

# Revenue Sharing Disclosure



## Overview

Waddell & Reed, Inc. (“WRI”) offers a variety of products and programs including mutual funds, annuities, life insurance, retirement platforms, and investment advisory programs both directly and through third parties. Collectively, we refer to the companies through which these products are offered as product providers. Before engaging product providers, WRI conducts due diligence to, in part, determine that the product providers have a broad spectrum of investment solutions designed to meet a variety of client needs.

WRI has entered into agreements with select product providers referred to as revenue sharing arrangements. Revenue sharing is a form of compensation paid to WRI from the product provider that is in addition to other product related fees paid by the investor. WRI financial advisors do not receive additional financial compensation as a result of these revenue sharing arrangements. In some cases, revenue sharing may represent an expense embedded in the investment product that is born by investors. Although WRI endeavors at all times to put the interests of its clients ahead of its own, these arrangements present conflicts of interest for WRI and its officers, directors and financial advisors (“affiliated persons”). Due to the conflicts of interest inherent in revenue sharing arrangements, WRI believes it is important to communicate its revenue sharing arrangements to you as you evaluate your investment options.

WRI also has relationships with Ivy Investment Management (“Ivy”) as this company is also a subsidiary of Waddell & Reed Financial, Inc. Ivy is an affiliated product provider to WRI. WRI has entered into revenue sharing arrangements with Ivy. WRI receives more revenue from Ivy than from product providers that are not affiliated with WRI. This revenue sharing arrangement provides additional incentive for WRI to sell Ivy products. In order to mitigate this conflict, WRI Advisors and their managers do not receive additional financial compensation as a result of revenue sharing payments received by WRI. Moreover, WRI does not require or incent the recommendation and/or sale of Ivy products.

## **WADDELL & REED ALLIANCE PROGRAM**

The Waddell & Reed Alliance Program (the “Program”) offers insurance and mutual fund product providers the opportunity to participate in the Program at various levels (Strategic, Gold, Silver, and Bronze) based upon revenue sharing arrangements with WRI. Per these revenue sharing arrangements, WRI receives payments in addition to the standard fees and transaction based commissions paid in connection with the recommendation and sale of investments.

In exchange for revenue sharing payments, product providers receive additional access to WRI’s financial advisors including participation at WRI’s conferences and/or seminars that WRI financial advisors may attend. This access gives product providers additional opportunities to market, educate and train on their investment

products. Companies that do not participate in the Program do not receive the same level of access to WRI's financial advisors and do not participate in WRI's conferences and/or seminars.

While WRI financial advisors receive an indirect benefit due to WRI's receipt of revenue sharing payments through attendance at sponsored conferences or seminars, and additional education from product providers, they do not receive or share in these payments. Additionally, WRI uses revenue sharing payments from product providers to cover costs associated with conducting product due diligence, offsetting costs associated with operations and marketing, paying for certain educational conferences and seminars about investment products for financial advisors, and as general revenue for WRI.

The product providers currently participating in the Program are listed in the Revenue Sharing Table at the end of this disclosure.

Product providers may also pay WRI marketing support payments for WRI financial advisor training, client events and/or educational seminars to the extent permitted by WRI's policies and procedures. Marketing payments may be made directly to WRI for marketing expenses or may be made on behalf of WRI to cover marketing expenses.

Advisors may also receive gifts and entertainment from product providers, as allowed within the scope of applicable securities regulations and WRI's policies and procedures. For example, gifts and entertainment may include an occasional meal purchase, tickets to a sporting event or show, other similar entertainment, or promotional items. Please note that revenue sharing payments, including marketing support, gifts and entertainment are made by product providers, or their affiliates, from revenue that they receive from the sale of investment products and are not a specific deduction from any client account.

## **MUTUAL FUNDS**

WRI receives revenue sharing payments from mutual fund product providers participating in the Program, including its affiliated mutual fund product provider, Ivy. Payments are directly tied to the sale of products in both advisory programs and non-advisory programs including the 529 InvestEd Program. WRI also receives a portion of various distribution and service fees from mutual funds held in all types of non-advisory client accounts, pursuant to Rule 12b-1 of the Investment Company Act of 1940, as amended (referred to as "12b-1 fees"), in addition to related mutual fund servicing or administration compensation in connection with the sale and servicing of certain mutual funds.

The amount of fees received will vary based upon agreements between WRI as a broker-dealer and the mutual fund distributors. WRI pays its financial advisors a portion of the 12b-1 fees it receives on non-advisory accounts. WRI does not pay any revenue sharing financial compensation it receives from its investment product providers directly to its financial advisors.

## **INSURANCE PRODUCTS**

Nationwide Life and Annuity Insurance Company and Minnesota Life Insurance Company and their affiliated companies are strategic insurance product providers of WRI. Through revenue sharing agreements with these providers, WRI receives revenue sharing payments. In return, these providers have greater access to WRI financial advisors to provide training, education, and product information. WRI does not share

revenue sharing payments from the strategic product providers with its financial advisors. Moreover, WRI does not require or incent the recommendation and/or sale of the providers' products in any way.

## **OTHER REVENUE SHARING ARRANGEMENTS**

WRI is a participant in Pershing's FUNDVEST ticket charge program. This program offers mutual funds with no ticket charges to WRI for use with their clients. Participating mutual fund product providers pay a fee to Pershing, LLC to participate in this program, and a portion of this fee is shared with WRI. Through agreements with Pershing, LLC, WRI receives revenue sharing payments for assets that are held within this program. None of the financial revenue sharing payments for these additional arrangements are shared with any WRI financial advisor who sells these mutual funds. Moreover, WRI does not incent or require the recommendation and/or sale of these mutual funds.

WRI offers multiple cash sweep options through Pershing, LLC as a part of its agreements with Pershing, LLC. WRI receives revenue sharing payments for assets that are held within the sweep vehicle for Dreyfus FDIC Insured Deposits program.

## **REVENUE SHARING ARRANGEMENTS - SUMMARY**

Detailed information related to the third party payments received by WRI from product providers is provided below.

### **Product Providers engaged in Revenue Sharing Agreements with WRI:**

- Ivy Investments
- T. Rowe Price Associates Inc.
- PIMCO Investments, LLC
- MFS Fund Distributors, Inc.
- Lord Abbett & Co. LLC
- Legg Mason Investor Services, LLC
- Alliance Bernstein Investments
- Oppenheimer Funds Distributor, Inc.
- Nationwide Life and Annuity Insurance Company
- Minnesota Life Insurance Company/Securian Financial Services Inc.
- Pershing, LLC:
  - FUNDVEST
  - Dreyfus FDIC Insured Deposits Cash Sweep Program

MUTUAL FUND COMPANIES	REVENUE SHARING
<b>Strategic Product Providers</b>	Up to 25 BPS in sales and 10 BPS on assets
Ivy Investment Management <sup>1</sup>	
<b>Gold, Silver &amp; Bronze Product Providers</b>	Up to 10 BPS on advisory program assets or up to \$400,000 flat fee
T Rowe Price Associates Inc.	
PIMCO Investments, LLC <sup>4</sup>	
MFS Fund Distributors, Inc. <sup>4</sup>	
Lord Abbett & Co. LLC	
Oppenheimer Funds Distributor, Inc.	
Legg Mason Investor Services, LLC	
Alliance Bernstein Investments	

ANNUITY PRODUCT PROVIDERS	REVENUE SHARING
<b>Strategic Product Providers</b>	Up to 40 BPS on sales and 17 BPS on assets
Nationwide Life and Annuity Insurance Company <sup>2</sup>	
Minnesota Life Insurance Company/Securian Financial Services, Inc. <sup>2</sup>	

OTHER ARRANGEMENTS	REVENUE SHARING
Pershing, LLC FUNDVEST Program	Based on Service Fees of each Fund, up to \$60,000/year (based on 2017 amounts)
Pershing, LLC Cash Sweep Program <sup>3</sup>	Up to 30 BPS on assets

<sup>1</sup> Ivy Investment Management pays fees on InvestEd 529, Ivy VIP Funds, and Ivy Funds including those held within an advisory program.

<sup>2</sup> Asset based payments are for existing affiliated Variable Annuities sold up to 12/31/2017. Sales based payment includes Variable Annuities and Fixed Index Annuities.

<sup>3</sup> Cash Sweep program effective 02/26/2018

<sup>4</sup> PIMCO and MFS pay a flat fee annually up to \$400,000. .

Basis points (BPS) are defined as 1/100th of 1.0% or 0.01%. For example, 25 BPS on a \$10,000 investment would equal \$25.00. Questions regarding this document may be directed to: Waddell & Reed, Inc. • Attn: Legal Department • 6300 Lamar Avenue • Shawnee Mission, KS 66202