1Q 2024
Multi-Sector Short Duration Strategy

Newfleet ASSET MANAGEMENT
A Virtus Investment Partner

Strategy Description

- Flexible short duration multi-sector strategy that seeks to maximize total return and generate incremental yield, while managing volatility and downside risk.
- Dynamic investment approach tactically allocates across a broad range of fixed income sectors 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.
- Comprehensive credit exposure that provides multiple benefits in a short-duration mandate – low interest rate sensitivity, material yield, and diversification to traditional short/intermediate duration strategies.
- Investment guidelines provide flexibility to add value relative to the benchmark. Short-duration mandate (range between 1-3 years); maximum non-investment grade exposure of 35%; and 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: $4.5 billion

Inception: 1/1/2002

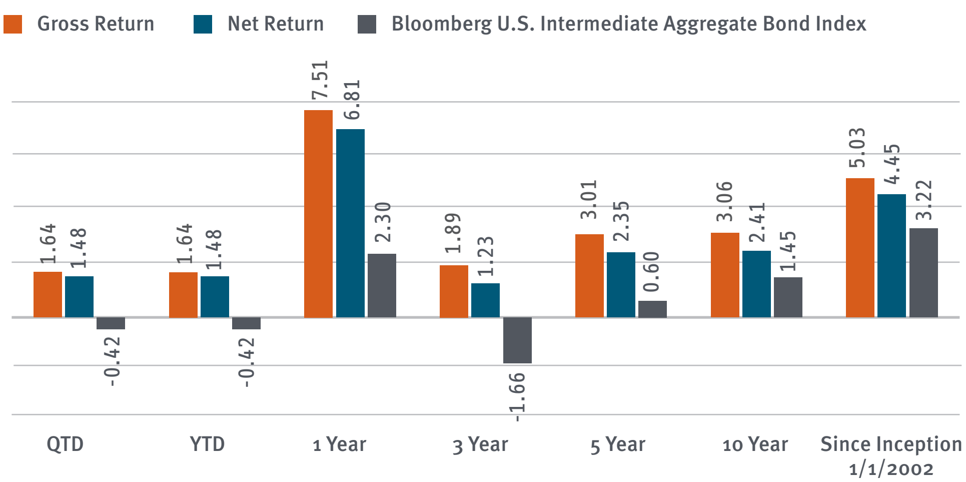
Index: Bloomberg U.S. Intermediate Aggregate Bond Index

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	164.78	35.2
Yield-to-Worst	6.30	4.82
Yield-to-Maturity	6.34	4.82
Effective Duration	2.05	4.51
Weighted Average Life	2.87	5.31
Average Credit Quality	A3	AA2
Number of Holdings	776	10,093
Average Price	97.03	92.97

Risk Metrics

	Portfolio	Index
Volatility (10-years)	3.26	3.57
Sharpe Ratio (10-years)	0.52	0.03

Calendar Year Returns

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gross	8.13	-5.01	1.39	5.36	7.22	0.14	4.63	6.13	1.15	2.07
Net	7.43	-5.63	0.73	4.68	6.53	-0.51	3.96	5.44	0.54	1.58
Index	5.18	-9.51	-1.29	5.60	6.67	0.92	2.27	1.97	1.21	4.12

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.

Sector Distribution*

	Portfolio	Index
Asset Backed Securities	26.10	0.53
Corporate - Investment Grade	20.13	20.32
Non-Agency Residential MBS	18.51	0.00
Bank Loans	9.87	0.00
Treasury	6.95	40.94
Corporate - High Yield	6.46	0.00
Non-Agency Commercial MBS	4.73	1.95
Mortgage Backed Securities	2.91	31.60
Emerging Market - High Yield	2.36	0.00
Yankee - High Quality	1.28	3.45
Cash	0.60	0.00
Non-Dollar	0.10	0.00
Agency Debentures	0.00	1.01
Taxable Municipals	0.00	0.14
Other	0.00	0.05
Equity	0.00	0.00
Municipals	0.00	0.00

Ratings Distribution*

	Portfolio	Index
Aaa	22.87	3.98
Aa	19.00	75.88
A	14.17	9.75
Baa	22.29	10.19
Ba	8.73	0.00
B	8.59	0.00
CCC and Below	0.98	0.00
Not Rated	2.78	0.20
Cash & Equivalents	0.60	0.00

Maturity Distribution*

	Portfolio	Index
Under 3 Years	56.28	27.49
3-5 Years	31.30	24.04
5-7 Years	9.62	16.81
7-10 Years	2.47	31.13
Over 10 Years	0.33	0.53

Duration Distribution*

	Portfolio	Index
Under 3 Years	71.49	30.94
3-5 Years	22.99	27.49
5-7 Years	5.06	23.61
7-10 Years	0.46	17.92
Over 10 Years	0.00	0.03

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. Intermediate Aggregate Bond Index measures securities in the intermediate maturity range of the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis. 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 Short Duration Strategy (gross of fees) returned 1.64% in the first quarter versus the Bloomberg U.S. Intermediate Aggregate Bond Index return of -0.42%. For the last twelve months, the Strategy has materially outperformed, returning 7.51% vs. 2.30% for the Index. The following is a summary of the contributors and detractors of the representative account of the Strategy:

Current Quarter 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 issue selection in the asset-backed securities (ABS) sector had a positive impact on performance in the first quarter. Fundamentals and technicals were both tailwinds for performance.
- Issue selection within the investment grade (IG) corporate sector was positive during the quarter as the Strategy's overweight to financials and BBBs contributed to outperformance.
- Allocation to non-agency residential mortgage-backed securities (RMBS) over agency mortgage-backed securities (MBS) and positioning within RMBS had a positive impact on performance.

Current Quarter Detractors

- Selection within emerging markets (EM) high yield had a negative impact on performance, though the EM high yield cohort outperformed EM IG 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.

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:

- 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.
- RMBS—The sector outperformed 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.
- 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 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.
- Corporate IG—Record supply hit the IG corporate market for 1Q, outpacing last year's pace by 40%. Our overweights to 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.
- Corporate High Yield—Slightly reduced exposure, which remains below long-term averages. Spreads for this sector have tightened due to the soft-landing narrative, steady fundamentals, and strong technicals. In 1Q, we added exposure to an air leasing company, a car rental company trading at a discount, an offshore rig owner, and secured cable risk. We funded these trades with a sale of high-beta hospital exposure and an E&P name.
- 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	4,487	Five or fewer	8.13%	3.14%	7.43%	5.18%	5.60%	N.A.
2022	7.9	4,952	Five or fewer	-5.01%	5.06%	-5.63%	-9.51%	4.39%	N.A.
2021	10.1	6,571	Five or fewer	1.39%	4.53%	0.73%	-1.29%	2.04%	N.A.
2020	10.2	6,195	Five or fewer	5.36%	4.56%	4.68%	5.60%	2.16%	N.A.
2019	10.6	6,429	Five or fewer	7.22%	1.39%	6.53%	6.67%	2.04%	N.A.
2018	10.4	6,364	Five or fewer	0.14%	1.61%	-0.51%	0.92%	2.12%	N.A.
2017	12.0	7,490	Five or fewer	4.63%	1.75%	3.96%	2.27%	1.96%	N.A.
2016	11.7	7,062	Five or fewer	6.13%	2.02%	5.44%	1.97%	2.13%	N.A.
2015	11.4	7,363	Five or fewer	1.15%	2.19%	0.54%	1.21%	2.10%	N.A.
2014	12.6	8,720	Five or fewer	2.07%	2.68%	1.58%	4.12%	1.96%	N.A.

†Benchmark: Bloomberg U.S. Intermediate 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 Short Duration Composite contains all fully discretionary, fee paying multi-sector short duration 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 35%, average credit quality is at least BBB and non-US exposure 0-35%. On average, the strategy's bank loan allocation has been between 10- 13%. Emphasis is on maintaining low volatility and overall short duration by investing in higher quality and more liquid securities.

For comparison purposes, the composite is measured against the Bloomberg U.S. Intermediate Aggregate Bond Index. The index is comprised of securities in the intermediate maturity range of the Bloomberg U.S. Aggregate Bond Index. The Bloomberg U.S. Aggregate Bond 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 5/28/2013, the benchmark was changed retroactively to the Bloomberg U.S. Intermediate Aggregate Bond Index to better reflect the investment strategy. Prior to 5/28/2013, the benchmark was the ICE BofA 1-2.99 Year Medium Quality Corporate Bonds Index.

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. From 1/1/02 through 5/31/11, the minimum account size was $10 million. The Multi-Sector Short Duration 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 4/1/15, net of fee performance was calculated using 1/12 of the highest fee of 0.65%, applied monthly. Prior to 4/1/15 the fee was 0.48%. 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 1/1/02. 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 1/1/90 through 12/31/22. 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 Short Duration composite has had a performance examination for the periods 6/2/11 through 12/31/22. 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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