1Q 2024
Multi-Sector Opportunistic Strategy

Newfleet ASSET MANAGEMENT
A Virtus Investment Partner

Strategy Description

- ▶ Flexible, multi-sector fixed income strategy that seeks to maximize total return and generate attractive, incremental yield.
- ▶ Dynamic investment approach that tactically allocates across the broad fixed income universe seeking to optimize relative value.
- ▶ Investment process incorporates top-down macro analysis, active sector rotation, and fundamental credit selection. The primary driver of performance is sector rotation, followed by security selection.
- ▶ Versatile strategy capable of adding value relative to traditional fixed income mandates; can serve as a comprehensive credit solution or effective complement to various investment grade and high yield exposures.
- ▶ Investment guidelines provide ample flexibility to adjust and optimize sector exposure relative to market conditions. Intermediate-duration mandate (range between 3-6 years); maximum non-investment grade exposure of 65%; maximum non-U.S. exposure of 50%.

About Newfleet Asset Management

Newfleet Asset Management is a fixed income specialist with a legacy of dynamic, multi-sector investing since 1992. We offer a range of mandates that vary in duration, credit quality, and return/risk profile.

Strategy Facts

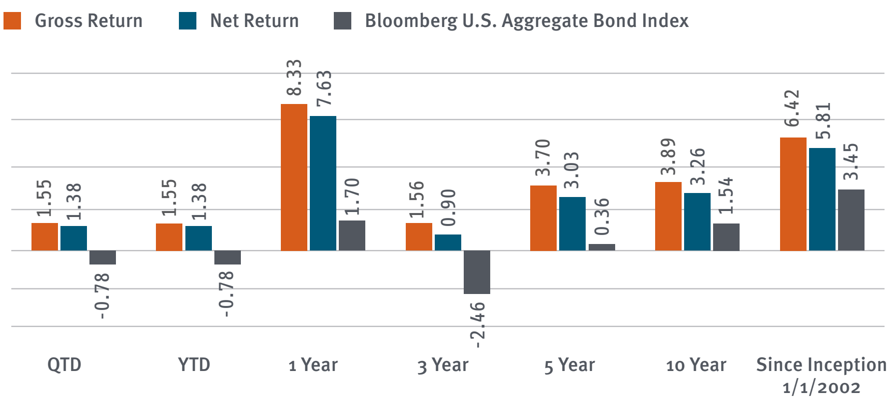
AUM: $1.34 billion
Inception: 1/1/2002
Index: Bloomberg U.S. Aggregate Bond Index

Portfolio Management

David L. Albrycht, CFA
President and
Chief Investment Officer

Benjamin Caron, CFA
Senior Managing Director and
Portfolio Manager

Performance (%)



Periods ended 3/31/2024. Time periods over one year are annualized. **Past performance is not indicative of future results.** Net return is shown net of maximum management fees.

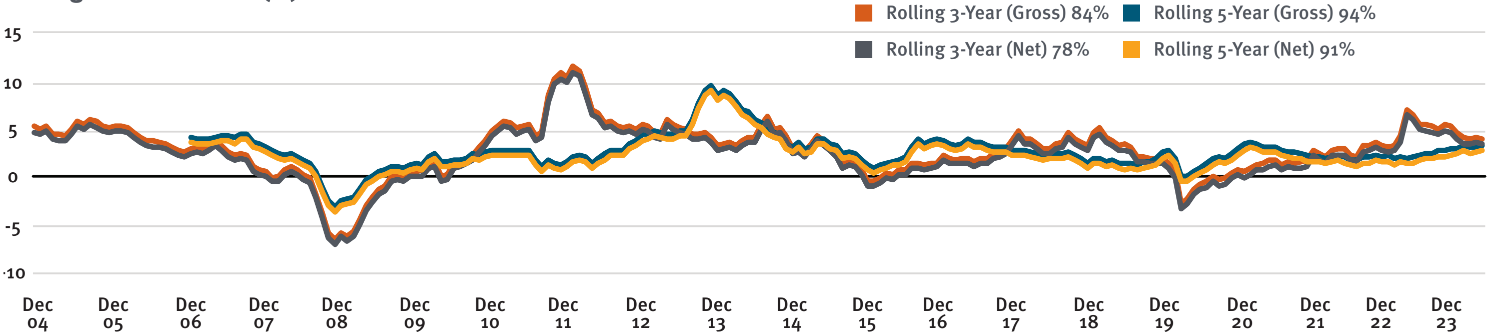
Portfolio Characteristics*

	Portfolio	Index
Option Adjusted Spread	246.02	39.1
Yield-to-Worst	6.92	4.85
Yield-to-Maturity	6.97	4.85
Effective Duration	3.94	6.21
Weighted Average Life	6.29	8.39
Average Credit Quality	BAA2	AA2
Number of Holdings	738	13,530
Average Price	96.23	91.60

Risk Metrics

	Portfolio	Index
Volatility (10-years)	5.91	4.78
Sharpe Ratio (10-years)	0.43	0.04

Rolling Excess Returns (%)



Past performance is not indicative of future results.

* Portfolio characteristics and allocations are based on a representative portfolio. All performance statistics, including risk metrics, are based on the strategy's composite.

Calendar Year Returns

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gross	9.64	-8.70	2.44	8.06	12.21	-2.50	8.00	11.04	-0.63	2.71
Net	8.93	-9.30	1.78	7.37	11.49	-3.12	7.41	10.44	-1.17	2.15
Index	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97

Past performance is not indicative of future results.
Index: Bloomberg U.S. Aggregate Bond Index.

Duration Distribution*

	Portfolio	Index
Under 3 Years	48.19	25.40
3-5 Years	21.24	22.57
5-7 Years	17.82	19.42
7-10 Years	5.73	16.50
Over 10 Years	7.02	16.12

Sector Distribution*

	Portfolio	Index
Corporate - Investment Grade	18.79	25.02
Corporate - High Yield	16.75	0.01
Bank Loans	15.05	0.00
Asset Backed Securities	14.84	0.43
Non-Agency Residential MBS	11.79	0.00
Emerging Market - High Yield	5.83	0.00
Treasury	4.74	42.13
Yankee - High Quality	4.32	3.39
Non-Agency Commercial MBS	3.87	1.60
Mortgage Backed Securities	3.44	25.93
Cash	0.43	0.00
Non-Dollar	0.13	0.00
Equity	0.02	0.00
Agency Debentures	0.00	0.92
Taxable Municipals	0.00	0.53
Other	0.00	0.04
Municipals	0.00	0.01

Ratings Distribution*

	Portfolio	Index
Aaa	15.44	3.53
Aa	12.89	71.88
A	11.23	11.85
Baa	21.20	12.57
Ba	10.04	0.00
B	22.81	0.00
CCC and Below	5.00	0.00
Not Rated	0.96	0.17
Cash & Equivalents	0.43	0.00

Maturity Distribution*

	Portfolio	Index
Under 3 Years	27.81	22.56
3-5 Years	30.57	19.73
5-7 Years	14.98	13.80
7-10 Years	16.67	25.66
Over 10 Years	9.96	18.26

Sector and ratings distributions are subject to change.

* Results presented are that of a representative portfolio. Please see the GIPS Report on page 4 for additional information.

Index: The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

The ratings issued by Nationally Recognized Statistical Rating Organizations assess the credit worthiness of a corporation's or government's debt issues. The ratings apply to the fund's holdings and not the fund itself. Ratings are provided by Standard & Poor's, Moody's, and Fitch. For certain securities that are not rated by any of these three agencies, credit ratings from other agencies may be used. Where the rating agencies rate a security differently, Newfleet uses the higher rating. If a rating is not available, the bond is placed in the Not Rated category. Credit ratings are subject to change. Aaa, Aa, A, and Baa are investment grade ratings; Ba, B, Caa, Ca, C, and D are below-investment grade ratings.

Risk Considerations

Credit & Interest: Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **Foreign & Emerging Markets:** Investing in foreign securities, especially In emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the non-repayment of underlying collateral, including losses to the portfolio. **High Yield-High Risk Fixed Income Securities:** There is a greater level of credit risk and price volatility involved with high yield securities than investment grade securities. **Bank Loans**: Bank loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be less liquid and may trade infrequently on the secondary market. Bank loans settle on a delayed basis; thus, sale proceeds may not be available to meet redemptions for a substantial period of time after the sale of the loan. **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 or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended.

MARKET OVERVIEW & OUTLOOK

- As economic data stays positive, Wall Street consensus is that the Federal Reserve (Fed) has successfully pulled off a soft landing.
- Even as higher-than-expected CPI signals a bumpy last mile in the inflation fight, the Fed continues to signal that rate cuts are coming this year.
- Fixed income sectors turned in mixed total returns for 1Q as interest rates moved higher during the period.
- Shorter duration and risk asset classes outperformed, with spread sectors outperforming U.S. Treasuries as spreads tightened.
- While core inflation readings are still above targets, they're annualizing towards levels that are consistent with central bank goals.
- 2024 will likely deliver the first interest rate cuts from policymakers across developed markets. However, they will be desynchronized, creating interesting opportunities for investors.
- The U.S. Treasury curve shifted higher. The 2-year Treasury yield increased 37 basis points (bps), the 5-year Treasury yield increased by 37 bps, the 10-year Treasury yield increased by 32 bps, and the 30-year Treasury yield moved 32 bps higher.

Key Risks/Considerations

- Higher inflation readings and interest rates may still pose a key risk to credit markets, and we're mindful that the impact of monetary policy often acts on the economy with variable lags and unpredictability.
- The Israel/Palestine conflict and the Russia/Ukraine war still bear monitoring as any further escalation has the potential to disrupt the improving global inflation picture.
- 2024 should see the largest proportion of the world population in history head to the polls, with high-stakes elections in over 50 countries.

For more detail on the macroeconomic backdrop and specific sectors, see Newfleet's 1Q24 Market Review & Outlook on Newfleet.com.

STRATEGY PERFORMANCE

The Multi-Sector Opportunistic Strategy (gross of fees) returned 1.55% in the first quarter versus the Bloomberg U.S. Aggregate Bond Index return of -0.78%. For the last twelve months, the Strategy materially outperformed, returning 8.33% versus 1.70% for the Index. The following is a summary of the contributors and detractors of the representative account of the Strategy:

Current Performance Contributors

- The Strategy's underweight to U.S. Treasuries had a positive impact during the period as most sectors had positive excess returns during the quarter.
- Allocation and selection in the corporate high yield (CPHY) sector had a positive impact. Positive macro data and earnings supported tighter spreads, and strong technicals enabled companies to refinance near-term maturities.
- Allocation and selection in the asset-backed securities (ABS) sector had a positive impact on performance, with fundamentals and technicals both acting as tailwinds.
- Allocation to bank loans had a positive impact on performance. The sector's relative fixed income outperformance was helped by high carry, the delay in the Fed's rate cut cycle, a resilient economy, and positive technicals.

Current Performance Detractors

- Selection within emerging markets (EM) high yield had a negative impact on performance, though the EM high yield cohort outperformed EM investment grade during the period.
- While the allocation to the bank loans sector had a positive impact on performance, issue selection and the Strategy's up-in-quality positioning were negative for the period.
- The Strategy's underweight to the investment grade (IG) corporate sector compared with the Bloomberg U.S. Aggregate Bond Index was a detractor during the period.

CURRENT POSITIONING & STRATEGY

As the markets digest economic and geopolitical events, we continue to believe active sector and issuer selection is critical to take advantage of market volatility as it arises. Sectors we are currently most focused on include:

- Corporate High Yield—The soft-landing narrative, steady fundamentals, and strong technicals all drove high yield sector spreads tighter. The Strategy's allocation to this sector was slightly higher during the quarter while remaining below long-term average levels.
- Bank Loans—Increased exposure. The bank loan sector outperformed other fixed income sectors for 1Q as rate cuts failed to materialize in January or March. Though we're still underweight risk within the loans sector relative to the market, that gap began to close over the last nine months as recession risk seemed increasingly less likely. Based on this view, we are mostly adding risk to defensive sectors.
- IG Corporates—Record supply hit the IG corporate market for 1Q, outpacing last year's pace by 40%. Our overweights to IG financials and BBBs outperformed as their spreads compressed. Though our enthusiasm for those sectors is being tempered, we see scope for this compression to continue into 2Q.
- Non-Agency Residential Mortgage-Backed Securities (RMBS)—The sector outperformed mortgage-backed securities (MBS) for 1Q due to strong demand from yield-oriented investors drawn to the sector's strong housing technicals and attractive yields. We think non-agency RMBS and its diverse opportunity set still appear undervalued, given its risk-return profile and favorable technical setup.
- ABS—Increased exposure. The ABS sector outperformed similar average-life corporate bonds during the period. New issue supply, which ran 60% ahead of last year's pace in 1Q, was easily absorbed by insatiable demand, which tightened spreads.
- EM Debt and Non-U.S. Exposure—Increased exposure to Yankee high-quality securities. While EM spreads traded inside 300 bps as of 1Q, we still find value in the sector as growth has recovered, overall inflation is cooling, and monetary policy has become more supportive.

Past performance is not indicative of future results.

		Composite Assets		Annual Performance Results					
				Composite			Benchmark†		
Year End	Total Firm Assets (billions)	U.S. Dollars (millions)	Number of Accounts	Gross	3 Yr Ann Std Dev	Net	Return	3 Yr Ann Std Dev	Composite Dispersion
2023	13.9	1,245	Five or fewer	9.64%	5.66%	8.93%	5.53%	7.24%	N.A.
2022	7.9	889	Five or fewer	-8.70%	8.68%	-9.30%	-13.01%	5.85%	N.A.
2021	10.1	1,031	Five or fewer	2.44%	7.72%	1.78%	-1.54%	3.35%	N.A.
2020	10.2	1,128	Five or fewer	8.06%	7.88%	7.37%	7.51%	3.36%	N.A.
2019	10.6	1,127	Five or fewer	12.21%	2.88%	11.49%	8.72%	2.87%	N.A.
2018	10.4	865	6	-2.50%	3.55%	-3.12%	0.01%	2.84%	N.A.
2017	12.0	724	Five or fewer	8.00%	3.96%	7.41%	3.54%	2.78%	N.A.
2016	11.7	610	Five or fewer	11.04%	4.51%	10.44%	2.65%	2.98%	N.A.
2015	11.4	502	Five or fewer	-0.63%	4.45%	-1.17%	0.55%	2.88%	N.A.
2014	12.6	584	Five or fewer	2.71%	4.60%	2.15%	5.97%	2.63%	N.A.

†Benchmark: Bloomberg U.S. Aggregate Bond Index

Composite Dispersion: N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

The Multi-Sector Opportunistic Composite contains all fully discretionary, fee paying multi-sector opportunistic accounts. Emphasis is on investments in fixed income across all 14 sectors of the fixed income market with the following restrictions: maximum below investment grade securities 65%, average credit quality is at least BB and non-US exposure 0-50%. Emphasis is active sector rotation and disciplined risk management to portfolio construction avoiding interest rate bets.

For comparison purposes, the composite is measured against the Bloomberg U.S. Aggregate Bond Index. The index is composed of securities from the Government/Corporate Bond Index, Mortgage-Backed Securities Index and Asset-Backed Securities Index, calculated on a total return basis, which includes price appreciation/depreciation and income as a percentage of the original investment. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

Effective January 1, 2023, the Multi-Asset Credit (MAC) team from Stone Harbor Investment Partners joined Newfleet Asset Management (Newfleet). Effective July 1, 2022, Newfleet became a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser. Prior to July 1, 2022, Newfleet Asset Management, LLC was a registered investment adviser and an indirect wholly owned subsidiary of Virtus Investment Partners. The minimum account size for this composite is $15 million. The Multi-Sector Opportunistic composite was created on April 1, 2012. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

Returns are presented gross and net of management fees and include the reinvestment of all income. Net returns are calculated by reducing the gross returns by the maximum fee charged to any account in the composite for the respective period. The maximum fee for the respective period could be different than the current fee schedule. Effective 3/1/2018, net of fee performance was calculated using 1/12 of the highest fee of 0.65%, applied monthly. Prior to 3/1/2018, the highest fee was 0.55%. Actual investment advisory fees incurred by clients may vary. The management fee schedule is as follows: $25 to $50 million – 0.30%, $50 to $100 million – 0.25%, over $100 million – 0.20%. The composite inception date is January 1, 2002. Gross returns are used to calculate the composite three-year annualized ex-post standard deviation and the annual composite dispersion. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Newfleet claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Newfleet has been independently verified for the periods January 1, 1990 through 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 Multi-Sector Opportunistic Composite has had a performance examination for the periods June 2, 2011 through December 31, 2022. The verification and performance examination reports are available upon request. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

The commentary is the opinion of the manager. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

For more information on the Newfleet Fixed Income strategies, please contact:

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