our Class B stockholders have the ability to prevent the consummation of mergers, takeovers or other transactions that may be in the best interests of our Class A stockholders. In particular, this concentration of voting power could deprive Class A stockholders of an opportunity to receive a premium for their shares of Class A common stock as part of a sale of our company, and could ultimately affect the market price of our Class A common stock.

Each share of our Class A common stock entitles its holder to one vote on all matters to be voted on by stockholders. This difference in voting rights could adversely affect the value of our Class A common stock to the extent that investors view, or any potential future purchaser of our company views, the superior voting rights of the Class B common stock to have more value.

Our ability to pay dividends is subject to the discretion of our Board of Directors and may be limited by our holding company structure and applicable provisions of Delaware law.

We currently intend to pay cash dividends on a quarterly basis and our Board of Directors has targeted a cash dividend payout ratio of approximately 70%-80% of annual non-GAAP earnings per share, subject to growth initiatives and other funding needs. However, our Board of Directors may, in its discretion, decrease the level of dividends, or discontinue the payment of dividends entirely. Furthermore, we are a holding company, and depend upon the ability of Pzena Investment Management, LLC, our operating company, to generate earnings and cash flows and distribute them to us so that we may pay our obligations and expenses and pay dividends to our stockholders. We expect to cause Pzena Investment Management, LLC to make distributions to its members, including us. However, the ability of Pzena Investment Management, LLC to make such distributions is subject to its operating results, cash requirements and financial condition, and applicable Delaware laws (which may limit the amount of funds available for distribution to its members), as well as any contractual restrictions. If, as a consequence of these various limitations and restrictions, we do not receive distributions from our operating company, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our Class A common stock. Because of these various limitations and restrictions, we have, in the past, had to suspend our quarterly dividend payment. See "Item 5 — Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Our Dividend Policy."

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of the date of this Annual Report, our corporate headquarters and principal offices are located at 320 Park Avenue, 8th Floor, New York, New York 10022, where we occupy approximately 32,250 square feet out of approximately 37,000 square feet of space under a non-cancellable operating lease, the term of which expires on December 31, 2025. In March 2015, the Company entered into a five-year sublease agreement commencing on May 1, 2015 for approximately 4,750 square feet of excess office space associated with this operating lease. This sublease is cancellable by either the Company or sublessee given appropriate notice after the third anniversary of the commencement of the sublease agreement.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, we may be subject to various legal and administrative proceedings.

Currently, there are no material legal proceedings pending against us that we believe may have a material effect on our business, cash flow or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

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PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock is listed for trading on the New York Stock Exchange (the "NYSE") under the symbol "PZN". As of March 09, 2016, there were approximately 36 record holders of our Class A common stock and 39 record holders of our Class B common shares. These numbers do not include shareholders who hold their shares through one or more intermediaries, such as banks, brokers or depositories.

The following table sets forth the quarterly high and low sales prices of our Class A common stock on the NYSE for the periods indicated and dividends declared during such periods.

	2015			2014		
Quarter	High	Low	Dividends Declared Per Share	High	Low	Dividends Declared Per Share
Quarter Ended March 31	$9.60	$7.78	$0.32	$12.73	$9.89	$0.26
Quarter Ended June 30	$11.22	$8.37	$0.03	$12.68	$9.02	$0.03
Quarter Ended September 30	$12.25	$7.66	$0.03	$11.30	$9.04	$0.03
Quarter Ended December 31	$9.81	$8.16	$0.03	$10.58	$8.32	$0.03

Our Dividend Policy

Our Board of Directors has targeted a cash dividend payout ratio of approximately 70% to 80% of annual non-GAAP earnings per share, subject to growth initiatives and other funding needs. We use annual non-GAAP earnings measures, discussed in further detail in "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operation — Non-GAAP Net Income" in Part II of this Annual Report to assess the strength of the underlying operations of the business. Included in our annual results are certain tax related and non-recurring adjustments that we feel add a measure of non-operational complexity to our results as reported under GAAP and obscure the underlying performance of the business. Management therefore does not consider these adjustments when evaluating operating results or financial information in any given period, and instead uses non-GAAP measures of earnings, which exclude these items, to analyze our operations between periods, and over time, and to evaluate the financial condition and results of operations. Investors should consider the non-GAAP measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

As a holding company, we have no material assets other than our ownership of membership interests in our operating company. As a result, we depend upon distributions from our operating company to pay any dividends that our Board of Directors may declare to be paid to our Class A common stockholders, if any. When and if our Board of Directors declares any such dividends, we then cause our operating company to make distributions to us in an amount sufficient to cover the dividends declared. We may not pay dividends to our Class A common stockholders in amounts that have been paid to them in the past, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends, or any of our financing facilities or other agreements restrict us from doing so. To the extent we do not have cash on hand sufficient to pay dividends in the future, we may decide not to pay dividends. By paying cash dividends rather than investing that cash in our future growth, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations or unanticipated capital expenditures, should the need arise.

Our ability to pay dividends is subject to Board of Director discretion and may be limited by our holding company structure and applicable provisions of Delaware law. See "Item 1A — Risk Factors — Risks Related to Our Class A Common Stock — Our ability to pay dividends is subject to the discretion of our Board of Directors and may be limited by our holding company structure and applicable provisions of Delaware law."

Recent Issuances of Unregistered Securities

In 2015, in connection with new employee member grants, employee equity purchases and year-end compensation, we issued an aggregate of 1,095,840 Class B units of our operating company, and the related 1,095,840 shares of Class B common stock to employee members. Certain of these Class B Units, referred to as Delayed Exchange Class B Units, vest immediately upon the date of grant and have the right to receive dividend payments; however, they cannot be exchanged for shares of the Company's Class A common stock until seven years after the date of grant, and do not carry rights associated with the tax

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receivable agreement. In addition, we awarded an aggregate of 14,060 Phantom Class B units, which vest ratably over ten years beginning on the date of grant, are subject to continued employment with us, and are not entitled to receive dividends or dividend equivalents until vested. See Note 3 to our consolidated financial statements beginning on page F-15 of this Annual Report for a more detailed description of the Delayed Exchange and Phantom Class B units.

Further, in connection with the vesting of certain employee members' mandatory deferred compensation, in 2015 we issued 43,080 Class B units of the operating company and the related 43,080 shares of Class B common stock.

The exercise of options to acquire an aggregate of 954,764 Class B units of our operating company by certain employee members, resulted in the issuance of 715,706 Class B units after the redemption of 239,058 Class B units for the cashless exercise of the options and $1.7 million in cash.

In 2015, a total of 424,669 Class B units were issued to various employee members in connection with the vesting of their Phantom Class B units granted in prior years.

Furthermore, in 2015, we issued an aggregate of 42,196 shares of Phantom Class A common stock to our non-employee directors.

The issuances were made in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act.

Performance Graph

The following graph compares the cumulative total stockholder return on our Class A common stock over the five-year period ending December 31, 2015, with the cumulative total return of the S&P 500® and the SNL Asset Manager Index*. The graph assumes the investment of $100 in our common stock, and in each of the two indices, on December 31, 2010 and the reinvestment of all dividends, if any.

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Index	Period Ended 2010	2011	2012	2013	2014	2015
Pzena Investment Management, Inc.	$100.00	$60.25	$78.88	$177.72	$147.16	$139.19
SNL Asset Manager Index*	$100.00	$86.50	$110.98	$169.67	$179.00	$152.65
S&P 500 Index	$100.00	$102.11	$118.45	$156.80	$178.00	$180.44

* The SNL Asset Manager Index is comprised of the securities of 44 publicly traded asset management companies.

Issuer Purchases of Equity Securities

On April 24, 2012, our Board of Directors authorized us to repurchase an aggregate of $10.0 million of our outstanding Class A common stock in the open market and Class B units of the operating company in private transactions in accordance with applicable securities laws. On February 5, 2014, the Board of Directors authorized us to repurchase an additional $20.0 million of our outstanding Class A common stock and Class B units of the operating company. The timing, number, and value of common shares and units repurchased are subject to our discretion. Our share repurchase program is not subject to an expiration date and may be suspended, discontinued , or modified at any time, or for any reason. Shares repurchased under the repurchase program during the fourth quarter of 2015 are as follows:

Period	(a) Total Number of Shares of Class A Common Stock Purchased	(b) Average Price Paid per Share of Class A Common Stock	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1) (in millions)
October 1, 2015 through October 31, 2015	44,219	$9.53	44,219	$11.4
November 1, 2015 through November 30, 2015	34,100	9.70	34,100	11.0
December 1, 2015 through December 31, 2015	—	—	—	10.7
Total	78,319	$9.61	78,319	$10.7

(1) The dollar amount in the column entitled "Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs," reflects the remainder of the program and also reflects the repurchase of 33,690 of the operating company's Class B units during December 2015 for an average price of $8.75 per unit. Class B units are repurchased at fair value determined by reference to our Class A common stock on the date of the transaction since Class B units are exchangeable for shares of our Class A common stock on a one-for-one basis.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected historical consolidated financial data of Pzena Investment Management, Inc. The selected consolidated statements of operations data for the years ended December 31, 2015, 2014, and 2013 and the selected consolidated statements of financial condition data as of December 31, 2015 and 2014, have been derived from Pzena Investment Management, Inc.'s audited consolidated financial statements included in this Annual Report.

The selected consolidated statement of operations data for the years ended December 31, 2012 and 2011, and the selected consolidated statements of financial condition as of December 31, 2013, 2012 and 2011, have been derived from Pzena Investment Management, Inc.’s audited consolidated financial statements not included in this report.

You should read the following selected historical consolidated financial data together with “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical consolidated financial statements and the related notes included in this Annual Report.

	For the Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except share and per share amounts)				
Statements of Operations Data:					
REVENUE					
Management Fees	$112,102	$108,675	$91,866	$75,980	$79,230
Performance Fees	4,505	3,836	3,903	300	3,815
Total Revenue	116,607	112,511	95,769	76,280	83,045
EXPENSES					
Cash Compensation and Benefits	35,431	32,396	31,374	28,690	29,518
Other Non-Cash Compensation	11,092	8,877	5,448	3,065	5,047
Total Compensation and Benefits Expense	46,523	41,273	36,822	31,755	34,565
General and Administrative Expenses	14,667	10,285	8,099	7,346	10,626
TOTAL OPERATING EXPENSES	61,190	51,558	44,921	39,101	45,191
Operating Income	55,417	60,953	50,848	37,179	37,854
Other Expense	(3,300)	(4,036)	(1,821)	(863)	(1,466)
INCOME BEFORE INCOME TAXES	52,117	56,917	49,027	36,316	36,388
Income Tax Provision	5,114	1,883	589	1,911	3,145
Consolidated Net Income	47,003	55,034	48,438	34,405	33,243
Less: Net Income Attributable to Non-Controlling Interests	39,324	46,934	41,768	30,565	29,861
NET INCOME Attributable to Pzena Investment Management, Inc.	$7,679	$8,100	$6,670	$3,840	$3,382
Per Share Data[1]:					
Net Income for Basic Earnings per Share	$7,679	$8,100	$6,670	$3,840	$3,382
Basic Earnings per Share	$0.55	$0.64	$0.56	$0.36	$0.34
Basic Weighted Average Shares Outstanding	14,014,219	12,628,676	11,990,757	10,787,540	9,972,978
Net Income for Diluted Earnings per Share	$33,809	$35,685	$30,317	$20,821	$20,631
Diluted Earnings per Share	$0.50	$0.53	$0.45	$0.32	$0.32
Diluted Weighted Average Shares Outstanding	68,126,786	67,797,524	66,759,840	65,491,273	65,095,797
Cash Dividends Declared Per Share	$0.41	$0.35	$0.25	$0.28	$0.12

1 The operating company issues shares of Class A common stock and Class B units that have non-forfeitable dividend rights. Under the “two-class method”, these shares and units are considered participating securities and are required to be included in the computation of basic and diluted earnings per share.

	As of December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Statements of Financial Condition Data:					
Cash and Cash Equivalents	$35,417	$39,109	$33,878	$32,645	$35,083
TOTAL ASSETS	114,309	111,886	80,213	64,679	66,678
TOTAL LIABILITIES	28,847	26,853	21,664	16,713	20,454
Non-Controlling Interests	67,040	66,632	42,187	33,397	32,287
EQUITY	18,422	18,401	16,362	14,569	13,937

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are an investment management firm that utilizes a classic value investment approach across all of our investment strategies. We currently manage assets in a variety of value-oriented investment strategies across a wide range of market capitalizations in both U.S. and non-U.S. capital markets. At December 31, 2015, our assets under management, or AUM, was approximately $26.0 billion. We manage separate accounts on behalf of institutions, act as sub-investment adviser for a variety of SEC-registered mutual funds and non-U.S. funds, and act as investment adviser for the Pzena Mutual Funds, certain private placement funds and non-U.S. funds.

We function as the sole managing member of our operating company, Pzena Investment Management, LLC (the "operating company"). As a result, we: (i) consolidate the financial results of our operating company with our own, and reflect the membership interest in it that we do not own as a non-controlling interest in our consolidated financial statements; and (ii) recognize income generated from our economic interest in our operating company's net income. As of December 31, 2015, the holders of our Class A common stock and the holders of Class B units of our operating company held approximately 22.6% and 77.4%, respectively, of the economic interests in the operations of our business.

Non-GAAP Net Income

Our results for the years ended December 31, 2015, 2014, and 2013 included recurring adjustments related to our tax receivable agreement and the associated liability to its selling and converting shareholders, in addition to adjustments related to certain non-recurring charges recognized in operating expenses during 2015 and 2014. We believe that these accounting adjustments add a measure of non-operational complexity which partially obscures the underlying performance of our business. In evaluating our financial condition and results of operations, we also review certain non-GAAP measures of net income, which exclude these items. Excluding these adjustments, non-GAAP diluted net income and non-GAAP diluted earnings per share were $34.5 million and $0.51, respectively, for the year ended December 31, 2015, $34.5 million and $0.51, respectively, for the year ended December 31, 2014, and $29.3 million and $0.44, respectively, for the year ended December 31, 2013. GAAP and non-GAAP net income for diluted earnings per share generally assumes all operating company membership units are converted into Company stock at the beginning of the reporting period, and the resulting change to our net income associated with our increased interest in the operating company is taxed at our historical effective tax rate, exclusive of other adjustments, the adjustments related to our tax receivable agreement and the associated liability to selling and converting shareholders, and adjustments related to the non-recurring charges recognized in operating expense in the fourth quarter of 2014. Our effective tax rate, exclusive of these adjustments, was 37.1% for the year ended December 31, 2015, and approximately 41.3% and 41.7% for the years ended December 31, 2014 and 2013, respectively. See "Operating Results — Income Tax Expense" below.

We use these non-GAAP measures to assess the strength of the underlying operations of the business. We believe that these adjustments, and the non-GAAP measures derived from them, provide information to better analyze our operations between periods, and over time. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

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A reconciliation of the non-GAAP measures to the most comparable GAAP measures is included below:

	For the Years Ended December 31,		
	2015	2014	2013
	(in thousands, except share and per share amounts)		
GAAP Net Income Attributable to Pzena Investment Management, Inc.	$7,679	$8,100	$6,670
Net Effect of Non-Recurring Lease Expenses	183	35	—
Net Effect of Tax Receivable Agreement	(424)	(1,392)	(989)
Non-GAAP Net Income Attributable to Pzena Investment Management, Inc.	$7,438	$6,743	$5,681
GAAP Income Attributable to Non-Controlling Interest of Pzena Investment Management, LLC	$41,562	$47,026	$40,533
Effect of Non-Recurring Lease Expenses	1,475	313	—
Non-GAAP Income Attributable to Non-Controlling Interest of Pzena Investment Management, LLC	43,037	47,339	40,533
Less: Assumed Corporate Income Taxes	15,980	19,570	16,886
Assumed After-Tax Income Attributable to Non-Controlling Interest of Pzena Investment Management, LLC	27,057	27,769	23,647
Non-GAAP Net Income of Pzena Investment Management, Inc.	7,438	6,743	5,681
Non-GAAP Diluted Net Income	$34,495	$34,512	$29,328
Non-GAAP Diluted Earnings Per Share Attributable to Pzena Investment Management, Inc. Common Stockholders:			
Non-GAAP Net Income for Diluted Earnings per Share	$34,495	$34,512	$29,328
Non-GAAP Diluted Earnings Per Share	$0.51	$0.51	$0.44
Non-GAAP Diluted Weighted-Average Shares Outstanding	68,126,786	67,797,524	66,759,840

Revenue

We generate revenue primarily from management fees and performance fees, which we collectively refer to as our advisory fees, by managing assets on behalf of institutional accounts and for retail clients, which are generally open-end mutual funds catering primarily to retail investors. Our advisory fee income is primarily based on our AUM, as discussed below, and is recognized over the period in which investment management services are provided. Following the preferred method identified in the Revenue Recognition Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), income from performance fees is recorded at the conclusion of the contractual performance period, when all contingencies are resolved.

Our advisory fees are primarily driven by the level of our AUM. Our AUM increases or decreases with the net inflows or outflows of funds into our various investment strategies and with the investment performance thereof. In order to increase our AUM and expand our business, we must develop and market investment strategies that suit the investment needs of our target clients, and provide attractive returns over the long-term. The value and composition of our AUM, and our ability to continue to attract clients will depend on a variety of factors as described in "Item 1 — Risk Factors — Risks Related to Our Business — Our primary source of revenue is derived from management fees, which are directly tied to our assets under management. Fluctuations in AUM therefore will directly impact our revenue".

For our institutional accounts, we are paid management fees according to a schedule, which varies by investment strategy. The substantial majority of these accounts pay us management fees pursuant to a schedule in which the rate we earn on the AUM declines as the amount of AUM increases.

Pursuant to our sub-investment advisory agreements with our retail clients and advisory agreements with Pzena-branded funds, we are generally paid a management fee according to a schedule in which the rate we earn on the AUM declines as the amount of AUM increases. Certain of these funds pay us fixed-rate management fees. Due to the substantially larger account size of certain of these accounts, the average advisory fees we earn on them, as a percentage of AUM, are lower than the advisory fees we earn on our institutional accounts.

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Advisory fees we earn on institutional accounts are generally based on the value of AUM at a specific date on a quarterly basis. Certain of our institutional accounts, and all of our retail accounts, are calculated based on the average of the monthly or daily market value. Advisory fees are also generally adjusted for any cash flows into or out of a portfolio, where the cash flow represents greater than 10% of the value of the portfolio. While a specific group of accounts may use the same fee rate, the calculation methodology may differ as described above.

Certain of our clients pay us performance fees according to the performance of their accounts relative to certain agreed-upon benchmarks, which results in a lower base fee, but allows for us to earn higher fees if the relevant investment strategy outperforms the agreed-upon benchmark. Some performance-based fee arrangements include high-water mark provisions, which generally provide that if a client account underperforms relative to its performance target, it must gain back such underperformance before we can collect future performance-based fees.

Our advisory fees may fluctuate based on a number of factors, including the following:

- changes in AUM due to appreciation or depreciation of our investment portfolios, and the levels of the contribution and withdrawal of assets by new and existing clients;

- distribution of AUM among our investment strategies, which have differing fee schedules;

- distribution of AUM between institutional accounts and retail accounts, for which we generally earn lower overall advisory fees; and

- the level of our performance with respect to accounts on which we are paid performance fees.

Expenses

Our expenses consist primarily of Compensation and Benefits Expense, as well as General and Administrative Expense. Our largest expense is Compensation and Benefits, which includes the salaries, bonuses, equity-based compensation, and related benefits and payroll costs attributable to our employee members and employees. Compensation and benefits packages are benchmarked against relevant industry and geographic peer groups in order to attract and retain qualified personnel. General and Administrative Expense includes lease expenses, professional and outside services fees, depreciation, costs associated with operating and maintaining our research, trading and portfolio accounting systems, and other expenses. Our occupancy-related costs and professional services expenses, in particular, generally increase or decrease in relative proportion to the overall size and scale of our business operations.

We incur additional expenses associated with being a public company for, among other things, director and officer insurance, director fees, SEC reporting and compliance (including Sarbanes-Oxley and Dodd-Frank compliance), professional fees, transfer agent fees, and other similar expenses.

Our expenses may fluctuate due to a number of factors, including the following:

- variations in the level of total compensation expense due to, among other things, bonuses, awards of equity to our employees and employee members of our operating company, changes in our employee count and mix, and competitive factors; and

- general and administrative expenses, such as rent, professional service fees and data-related costs, incurred, as necessary, to run our business.

Other Income/(Expense)

Other income/(expense) is derived primarily from investment income or loss arising from our consolidated subsidiaries, income or loss generated by our investments in third-party mutual funds, and interest income generated on our cash balances. Other income/(expense) is also affected by changes in our estimates of the liability due to our selling and converting shareholders associated with payments owed to them under the tax receivable agreement which was executed in connection with our reorganization and initial public offering on October 30, 2007. As discussed further below under “Tax Receivable Agreement,” this liability represents 85% of the amount of cash savings, if any, in U.S. federal, state, and local income tax that we realize as a result of the amortization of the increases in tax basis generated from our acquisitions of our operating company’s units from our selling and converting shareholders. We expect the interest and investment components of other

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income/(expense), in the aggregate, to fluctuate based on market conditions and the performance of our consolidated investment partnerships and other investments.

Non-Controlling Interests

Our operating company has historically consolidated the results of operations of the private investment partnerships over which we exercise a controlling influence. We are the sole managing member of our operating company and control its business and affairs and, therefore, consolidate its financial results with ours. Certain of our employees and outside investors have interests in our operating company (as noted in "Item 1 — Business — Overview") and we have reflected their membership interests as a non-controlling interest in our consolidated financial statements. As a result, our income is generated by our economic interest in our operating company’s net income. As of December 31, 2015, the holders of our Class A common stock and the holders of Class B units of our operating company held approximately 22.6% and 77.4%, respectively, of the economic interests in the operations of our business.

Operating Results

Assets Under Management and Flows

As of December 31, 2015, our approximately $26.0 billion of AUM was invested in a variety of value-oriented investment strategies, representing distinct capitalization segments of U.S. and non-U.S. equity markets. The performance of our largest investment strategies as of December 31, 2015 is further described below. We follow the same investment process for each of these strategies. Our investment strategies are distinguished by the market capitalization ranges from which we select securities for their portfolios, which we refer to as each strategy’s investment universe, as well as the regions in which we invest and the degree to which we concentrate on a limited number of holdings. While our investment process includes ongoing review of companies in the investment universes described below, our actual investments may include companies outside of the relevant market capitalization range at the time of our investment. In addition, the number of holdings typically found in the portfolios of each of our investment strategies may vary, as described below.

The following table indicates the annualized returns, gross and net (which represents annualized returns prior to, and after, payment of advisory fees, respectively), of our largest investment strategies from their inception to December 31, 2015, and in the five-year, three-year, and one-year periods ended December 31, 2015, relative to the performance of the market index which is often used by our clients to compare the performance of the relevant investment strategy.

	Period Ended December 31, 2015[1]			
Investment Strategy (Inception Date)	Since Inception	5 Years	3 Years	1 Year
Large Cap Expanded Value (July 2012)				
Annualized Gross Returns	15.2 %	N/A	14.8 %	(4.7)%
Annualized Net Returns	15.0 %	N/A	14.6 %	(4.9)%
Russell 1000® Value Index	13.6 %	N/A	13.1 %	(3.8)%
Large Cap Focused Value (October 2000)				
Annualized Gross Returns	6.5 %	10.3 %	14.1 %	(6.1)%
Annualized Net Returns	6.0 %	9.8 %	13.7 %	(6.4)%
Russell 1000® Value Index	6.0 %	11.3 %	13.1 %	(3.8)%
Global Focused Value (January 2004)				

Annualized Gross Returns	4.7%	7.1%	9.8%	(5.7)%
Annualized Net Returns	3.9%	6.4%	9.1%	(6.3)%
MSCI World Index – Net/U.S.$	6.1%	7.6%	9.6%	(0.9)%
International (ex-U.S.) Expanded Value (November 2008)				
Annualized Gross Returns	11.2%	5.4%	6.6%	(1.6)%
Annualized Net Returns	10.9%	5.1%	6.3%	(1.8)%
MSCI EAFE Index – Net/U.S.$	7.7%	3.6%	5.0%	(0.8)%

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Focused Value (January 1996)								
Annualized Gross Returns	10.5	%	11.2	%	14.8	%	(5.6	)%
Annualized Net Returns	9.7	%	10.5	%	14.1	%	(6.2	)%
Russell 1000® Value Index	8.5	%	11.3	%	13.1	%	(3.8	)%
Emerging Markets Focused Value (January 2008)								
Annualized Gross Returns	(1.1	)%	(4.1	)%	(5.8	)%	(15.6	)%
Annualized Net Returns	(1.9	)%	(4.7	)%	(6.4	)%	(16.3	)%
MSCI Emerging Markets Index – Net/U.S.$	(3.1	)%	(4.8	)%	(6.8	)%	(14.9	)%
Global Expanded Value (January 2010)								
Annualized Gross Returns	8.0	%	7.5	%	10.0	%	(3.6	)%
Annualized Net Returns	7.7	%	7.1	%	9.7	%	(4.0	)%
MSCI World Index – Net/U.S.$	8.3	%	7.6	%	9.6	%	(0.9	)%
Mid Cap Expanded Value (April 2014)								
Annualized Gross Returns	1.7	%	N/A		N/A		(2.0	)%
Annualized Net Returns	1.5	%	N/A		N/A		(2.3	)%
Russell Mid Cap® Value Index	2.2	%	N/A		N/A		(4.8	)%
Small Cap Focused Value (January 1996)								
Annualized Gross Returns	13.8	%	11.7	%	16.3	%	(0.2	)%
Annualized Net Returns	12.6	%	10.6	%	15.1	%	(1.2	)%
Russell 2000® Value Index	9.3	%	7.7	%	9.1	%	(7.5	)%
International (ex-US) Focused Value (January 2004)								
Annualized Gross Returns	5.8	%	5.6	%	6.2	%	(2.2	)%
Annualized Net Returns	4.9	%	4.9	%	5.6	%	(2.6	)%
MSCI EAFE Index – Net/U.S.$	5.2	%	3.6	%	5.0	%	(0.8	)%
European Focused Value (August 2008)								
Annualized Gross Returns	4.3	%	5.5	%	5.3	%	(3.6	)%
Annualized Net Returns	3.9	%	5.1	%	5.0	%	(4.0	)%
MSCI Europe Index – Net/U.S.$	1.0	%	3.9	%	4.5	%	(2.8	)%
Mid Cap Focused Value (September 1998)								
Annualized Gross Returns	12.6	%	13.6	%	15.2	%	(2.7	)%
Annualized Net Returns	11.8	%	12.8	%	14.5	%	(3.3	)%
Russell Mid Cap® Value Index	10.1	%	11.3	%	13.4	%	(4.8	)%

(1) The historical returns of these investment strategies are not necessarily indicative of their future performance, or the future performance of any of our other current or future investment strategies.

(2) Net of applicable withholding taxes and presented in U.S.$.

Large Cap Expanded Value. This strategy reflects a portfolio composed of approximately 50 to 80 stocks drawn generally from a universe of 500 of the largest U.S. listed companies, based on market capitalization. This strategy was launched in July 2012. At December 31, 2015, the Large Cap Expanded Value strategy generated a one-year annualized gross return of (4.7)%, underperforming its benchmark. The underperformance was broad based and primarily driven by our stock selection in the consumer discretionary, technology, and producer durables sectors, which was partially offset by certain positions in the energy and health care sectors.

Large Cap Focused Value. This strategy reflects a portfolio composed of approximately 30 to 40 stocks drawn generally from a universe of 500 of the largest U.S. listed companies, based on market capitalization. This strategy was launched in October 2000. At December 31, 2015, the Large Cap Focused Value strategy generated a one-year annualized gross return of (6.1)%, underperforming its benchmark. The underperformance was primarily driven by our overweight position and stock selection in both the consumer discretionary and technology sectors.

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Global Focused Value. This strategy reflects a portfolio composed of approximately 40 to 60 stocks drawn generally from a universe of 2,000 of the largest companies across the world, based on market capitalization. This strategy was launched in January 2004. At December 31, 2015, the Global Focused Value strategy generated a one-year annualized gross return of (5.7)%, underperforming its benchmark. This underperformance was broad based and primarily driven by our stock selection and overweight positions in the energy sector, along with certain positions in the consumer discretionary, technology and consumer staples sectors.

International (ex-U.S.) Expanded Value. This strategy reflects a portfolio composed of approximately 60 to 80 stocks drawn generally from a universe of 1,500 of the largest companies across the world excluding the United States, based on market capitalization. This strategy was launched in November 2008. At December 31, 2015, the International (ex-U.S.) Expanded Value strategy generated a one-year annualized gross return of (1.6)%, underperforming its benchmark. The top contributors to relative underperformance were our overweight position in the energy sector and stock selection in the health care sectors, partially offset by certain positions in the financial services sector.

Focused Value. This strategy reflects a portfolio composed of a portfolio of approximately 30 to 40 stocks drawn generally from a universe of 1,000 of the largest U.S. listed companies, based on market capitalization. This strategy was launched in January 1996. At December 31, 2015, the Focused Value strategy generated a one-year annualized gross return of (5.6)%, underperforming its benchmark. The underperformance was driven by our stock selection in the consumer discretionary and producer durables sectors.

Emerging Markets Focused Value. This strategy reflects a portfolio composed of approximately 40 to 80 stocks drawn generally from a universe of 1,500 of the largest emerging market companies, based on market capitalization. This strategy was launched in January 2008. At December 31, 2015, the Emerging Markets Focused Value strategy generated a one-year annualized gross return of (15.6)%, underperforming its benchmark. The main contributors to this underperformance include holdings across a diverse range of industries, specifically certain positions in the industrials, materials, and energy sectors and certain Korean and Brazilian stocks. This underperformance was partially offset by our stock selection in the consumer discretionary and financial services sectors.

Global Expanded Value. This strategy reflects a portfolio composed of approximately 60 to 95 stocks drawn generally from a universe of 2,000 of the largest companies across the world, based on market capitalization. This strategy was launched in January 2010. At December 31, 2015, the Global Expanded Value strategy generated a one-year annualized gross return of (3.6)%, underperforming its benchmark. This underperformance was primarily driven by our stock selection in the consumer discretionary and technology sectors.

Mid Cap Expanded Value. This strategy reflects a portfolio composed of approximately 50 to 80 stocks drawn generally from a universe of U.S. listed companies ranked from the 201st to 1,200th largest, based on market capitalization. This strategy was launched in April 2014. At December 31, 2015, the Mid Cap Expanded Value strategy generated a one-year annualized gross return of (2.0)%, outperforming its benchmark. This outperformance was primarily driven by certain positions in the materials and processing and financial services sectors as well as our stock selection and overweight exposure in the technology sector.

Small Cap Focused Value. This strategy reflects a portfolio composed of approximately 40 to 50 stocks drawn generally from a universe of U.S. listed companies ranked from the 1,001st to 3,000th largest, based on market capitalization. This strategy was launched in January 1996. At December 31, 2015, the Small Cap Focused Value strategy generated a one-year annualized gross return of (0.2)%, outperforming its benchmark. A broad number of holdings across a diverse range of industries contributed to this outperformance, specifically certain stocks in the financial services and materials sectors. This outperformance was partially offset by certain stocks in the consumer discretionary sector and our overweight position in the producer durables sector.

International (ex-U.S.) Focused Value. This strategy reflects a portfolio composed of approximately 30 to 50 stocks drawn generally from a universe of 1,500 of the largest companies across the world excluding the United States, based on market capitalization. This strategy was launched in January 2004. At December 31, 2015, the International (ex-U.S.) Expanded Value strategy generated a one-year annualized gross return of (2.2)%, underperforming its benchmark. This underperformance was driven by our overweight position in the energy sector and lack of exposure to the health care sector, partially offset by certain stocks in the financial services sector.

European Focused Value. This strategy reflects a portfolio composed of approximately 40 to 50 stocks drawn generally from a universe of 750 of the largest European companies, based on market capitalization. This strategy was launched in August 2008. At December 31, 2015, the European Focused Value strategy generated a one-year annualized gross return of

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(3.6)%, underperforming its benchmark. This underperformance was driven primarily by our stock selection and overweight position in the energy sector and our lack of exposure to the health care sector, partially offset by certain stocks in the financial services sector.

Mid Cap Focused Value. This strategy reflects a portfolio composed of approximately 30 to 40 stocks drawn generally from a universe of U.S. listed companies ranked from the 201st to 1,200th largest, based on market capitalization. This strategy was launched in September 1998. At December 31, 2015, the Mid Cap Focused Value strategy generated a one-year annualized gross return of (2.7)%, outperforming its benchmark. Materials holdings were the largest contributors to this outperformance. The outperformance was also driven by positioning in the financial services sector, partially offset by certain stocks in the consumer discretionary sector.

Our earnings and cash flows are heavily dependent upon prevailing financial market conditions. Significant increases or decreases in the various securities markets, particularly the equities markets, can have a material impact on our results of operations, financial condition, and cash flows.

The change in AUM in our institutional accounts and our retail accounts for the years ended December 31, 2015, 2014, and 2013 is described below. Inflows are composed of the investment of new or additional assets by new or existing clients. Outflows consist of redemptions of assets by existing clients.

	For the Years Ended December 31,		
Assets Under Management	2015	2014	2013
	(in billions)		
Institutional Accounts			
Assets			
Beginning of Period	$15.6	$15.4	$11.2
Inflows	3.2	2.8	1.9
Outflows	(3.0)	(3.0)	(2.0)
Net Flows	0.2	(0.2)	(0.1)
Market Appreciation/(Depreciation)	(0.9)	0.4	4.3
End of Period	$14.9	$15.6	$15.4
Retail Accounts			
Assets			
Beginning of Period Assets	$12.1	$9.6	$5.9
Inflows	1.2	3.3	2.3
Outflows	(1.7)	(1.7)	(1.2)
Net Flows	(0.5)	1.6	1.1
Market Appreciation/(Depreciation)	(0.5)	0.9	2.6
End of Period	$11.1	$12.1	$9.6
Total			
Assets			
Beginning of Period	$27.7	$25.0	$17.1
Inflows	4.4	6.1	4.2
Outflows	(4.7)	(4.7)	(3.2)
Net Flows	(0.3)	1.4	1.0
Market Appreciation/(Depreciation)	(1.4)	1.3	6.9
End of Period	$26.0	$27.7	$25.0

During the year ended December 31, 2015, our AUM decreased $1.7 billion, or 6.1%, from $27.7 billion at December 31, 2014. This decrease is primarily due to market depreciation during the year ended December 31, 2015.

At December 31, 2015, we managed $14.9 billion in institutional accounts and $11.1 billion in retail accounts, for a total of $26.0 billion in assets. For the year ended December 31, 2015, we experienced total gross outflows of $4.7 billion and $1.4 billion in market depreciation, which were partially offset by total gross inflows of $4.4 billion.

Assets in institutional accounts

decreased by $0.7 billion, or 4.5%, from $15.6 billion at December 31, 2014, due to $3.0 billion in gross outflows and $0.9 billion in market depreciation, partially offset by $3.2 billion in gross inflows. Assets in retail accounts decreased by $1.0 billion, or 8.3%, from $12.1 billion at December 31, 2014 as a result of $1.7 billion in gross outflows and $0.5 billion in market depreciation, partially offset by $1.2 billion in gross inflows.

At December 31, 2014, we managed $15.6 billion in institutional accounts and $12.1 billion in retail accounts, for a total of $27.7 billion in assets. For the year ended December 31, 2014, we experienced total gross inflows of $6.1 billion and $1.3 billion in market appreciation, which were partially offset by total gross outflows of $4.7 billion. Assets in institutional accounts increased by $0.2 billion, or 1.3%, from $15.4 billion at December 31, 2013, due to $2.8 billion in gross inflows and $0.4 billion in market appreciation, partially offset by $3.0 billion in gross outflows. Assets in retail accounts increased by $2.5 billion, or 26.0%, from $9.6 billion at December 31, 2013 as a result of $3.3 billion in gross inflows and $0.9 billion in market appreciation, partially offset by $1.7 billion in gross outflows.

At December 31, 2013, we managed $15.4 billion in institutional accounts and $9.6 billion in retail accounts, for a total of $25.0 billion in assets. For the year ended December 31, 2013, we experienced market appreciation of $6.9 billion and total gross inflows of $4.2 billion, which were partially offset by gross outflows of $3.2 billion. Assets in institutional accounts increased by $4.2 billion, or 37.5%, from $11.2 billion at December 31, 2012 due to $4.3 billion in market appreciation and $1.9 billion in gross inflows, partially offset by $2.0 billion in gross outflows. Assets in retail accounts increased by $3.7 billion, or 62.7%, from $5.9 billion at December 31, 2012, as a result of $2.6 billion in market appreciation and $2.3 billion in gross inflows, partially offset by $1.2 billion in gross outflows.

Revenues

Our revenue from advisory fees earned on our institutional accounts and our retail accounts for the three years ended December 31, 2015 is described below:

	For the Years Ended December 31,		
Revenue	2015	2014	2013
	(in thousands)		
Institutional Accounts	$85,964	$82,805	$75,783
Retail Accounts	30,643	29,706	19,986
Total	$116,607	$112,511	$95,769

Year Ended December 31, 2015 versus December 31, 2014

Our total revenue increased $4.1 million, or 3.6%, to $116.6 million for the year ended December 31, 2015 from $112.5 million for the year ended December 31, 2014. This change was driven primarily by an increase in average assets. For the years ended December 31, 2015 and 2014, average assets were $27.4 billion and $26.2 billion, respectively. This increase in average assets was driven by net inflows and market appreciation during late 2014 and into 2015.

Our weighted average fee rates were 0.426% and 0.430% for the years ended December 31, 2015 and 2014, respectively. Average assets in institutional accounts increased 5.4% to $15.7 billion for the year ended December 31, 2015, from $14.9 billion for the year ended December 31, 2014, and had weighted average fees of 0.549% and 0.555% for the years ended December 31, 2015 and 2014, respectively. Weighted-average fee rates decreased primarily due to a higher mix of assets in our expanded products and larger relationships, which generally carry lower fee rates. Average assets in retail accounts increased 3.5% to $11.7 billion for the year ended December 31, 2015, from $11.3 billion for the year ended December 31, 2014, and had weighted average fees of 0.261% and 0.264% for the years ended December 31, 2015 and 2014, respectively. The decrease in weighted average fees in retail accounts was due primarily to the addition of assets in our expanded value strategies which generally carry lower fee rates, partially offset by an increase in retail performance fees recognized during 2015.

Year Ended December 31, 2014 versus December 31, 2013

Our total revenue increased $16.7 million, or 17.5%, to $112.5 million for the year ended December 31, 2014, from $95.8 million for the year ended December 31, 2013. This change was driven primarily by an increase in average assets. For the years ended December 31, 2014 and 2013, average assets were $26.2 billion and $21.0 billion, respectively. The increase in average assets was driven by market appreciation and net inflows during 2014.

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Our weighted average fee rates were 0.430% and 0.456% for the years ended December 31, 2014 and 2013, respectively. This decrease was primarily due to a shift in mix towards our expanded products and larger relationships as well as a shift in mix between our institutional and retail strategies, which generally carry lower fees. For the year ended December 31, 2014, average assets in our institutional and retail strategies were 56.9% and 43.1%, respectively, of total average AUM. For the year ended December 31, 2013, average assets in our institutional and retail strategies were 62.4% and 37.6%. Average assets in institutional accounts increased $1.8 billion, or 13.7%, to $14.9 billion for the year ended December 31, 2014, from $13.1 billion for the year ended December 31, 2013, and had weighted average fees of 0.555% and 0.580% for the years ended December 31, 2014 and 2013, respectively. Weighted-average fee rates decreased primarily due to a higher mix of assets in our expanded products and larger relationships, which generally carry lower fee rates, as well as a decrease in institutional performance fees recognized during 2014. Average assets in retail accounts increased $3.4 billion, or 43.0%, to $11.3 billion for the year ended December 31, 2014, from $7.9 billion for the year ended December 31, 2013, and had weighted average fees of 0.264% and 0.252% for the years ended December 31, 2014 and 2013, respectively. The increase in weighted average fees in retail accounts was due primarily to an increase in retail performance fees recognized during 2014 as well as the addition of assets in strategies which generally carry higher fee rates.

Expenses

Our operating expense is driven primarily by our compensation costs. The table below describes the components of our operating expense for the years ended December 31, 2015, 2014, and 2013.

	For the Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cash Compensation and Other Benefits	$35,431	$32,396	$31,374
Other Non-Cash Compensation	11,092	8,877	5,448
Total Compensation and Benefits Expense	46,523	41,273	36,822
General and Administrative Expense	14,667	10,285	8,099
Total Operating Expenses	$61,190	$51,558	$44,921

Year Ended December 31, 2015 versus December 31, 2014

Total operating expenses increased by $9.6 million, or 18.7%, to $61.2 million for the year ended December 31, 2015, from $51.6 million for the year ended December 31, 2014.

Compensation and benefits expense increased by $5.3 million, or 12.7%, to $46.5 million for the year ended December 31, 2015, from $41.3 million for the year ended December 31, 2014. This increase reflects an increase in both cash and non-cash compensation and headcount. We would expect non-cash compensation expense in subsequent years to depend on the size and composition of awards granted under our equity incentive plans.

General and administrative expense increased by $4.4 million, or 42.6%, to $14.7 million for the year ended December 31, 2015, from $10.3 million for the year ended December 31, 2014. General and administrative expense in 2015 includes $1.8 million in losses and expenses we do not expect to recur, associated with the exit from, and retirement of certain assets at our former corporate headquarters. During the year ended December 31, 2014, general and administrative expenses included $0.4 million of such expenses. Excluding the impact of these non-recurring expenses, general and administrative expenses increased by approximately $3.0 million, or 30.3%. This increase reflects an increase in depreciation associated with our new headquarters, costs incurred in connection with new business initiatives and other operational expenses.

Year Ended December 31, 2014 versus December 31, 2013

Total operating expense increased by $6.6 million, or 14.8%, to $51.6 million for the year ended December 31, 2014, from $44.9 million for the year ended December 31, 2013.

Compensation and benefits expense increased by $4.5 million, or 12.1%, to $41.3 million for the year ended December 31, 2014, from $36.8 million for the year ended December 31, 2013. This increase reflects an increase in compensation and headcount. The $3.4 million increase in non-cash compensation was primarily due to a shift in compensation mix associated with the 2014 issuance of non-cash awards. We would expect non-cash compensation expense in subsequent years to depend on the size and composition of awards granted under our equity incentive plans.

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General and administrative expense increased by $2.2 million, or 27.0%, to $10.3 million for the year ended December 31, 2014, from $8.1 million for the year ended December 31, 2013. This increase includes $0.6 million of expenses paid for our mutual funds that were launched in 2014. We contractually agreed to waive a portion or all of our management fees and pay fund expenses to ensure that the annual operating expenses of the funds stay below certain established total expense ratio thresholds. During 2014, we also entered into an operating lease agreement for our new corporate headquarters. The term of the lease commenced in October 2014 and we moved to our new corporate headquarters during the first half of 2015. General and administrative expense in the fourth quarter of 2014 includes $0.4 million in lease expenses associated with our new corporate headquarters as well as $0.4 million lease expenses associated with our current headquarters that we did not expect to recur after we moved to our new corporate headquarters. The remainder of the increase in general and administrative expense is primarily due to an increase in business activities during 2014.

Other Expense

Year Ended December 31, 2015 versus December 31, 2014

Other expense was $3.3 million for the year ended December 31, 2015, and consisted primarily of $3.3 million in losses and other investment income and $0.4 million in expense related to adjustments to our liability to our selling and converting shareholders, partially offset by $0.8 million in interest and dividend income. Other expense was $4.0 million for the year ended December 31, 2014, and consisted primarily of $4.2 million in expense related to adjustments to our liability to our selling and converting shareholders, partially offset by $0.4 million in interest and dividend income. As discussed further below, the liability to our selling and converting shareholders represents 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the amortization of the increases in tax basis generated from our purchase of operating company units from our selling shareholders. The $3.3 million year-over-year change in losses and other investment income was due to investment performance.

Year Ended December 31, 2014 versus December 31, 2013

Other expense was $4.0 million for the year ended December 31, 2014, and consisted primarily of $4.2 million in expense related to adjustments to our liability to our selling and converting shareholders, partially offset by $0.4 million in interest and dividend income. Other expense was $1.8 million for the year ended December 31, 2013, and consisted primarily of $4.5 million in expense related to adjustments to our liability to our selling and converting shareholders, partially offset by $2.4 million of net realized and unrealized gain from investments and $0.3 million in interest and dividend income. As discussed further below, the liability to our selling and converting shareholders represents 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the amortization of the increases in tax basis generated from our purchase of operating company units from our selling shareholders. The $2.4 million year-over-year change in net realized and unrealized gains was due to investment performance.

Income Tax Expense

For the years ended December 31, 2015, 2014, and 2013, components of income tax expense are as follows:

	For the Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Unincorporated and Other Business Tax Expenses	$2,228	$2,953	$2,434
Corporate Tax Expense:			

Corporate Income Tax Expense	4,160	4,209	4,011
Change in the Valuation Allowance	(1,274)	(6,174)	(6,142)
Net Adjustment to Deferred Tax Asset	—	895	286
Total Corporate Tax Expense	2,886	(1,070)	(1,845)
Total Income Tax Expense	$5,114	$1,883	$589

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Our results for the years ended December 31, 2015, 2014, and 2013 included the effects of adjustments related to our tax receivable agreement and the associated liability as well as non-recurring lease expenses discussed in "Expenses," above. Details of corporate tax expenses excluding these items and reconciliations between our GAAP and non-GAAP corporate tax items are as follows:

	For the Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Corporate Tax Expense	$2,886	$(1,070)	$(1,845)
Effects of One Time Adjustments	132	31	—
Less: Change in the Valuation Allowance Associated with the Tax Receivable Agreement	847	6,005	5,710
Less: Net Adjustment to Deferred Tax Assets Associated with the Tax Receivable Agreement	—	(445)	(253)
Non-GAAP Corporate Income Tax Expense	$3,865	$4,521	$3,612

Our effective tax rate, exclusive of adjustments related to our tax receivable agreement and the associated liability to selling and converting shareholders and adjustments related to non-recurring expenses recognized in operating expense in the fourth quarter of 2015, was 34.2%, 40.1%, and 38.9% for the years ended December 31, 2015, 2014, and 2013, respectively, and was determined as follows:

	For the Years Ended December 31,					
	2015		2014		2013	
	Tax	% of Non-GAAP Pre-tax Income	Tax	% of Non-GAAP Pre-tax Income	Tax	% of Non-GAAP Pre-tax Income
	(in thousands)		(in thousands)		(in thousands)	
Federal Corporate Tax	$3,843	34.0 %	$3,830	34.0 %	$3,159	34.0 %
State and Local Taxes, Net of Federal Benefit	350	3.1 %	827	7.3 %	716	7.7 %
Prior Period and Other Adjustments	(328)	(2.9)%	(136)	(1.2)%	(263)	(2.8)%
Non-GAAP Effective Taxes	$3,865	34.2 %	$4,521	40.1 %	$3,612	38.9 %

A comparison of the GAAP effective tax rates for the years ended December 31, 2015, 2014, and 2013 is not meaningful due to the valuation allowance adjustments.

Year Ended December 31, 2015 versus December 31, 2014

Income tax expense increased $3.2 million, from $1.9 million for the year ended December 31, 2014, to $5.1 million for the year ended December 31, 2015. The 2015 and 2014 income tax expense included $1.3 million and $6.2 million, respectively, of benefit associated with adjustments to the valuation allowance recorded against our deferred tax asset. The 2014 income tax expense also reflected a $0.9 million adjustment associated with the net impact of the change in the deferred tax asset and valuation allowance assessed against the deferred tax asset associated with a change in the effective tax rate and the prior year's final tax return. Exclusive of these adjustments, the remaining income tax expense for the year ended December 31, 2015 consisted of $2.2 million in operating company unincorporated and other business taxes, $4.2 million of corporate income taxes. On a similar basis, the remaining income tax expense for the year ended December 31, 2014 consisted of $3.0 million of operating company unincorporated business taxes and $4.2 million of corporate income taxes partially offset by a $0.2 million decrease in the valuation allowance. The decrease in operating company unincorporated and other business taxes reflects the full-year impact of tax sourcing and the move of New York City unincorporated business tax toward a one-factor, receipts only sourcing calculation.

Year Ended December 31, 2014 versus December 31, 2013

Income tax expense increased $1.3 million, from $0.6 million for the year ended December 31, 2013, to $1.9 million for the year ended December 31, 2014. The 2014 and 2013 income tax expense included $6.2 million and $6.1 million, respectively, of benefit associated with adjustments to the valuation allowance recorded against our deferred tax asset. The 2014 and 2013 income tax expense also reflects a $0.9 million and $0.3 million adjustment, respectively, associated with the net impact of the change in the deferred tax asset and valuation allowance assessed against the deferred tax asset associated with the change in the effective tax rate and the prior year's final tax return. Exclusive of these adjustments, the remaining income tax expense for the year ended December 31, 2014 consisted of $3.0 million in operating company unincorporated business taxes, $4.2 million of corporate income taxes. On a similar basis, the remaining income tax expense for the year ended December 31, 2013 consisted of $2.4 million of operating company unincorporated business taxes and $4.0 million of corporate income taxes. The flat operating company unincorporated business tax reflects the $0.6 million tax benefit associated with the amendment of prior year tax returns to change the methodology for state and local receipts as well as the change in the current methodology for state and local receipts made during the first quarter of 2013, offset by an increase in taxable income. The increase in corporate income taxes primarily reflects the increase in net income.

Non-Controlling Interests

Year Ended December 31, 2015 versus December 31, 2014

Net income attributable to non-controlling interests was $39.3 million for the year ended December 31, 2015, and consisted of $41.6 million associated with our employees' and outside investors' approximately 78.8% weighted-average interest in the income of the operating company, partially offset by approximately $2.2 million associated with our consolidated subsidiaries' interest in the losses of our consolidated investment partnerships. Net income attributable to non-controlling interests was $46.9 million for the year ended December 31, 2014, and consisted of $47.0 million associated with our employees’ and outside investors’ approximately 80.6% weighted-average interest in the income of the operating company, and approximately $0.1 million associated with our consolidated subsidiaries’ interest in the losses of our consolidated investment partnerships. The change in net income attributable to non-controlling interests reflects primarily the increase in operating expenses, which had a corresponding negative impact on operating company net income. This decrease also reflects a decrease in the performance in our consolidated investment partnerships in 2015 compared to 2014.

Year Ended December 31, 2014 versus December 31, 2013

Net income attributable to non-controlling interests was $46.9 million for the year ended December 31, 2014, and consisted of $47.0 million associated with our employees' and outside investors' approximately 80.6% weighted-average interest in the income of the operating company, and approximately $0.1 million associated with our consolidated subsidiaries' interest in the losses of our consolidated investment partnerships. Net income attributable to non-controlling interests was $41.8 million for the year ended December 31, 2013, and consisted of $40.5 million associated with our employees’ and outside investors’ approximately 81.4% weighted-average interest in the income of the operating company, and approximately $1.2 million associated with our consolidated subsidiaries’ interest in the income of our consolidated investment partnerships. The change in net income attributable to non-controlling interests reflects primarily the increase in our average AUM, which had a corresponding positive impact on operating company revenues and income. This increase also reflects a decrease in the performance in our consolidated investment partnerships in 2014 compared to 2013.

Liquidity and Capital Resources

Historically, the working capital needs of our business have primarily been met through the cash generated by our operations. Distributions to members of our operating company are our largest use of cash. Other activities include purchases and sales of investments to fund our deferred compensation program, capital expenditures and strategic growth initiatives such as providing the seed investments in our mutual funds.

We expect to fund the liquidity needs of our business in the next twelve months, and over the long-term, primarily through cash generated from operations. As an investment management company, our business is materially affected by conditions in the global financial markets and economic conditions throughout the world. Our liquidity is highly dependent on the revenue and income from our operations, which is directly related to our levels of AUM. For the year ended December 31, 2015, our average AUM and revenues increased by 4.6% and 3.6%, respectively, compared to our average AUM and revenues for the year ended December 31, 2014. At December 31, 2015, our cash and cash equivalents was $35.4 million, inclusive of $3.7 million in cash held by our consolidated subsidiaries. Advisory fees receivable was $22.2 million. We also had approximately $8.4 million in investments set aside to satisfy our obligations under our deferred compensation program.

In determining the sufficiency of liquidity and capital resources to fund our business, we regularly monitor our liquidity position, including, among other things, cash, working capital, investments, long-term liabilities, lease commitments, debt obligations, and operating company distributions. Compensation is our largest expense. To the extent we deem necessary and appropriate to run our business, recognizing the need to retain our key personnel, we have the ability to change the absolute levels of our compensation packages, as well as change the mix of their cash and non-cash components. Historically, we have

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not tied our level of compensation directly to revenue, as many Wall Street firms do. Correspondingly, there is not a linear relationship between our compensation and the revenues we generate. This generally has the effect of increasing operating margins in periods of increased revenues, but can reduce operating margins when revenue declines.

We continuously evaluate our staffing requirements and compensation levels with reference to our own liquidity position and external peer benchmarking data. The result of this review directly influences management's recommendations to our Board of Directors with respect to such staffing and compensation levels.

We anticipate that tax allocations and dividend equivalent payments to the members of our operating company, which consists of certain of our employees, unaffiliated persons, former employees, and us, will continue to be a material financing activity. Cash distributions to operating company members for partnership tax allocations would increase should the taxable income of the operating company increase. Dividend equivalent payments will depend on our dividend policy and the discretion of our Board of Directors, as discussed below.

We believe that our lack of long-term debt, and ability to vary cash compensation levels, have provided us with an appropriate degree of flexibility in providing for our liquidity needs.

Dividend Policy

As we are a holding company and have no material assets other than our ownership of membership interests in our operating company, we depend upon distributions from our operating company to pay any dividends that our Board of Directors may declare to be paid to our Class A common stockholders. When, and if, our Board of Directors declares any such dividends, we then cause our operating company to make distributions to us in an amount sufficient to cover the dividends declared. Our dividend policy has certain risks and limitations, particularly with respect to liquidity. We may not pay dividends to our Class A common shareholders in amounts that have been paid to them in the past, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends. To the extent we do not have cash on hand sufficient to pay dividends in the future, we may decide not to pay dividends. By paying cash dividends rather than investing that cash in our future growth, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations or unanticipated capital expenditures, should the need arise.

On an annual basis, our Board of Directors has targeted a cash dividend payout ratio of approximately 70% to 80% of our non-GAAP diluted net income, subject to growth initiatives and other funding needs. Our ability to pay dividends is subject to the Board of Directors' discretion and may be limited by our holding company structure and applicable provisions of Delaware law. See "Item 1A — Risk Factors — Risks Relating to Our Class A Common Stock — Our ability to pay dividends is subject to the discretion of our Board of Directors and may be limited by our holding company structure and applicable provisions of Delaware law."

Tax Receivable Agreement

Our purchase of membership units of our operating company concurrent with our IPO, and the subsequent and future exchanges by holders of Class B units of our operating company for shares of our Class A common stock (pursuant to the exchange rights provided for in the operating company's operating agreement), has resulted in, and is expected to continue to result in, increases in our share of the tax basis of the tangible and intangible assets of our operating company, which will increase the tax depreciation and amortization deductions that otherwise would not have been available to us. These increases in tax basis and tax depreciation and amortization deductions have reduced, and are expected to continue to reduce, the amount of cash taxes that we would otherwise be required to pay in the future. We have entered into a tax receivable agreement with the current members of our operating company, the one member of our operating company immediately prior to our initial public offering who sold all of its membership units to us in connection with our initial public offering, and any future holders of Class B units, that requires us to pay them 85%

of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in the case of an early termination payment by us, or a change in control, as described in the tax receivable agreement) as a result of the increases in tax basis described above and certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement.

Cash Flows

Year Ended December 31, 2015 versus December 31, 2014

Cash and Cash Equivalents decreased $3.7 million to $35.4 million in 2015 compared to $39.1 million in 2014. Net cash provided by operating activities increased $2.0 million in 2015 to $57.4 million from $55.4 million in 2014. The increase primarily reflects changes in operating assets and liabilities and working capital, partially offset by a decrease in net income.

Net cash used in investing activities was $6.2 million in 2015 compared to $2.6 million used in 2014. The $3.6 million increase was primarily attributable to a $4.2 million increase in purchases of property and equipment related to our new corporate headquarters and a $1.0 million increase in payments to related parties associated with loans made to employees during 2015, which were partially offset by a $1.6 million increase in net proceeds from the sale of investments associated primarily with the redemption of seed capital in the Pzena Mutual Funds during 2015.

Net cash used in financing activities increased $7.1 million in 2015 to $54.9 million from $47.8 million in 2014. This increase is primarily due to a $4.3 million decrease in contributions from non-controlling interests, a $3.4 million increase in the repurchase and retirement of Class A common stock and Class B units, and a $1.2 million increase in cash dividends paid during 2015. These increases in cash used were partially offset by $1.7 million in cash received for the exercise of options and $0.4 million in units sold under our equity incentive plan during 2015.

Year Ended December 31, 2014 versus December 31, 2013

Cash and Cash Equivalents increased $5.2 million to $39.1 million in 2014 compared to $33.9 million in 2013. Net cash provided by operating activities increased $10.9 million in 2014 to $55.4 million from $44.5 million in 2013. The increase was primarily due to an increase in net income partially offset by changes in operating assets and liabilities and working capital.

Net cash used in investing activities was $2.6 million in 2014 compared to $1.8 million used in 2013. The $0.8 million increase was primarily attributable to a $1.9 million increase in purchases of property and equipment related to our new corporate headquarters and a $1.0 million net increase in purchases in investments associated primarily with the incubation of new products in 2014.

Net cash used in financing activities increased $6.2 million in 2014 to $47.8 million from $41.5 million in 2013. This increase is primarily due to a $11.6 million increase in distributions to non-controlling interests. The increase in these distributions primarily reflects increased tax allocations associated with increased taxable income in 2014 and dividend distributions to members of our operating company. Net cash used in financing activities in 2014 also reflects a $1.5 million increase in cash dividends paid during 2014. These increases were partially offset by a $4.8 million increase in contributions from non-controlling interests primarily reflecting contributions into our consolidated subsidiaries and a $1.8 million decrease in the repurchase and retirement of Class A common stock, Class B units, and Class B unit options during 2014.

Contractual Obligations

The following table sets forth information regarding our consolidated contractual obligations as of December 31, 2015.

	Payments Due by Period				
	Total	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years

	(in thousands)				
Operating Lease Expenses, Net of Sublease Rental Income	$ 19,042	$ 1,604	$ 3,583	$ 5,938	$ 7,917
Total	$ 19,042	$ 1,604	$ 3,583	$ 5,938	$ 7,917

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2015.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), requires management to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. We evaluate our estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial condition. Management believes that the critical accounting policies discussed below involve additional management judgment due to the sensitivity of the methods and assumptions used.

Consolidation

Our policy is to consolidate all majority-owned subsidiaries in which we have a controlling financial interest and variable-interest entities of which we are deemed to be the primary beneficiary. We also consolidate non-variable-interest entities which we control as the general partner or managing member. We assess our consolidation practices regularly, as circumstances dictate. All significant inter-company transactions and balances have been eliminated through consolidation.

Income Taxes

We are a “C” corporation under the Internal Revenue Code, and thus liable for federal, state and local taxes on the income derived from our economic interest in our operating company. The operating company is a limited liability company that has elected to be treated as a partnership for tax purposes. Our operating company has not made a provision for federal or state income taxes because it is the responsibility of each of the operating company’s members (including us) to separately report their proportionate share of the operating company’s taxable income or loss. Similarly, the income of our consolidated investment partnerships is not subject to income taxes, as such income is allocated to each partnership’s individual partners. The operating company has made a provision for New York City Unincorporated Business Tax (UBT).

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carryforwards and tax credits. A valuation allowance is maintained for deferred tax assets that we estimate are more likely than not to be unrealizable based on available evidence at the time the estimate is made. Determining the valuation allowance requires management to make significant judgments and assumptions. In determining the valuation allowance, we use historical and forecasted future operating results, based upon approved business plans, including a review of the eligible carryforward periods, tax planning opportunities and other relevant considerations. Each quarter, we re-evaluate our estimate related to the valuation allowance, including our assumptions about future taxable income.

We believe that the accounting estimate related to the $54.0 million valuation allowance, recorded against the deferred tax asset associated with our acquisition of operating company membership units, is a critical accounting estimate because the underlying assumptions can change from period to period. For example, tax law changes, or variances in future projected operating performance, could result in a change in the valuation allowance. If we are not able to realize all or part of our net deferred tax assets in the future, an adjustment to our deferred tax asset valuation allowance would be charged to income tax expense in the period such determination was made.

Tax benefits related to stock option windfall deductions are not recognized until they result in a reduction of cash taxes payable. The benefit of these excess tax benefits will be recorded in equity when they reduce cash taxes payable. We will only recognize a tax benefit from stock- and unit-based awards in Additional Paid-In Capital if an incremental tax benefit is realized after all other tax benefits currently available have been utilized. During the years ended December 31, 2015 and 2014, we had approximately $0.4 million and $0.2 million, respectively, in tax benefits associated with stock- and unit-based awards that we were not able to recognize. This amount is reflected as an unrecognized tax benefit.

Management judgment is required in determining our provision for income taxes, evaluating our tax positions and establishing deferred tax assets and liabilities. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. If the ultimate resolution of uncertainties is different from currently estimated, it could affect income tax expense and the effective tax rate.

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Recently Issued Accounting Pronouncements Not Yet Adopted

See Note 2, "Significant Accounting Policies — Recently Issued Accounting Pronouncements Not Yet Adopted" to the consolidated financial statements beginning on page F-9 of this Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Our exposure to market risk is directly related to our role as investment adviser for the institutional separate accounts we manage and the retail clients for which we act as sub-investment adviser.

Our revenue for the three years ended December 31, 2015 was generally derived from advisory fees, which are typically based on the market value of our AUM, which can be affected by adverse changes in interest rates, foreign currency exchange rates and equity prices. Accordingly, a decline in the prices of securities would cause our revenue and income to decline, due to a decrease in the value of the assets we manage. In addition, such a decline could cause our clients to withdraw their funds in favor of investments offering higher returns or lower risk, which would cause our revenue and income to decline further.

The value of our AUM was $26.0 billion as of December 31, 2015. A 10% increase or decrease in the value of our AUM, if proportionately distributed over all of our investment strategies, products, and client relationships, would cause an annualized increase or decrease in our revenues of approximately $10.6 million at our current weighted average fee rate excluding the impact of performance fees of 0.409%. There are differences in our fee rates across distribution channels, investment strategies and the size of client relationships. As such, a change in the composition of our AUM, in particular an increase in the proportion of our total assets under management attributable to strategies, clients or relationships with lower effective fee rates, could have a material negative impact on our overall weighted average fee rates and thus different impact to revenues on the same 10% increase or decrease in the value of our AUM.

We are also subject to market risk due to a decline in the value of our holdings, consisting primarily of the holdings of our consolidated subsidiaries, which as of December 31, 2015 consist primarily of marketable securities, investments in equity method investees, and securities sold short. At December 31, 2015, the fair value of our assets subject to market risk was $27.5 million. At December 31, 2015, the fair value of our liabilities subject to market risk was $2.2 million. Assuming a 10% increase or decrease, the fair value of these assets and liabilities would increase or decrease by $2.8 million and $0.2 million, respectively, at December 31, 2015.

Exchange Rate Risk

A substantial portion of the accounts that we advise, or sub-advise, hold investments that are denominated in currencies other than the U.S. dollar. Movements in the rate of exchange between the U.S. dollar and the underlying foreign currency affect the values of assets held in accounts that we manage, thereby affecting the amount of revenues we earn. The value of our AUM was $26.0 billion as of December 31, 2015 and approximately 28% of our assets under management across our investment strategies were invested in strategies that primarily invest in securities of non-U.S. companies and approximately 34% of our assets under management were invested in securities denominated in currencies other than the U.S. dollar. To the extent our assets under management are denominated in currencies other than the U.S. dollar, the value of those assets under management will decrease with an increase in the value of the U.S. dollar, or increase with a decrease in the value of the U.S. dollar. Because we believe that many of our clients invest in those strategies in order to gain exposure to non-U.S. currencies, or may implement their own hedging programs, we do not hedge an investment portfolio's exposure to a non-U.S. currency.

We have not adopted a corporate-level risk management policy to manage this exchange rate risk. Assuming that 34% of our assets under management is invested in securities denominated in currencies other than the U.S. dollar and excluding the impact of any hedging arrangements, a 10% increase or decrease in the value of the U.S. dollar would decrease or increase the fair value of our assets under management by $0.9 billion, which would cause an annualized increase or decrease in revenues of approximately $3.6 million at our current weighted average fee rate excluding the impact of performance fees of 0.409%.

We operate in several foreign countries, but mainly in the United Kingdom. We incur operating expenses and have foreign currency-denominated assets and liabilities associated with these operations, although our revenues are predominately realized in U.S. dollar. We do not believe that foreign currency fluctuations materially affect our results of operations.

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Interest Rate Risk

As of December 31, 2015, our $35.4 million in cash and cash equivalents was primarily held in demand deposit accounts. As such, interest rate changes would not have a material impact on the income we earn from these deposits. In addition, the Company does not have any debt, and as a result does not have any direct exposure to interest rate risk at December 31, 2015.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and notes thereto begin on page F-4 of this Annual Report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures.

During the course of their review of our consolidated financial statements as of December 31, 2015, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2015, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. There are inherent limitations in the effectiveness of any internal controls, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013).

Based on the assessment using those criteria, management concluded that, as of December 31, 2015, our internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report have issued an audit report on our internal control over financial reporting. This report appears on page F-3 of this Annual Report.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is set forth under the proposal “Election of Directors” and under the subheading "Section 16(a) Beneficial Ownership Reporting Compliance" under the heading "Other Matters" in the Company’s 2016 Proxy Statement to be filed with the U.S. Securities and Exchange Commission (the “SEC”) within 120 days after December 31, 2015 in connection with the solicitation of proxies for the Company’s 2016 annual meeting of shareholders and is incorporated herein by reference ("Company's 2016 Proxy Statement").

The Company has a code of ethics, “Code of Business Conduct and Ethics”, that applies to all employees, including the Company’s principal executive officer and principal financial officer, as well as to the members of the Board of Directors of the Company. The code is available at www.pzena.com. The Company intends to disclose any changes in, or waivers from, this code by posting such information on the same website or by filing a Form 8-K, in each case to the extent such disclosure is required by rules of the SEC or the New York Stock Exchange.

Pursuant to Regulation S-K Item 401(b), the information required by this Item regarding our executive officers is reported in "Item 1, Business — Our Executive Officers" in this Annual Report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is set forth under the headings “Executive Compensation” and "Director Compensation" in the Company’s 2016 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is set forth under the heading “Security Ownership of Principal Stockholders and Management” and under the proposals "Ratification of the Amendment to the Pzena Investment Management, LLC Amended and Restated 2006 Equity Incentive Plan" and "Ratification of the Amendment to the Pzena Investment Management, LLC Amended and Restated Bonus Plan" in the Company’s 2016 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is set forth under the heading “Related Party Transactions” and under the subheading “Director Independence” under the proposal "Election of Directors” in the Company’s 2016 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is set forth under the proposal “Ratification of Independent Auditors” in the Company’s 2016 Proxy Statement.

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PART IV
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report:
1. Financial Statements

2. Financial Statement Schedules

There are no Financial Statement Schedules filed as part of this Annual Report, since the required information is included in our consolidated financial statements and in the notes thereto.

3. Exhibit List

We have incorporated by reference herein certain exhibits as specified below pursuant to Rule 12b-32 of the Exchange Act. If specific material facts exist which contradict the representations and warranties contained in the documents filed or incorporated by reference in this Annual Report, corrective disclosure has been provided.

Additional information about us may be found elsewhere in this Annual Report, and our other public filings, which are available without charge through the SEC's website at http://www.sec.gov, as well as through our website at www.pzena.com.

Exhibit	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Pzena Investment Management, Inc., effective as of October 30, 2007(1)
3.2	Second Amended and Restated Bylaws of Pzena Investment Management, Inc., effective as of January 15, 2016(2)
4.1	Form of Pzena Investment Management, Inc. Class A Common Stock Certificate(3)
4.2	Form of Exchange Rights of Class B Members(3)
4.3	Resale and Registration Rights Agreement, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and the Holders named on the signature pages thereto(1)
4.4	Class B Stockholders' Agreement, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and the Class B Stockholders named on the signature pages thereto(1)
10.1	Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and the Class B Members named on the signature pages thereto(1)
10.2	Tax Receivable Agreement, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and the Continuing Members and Exiting Members named on the signature pages thereto(1)
10.3	Pzena Investment Management, LLC Amended and Restated 2006 Equity Incentive Plan(17)
10.4	Pzena Investment Management, LLC Amended and Restated Bonus Plan, as amended, dated as of October 21, 2008(4)
10.5	Pzena Investment Management, Inc. 2007 Equity Incentive Plan, as amended, dated as of May 19, 2009(5)
10.6	

	Lease, dated as of February 4, 2003, between Magnolia Associates, Ltd. and Pzena Investment Management, LLC, and the amendments thereto dated as of March 31, 2005 and October 31, 2006(6)
10.7	Agreement of Sublease, dated November 4, 2011, between Pzena Investment Management, LLC together, as Sublessor and Perimeter Internetworking Corp, as Sublessee(7)

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Exhibit	Description of Exhibit
10.8	Executive Employment Agreement for Richard S. Pzena, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and Richard S. Pzena(1)
10.9	Executive Employment Agreement for John P. Goetz, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and John P. Goetz(1)
10.10	Amended and Restated Executive Employment Agreement for William L. Lipsey, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and William L. Lipsey(1)
10.11	Indemnification Agreement for Richard S. Pzena, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Richard S. Pzena(1)
10.12	Indemnification Agreement for Steven M. Galbraith, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Steven M. Galbraith(1)
10.13	Indemnification Agreement for Joel M. Greenblatt, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Joel M. Greenblatt(1)
10.14	Indemnification Agreement for Richard P. Meyerowich, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Richard P. Meyerowich(1)
10.15	Indemnification Agreement for Myron E. Ullman, III, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Myron E. Ullman, III(1)
10.16	Indemnification Agreement for Ronald W. Tysoe, dated as of December 11, 2008, by and among Pzena Investment Management, Inc. and Ronald W. Tysoe(8)
10.17	Indemnification Agreement for John P. Goetz, dated as of May 17, 2011, by and among Pzena Investment Management, Inc. and John P. Goetz(7)
10.18	Indemnification Agreement for William L. Lipsey, dated as of May 17, 2011, by and among Pzena Investment Management, Inc. and William L. Lipsey(7)
10.19	Pzena Investment Management, Inc. Non-Employee Director Deferred Compensation Plan, dated as of July 21, 2009 (9)
10.20	Amendment, effective March 24, 2010, to Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. as the Managing Member of Pzena Investment Management, LLC and those Class B members whose signatures are affixed thereto(10)
10.21	Amendment, dated as of March 5, 2012, to Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. as the Managing Member of Pzena Investment Management, LLC and those Class B members whose signatures are affixed thereto(7)
10.22	Amendment to Executive Employment Agreement for Richard S. Pzena, dated as of November 1, 2012, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC, and Richard S. Pzena(11)
10.23	Amendment to Executive Employment Agreement for John P. Goetz, dated as of November 1, 2012, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC, and John P. Goetz(11)
10.24	Amendment to Amended and Restated Executive Employment Agreement for William L. Lipsey, dated as of November 1, 2012, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC, and William L. Lipsey(11)
10.25	Amendment, dated as of November 12, 2012, to Tax Receivable Agreement, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and the Continuing Members and Exiting Members named on the signature pages thereto (12)
10.26	Indemnification Agreement for Charles D. Johnston, dated as of February 5, 2014, by and among Pzena Investment Management, Inc. and Charles D. Johnston (13)
10.27	Lease, dated as of June 13, 2014, between Mutual of America Life Insurance Company, as Landlord and Pzena Investment management, LLC, as Tenant (14)

10.28	Amendment No. 3 to Pzena Investment Management, LLC Amended and Restated Operating Agreement, dated November 1, 2014 [15]
10.29	Amendment to the Pzena Investment Management, LLC Amended and Restated 2006 Equity Incentive Plan, dated December 2, 2014 [15]
10.30	Amendment to the Pzena Investment Management, LLC Amended and Restated Bonus Plan, dated December 2, 2014 [15]
10.31	Form of Unit-Based Award Agreement for Phantom Class B Units [15]
10.32	Form of Class B Unit Agreement - Delayed Exchange [15]
10.33	Form of Class B Unit-Based Agreement for Phantom Class B Units - Revised December, 2015 (filed herewith)
10.34	Form of Class B Unit Agreement - Delayed Exchange - Revised December, 2015 (filed herewith)

Exhibit	Description of Exhibit
14.1	Code of Business Conduct and Ethics, effective as of October 25, 2007, amended as of January 16, 2009(16)
14.2	Code of Ethics for Senior Financial Officers(10)
21.1	List of Subsidiaries of Pzena Investment Management, Inc. (filed herewith)
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101	Materials from the Pzena Investment Management, Inc. Annual Report on Form 10-K for the year ended December 31, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Condition, (ii) Consolidated Statements of Operations, (iii) Consolidated Statement of Changes in Equity, (iv) Consolidated Statements of Cash Flows, and (vi) related Unaudited Notes to the Consolidated Financial Statements, tagged in detail (furnished herewith)

(1) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on December 5, 2007 (SEC File No. 001-33761).

(2) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2016 (SEC File No. 001-33761).

(3) Previously filed as an exhibit to Amendment No. 4 of the Registration Statement on Form S-1 (No. 333-143660) of Pzena Investment Management, Inc., which was filed with the Securities and Exchange Commission on October 22, 2007.

(4) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 13, 2008 (SEC File No. 001-33761).

(5) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2009 (SEC File No. 001-33761).

(6) Previously filed as an exhibit to Amendment No. 1 of the Registration Statement on Form S-1 (No. 333-143660) of Pzena Investment Management, Inc., which was filed with the Securities and Exchange Commission on July 10, 2007.

(7) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2012 (SEC File No. 001-33761).

(8) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2008 (SEC File No. 001-33761).

(9) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2009 (SEC File No. 001-33761).

(10)

Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2010 (SEC File No. 001-33761).

(11) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2012 (SEC File No. 001-33761).

(12) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2013 (SEC File No. 001-33761).

(13) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2014 (SEC File No. 001-33761).

(14) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 7, 2014 (SEC File No. 001-33761).

(15) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015 (SEC File No. 001-33761)

(16) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on May 11, 2009 (SEC File No. 001-33761).

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(17) Previously filed as an attachment to our definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 17, 2013 (SEC File No. 001-33761).

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SIGNATURES

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

Dated: March 11, 2016
Pzena Investment Management, Inc.

By: /s/ Richard S. Pzena
Name: Richard S. Pzena
Title: Chief Executive Officer

Each person whose signature appears below constitutes and appoints Gary J. Bachman and Joan F. Berger, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done to effectuate the intent and purpose of this paragraph, as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Pzena Investment Management, Inc. and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Richard S. Pzena Richard S. Pzena	Chairman of the Board and Chief Executive Officer (principal executive officer)	March 11, 2016
/s/ Gary J. Bachman Gary J. Bachman	Chief Financial Officer (principal financial and accounting officer)	March 11, 2016
/s/ John P. Goetz John P. Goetz	Director	March 11, 2016
/s/ William L. Lipsey William L. Lipsey	Director	March 11, 2016
/s/ Steven M. Galbraith Steven M. Galbraith	Director	March 11, 2016
/s/ Joel M. Greenblatt Joel M. Greenblatt	Director	March 11, 2016
/s/ Richard P. Meyerowich Richard P. Meyerowich	Director	March 11, 2016
/s/ Charles D. Johnston Charles D. Johnston	Director	March 11, 2016

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INDEX TO FINANCIAL STATEMENTS OF
PZENA INVESTMENT MANAGEMENT, INC.

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Pzena Investment Management, Inc.:

We have audited the accompanying consolidated statements of financial condition of Pzena Investment Management, Inc. (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Pzena Investment Management, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 11, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/KPMG LLP
New York, New York
March 11, 2016

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Pzena Investment Management, Inc.:

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

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

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

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Pzena Investment Management, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated March 11, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/KPMG LLP
New York, New York
March 11, 2016

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PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands, except share and per-share amounts)

	As of December 31, 2015	December 31, 2014
ASSETS		
Cash and Cash Equivalents	$35,417	$39,109
Restricted Cash	3,552	2,810
Due from Broker	297	94
Advisory Fees Receivable	22,248	22,939
Investments	27,452	27,945
Receivable from Related Parties	1,054	107
Other Receivables	589	647
Prepaid Expenses and Other Assets	802	845
Deferred Tax Assets, Net of Valuation Allowance of $53,968 and $44,239, respectively	14,995	14,618
Property and Equipment, Net of Accumulated Depreciation of $1,202 and $3,072, respectively	7,903	2,772
TOTAL ASSETS	$114,309	$111,886
LIABILITIES AND EQUITY		
Liabilities:		
Accounts Payable and Accrued Expenses	$7,885	$5,974
Due to Broker	30	698
Securities Sold Short, at Fair Value	2,231	1,572
Liability to Selling and Converting Shareholders	15,075	15,358
Deferred Compensation Liability	2,896	2,211
Lease Liability	—	354
Other Liabilities	730	686
TOTAL LIABILITIES	28,847	26,853
Equity:		
Preferred Stock (Par Value $0.01; 200,000,000 Shares Authorized; None Outstanding)	—	—
Class A Common Stock (Par Value $0.01; 750,000,000 Shares Authorized; 15,218,355 and 13,044,719 Shares Issued and Outstanding in 2015 and 2014, respectively)	152	130
Class B Common Stock (Par Value $0.000001; 750,000,000 Shares Authorized; 52,089,472 and 52,891,939 Shares Issued and Outstanding in 2015 and 2014 respectively)	—	—
Additional Paid-In Capital	5,819	8,007
Retained Earnings	12,453	10,264
Accumulated Other Comprehensive Loss	(2)	—
Total Pzena Investment Management, Inc.'s Equity	18,422	18,401
Non-Controlling Interests	67,040	66,632
TOTAL EQUITY	85,462	85,033
TOTAL LIABILITIES AND EQUITY	$114,309	$111,886

See accompanying notes to consolidated financial statements.

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PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per-share amounts)

	For the Years Ended December 31,		
	2015	2014	2013
REVENUE	$116,607	$112,511	$95,769
EXPENSES			
Compensation and Benefits Expenses	46,523	41,273	36,822
General and Administrative Expenses	14,667	10,285	8,099
TOTAL OPERATING EXPENSES	61,190	51,558	44,921
Operating Income	55,417	60,953	50,848
OTHER INCOME/(EXPENSE)			
Interest Income	40	71	112
Interest Expense	(21)	(8)	—
Dividend Income	734	337	211
(Losses)/ Gains and Other Investment Income	(3,344)	(49)	2,449
Change in Liability to Selling and Converting Shareholders	(423)	(4,168)	(4,468)
Other Expense	(286)	(219)	(125)
Total Other Expense	(3,300)	(4,036)	(1,821)
Income Before Income Taxes	52,117	56,917	49,027
Income Tax Expense	5,114	1,883	589
Net Income	47,003	55,034	48,438
Less: Net Income Attributable to Non-Controlling Interests	39,324	46,934	41,768
Net Income Attributable to Pzena Investment Management, Inc.	$7,679	$8,100	$6,670
Net Income for Basic Earnings per Share	$7,679	$8,100	$6,670
Basic Earnings per Share	$0.55	$0.64	$0.56
Basic Weighted Average Shares Outstanding	14,014,219	12,628,676	11,990,757
Net Income for Diluted Earnings per Share	$33,809	$35,685	$30,317
Diluted Earnings per Share	$0.50	$0.53	$0.45
Diluted Weighted Average Shares Outstanding[1]	68,126,786	67,797,524	66,759,840
Cash Dividends per Share of Class A Common Stock	$0.41	$0.35	$0.25

1 The Company issues restricted share of Class A common stock and restricted Class B units that have non-forfeitable dividend rights. Under the “two-class method,” these shares and units are considered participating securities and are required to be included in the computation of diluted earnings per share.

See accompanying notes to consolidated financial statements.

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PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	For the Years Ended December 31,		
	2015	2014	2013
NET INCOME	$47,003	$55,034	$48,438
OTHER COMPREHENSIVE LOSS			
Foreign Currency Translation Adjustment	(10)	—	—
Total Other Comprehensive Loss	(10)	—	—
Comprehensive Income	46,993	55,034	48,438
Less: Comprehensive Income Attributable to Non-Controlling Interests	39,316	46,934	41,768
Total Comprehensive Income Attributable to Pzena Investment Management, Inc.	$7,677	$8,100	$6,670

See accompanying notes to consolidated financial statements.

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PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands, except share and per-share amounts)

	Shares of Class A Common Stock	Shares of Class B Common Stock	Class A Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Controlling Interests	Total
Balance at December 31, 2012	11,149,941	53,482,324	$111	$11,765	$ —	$2,693	$ 33,397	$47,966
Unit Conversion	1,328,334	(1,328,334)	13	786	—	—	(680)	119
Amortization of Non-Cash Compensation	17,414	602,400	—	600	—	—	2,560	3,160
Directors' Shares	45,818	—	1	82	—	—	257	340
Net Income	—	—	—	—	—	6,670	41,768	48,438
Options Exercised	—	421,173	—	—	—	—	—	—
Repurchase and Retirement of Class A Common Stock	(383,450)	—	(4)	(2,410)	—	—	—	(2,414)
Repurchase and Retirement of Class B Units	—	(356,843)	—	(699)	—	—	(3,028)	(3,727)
Repurchase and Retirement of Class B Unit Options	—	—	—	(14)	—	—	(57)	(71)
Contributions from Non-Controlling Interests	—	—	—	—	—	—	147	147
Distributions to Non-Controlling Interests	—	—	—	—		—	(32,537)	(32,537)
Class A Cash Dividends Declared and Paid ($0.25 per share)	—	—	—	—	—	(2,872)	—	(2,872)
Other	—	—	—	(360)	—	—	360	—
Balance at December 31, 2013	12,158,057	52,820,720	$121	$9,750	$ —	$6,491	$ 42,187	$58,549
Unit Conversion	1,150,060	(1,150,060)	11	1,038	—	—	(858)	191
Amortization of Non-Cash Compensation	28,535	1,215,583	1	1,329	—	—	5,336	6,666
Directors' Shares	—	—	—	69	—	—	290	359
Net Income	—	—	—	—	—	8,100	46,934	55,034
Options Exercised	68,346	95,199	1	37	—	—	(38)	—
Repurchase and Retirement of Class A Common Stock	(360,279)	—	(4)	(3,492)	—	—	—	(3,496)
Repurchase and Retirement of Class B Units	—	(89,503)	—	(173)	—	—	(728)	(901)

Contributions from Non-Controlling Interests	—	—	—	—	—	—	4,906	4,906
Distributions to Non-Controlling Interests								