2Q 2024
Core Plus Strategy

Newfleet ASSET MANAGEMENT
A Virtus Investment Partner

Strategy Description

- ▶ Broad multi-sector fixed income strategy that seeks to maximize total return and outperform the Bloomberg U.S. Aggregate Bond Index.
- ▶ 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.
- ▶ Investment guidelines provide flexibility to optimize sector exposure relative to market conditions and add value relative to the benchmark. Intermediate-duration mandate (range between 3-6 years); maximum non-investment grade exposure of 20%; maximum non-U.S. exposure of 35%.

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

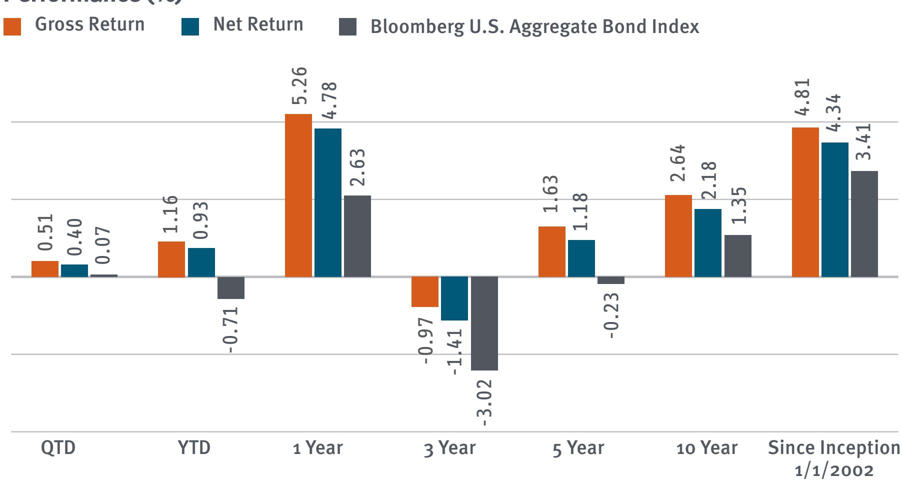
AUM: $554 million
Inception: 1/1/2002
Index: Bloomberg U.S. Aggregate Bond Index

Portfolio Management

David L. Albrycht, CFA
President and Chief Investment Officer

Stephen H. Hooker, CFA
Managing Director and Portfolio Manager

Performance (%)



Periods ended 6/30/2024. Time periods over one year are annualized. **Past performance is not indicative of future results.** Net return is shown net of maximum management fees.

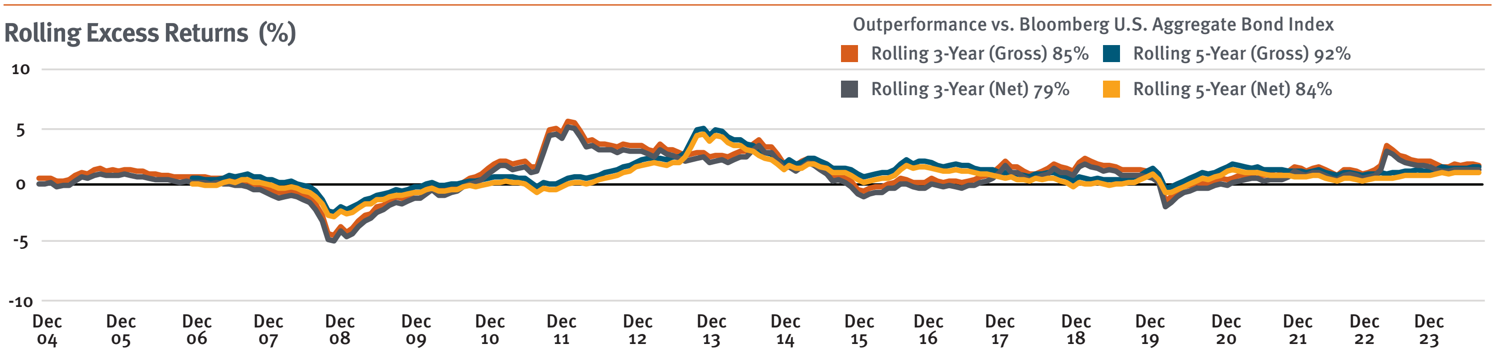
Portfolio Characteristics*

	Portfolio	Index
Option Adjusted Spread	134.82	39.29
Yield-to-Worst	5.98	5.00
Yield-to-Maturity	6.02	5.00
Effective Duration	5.86	6.13
Weighted Average Life	9.41	8.38
Average Credit Quality	A1	AA2
Number of Holdings	651	13,617
Average Price	95.35	91.16

Risk Metrics

	Portfolio	Index
Volatility (10-years)	5.10	4.87
Sharpe Ratio (10-years)	0.23	-0.03

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	7.87	-11.70	0.75	8.11	11.70	-0.81	6.21	5.64	0.58	4.29
Net	7.38	-12.10	0.30	7.63	11.20	-1.26	5.74	5.17	0.13	3.82
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	36.78	24.97
3-5 Years	19.43	23.53
5-7 Years	17.30	19.70
7-10 Years	7.60	15.83
Over 10 Years	18.89	15.96

Sector Distribution*

	Portfolio	Index
Corporate - Investment Grade	26.70	24.53
Non-Agency Residential MBS	17.55	0.00
Treasury	17.20	43.16
Asset Backed Securities	12.26	0.42
Bank Loans	6.96	0.00
Mortgage Backed Securities	5.75	25.57
Corporate - High Yield	5.18	0.00
Non-Agency Commercial MBS	4.92	1.56
Yankee - High Quality	1.54	3.30
Cash	1.00	0.00
Emerging Market - High Yield	0.95	0.01
Equity	0.01	0.00
Agency Debentures	0.00	0.90
Taxable Municipals	0.00	0.50
Other	0.00	0.04
Municipals	0.00	0.01

Ratings Distribution*

	Portfolio	Index
Aaa	21.78	3.41
Aa	28.50	72.68
A	11.07	11.57
Baa	24.22	12.32
Ba	6.68	0.00
B	5.61	0.00
CCC and Below	0.60	0.00
Not Rated	0.54	0.02
Cash & Equivalents	1.00	0.00

Maturity Distribution*

	Portfolio	Index
Under 3 Years	24.51	22.49
3-5 Years	20.13	19.44
5-7 Years	14.88	13.87
7-10 Years	19.26	26.03
Over 10 Years	21.22	18.16

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 Fixed Income Securities (Junk Bonds):** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **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 REVIEW & OUTLOOK

- High variability within U.S. economic data releases resulted in moments of market volatility for 2Q.
- While we are confident that U.S. monetary policy easing is in the pipeline, the timing and magnitude remain uncertain.
- Meanwhile the European Central Bank as well as central banks in Switzerland, Sweden, and Canada all began to ease policy this year.
- Spread sectors outperformed U.S. Treasuries and spreads widened marginally. Risk asset classes outperformed.
- Except for the very front end, the U.S. Treasury curve shifted higher, and overall, the curve steepened. The 2-year Treasury yield increased 13 basis points (bps), the 5-year Treasury yield increased by 16 bps, the 10-year Treasury yield increased by 20 bps, and the 30-year Treasury yield moved 22 bps higher.

Key Risks/Considerations

- Political activity accelerated in 2Q, with important elections in India, Mexico, South Africa, and the EU, UK, and U.S. on deck. So far, the common theme has been one of surprise outcomes that has led to local market dislocations.
- Though interest rates may have peaked this cycle, we caution that monetary policy acts on the economy unpredictably, and with variable lags, so we will be paying close attention to the incoming data in the weeks and months ahead.

For more detail on the macroeconomic backdrop and specific sectors, see Newfleet's 2Q24 Market Review & Outlook on Newfleet.com.

STRATEGY PERFORMANCE

The Core Plus Strategy (gross of fees) returned 0.51% in the second quarter versus the Bloomberg U.S. Aggregate Bond Index return of 0.07%. For the last twelve months, the Strategy has materially outperformed, returning 5.26% vs. 2.63% for the Index. The following is a summary of the contributors and detractors of the representative account of the Strategy:

Current Quarter Contributors

- The Fund's underweight to U.S. Treasuries had a positive impact, as most spread sectors saw positive excess returns during the quarter.
- Allocation to non-agency residential mortgage-backed securities (RMBS) over agency mortgage-backed securities (MBS) and positioning within RMBS had a positive impact.
- Allocation to and issue selection within the asset-backed securities (ABS) sector had a positive impact on performance as insatiable demand for ABS drove in spreads.
- Allocation to bank loans had a positive impact on performance. As a higher-for-longer narrative took hold of the market, demand for loans continued to exceed supply.
- Issue selection within investment grade (IG) corporates was positive during the quarter as the Fund's overweight to financials and BBBs contributed to outperformance.

Current Quarter Detractors

- While the underweight to U.S. Treasuries had a positive impact on performance, curve positioning was a detractor.
- Issue selection and positioning within the corporate high yield sector was negative for the period.

CURRENT POSITIONING AND STRATEGY

As the markets digest economic and geopolitical developments, 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:

- IG Corporates—Increased exposure. Spreads approached their five-year lows in May but widened 9 bps in June to wind up 4 bps wider on the quarter (+93). Valuations have been the bottleneck in an otherwise healthy market from a fundamental and technical perspective. During the second quarter, we tempered our overweight to financials and rotated into some utility, tech, and non-cyclical credits. We still favor BBB credits overall.
- RMBS—RMBS outperformed MBS in 2Q due to demand from yield-oriented investors, attractive yields for ratings and duration, and strong technicals—supply was up 50% ahead of last year's pace. The housing sector continues to perform despite affordability headwinds from higher rates.
- ABS—Exposure was lower during the quarter. New issue supply running well ahead of last year's pace was easily absorbed with insatiable demand, driving in spreads. In addition, the credit curve flattened as strong demand for risk tranches within ABS drove spreads tighter.
- Bank Loans—Increased exposure. Bank loans outperformed most spread sectors due to their high carry and floating rate, the delay in rate cuts, the resilient economy, and positive technicals. We are overweight B plus and single-B rated loans but are doing so with a focus on the less risky credits within those ratings cohorts. This reflects our larger theme of adding risk that is safer than that of the overall market.

		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	436	Five or fewer	7.87%	6.60%	7.38%	5.53%	7.24%	N.A.
2022	7.9	310	Five or fewer	-11.70%	6.82%	-12.10%	-13.01%	5.85%	N.A.
2021	10.1	407	Five or fewer	0.75%	5.39%	0.30%	-1.54%	3.35%	N.A.
2020	10.2	450	Five or fewer	8.11%	5.39%	7.63%	7.51%	3.36%	N.A.
2019	10.6	355	Five or fewer	11.70%	2.59%	11.20%	8.72%	2.87%	N.A.
2018	10.4	395	Five or fewer	-0.81%	2.67%	-1.26%	0.01%	2.84%	N.A.
2017	12.0	438	Five or fewer	6.21%	2.73%	5.74%	3.54%	2.78%	N.A.
2016	11.7	473	Five or fewer	5.64%	3.08%	5.17%	2.65%	2.98%	N.A.
2015	11.4	324	Five or fewer	0.58%	3.31%	0.13%	0.55%	2.88%	N.A.
2014	12.6	359	Five or fewer	4.29%	3.44%	3.82%	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.

Effective June 1, 2023, the composite name changed from the Multi-Sector Core Plus Composite to the Core Plus Composite. The Core Plus Composite contains all fully discretionary, fee paying multi-sector core plus 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 20% (prior to 10/1/23, the max was 35%), average credit quality is at least BBB and non-US exposure 0-35%.

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. Effective January 1, 2003, the minimum account size for this composite is $15 million. The Core Plus 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 Net of fee performance was calculated using 1/12 of the highest fee of 0.45%, applied monthly. Actual investment advisory fees incurred by clients may vary. The management fee schedule is as follows: $25 to $50 million – 0.25%, $50 to $100 million - 0.225%, over $100 million – 0.1875%. 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, 2023. 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 Core Plus Composite has had a performance examination for the periods June 2, 2011 through December 31, 2023. 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.

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

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