



A Virtus  
Investment Partner

# NFJ SMALL-CAP VALUE WRAP STRATEGY

2Q 2024

# NFJ Investment Group

Over 30 Years of Value Investing



## KEY FACTS

- Established 1989
- Dallas, TX
- AUM: \$6.0 billion
- Seasoned team, averaging 20+ years industry experience
- Wholly owned affiliate of Virtus Investment Partners (NYSE: VRTS)

## U.S. Portfolios

Dividend Value

Large Cap Value

All Cap Value

Mid Cap Value

Small Cap Value

## Non-U.S./Global Portfolios

Emerging Markets Value

International Value

Global Infrastructure Income

Global Sustainability

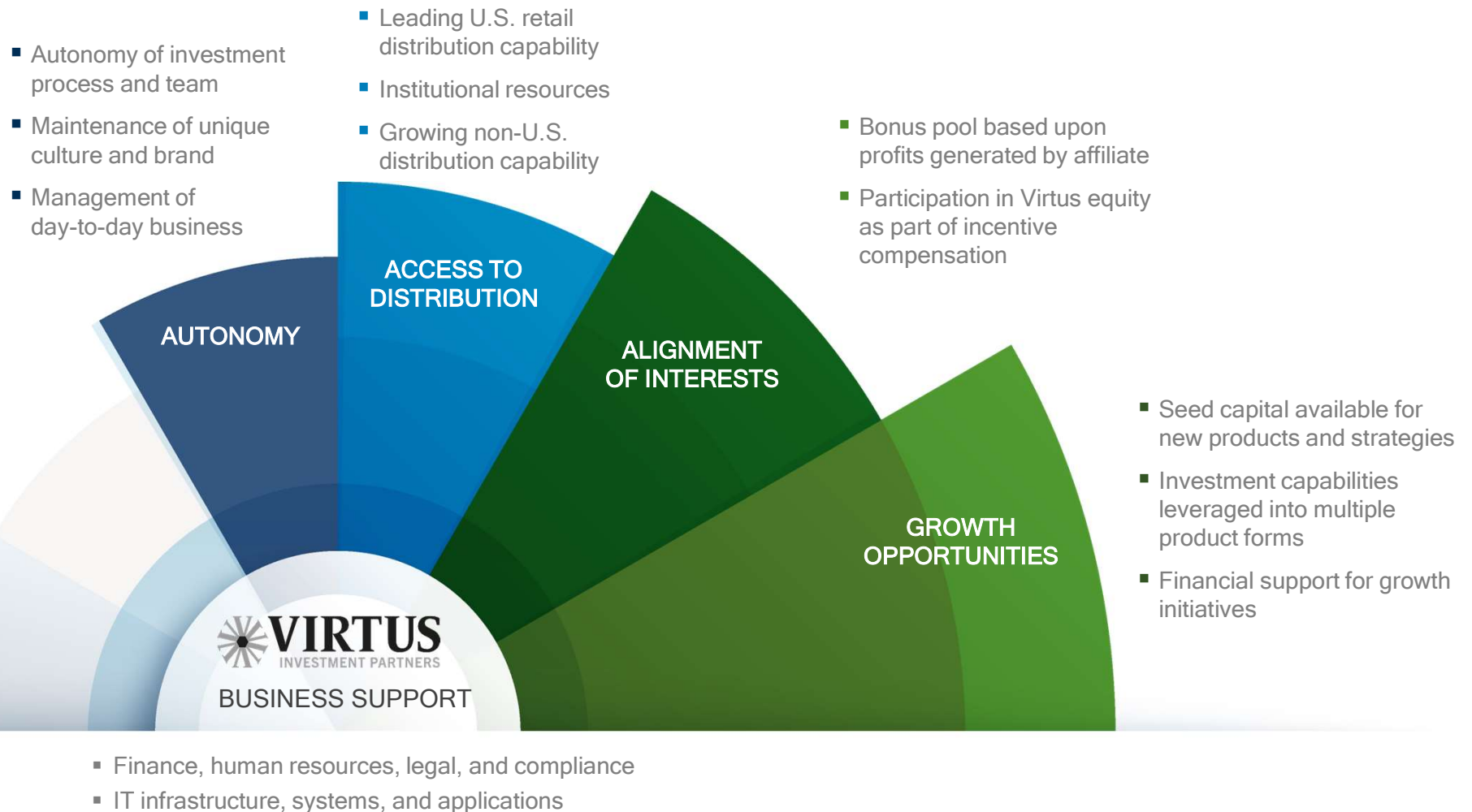
NFJ Investment Group assets under management, as June 30, 2024. This total includes \$2.3 billion in non-discretionary assets. Our predecessor firm (known as NFJ Investment Group at the time) was initially created in 1989, acquired by Allianz in 2000, and rolled into the Allianz Global Investors RIA as that firm's Dallas-based Value Equity US team in 2016. Effective February 1, 2021, Virtus lifted out Allianz Global Investors' Dallas-based Value Equity US team and established a new investment adviser for that team, which is registered with the SEC and known as NFJ Investment Group, LLC.

# NFJ Investment Group

An Affiliate of Virtus Investment Partners



**Multi-boutique model:** Virtus Investment Partners preserves each affiliate’s unique entrepreneurial culture, provides continued investment autonomy, and ensures appropriate alignment of interests.



# NFJ Investment Group

Investment Philosophy



## We believe:

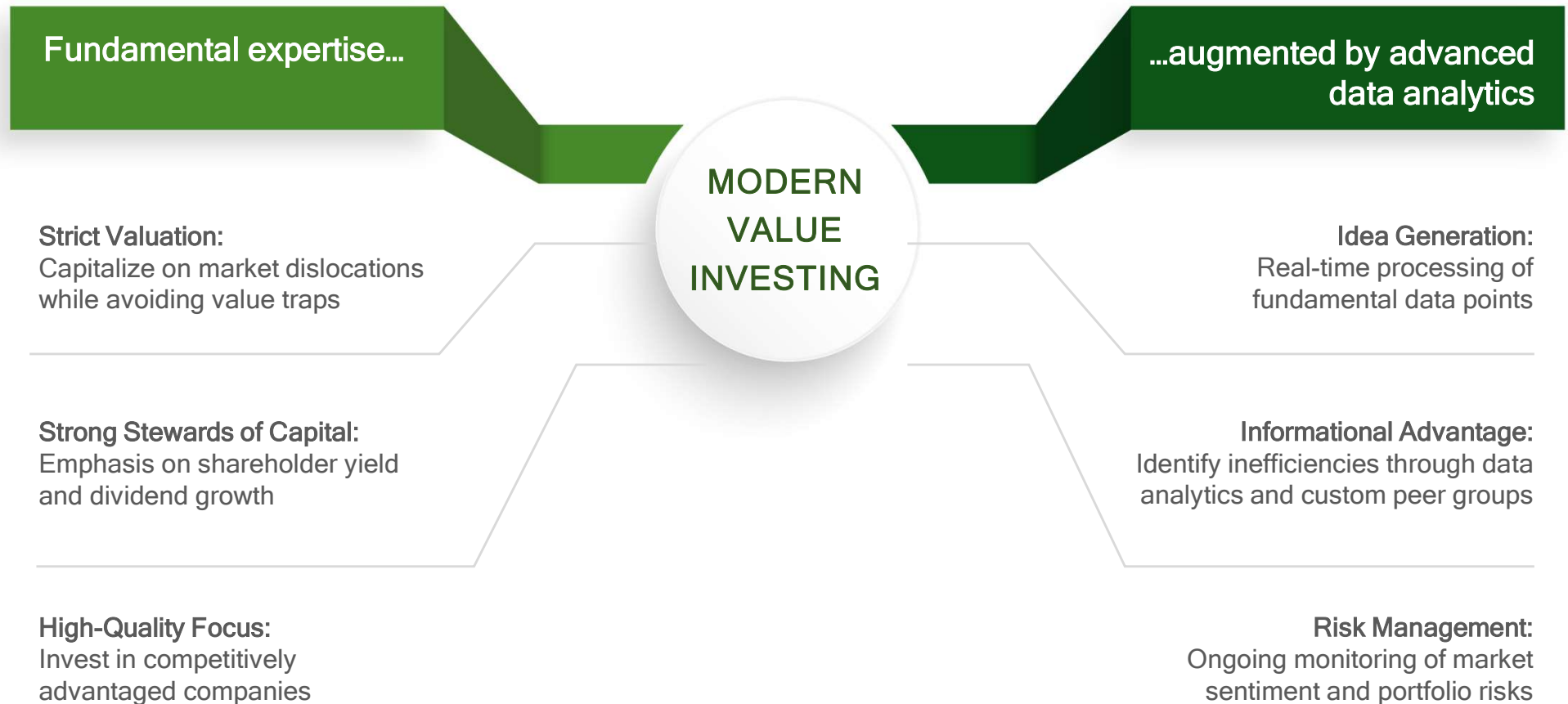
Our **Modern Value** approach harnesses the power of advanced data analytics and fundamental expertise to identify quality value businesses.

**Valuation, shareholder yield, and quality** are key to long-term investment success.

Emphasizing **diversification and numbers over narrative** can help achieve better risk-adjusted returns and client outcomes.

# NFJ Investment Group

A Modern Approach to Value Investing



# NFJ Small-Cap Value Wrap

Investment Strategy Overview



## Seasoned Portfolio Management Team

Our portfolio managers have worked together for over 15 years



**John R. Mowrey, CFA**  
Chief Investment Officer  
Co-Lead Senior  
Portfolio  
Manager/Analyst  
Industry/Team Start  
Year: 2007/2007



**J. Garth Reilly**  
Co-Lead Senior  
Portfolio  
Manager/Analyst  
Industry/Team Start  
Year: 2005/2005



**Paul A. Magnuson**  
Senior Portfolio  
Manager/Analyst  
Industry/Team Start  
Year: 1985/1992



**Jeff N. Reed, CFA,  
CMT, FDP**  
Senior Portfolio  
Manager/Analyst  
Industry/Team Start  
Year: 2004/2007



**Kris P. Marca,  
CFA**  
Portfolio  
Manager/Analyst  
Industry/Team  
Start Year:  
2003/2011

## Additional Resources

**Yue Wang, CFA, CPA,  
FDP**  
Senior Research  
Analyst  
Industry/Team Start  
Year: 2015/2018

**Andrew J. Setaro,  
CFA, FDP**  
Senior Research  
Analyst  
Industry/Team Start  
Year: 2018/2019

**Krysta M. Hill**  
Product Specialist  
Industry/Team Start  
Year: 2005/2008

## Overview

### INCEPTION

January 1, 2002 (strategy)  
January 1, 2011 (composite)

### BENCHMARK

Russell 2000® Value Index

### NUMBER OF HOLDINGS

40-70

### AVAILABLE VEHICLES

Institutional Separate  
Account; Separately  
Managed Account;  
Mutual Fund

### STRATEGY AUM

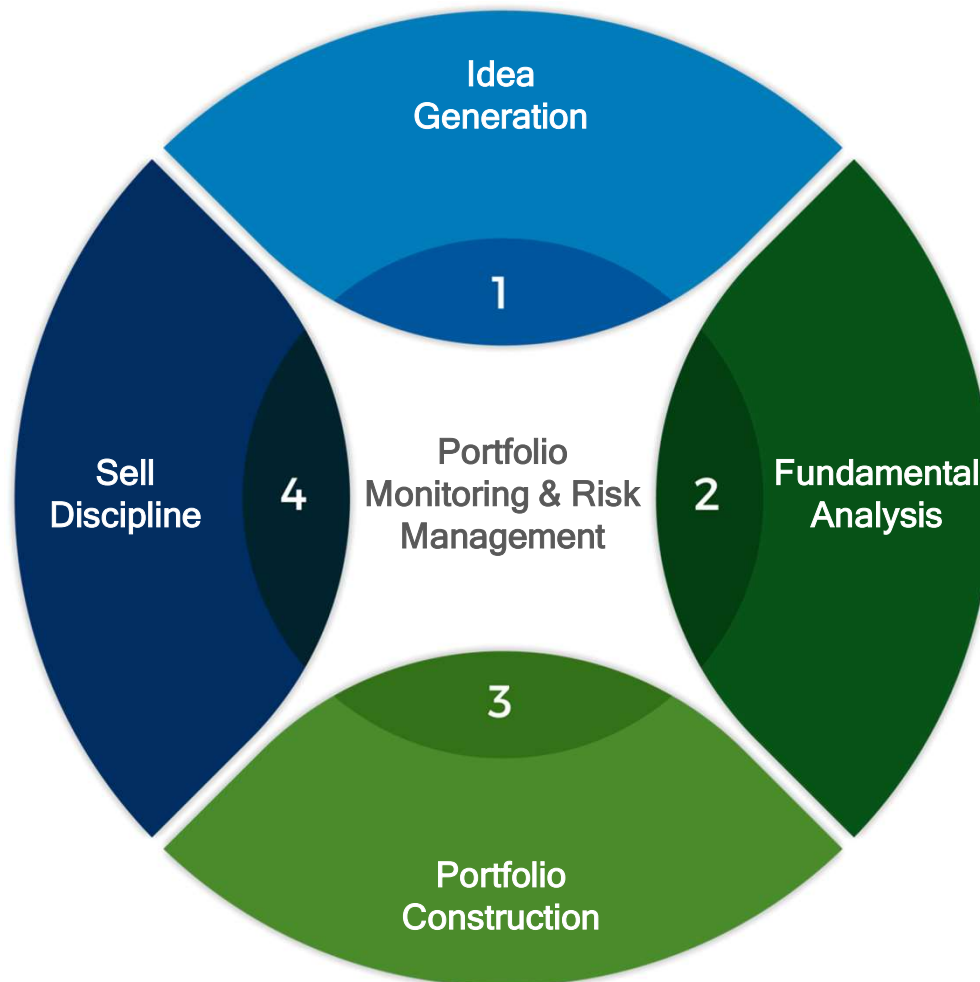
\$566.5 million

Assets shown as of June 30, 2024. Team Start Year refers to when each team member joined our predecessor firm (known as NFJ Investment Group at the time), which was initially created in 1989, acquired by Allianz in 2000, and rolled into the Allianz Global Investors RIA in 2016. NFJ Investment Group became an affiliate of Virtus Investment Partners, Inc. effective February 1, 2021, when Virtus lifted out Allianz Global Investors' Dallas-based Value Equity US team. NFJ Investment Group is an investment adviser registered with the SEC. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Mutual Fund and CIT vehicles are managed in a more diversified manner than the Wrap (i.e., separately managed account) vehicle.

# Investment Process Overview

An Integrated Approach

NFJ's **Modern Value Approach** combines advanced data analytics and other proprietary quantitative tools with fundamental analysis to identify attractively valued, high-quality companies.



# Idea Generation

Proprietary Research Tool and Advanced Data Analytics



Uncovering unique valuation insights seeks to offer a competitive advantage and begins with processing large amounts of data in an efficient and scalable manner

The NFJ Research Workbench is designed to help identify valuation dislocations more efficiently

- Proprietary database tool spanning the global equity universe
- Highly customized data analysis across multiple financial metrics helps to identify a company's true peers
- Quantitative model overlay helps avoid potential idiosyncratic risks and value traps
- Leverages new technologies to continually improve our powerful front-end process

## Advanced Data Analytics

Data synthesis through programming language and other quantitative tools



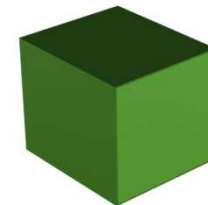
## Actionable Insights

Process identifies companies across the globe that are trading cheaply to peers and the market



## Investment Candidates

Most attractively valued stocks are candidates for additional fundamental research





# Fundamental Analysis

Investing at the Intersection of Valuation, Shareholder Yield, and Quality



## NFJ conducts a rigorous analysis of company fundamentals and financial output

### Valuation & Custom Peers:

Identify attractive entry points

- Statistically derived custom peer groups
  - Identify relationships determined by global equity market
  - Data analytics and statistical calculations uncover valuation insights
- Absolute/relative measures to company's history and the market
  - Industry-specific metrics; P/E, P/B, P/S, EV/EBITDA, P/FFO

### Shareholder Yield:

Evaluate capital allocation policies

- Emphasis on dividend growth over absolute yield
- Focus on forward buyback programs
- Assess quality of earnings
- Consider dividend policy changes and capital deployment stewardship

### Quality Evaluation:

Identify consistent and above-average financial output

#### Qualitative

- Consistent and above-average Return on Capital
- Low balance sheet stress
- High and improving margins; stability over time
- Expected and historical earnings growth

#### Quantitative

- Price Momentum
- Short Interest

#### Inputs that can result in higher quality:

- Favorable industry dynamics
- High barriers to entry
- Differentiation, first-mover advantage
- Scalability, brand equity, network effect
- Duopoly or functional duopoly
- Recurring revenues

# Portfolio Construction: NFJ Small-Cap Value Wrap

Diversification and Risk Mitigation



Construct a portfolio of quality companies diversified across industries that can help generate alpha and mitigate risk

## Position Sizing

- 40-70 holdings
- Mitigate idiosyncratic risk
- Initial position size: 1.5-3.0% (at cost)
- Maximum position size: 5% (at market)
- Cash typically 2-3%

## Sector Positioning

- Seek broad sector and industry exposure
- Sector weights +/- 10% benchmark require CIO approval

## Market Capitalization

- Market cap between \$100 million and \$4 billion\*

## Diversification

- Diversified portfolio to help reduce downside risk
- Long-term alpha generation begins with intelligent portfolio construction

\*The higher of \$4 billion or the capitalization of the largest company within the Russell 2000 Index

# Sell Discipline

Dispassionate Approach to Exiting Companies



## NFJ's strict sell discipline seeks to remove emotion from the investment process

### Valuation Consideration

- Stock becomes *expensive* on absolute and relative valuations
- Compared to historical average, broad market, and custom peers

### Quality Deterioration

- Change in company-specific fundamentals or thesis
- Erosion of industry dynamics or competitive landscape
- Price momentum

### Portfolio Upgrade

- Better alternative available; candidate becomes more attractive relative to a current holding
- Improve portfolio construction and risk-adjusted positioning

### Acquisition Activity

- Current holding is acquired
- Current holding makes acquisition that fundamentally changes its business

# Portfolio Monitoring & Risk Management

Integrated Throughout the Investment Process



**Qualitative analysis and quantitative tools help identify and avoid idiosyncratic risks**

## **Internal Integrated Risk Management**

Portfolio risk is embedded throughout NFJ's investment philosophy and process:

- Portfolio level controls: position size and diversification
- CIO/PM reviews and quarterly investment meetings

## **Quantitative Elements**

NFJ custom functions actively monitor for quantitative changes in:

- Price momentum
- Short interest

## **Independent Review: Virtus Investment Oversight Committee**

- Quarterly meetings with Virtus CEO, CIOs, strategist to discuss markets and performance
- Responsible for evaluating investment skill and discipline within stated investment guidelines
- Ongoing monitoring of investment style, performance, and portfolio risk exposures

# Portfolio Statistics

As of June 30, 2024



## NFJ Small-Cap Value Wrap Strategy vs. Russell 2000 Value Index

Valuations	Portfolio	Index
Price-to-Earnings (forward 1YR)	14.6x	11.9x
Price-to-Earnings (trailing 1YR)	19.8x	78.5x
<b>Dividends</b>		
Dividend Yield (trailing 1YR, %)	2.5	2.2
Dividend Growth Rate (5YR avg, %)	11.1	4.7
<b>Profitability</b>		
Return on Equity (%)	11.6	5.4
Return on Assets (%)	4.7	3.5
<b>Earnings</b>		
Earnings Growth (trailing 3YR avg., %)	-0.2	-1.6
Earnings Growth (trailing 5YR avg., %)	7.9	12.0

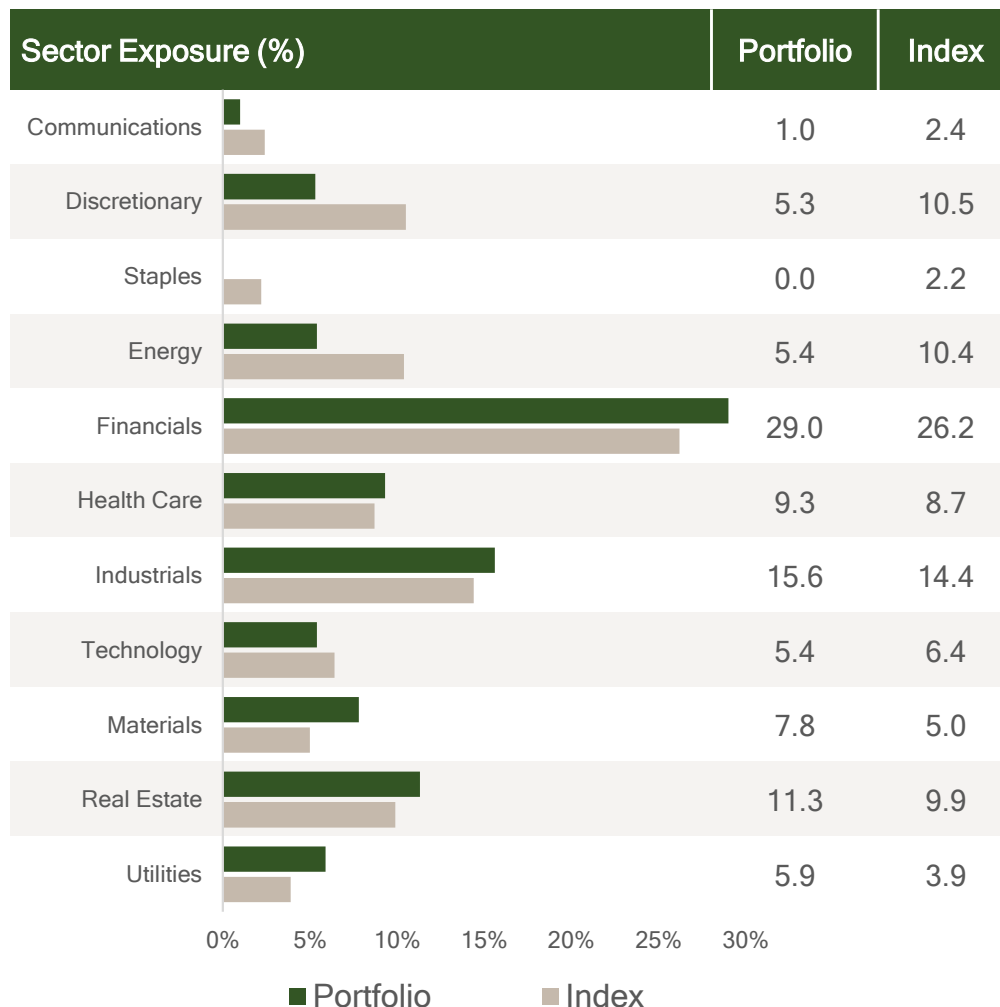
**Dividends reflect past performance and there is no guarantee they will continue to be paid.** The forward P/E ratio shown uses funds from operations, instead of earnings, for REITs. The information is historical and may not reflect current or future characteristics and may vary among individual accounts depending on a variety of factors, including portfolio size, specific investment guidelines and inception dates of individual accounts. Certain projected characteristics (such as the forward P/E ratio) of the representative account and indices shown have been estimated in this material. Estimated data reflect subjective judgments and assumptions and unexpected events may occur. Therefore, there can be no assurance that developments will transpire as forecasted. **Past performance is not indicative of future results.** Source: Virtus Performance & Analytics, Factset, Russell Investments.

# Sector Exposures and Top Ten Positions

As of June 30, 2024



## NFJ Small-Cap Value Wrap Strategy vs. Russell 2000 Value Index



Top Ten Positions	Portfolio Weights (%)
Commerce Bancshares	3.0
Enterprise Financial Services	3.0
MonotaRO	3.0
Terreno Realty	3.0
Walker & Dunlop	3.0
Community Financial System	2.5
First Financial Bankshares	2.5
Stock Yards Bancorp	2.5
American States Water	2.0
Equity LifeStyle Properties	2.0
<b>Total</b>	<b>26.2</b>

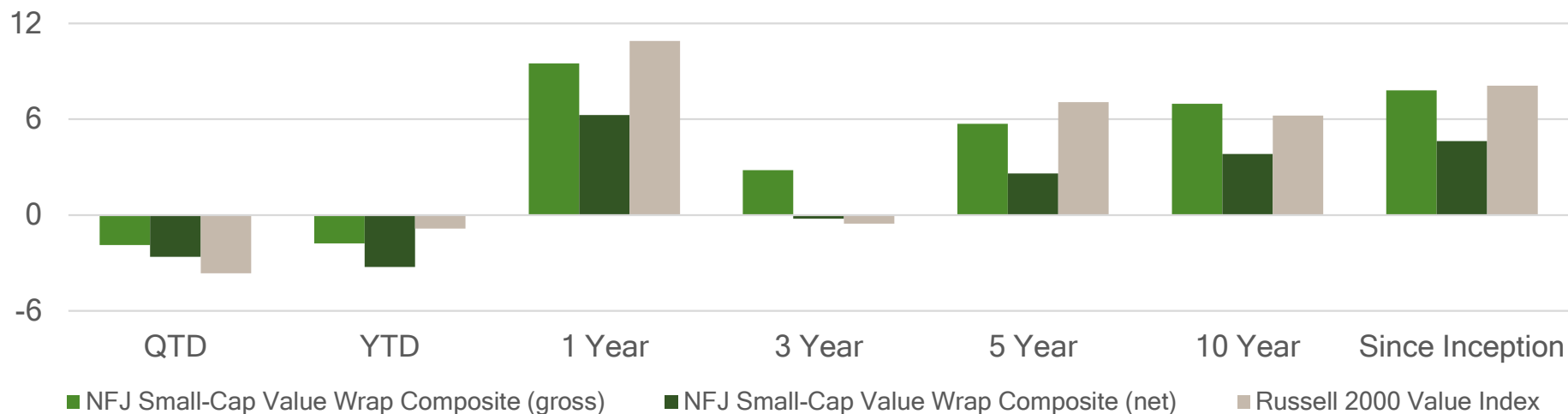
Sector analysis and/or holdings may change at any time without notice. Source: Virtus Performance & Analytics, FactSet.

# Performance

As of June 30, 2024



## ANNUALIZED RETURNS (%)<sup>1</sup>



	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NFJ Small-Cap Value Wrap Composite (gross)	-1.87	-1.78	9.49	2.81	5.72	6.97	7.81
NFJ Small-Cap Value Wrap Composite (net)	-2.61	-3.25	6.27	-0.23	2.60	3.82	4.64
Russell 2000 Value Index	-3.64	-0.85	10.90	-0.53	7.07	6.23	8.10

1. Annualized for periods greater than one year.

Composite inceptioned January 1, 2011. **Past performance is not indicative of future results.** Please see the GIPS Report at the end of this presentation. The performance data represents a composite of all fully discretionary managed account portfolios with comparable investment objectives and risk managed by NFJ Investment Group, LLC. Accounts meeting this criteria are included in the composite after being invested for a full month. Terminated accounts are excluded from the composite following the last full month under management. Performance is calculated on a total-return basis, assuming reinvestment of dividends and interest. Results include accrued income as well as realized and unrealized gains and losses but do not include the effect of taxes. Gross of fee returns show performance before the deduction of advisory and Sponsor fees (including trading and custodial fees). Net of fee returns include the effect of the highest applicable account fee, which is 3% for equity portfolios. NFJ Investment Group, LLC advisory fees are discussed in Part 2 of its form ADV. Clients are advised to read the Sponsor's brochure for fees applicable to the program. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an index. Total return performance assumes that all dividend and capital gains distributions were reinvested. Source: Virtus Performance & Analytics.

# Investing with NFJ

## 1

### A Three-Decade Strong Value Foundation

- History of identifying market mispricing and trends through fundamental analysis
- Focus on valuation, shareholder yield, and quality

## 2

### Modern Value Investing Approach

- Proprietary tools and methods to meet the challenges of today's dynamic capital markets
- Applies advanced data analytics

## 3

### High Conviction / High Diversification

- Quantitative methods to eliminate emotional bias
- Detailed, hands-on analysis of company fundamentals
- Strict adherence to process

Our predecessor firm (known as NFJ Investment Group at the time) was initially created in 1989, acquired by Allianz in 2000, and rolled into the Allianz Global Investors RIA as that firm's Dallas-based Value Equity US team in 2016. Effective February 1, 2021, Virtus lifted out Allianz Global Investors' Dallas-based Value Equity US team and established a new investment adviser for that team, which is registered with the SEC and known as NFJ Investment Group, LLC.



# Appendix

# Does the Fed Funds Rate Lead or Follow the Market?

While they track each other closely, the Federal Funds rate does not typically stay above the 2-Year Treasury for long

Fed Funds Minus the 2-Year Treasury Yield: 1980 to Present Day

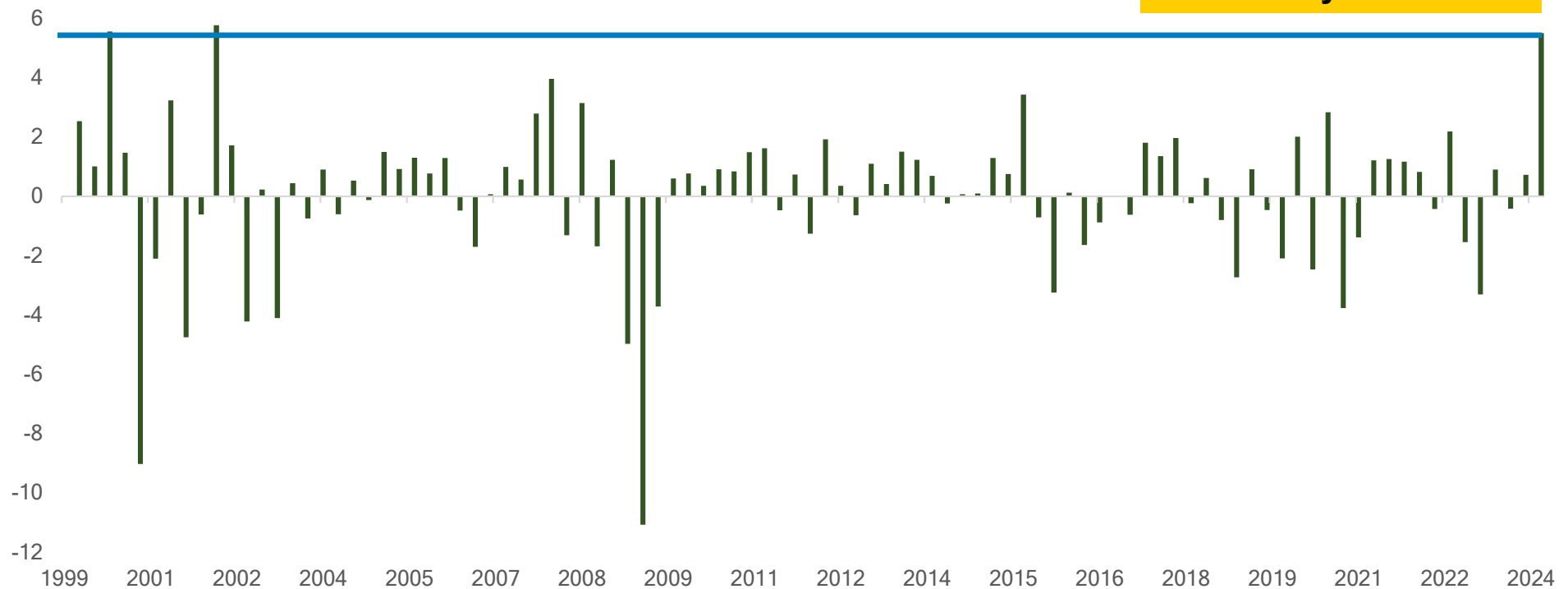


Source: Bloomberg, NFJ Investment Group

# Unprecedented Start for Momentum in 2024

Many investors that stayed on the sidelines in 2023 and subsequently missed out on the market rally have sought exposure in winners YTD...

Bloomberg US Pure Momentum Portfolio Total Return - Quarterly Change  
January 2000 to March 2024

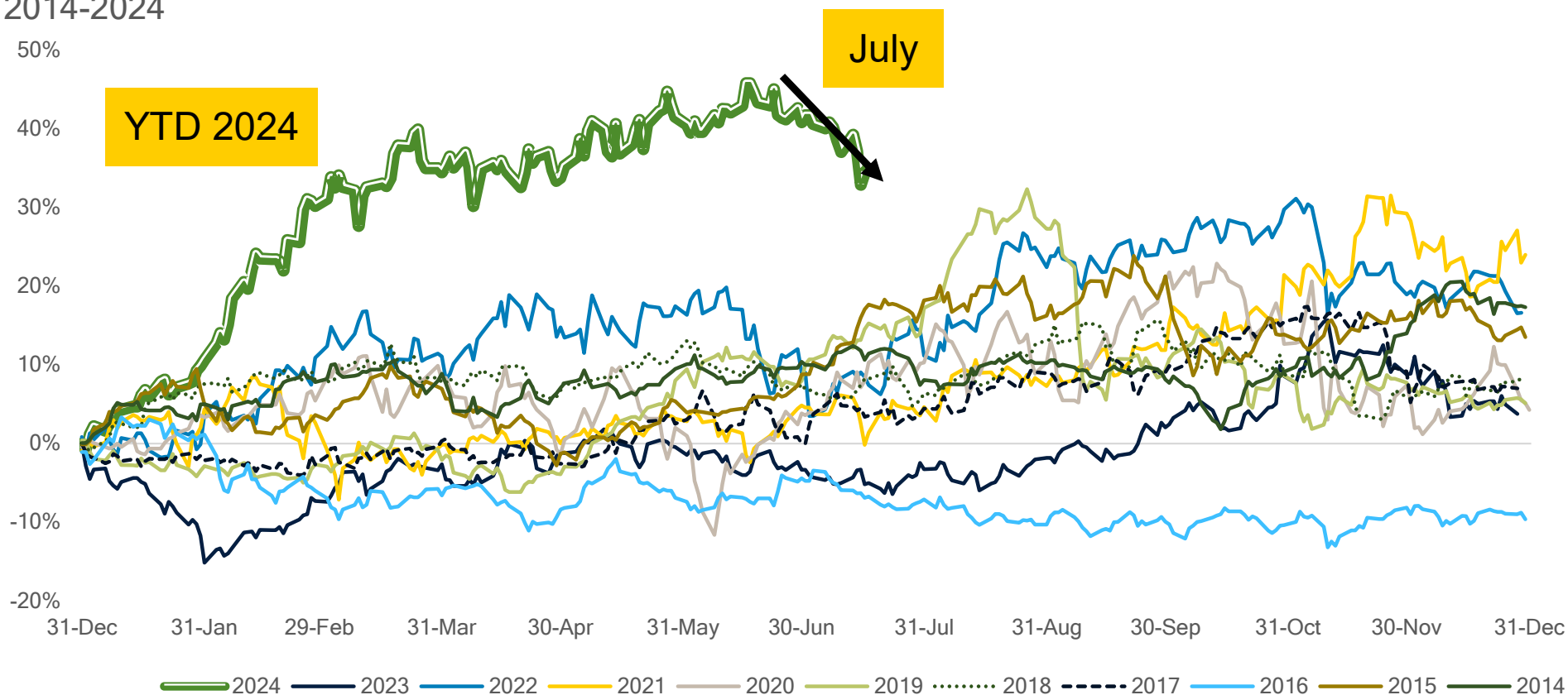


Past performance is not indicative of future results. Chart shows the quarterly change in the Bloomberg US Pure Momentum Portfolio Total Return from December 31, 1999 to March 31, 2024. Source: NFJ Investment Group, Bloomberg

# High Momentum Names Starting to Crack

After an unrepresented move in early 2024, high momentum names have begun to lose steam...

Goldman Sachs Momentum Index Returns by Year  
2014-2024



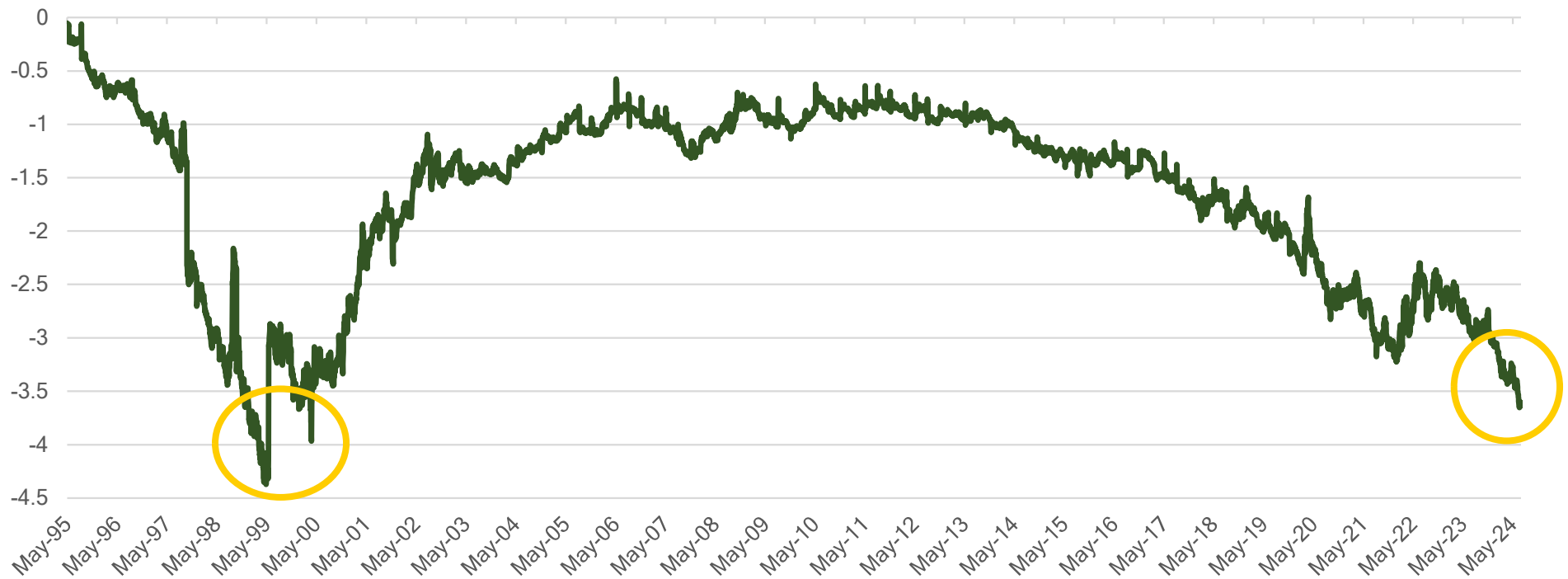
**Past performance is not indicative of future results.** Annual data calculated weekly. The Goldman Sachs Momentum Index is a custom basket pair trade that represents an equal notional pair trade of going long the Goldman Sachs US Momentum Long and short the Goldman Sachs US Momentum Short. Performance reflects each side rebalanced back to equal notional at the close of each trading day. Source: NFJ Investment Group, FactSet, Bloomberg

# We Believe Small Value is Well-Positioned in 2024

## Today's small value stocks are trading at multi-decade low valuations

Total Index Returns	Oct 31, 2000 to Dec 28, 2006	Oct 31, 2000 to Jun 28, 2024
Russell 2000 Value	154.7%	592.6%
S&P 500	10.6%	498.9%

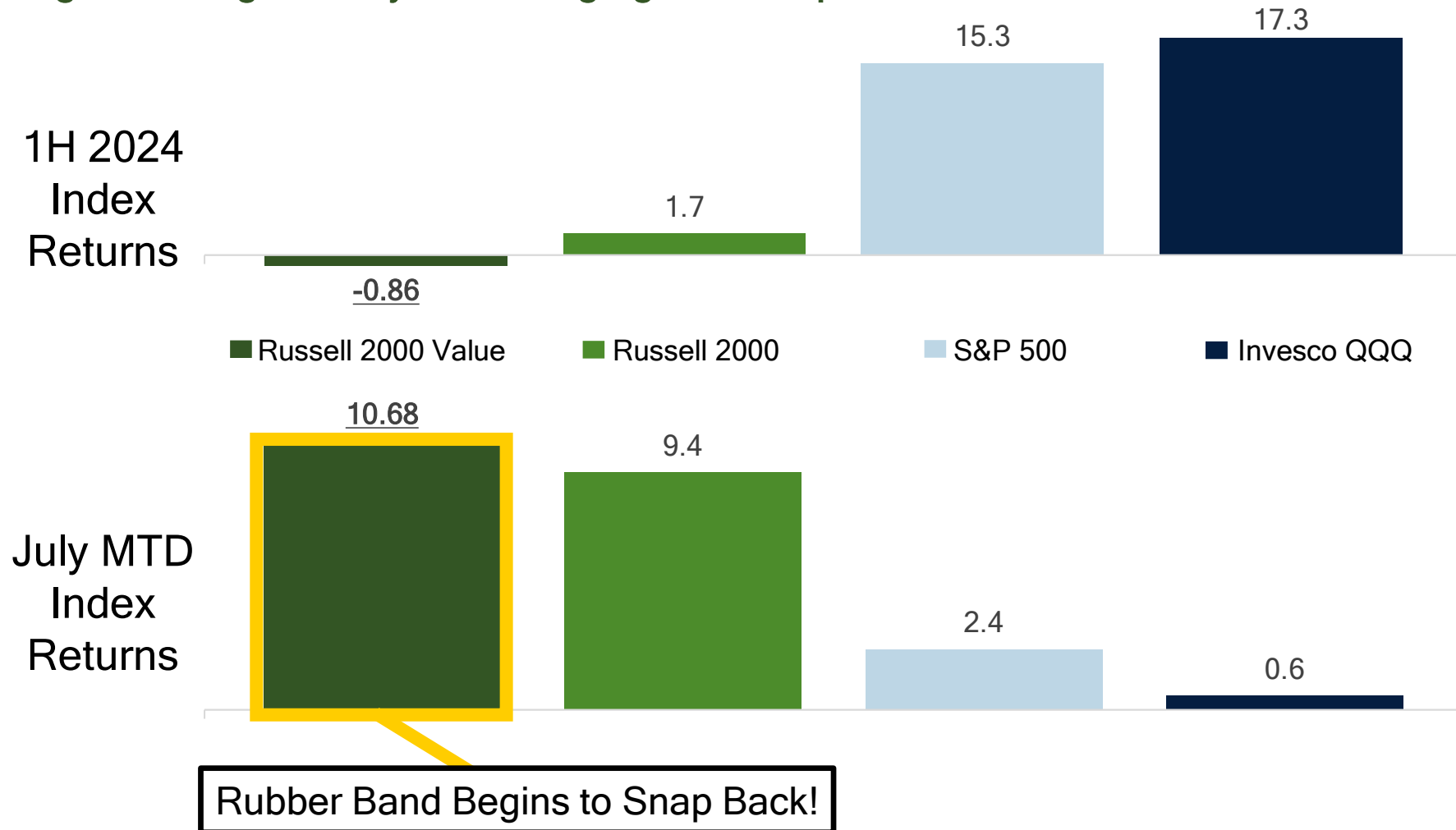
Russell 2000 Value Price-to-Book vs. S&P 500 Price-to-Book  
May 1995 to June 2024



Past performance is not indicative of future results. Source: NFJ Investment Group, Bloomberg

# Market Rotation Towards Small Caps and Value

After momentum and large caps dominated 1H of 2024, small caps and value have begun to surge in July... can surging small caps continue?



Past performance is not indicative of future results. 1H2024 chart shows index returns from Dec 28, 2023 to Jun 30, 2024. July MTD chart shows index returns from Jun 30, 2024 to Jul 17, 2024. Source: Bloomberg

# We Believe Small Caps Have a Long Runway Ahead

Extreme rallies among small caps over a short period of time—like the recent 10% rally—are uncommon and can precede significant small cap forward returns...

## Russell 2000 Four Day Rallies of 10+%

Date	Trailing 4 Day Return (%)	Forward Returns (%)		
		1 Year	3 Years (Cumulative)	5 Years (Cumulative)
Nov 3, 1987	11.0	25	3	70
Oct 20, 1998	10.3	17	23	55
Jun 2, 2000	12.2	-1	-10	30
Dec 28, 2000	10.6	1	17	47
Jul 29, 2002	10.1	20	76	106
Oct 15, 2002	10.3	48	82	144
Nov 26, 2008	21.8	28	48	159
Mar 26, 2009	11.3	54	98	178
Apr 29, 2020	12.1	71	35	--
Jul 16, 2024	10.3	--	--	--
<b>Average</b>		<b>29</b>	<b>41</b>	<b>99</b>
<b>% Positive</b>		<b>89%</b>	<b>89%</b>	<b>100%</b>



Past performance is not indicative of future results. Source Bloomberg

# A Few Spoonfuls from the Ocean (Mag 7)...

Even a modest decline among the largest capitalization names could have massive implications for smaller capitalization areas of the market

Mag 7	Market Cap (\$, trillion)
Microsoft	3.300
Apple	3.510
NVIDIA	2.900
Amazon	1.960
Meta (Facebook)	1.170
Google	2.250
Tesla	0.793
<b>Total Market Cap</b>	<b>15.883</b>
	<b>Market Cap (\$, trillion)</b>
<b>Russell 2000</b>	<b>3.106</b>



% Decrease in Mag 7	Market Value of Decline (\$, billion)	% of Total Russell 2000
5%	790	25%
10%	1,590	51%
20%	3,180	100%



# We Believe Small Value is Well-Positioned in 2024

Historically, when mega-cap, “Magnificent Seven” stocks’ aggregate weight peaks...

Aggregate Weight of Top 7 S&P 500 Stocks

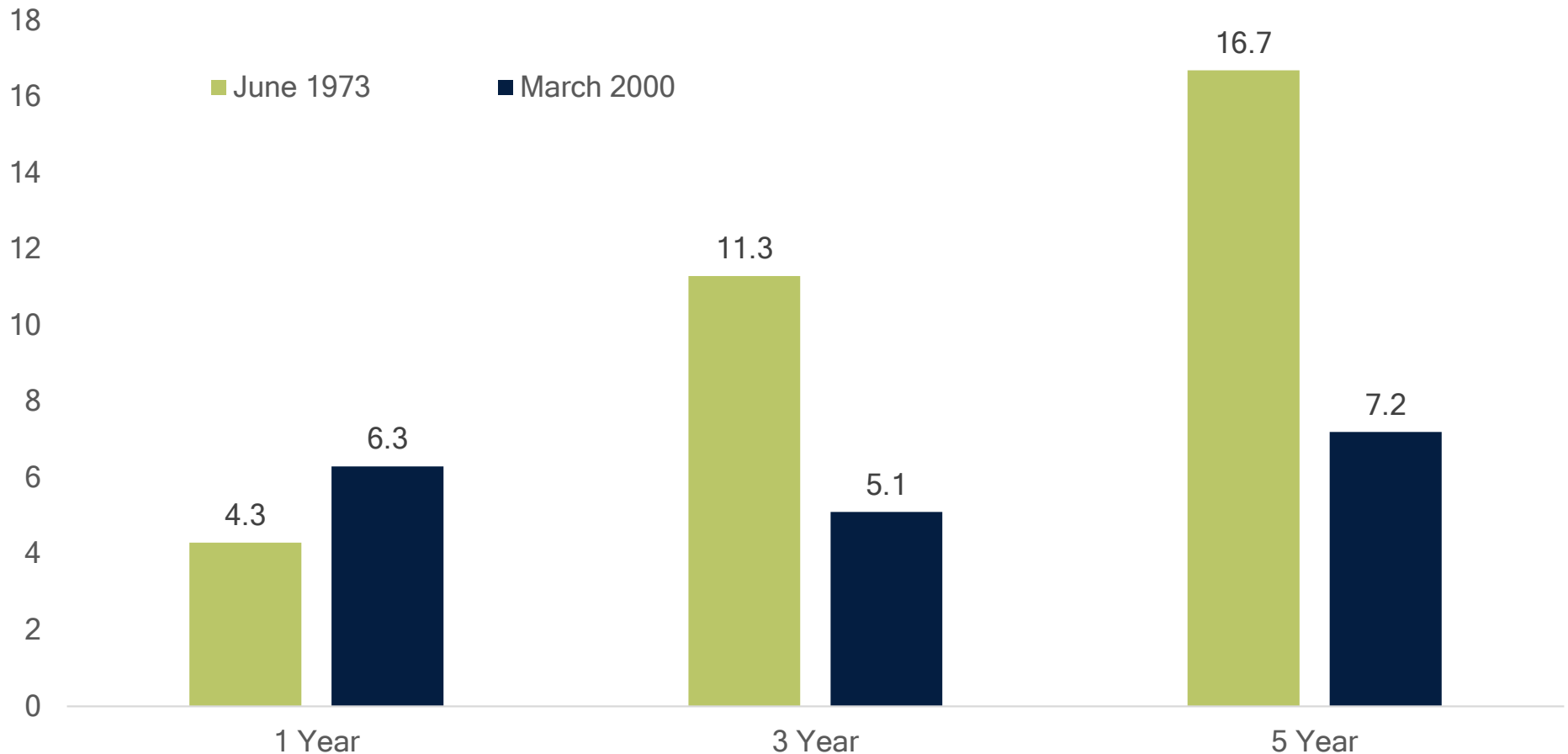


Past performance is not indicative of future results. Chart shown as of December 29, 2023. Source: NFJ Investment Group, Furey Research, FactSet

# We Believe Small Value is Well-Positioned in 2024

... Small cap returns have been turbocharged

Annualized Forward Relative Return from Given Dates  
(Small less Large)



Past performance is not indicative of future results. Chart shows annualized forward returns of small less large cap equities from June 1973 and March 2000. Source: NFJ Investment Group, Furey Research, FactSet

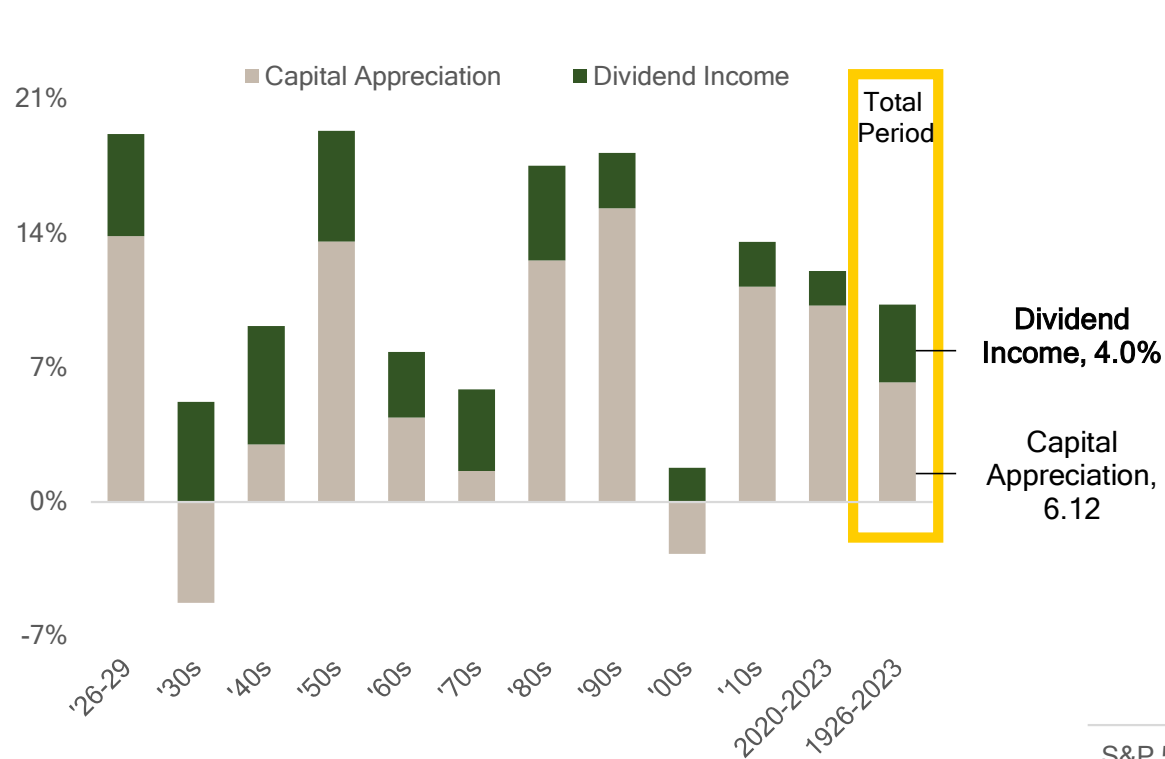
# The Power of Dividends and Dividend Growth

Outpacing Inflation and Driving Returns

## The Power of Dividends

- Dividends are always positive and have comprised a significant portion of investors' total return over time

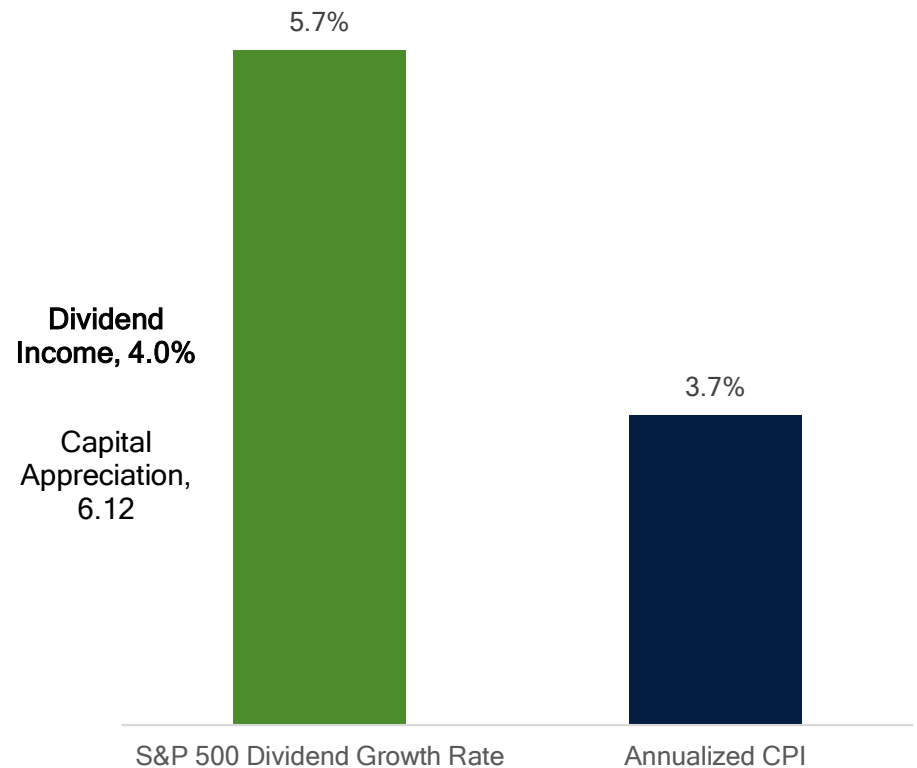
S&P 500 Capital Appreciation & Dividend Yield  
1926 to 2023



## The Power of Dividend Growth

- Dividend growth has outpaced inflation over time

Annualized S&P 500 Dividend Growth vs. Inflation  
1958 to 2023



Dividends reflect past performance and there is no guarantee they will continue to be paid. Past performance is no guarantee of future results. Left hand chart source: S&P; data shown from Jan 1926 thru Dec 2023. Right hand chart source: Bureau of Labor Statistics and <http://www.econ.yale.edu/~shiller/data.htm>; data shown from Jan 1958 thru Dec 2023.

# NFJ Investment Team



**John R. Mowrey, CFA**  
Chief Investment Officer  
Senior Portfolio Manager/Analyst  
Industry/Team Start Year: 2007/2007



**Paul A. Magnuson**  
Senior Portfolio Manager/Analyst  
Industry/Team Start Year: 1985/1992



**R. Burns McKinney, CFA**  
Senior Portfolio Manager/Analyst  
Industry/Team Start Year: 1996/2006



**Thomas W. Oliver, CFA, CPA**  
Senior Portfolio Manager/Analyst  
Industry/Team Start Year: 1995/2005



**Jeff N. Reed, CFA, CMT, FDP**  
Senior Portfolio Manager/Analyst  
Industry/Team Start Year: 2004/2007



**J. Garth Reilly**  
Senior Portfolio Manager/Analyst  
Industry/Team Start Year: 2005/2005



**Kris P. Marca, CFA**  
Portfolio Manager/Analyst  
Industry/Team Start Year: 2003/2011



**Yue Wang, CFA, CPA, FDP**  
Senior Research Analyst  
Industry/Team Start Year: 2015/2018



**Andrew J. Setaro, CFA, FDP**  
Senior Research Analyst  
Industry/Team Start Year: 2018/2019



**Krysta M. Hill**  
Product Specialist  
Industry/Team Start Year: 2005/2008

**Strategically organized  
and committed to seeking  
strong investment  
performance**

- Collaborative culture
- A three-decade foundation of value investing
- Fresh insights/perspectives

Team Start Year refers to when each team member joined our predecessor firm (known as NFJ Investment Group at the time), which was initially created in 1989, acquired by Allianz Global Investors US LLC in 2000, and rolled into the Allianz Global Investors RIA in 2016. NFJ Investment Group became an affiliate of Virtus Investment Partners, Inc. effective February 1, 2021, when Virtus lifted out Allianz Global Investors' Dallas-based Value Equity US team. NFJ Investment Group is an investment adviser registered with the SEC.

# NFJ Team Biographies

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## **John R. Mowrey, CFA**

Executive Managing Director, Chief Investment Officer  
Senior Portfolio Manager/Analyst

John Mowrey is an executive managing director, senior portfolio manager/analyst, and chief investment officer, responsible for the overall investment policy for all value equity portfolios, hiring new talent, and building out the team's investment capabilities. He serves as co-lead portfolio manager for the NFJ Mid Cap Value, NFJ Small Cap Value, NFJ Emerging Markets Value, and NFJ Global Infrastructure Income strategies. Mr. Mowrey joined NFJ in 2007 and has been quoted and featured in a number of national publications, including Barron's, Fortune, Kiplinger's, Funds Europe, and MarketWatch, and has been a featured guest on CNBC, Bloomberg TV, Fox Business News, TD Ameritrade Network, and Yahoo! Finance. He earned a B.A. in political science from Rhodes College and an M.B.A. from Southern Methodist University. He is a Chartered Financial Analyst® (CFA®) charterholder. He began his career in the investment industry in 2006.

## **Paul A. Magnuson**

Managing Director, Senior Portfolio Manager/Analyst

Paul Magnuson is a managing director and senior portfolio manager/analyst at NFJ Investment Group. He serves as a portfolio manager on the NFJ Small Cap Value, NFJ Mid Cap Value, and NFJ Large Cap Value strategies. In 2010, he was nominated for Domestic-Stock Fund Manager of the Year by Morningstar. Prior to joining NFJ in 1992, Mr. Magnuson was a quantitative analyst in the trust investment department at NationsBank (predecessor organization to Bank of America). Mr. Magnuson earned a B.B.A. in finance from the University of Nebraska-Lincoln. He began his career in the investment industry in 1985.

## **Thomas W. Oliver, CFA, CPA**

Managing Director, Senior Portfolio Manager/Analyst

Thomas Oliver is a managing director and senior portfolio manager/analyst. He serves as a co-lead portfolio manager of the NFJ Dividend Value, NFJ Large Cap Value and NFJ All Cap Value strategies. Prior to joining NFJ in 2005, Mr. Oliver was a manager of corporate reporting at Perot Systems and an auditor at Deloitte & Touche. Mr. Oliver earned a B.B.A. and an M.B.A. from the University of Texas. He is a Chartered Financial Analyst® (CFA®) charterholder and has his Certified Public Accountant (CPA) designation. He began his career in the investment industry in 1995.

## **R. Burns McKinney, CFA**

Managing Director, Senior Portfolio Manager/Analyst

R. Burns McKinney is a managing director and a senior portfolio manager/analyst. He serves as a co-lead portfolio manager of the NFJ Dividend Value, NFJ International Value, and NFJ Global Sustainability strategies. He has been quoted and featured in a number of national publications, including the Wall Street Journal and Barron's, and has been a featured guest on CNBC and Bloomberg TV. Prior to joining NFJ in 2006, Mr. McKinney was an equity analyst at Evergreen Investments, an investment banking analyst at Alex. Brown & Sons, a vice president in equity research at Merrill Lynch, and an equity analyst at Morgan Stanley. Mr. McKinney earned a B.A. in economics from Dartmouth College and an M.B.A. from The Wharton School, The University of Pennsylvania. He is a Chartered Financial Analyst® (CFA®) charterholder. He began his career in the investment industry in 1996.

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## **J. Garth Reilly**

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# NFJ Team Biographies

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## **Kris P. Marca, CFA**

Director, Portfolio Manager/Analyst

Kris Marca is a director and portfolio manager/research analyst. He serves as a portfolio manager on a closed-end fund that NFJ subadvises, the Virtus Dividend, Interest & Premium Strategy Fund (NYSE: NFJ), as well as on the NFJ Mid Cap Value and NFJ Small Cap Value strategies. Prior to joining NFJ in 2011, he was on the equity derivatives desk at HBK Capital Management. Mr. Marca earned a B.A. in biology from the University of Texas and an M.B.A. from Texas Christian University. He is a Chartered Financial Analyst® (CFA®) charterholder. He began his career in the investment industry in 2003.

## **Yue Wang, CFA, CPA, FDP**

Senior Research Analyst

Yue Wang is a senior research analyst, responsible for supporting the full suite of NFJ's investment strategies. Prior to joining NFJ in 2018, she was an empirical capital market research assistant at the University of Texas at Austin and an equity research analyst at Chinese International Capital Corporation. Ms. Wang earned a B.B.A. in accounting and finance from the University of Hong Kong and an M.S. in accounting from the University of Texas. She is a Chartered Financial Analyst® (CFA®) charterholder and has her Certified Public Accountant (CPA) designation. She also is a Financial Data Professional® (FDP) charterholder, a credential that focuses on big data, artificial intelligence, and machine learning applications in the financial industry. She began working in the investment industry in 2015.

## **Andrew J. Setaro, CFA, FDP**

Senior Research Analyst

Andrew Setaro is a senior research analyst, responsible for supporting the full suite of NFJ's investment strategies. Prior to joining NFJ in 2019, Mr. Setaro worked as an analyst for Columbia Threadneedle Investments, where he was responsible for conducting quantitative analysis on large data sets, including various tests to determine the efficacy of MSCI's ESG ratings on return enhancement. He earned a B.A. in economics and an M.S. in Data Science from the University of Virginia. He is a Chartered Financial Analyst® (CFA®) charterholder and holds the CFA Institute Certificate in ESG Investing. He also is a Financial Data Professional® (FDP) charterholder, a credential that focuses on big data, artificial intelligence, and machine learning applications in the financial industry. He began his career in the investment industry in 2018.

## **Krysta M. Hill**

Director, Product Specialist

Krysta Hill is director and product specialist. She serves as a liaison between the investment, distribution, and client service teams, ensuring messaging alignment between NFJ, and its clients, prospects, consultants, and internal partners. Before joining an NFJ affiliated manager in 2008, Ms. Hill worked at Lehman Brothers as a communications specialist in its high-net-worth marketing department, and at Sard Verbinnen & Co. as an associate in financial public relations and crisis communications. She earned a B.A., magna cum laude, in communications from the University of Pennsylvania. She began working in the investment industry in 2005.

# NFJ Small-Cap Value Wrap GIPS Composite Report



## Schedule of composite performance results as of December 31, 2022

Year	Composite Return Gross (%)	Composite Return Net (%)	Russell 2000 Value Index Returns (%) <sup>1</sup>	Composite 3-Yr St. Dev. (%)	Benchmark 3-Yr St. Dev. (%)	Internal Dispersion	Number of Portfolios in the Composite at Period End	Composite Total Assets at Period End (USD \$ M)	Total Firm Assets (USD \$ M)
2022	-17.5	-20.0	-14.5	22.1	27.3	0.2	27	13	4,217
2021	27.8	24.1	28.3	20.2	25.0	0.2	32	17	5,923
2020	-2.5	-5.4	4.6	21.7	26.1	0.3	35	15	*
2019	28.2	24.5	22.4	15.5	15.7	0.4	44	22	*
2018	-12.6	-15.2	-12.9	14.3	15.8	0.3	44	19	*
2017	14.8	11.5	7.8	11.4	14.0	0.3	54	26	*
2016	23.8	20.2	31.7	12.3	15.5	0.4	59	34	*
2015	3.5	0.5	-7.5	10.7	13.5	0.3	68	30	*
2014	1.0	-1.9	4.2	10.7	12.8	0.3	75	31	*
2013	31.4	27.6	34.5	14.1	15.8	0.4	157	67	*

<sup>1</sup>Prior to February 1, 2021, NFJ was part of Allianz Global Investors LLC.

# NFJ Small-Cap Value Wrap GIPS Composite Report

**The Firm:** The firm is defined as NFJ Investment Group, LLC (“NFJ”), a Registered Investment Advisor with the SEC. NFJ is an affiliated investment manager of Virtus Investment Partners, Inc. (“Virtus”). NFJ was founded in February 1989 with funding from Pacific Financial Asset Management Corp (“PFAMCo”). In 1994 PFAMCo merged with Thomson Advisory Group LP and became PIMCO Advisors. In 2000 Allianz AG acquired PIMCO Advisors, including NFJ. In 2010, Allianz Global Investors US LLC was formed, including NFJ. In July 2017 NFJ rolled up their RIA designation within Allianz Global Investors US LLC. At this time NFJ became a division of Allianz Global Investors LLC (“AllianzGI”) and was no longer independently registered with the SEC. Effective February 1, 2021, in connection with a strategic partnership between Virtus and AllianzGI, NFJ moved from AllianzGI and registered with the SEC as a newly established investment advisory subsidiary of Virtus. The firm definition includes all investment portfolios managed directly or indirectly by NFJ including institutional, pooled fund and wrap fee accounts.

NFJ claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. NFJ has been independently verified for the periods February 1, 2021 to December 31, 2022. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm’s policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The NFJ Small Cap Value Wrap Composite has had a performance examination for the periods February 1, 2021 to December 31, 2022. The verification and performance examination reports are available upon request.

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Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

**The Composite:** The NFJ Small Cap Value Wrap Composite (the “Composite”) consists of portfolios that invest in a diversified group of small capitalization stocks considered to have attractive valuations and return value to shareholders. Each company typically has a minimum market capitalization of at least \$100 million at purchase. The Composite was created February 1, 2021 and has a performance inception date of January 1, 2011. Composite performance is linked to composite performance generated at a prior firm for all periods prior to the composite creation date. The Composite includes all discretionary wrap fee portfolios with comparable investment objectives and risks, managed by NFJ for at least one full month. The Composite can include both tax-exempt and taxable accounts. No leverage has been used in the accounts included in the Composite. The Composite includes only wrap fee accounts.

A list of composite descriptions is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

**Portfolio Returns:** Returns are calculated on a total return basis, including all dividends and interest, accrued income, realized and unrealized gains or losses and reinvestment of dividends and other earnings. Performance results are expressed in U.S. dollars. Returns are presented gross and net of fees. Gross of fees performance results are “pure” gross and are provided as supplemental information, as results have not been reduced by advisory and sponsor fees (including trading and custodial fees). Net of fee returns have been reduced by the highest applicable managed account fee of 3.00% applied on a monthly basis.

**Fees:** The managed account fee is a bundled fee (3.00%) inclusive of advisory, trading, custodial and administrative fees. There are no fees charged to clients at the commingled level; sponsor and advisory fees apply to the account as a whole. Actual fees incurred by client accounts

may vary. Individual results may vary as a result of market conditions, trading costs and other factors, which may be unique to each account. NFJ’s compensation from the Program Sponsors vary, but it is generally between 0.33% and 0.50% of assets under management.

**Index:** The Russell 2000 Value Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index with lower price-to-book ratios and lower forecasted growth values. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. This unmanaged market index is provided to represent the investment environment existing during the time periods shown. The index is referred to for comparative purposes only and is not intended to parallel the risk or investment style of the portfolios in the Composite. For comparison purposes, the index is fully invested, which includes reinvestment of income. The returns for this unmanaged index do not include any transaction costs, management fees or other costs. An investor may not invest directly in any index. All returns presented are calculated using U.S. dollars. The portfolios within this composite may and do invest in non-benchmark securities. Further information is available upon request.

**Internal Dispersion:** The internal dispersion statistic is the asset weighted standard deviation calculation using beginning of period market values and pure gross of fee performance returns for the portfolios in the composite for the full period. For periods where there were 5 or fewer portfolios in the composite for the full period the internal dispersion statistic is not meaningful and is shown as “N/A”.

**Past performance is not indicative of future results.**



# Disclosures

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## INVESTMENT RISKS

**Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **Issuer Risk:** The portfolio will be affected by factors specific to the issuers of securities and other instruments in which the portfolio invests, including actual or perceived changes in the financial condition or business prospects of such issuers. **Equity Securities:** The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small, medium, or large-sized companies may enhance that risk.

## HOLDINGS DISCLOSURE

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

## INVESTMENT PERFORMANCE

Performance is calculated on a total-return basis, assuming reinvestment of dividends and interest. Results include accrued income as well as realized and unrealized gains and losses but do not include the effect of taxes. Gross of fee returns show performance before the deduction of advisory and Sponsor fees (including trading and custodial fees). Net of fee returns include the effect of the highest applicable account fee, which is 3% for equity portfolios. Actual fees will vary by client. NFJ Investment Group, LLC advisory fees are discussed in Part 2 of its form ADV. Clients are advised to read the Sponsor's brochure for fees applicable to the program.

Managed accounts are available exclusively through financial professionals. Managed accounts have a minimum asset level and may not be suitable for all investors. Financial professionals seeking more information should contact their managed accounts department or call their Virtus Investment Partners representative. Accounts are managed by NFJ Investment Group, LLC. For certain sponsor firm accounts, NFJ Investment Group, LLC provides the model to the sponsor or the sponsor's designee for discretionary implementation.

**COMPOSITE RESULTS:** All portfolio statistics represent the NFJ Small-Cap Value Wrap composite of this strategy type currently managed by NFJ Investment Group, LLC. Composite results may not include all accounts. Individual account holdings will vary depending on the size of an account, cash flows, and account restrictions. These statistics are representative of how the portfolios in the composite are invested as of the indicated date. Portfolio holdings are subject to change daily.

Diversification does not insure against market loss.

## INVESTMENT PROCESS, STRATEGIES AND PROCEDURES

Investment process, strategies, and procedures detailed in this presentation are intended to be general guidelines, subject to market conditions and client-specific investment guidelines and restrictions, and are measured at time of purchase. NFJ Investment Group, LLC may deviate from these guidelines if market conditions warrant, or if the investment professionals deem doing so would be in the clients' best interests. Guidelines do not guarantee any reduction of risk or loss. There is no guarantee the strategy will be successful or work as described.

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