

NFJ International Value Wrap Strategy

Market Overview

International equities posted solid returns for the quarter, though we continue to see performance differences driven by vaccine delivery and pandemic management. In many cases, the deployment of vaccines has led to a “K” shaped recovery, with some countries exhibiting strong economic growth, while other countries are seeing growth prospects languish. Vaccine deployment has allowed many wealthier countries to relax lockdowns and improve consumer and corporate confidence in investment by lowering the chances of future outbreaks. This has resulted in a stock pickers’ market, where active managers can add value.

Portfolio Overview

The Portfolio delivered a positive absolute return though modestly trailed the MSCI All Country World ex-US benchmark Index during the quarter. Notably, the Portfolio continues to outpace the Index YTD. Stock selection was effectively net neutral while sector allocation detracted from returns and country allocation contributed over the reporting period.

Portfolio Contributors

Selection was positive across the consumer staples and consumer discretionary sectors. From a sector allocation perspective, an underweight in consumer discretionary marginally benefitted results. By country, selection was strong across the portfolio’s France and Netherlands-based holdings. An underweight in Japan and overweight in France also boosted relative performance. **Wolters Kluwers** and **L’Oreal** were the strongest absolute contributors.

Global information services company **Wolters Kluwers** operates across four business segments: health; tax and accounting; legal and regulatory; and governance, risk, and compliance. Management reported better-than-expected 1Q results and reaffirmed FY2021 guidance.

L’Oreal reported first quarter sales that bested consensus estimates, boosted in part by strong growth in China, as retailers reopened across much of Asia. The French cosmetics and consumer-products company also benefitted from consumers shifting their cosmetic and personal care spending online.

Performance Data as of June 30, 2021

Annualized Returns (%) ¹	QTD	YTD	1 Year	3 Year	5 Year	10 Year
NFJ International Value Wrap Composite (gross)	5.38	11.18	36.66	9.59	10.00	4.17
NFJ International Value Wrap Composite (net)	4.60	9.55	32.72	6.37	6.77	1.10
MSCI ACWI ex-US Index	5.48	9.16	35.72	9.38	11.08	5.45

¹Cumulative return over a partial year

Composite results. Individual accounts will vary. **Past performance is no guarantee of future results.** The performance shown includes historical performance information from the sub-advisor. Please see Important Information at the end of this presentation for details regarding NFJ and subadvisor 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 returns presented include the maximum fee associated with the portfolio (fees deducted month after each quarter end for an annual fee of 3% for equity portfolios). Actual fees will vary by client.

Over the course of three decades, NFJ Investment Group’s commitment to value has remained steadfast. Our investment process – built upon the principles of Benjamin Graham, the father of value investing – has stayed true to the philosophy of the firm’s founders while continuing to evolve in the hands of their successors through the integration of new technological capabilities and advanced analytics methods that enhance the research process.

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Portfolio Detractors

Stock picking in financials and communication services detracted, as holdings failed to keep pace with benchmark shares. From an allocation perspective, an overweight in REITs detracted from returns. By country, selection was negative among Switzerland and Spain-based names. Overweight positions in China and South Africa moderately hurt results. **Ping An Insurance Group** and **Longfor Group** were the strongest absolute detractors.

Shares of **Ping An Insurance** slumped as the company faced pressured auto insurance premiums and lower auto sales. That said, the company is operating more efficiently, as evidenced by improved cost ratios.

Tightening monetary policy has challenged the Chinese property sector in general, and **Longfor Group** in particular, as mortgage curbs designed to moderate prices take effect. Longfor is a premium name in the industry that should hold up well regardless of the macro environment.

Portfolio Specifics

Stock	Average Weight	Absolute Contribution
Contributors		
Wolters Kluwers	2.5%	0.42%
L'Oreal	1.9%	0.40%
Li Ning	0.6%	0.40%
China Merchants Bank	3.9%	0.40%
Roche	2.4%	0.37%
Detractors		
Ping An Insurance Group	1.9%	-0.37%
Longfor Group	1.9%	-0.26%
Itochu	1.6%	-0.21%
Tencent	3.6%	-0.21%
Gold Fields	1.8%	-0.17%

Outlook

International markets appear well positioned to maintain their current value run as earnings estimates continue to rise. However, leadership within value has shifted, with the junk rally

from late last year ceding ground to quality value and sustainable dividend payers. This shift could indicate that the market is perhaps not as early in this cycle as the pundits perceive. Importantly, earnings growth will be one of the biggest drivers of individual stock returns, creating a separation between winners and losers in the coming months.

The market is also behaving as though inflation may persist longer than expected. If that is the case, investors should focus on shorter duration assets, not just within fixed income, but across equity investments as well. In other words, companies that return cash to shareholders sooner are more attractive to investors versus companies with valuations more dependent on a terminal value in the distant future. Dividend payers, especially those with the ability to consistently raise their payouts, are the best place to focus given the current environment. Within the international opportunity set, Europe could be appealing to investors, as the region has greater exposure to value and well-positioned cyclical sectors, such as energy, industrials, and financials. Europe is also highly levered to the global economy and should benefit from the recent economic recovery.

While economic sensitivity is one continuum on which to predict market behavior, another continues to be the growing divergence between the distribution of vaccines from country to country. The US took an early lead in procuring Covid vaccinations, which led to the outperformance of its stock market during the first half of 2021. The converse is also true. Japan, where vaccinations have lagged, was one of the worst-performing areas of the market during the second quarter. Whereas the developed world is beginning to catch up, vaccines access remain scarce in poor countries. As such, The Economist notes that while the World Bank forecasts growth of 5.5% this year for the ten countries with the highest vaccination rates, GDP is only forecast at 2.9% for those with the lowest rates. As such, it is important for investors to follow public policy trends in addition to micro fundamentals as vaccination gaps close. This creates ample opportunities for active managers to create value in portfolios during the second half of the year.

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 NFJ representative. Accounts are managed by NFJ. For certain sponsor firm accounts, NFJ provides the model to the sponsor or the sponsor's designee for discretionary implementation.

Risk Considerations: 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. **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 or medium-sized companies may enhance that risk.

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Portfolio Statistics as of June 30, 2021

Sector Allocation (%)



	Portfolio	MSCI ACWI ex-US
Communication Services	9.3	6.7
Consumer Discretionary	7.3	13.8
Consumer Staples	4.4	8.5
Energy	3.9	4.5
Financials	23.5	18.6
Health Care	7.5	9.3
Industrials	10.5	11.8
Information Technology	12.6	12.9
Materials	6.8	8.3
Real Estate	7.8	2.5
Utilities	4.9	3.0

Characteristic	Portfolio	MSCI ACWI ex-US
Dividend Yield (trailing 1YR, %)	2.1	2.2
Dividend Growth Rate (5YR avg, %)	16.5	7.1
Price-to-Earnings (forward 1YR est.)	15.9	15.5
Price-to-Earnings (trailing 1YR)	17.0	18.6
Return on Equity (%)	19.0	13.6
Return on Assets (%)	6.9	5.6
Earnings Growth (trailing 3YR avg.)	12.0	6.8
Earnings Growth (trailing 5YR avg.)	17.9	7.6
Market Cap (weighted avg., \$ bn)	119.7	105.6
Number of Holdings	61	2,348

Top Ten Positions	Portfolio Weight (%)
China Merchants Bank	3.9
Tencent Holdings	3.7
Taiwan Semiconductor Manufacturing	3.4
Zurich Insurance Group	3.2
Nintendo	2.9
Broadcom	2.9
Roche Holding	2.9
London Stock Exchange	2.5
Iberdrola	2.4
Ping An Insurance Group	2.4
TOTAL	30.3

Region Allocation (%)

	Portfolio	MSCI ACWI ex-US		Portfolio	MSCI ACWI ex-US
Asia/Pacific ex-Japan	6.3	7.2	Japan	13.1	14.3
Emerging Markets	23.7	31.0	North America	15.1	7.0
Europe ex-UK	33.5	30.3	UK	6.9	8.9

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 model portfolio 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. **P/E** is a ratio of security price to earnings per share. Typically, an undervalued security is characterized by a low P/E ratio, while an overvalued security is characterized by a high P/E ratio. **Return on Equity (ROE)** is a measure of a corporation's profitability, calculated as net income divided by shareholder equity. It is an indication of how well the firm used reinvested earnings to generate additional earnings.

Portfolio Information: All portfolio statistics represent a model portfolio of this strategy currently managed by NFJ. 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. This material is not an offer or solicitation for the purchase or sale of any financial instrument. It is presented only to provide information on investment strategies and opportunities. Statements concerning financial market trends are based on assessments of current market conditions, which will fluctuate. References to specific securities and issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

The information presented in this material has been developed internally and/or obtained from sources which NFJ believes to be reliable; however we do not guarantee the accuracy, adequacy or completeness of such information nor do we guarantee the appropriateness of any strategy referred to for any particular investor. **Past performance is not indicative of future results.** Source: Virtus Performance & Analytics, Factset.

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Schedule of composite performance results as of March 31, 2021

Year	Composite Return Gross (%)	Composite Return Net (%)	MSCI ACWI Ex-US Index Returns (%)	Composite 3-Yr St. Dev. (%)	Benchmark 3-Yr St. Dev. (%)	Internal Dispersion	# of Portfolios in the Composite at Period End	Composite Total Assets at Period End (USD \$ M)	Total Firm Assets (USD \$ M)
3/31/21	5.5	4.7	3.6	17.8	17.4	0.1	241	86.7	5,739
2020	8.5	5.3	10.7	18.3	17.9	0.5	227	70.5	
2019	21.7	18.1	21.5	12.2	11.3	0.2	314	95.1	
2018	-14.0	-16.6	-14.2	11.7	11.4	0.3	422	117.3	
2017	22.6	19.0	27.2	12.5	11.9	0.3	690	243.9	
2016	-3.8	-6.7	4.5	13.2	12.5	0.4	846	245.8	
2015	-11.3	-13.9	-5.7	12.7	12.1	0.5	1,654	652.1	
2014	-3.7	-6.6	-3.9	12.9	12.8	0.4	2,467	1,113.1	
2013	12.5	9.2	15.3	15.8	16.2	0.6	3,052	1,366.6	
2012	20.8	17.3	16.8	-	-	0.9	3,038	1,148.1	
2011	-8.9	-11.6	-13.7	-	-	241	2,070	602.1	

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 March 31, 2021. The verification reports are available upon request. 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. Verification does not provide assurance on the accuracy of any specific performance report.

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.

The Composite: The NFJ International Value Wrap Composite (the "Composite") consists of portfolios that invest in a diversified group of international stocks considered to have attractive valuations and return value to shareholders. As of January 1, 2018, the investable universe was redefined to consist of non-US securities with a market capitalization generally greater than \$1B at purchase. The strategy can invest in ADRs traded in the U.S. 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 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 quarterly basis. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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 MSCI All Country World (ACWI) Ex-US Index (Net) measures the equity market performance of the developed and emerging markets, excluding the United States. The MSCI ACWI Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The Index is calculated with gross dividends and approximates the maximum possible dividend reinvestment. The amount deemed reinvested is the dividends distributed to individuals residing in the country of the company but does not include tax credits. Although NFJ is a value investor, the broader ex-U.S. index provides a more accurate benchmark because it is more diversified. 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.

The three-year annualized standard deviations for the composite and the benchmark are not presented as of year-end 2011 and 2012 because 36 months of composite returns are not available.

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.**