



# **VIRTUS NFJ MUTUAL FUNDS**

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June 30, 2021

\*Effective February 1, 2021, the Funds' names and investment adviser have changed. The Funds' distributor is now VP Distributors, LLC.

## Key Facts:

**\$178.6**  
Billion in  
AUM<sup>1</sup>

**9**  
Affiliates

+ 7 Select  
Subadvisers

**34**  
Funds Rated  
4 or 5 Stars<sup>2</sup>



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

<sup>1</sup>As of 6/30/21. <sup>2</sup>The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics. Analysis includes rated retail mutual funds only (funds with at least three years of history). Funds with A and I or Institutional shares use I or Institutional shares for Ratings otherwise, A share is used. Please see page 11 for additional Morningstar disclosure. Strong ratings are not indicative of positive performance. <sup>3</sup>Virtus has an ownership interest in the firm.

## ■ Disciplined Value Manager

- **At NFJ, valuation is paramount.** The team’s fundamental research process seeks to identify the best companies by industry at the right valuation coupled with a long-standing emphasis on dividends, earnings, quality, and proprietary quantitative metrics.

## ■ Modern Value Approach

- **At NFJ, innovative thinking is a key strength.** The team’s use of big data and data analytics supplements fundamental research to uncover differentiated insights into valuations quickly and efficiently.

## ■ Boutique, Entrepreneurial Culture

- **At NFJ, people drive success.** The team’s nine investment professionals average nearly two decades of experience and strong conviction in a generalist model that fosters collaboration and helps avoid sector and country biases within portfolios.

## ■ AUM: \$9.0 bn (as of 6/30/21)



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

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

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

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

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**Andrew J. Setaro**  
Research Analyst  
Industry/NFJ Start Year: 2018/2019

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

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

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

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

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

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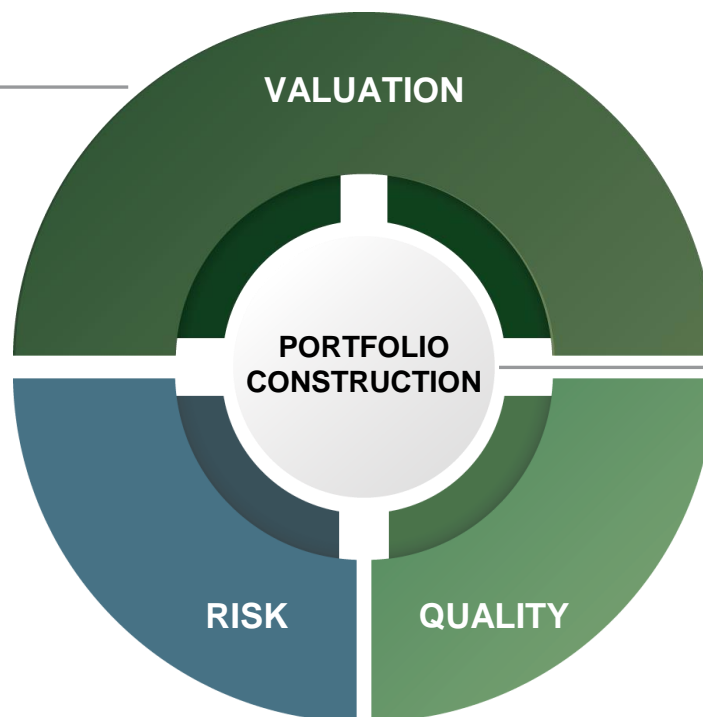
NFJ's disciplined process, honed over 30 years, revolves around three core investment tenets — innovative valuation, risk management, and an emphasis on quality, income, and growth — which the investment team believes are essential ingredients to intelligent portfolio construction and the generation of alpha.

## Innovative Approach to Valuation

- Valuation is paramount to delivering outperformance
- Refined proprietary process driven by big data and data analytics to increase efficiency

## Focus on Risk Management

- Quantitative tools and qualitative assessment identify investment candidates with attractive risk/reward characteristics
- Risk-aware at every step of process: focus on quality, diversification, portfolio construction
- Actively seek to manage risk at stock and portfolio levels



## Intelligent Portfolio Construction

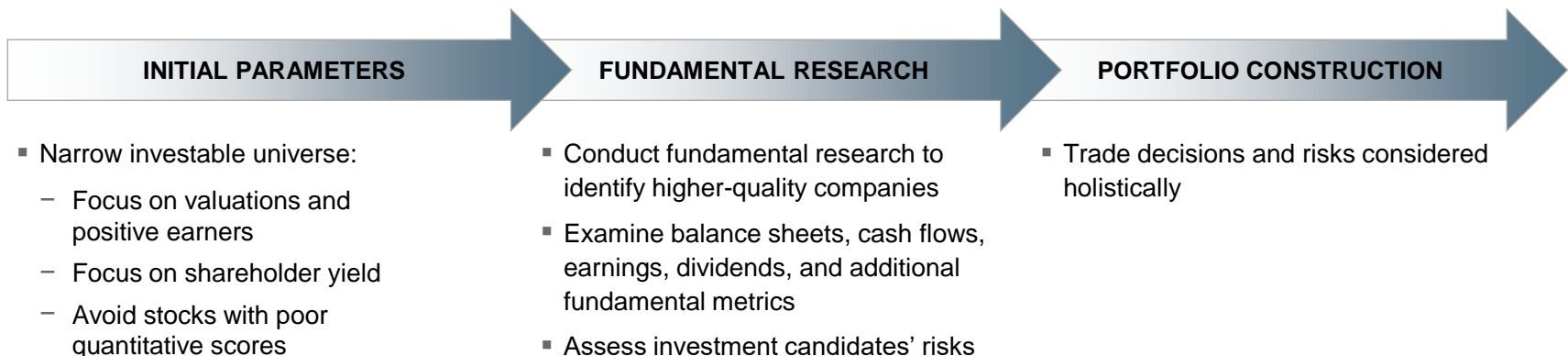
- Where alpha generation begins
- Uses diversification to avoid idiosyncratic risks
- Guides every buy / sell decision we make
- Optimizes downside capture

## Quality, Income, and Growth

- Fundamentals that reflect economic moat
  - Earnings consistency and stability
  - ROE, ROA, and lower leverage
- Focus is on income generation
  - No absolute dividend threshold
  - Emphasis on dividend growth

NFJ's disciplined, three-stage investment process strives to help eliminate emotional bias when building portfolios.

- Pair active management with a disciplined, value-oriented, bottom-up stock selection approach
  - **Initial Parameters:** Combine quantitative parameters with fundamental, qualitative analysis
  - **Fundamental Research:** Focus on companies with attractive valuation, higher shareholder yield, and fundamental strength with quality attributes
  - **Portfolio Construction:** Maintain a well-diversified portfolio by sector and sub-industry to limit over-concentration risk in out-of-favor areas of the market



Efficient investment process seeks to create a manageable universe of companies to become candidates for NFJ's fundamental research.

**INITIAL PARAMETERS NATURALLY EXTEND INTO OUR FUNDAMENTAL RESEARCH CONSIDERATIONS**

<b>Valuation</b>	<b>Capital Allocation</b>	<b>Earnings</b>	<b>Quality</b>	<b>Momentum</b>
<ul style="list-style-type: none"> <li>▪ Custom peer groups</li> <li>▪ Absolute and relative measures</li> <li>▪ Price/Earnings</li> <li>▪ Industry-specific metrics</li> </ul>	<ul style="list-style-type: none"> <li>▪ Disciplined capital allocation decisions</li> <li>▪ Quality and use of cash flow</li> <li>▪ Expected and historical dividends and dividend growth</li> <li>▪ Buyback programs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expected and historical earnings growth</li> <li>▪ Earnings revisions and guidance</li> <li>▪ Ongoing review of earnings releases</li> </ul>	<ul style="list-style-type: none"> <li>▪ Return on invested capital</li> <li>▪ Balance sheet strength</li> <li>▪ Leverage</li> <li>▪ Short Interest</li> </ul>	<ul style="list-style-type: none"> <li>▪ Price momentum</li> <li>▪ Relative strength</li> </ul>
<b>Valuation is paramount to delivering alpha over time</b>	<b>Assess companies' ability to return capital to shareholders</b>	<b>Examine earnings for quality, sustainability, and consistency</b>	<b>Target higher-quality characteristics</b>	<b>Avoid stocks with extremely poor price momentum</b>

NFJ believes that long-term alpha generation begins with intelligent portfolio construction, while maintaining a strict sell discipline.

## Portfolio Construction

- **Focus on diversification and position sizing:**  
Exposure across economic sectors and sub-industries among holdings

## Sell Discipline

- High absolute and/or relative valuations
- Quality deterioration
- Extremely poor price momentum

**Consider trade decisions and possible risks from a holistic perspective**



## 01

Valuation focus and custom peer groups offer differentiated insights

## 02

Diversified portfolios with unique characteristics strive to perform well in up and down markets

## 03

Seasoned team with a strong track record and proven investment approach

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

Source: NFJ Investment Group

The commentary is the opinion of NFJ Investment Group. 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.

Each strategy subadvised by NFJ adheres to NFJ’s disciplined value investment philosophy and process, seeking attractively valued, fundamentally sound companies with an emphasis on quality and risk control.

U.S.				NON-U.S.	
Virtus NFJ Mid-Cap Value Fund	Virtus NFJ Dividend Value Fund	Virtus NFJ Small-Cap Value Fund	Virtus NFJ Large-Cap Value Fund	Virtus NFJ Emerging Markets Value Fund	Virtus NFJ International Value Fund
<b>SYMBOL</b>					
A: PQNAX ADMIN: PRAAX C: PQNCX INST: PRNIX P: ANRPX R6: ANPRX	A: PNEAX ADMIN: ANDAX C: PNECX INST: NFJEX P: ADJPX R6: ANDVX	A: PCVAX ADMIN: PVADX C: PCVCX INST: PSVIX P: ASVPX R6: ANFVX	A: PNBAX ADMIN: ALNFX C: PNBCX INST: ANVIX P: ALCPX	A: AZMAX C: AZMCX INST: AZMIX P: AZMPX	A: AFJAX ADMIN: AIVAX C: AFJCX INST: ANJIX P: AFVPX R6: ANAVX
<b>BENCHMARK</b>					
Russell Midcap® Value Index	Russell 1000® Value Index	Russell 2000® Value Index	Russell 1000® Value Index	MSCI Emerging Markets Index (net)	MSCI AC World ex USA Index (net)

# IMPORTANT RISK CONSIDERATIONS AND DISCLOSURES



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## Market Volatility

Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's assets as intended.

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## 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.

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## 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 or medium-sized companies may enhance that risk.

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## Foreign & Emerging Markets

Investing in foreign securities, especially in emerging markets, subjects the fund to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk.

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## Prospectus

For additional information on risks, please see the fund's prospectus.

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## Morningstar

The Morningstar Rating™ for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads.

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**Virtus** (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers, singularly committed to the long-term success of individual and institutional investors.

- We are not constrained by a single investment approach; rather, we provide access to independent, specialized investment philosophies through our multi-discipline, multi-strategy approach.
- We have the flexibility, agility, and responsiveness of a boutique asset management firm with similar product breadth and investment talent of our larger peers.
- We are committed to thoughtfully providing investment solutions, adhering to the highest standards of product quality, operational excellence, and fiduciary responsibility.

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