

## Market Overview

The first quarter of 2022 was notable for its extreme volatility. The US stock market posted its worst quarter since March 2020 amid persistent inflation, stressed supply chains, the prospect of aggressive Fed tightening, and Russia's invasion of Ukraine. This uncertainty left no corner of the market unscathed from sharp moves and volatile trading. In the Russell Midcap® Value Index, energy gained an astonishing 41% on rising oil prices, followed by positive absolute returns from consumer staples, materials—boosted by strong gains for commodities—and utilities. Conversely, consumer discretionary slumped double digits as inflation uncertainty and higher gas prices crimped discretionary income, while the technology and industrials sectors generally failed to keep pace over the quarter.

## Portfolio Overview

The Portfolio underperformed the Russell Midcap Value benchmark Index over the quarter. Sector allocations drove performance results, though stock selection was also negative over the period.

Following robust absolute 2021 performance, 1Q22 saw markets punish a great number of last year's outperformers, particularly in the consumer discretionary and technology spaces. NFJ believes many of these names have sold off despite no material changes in their underlying fundamentals. Given the team's long term view that quality businesses will win out over time, we have generally maintained and even added to some of these positions.

## Portfolio Contributors

Selection was positive within the industrials and technology sectors. From a sector allocation perspective, an underweight in real estate and overweight in utilities moderately benefitted quarterly results. **Royal Gold** and **Valero Energy** were the strongest absolute contributors.

**Royal Gold** performed well as gold prices rose during the quarter. The precious metal has historically served as a haven during volatile times, and in keeping with that trend, recent geopolitical tensions and rising inflation saw investors flock to safety.

## Performance Data as of March 31, 2022

Annualized Returns (%) <sup>1</sup>	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NFJ Mid-Cap Value Wrap Composite (gross)	-4.52	-4.52	13.02	12.29	9.08	10.90	11.06
NFJ Mid-Cap Value Wrap Composite (net)	-5.25	-5.25	9.70	8.99	5.87	7.64	7.80
Russell Midcap Value Index	-1.82	-1.82	11.45	13.69	9.99	12.01	11.53

<sup>1</sup>Cumulative 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.

## INVESTMENT TEAM

### John R. Mowrey, CFA

Executive Managing Director,  
 Chief Investment Officer,  
 Co-Lead Senior Portfolio Manager/Analyst

### Paul A. Magnuson

Managing Director,  
 Co-Lead Senior Portfolio Manager/Analyst

### Jeff N. Reed, CFA

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Managing Director,  
 Senior Portfolio Manager/Analyst

# NFJ Mid-Cap Value Wrap Strategy

## Portfolio Contributors, cont.

Refiners like **Valero Energy** benefitted from the post-Covid rebound in fuel demand and a global surge in natural gas prices. Management reported ahead-of-consensus 4Q EPS estimates on stronger refining results and higher ethanol margins.

## Portfolio Detractors

Stock picking was negative across the consumer discretionary and financials sectors during the quarter. From an allocation perspective, an underweight in energy and overweight in consumer discretionary detracted. **First Republic Bank** and **PulteGroup** were the strongest absolute detractors.

Fourth quarter EPS for **First Republic Bank** bested consensus estimates on higher net interest income (NII) and lower provision, while loan and deposit growth were strong and the wealth management segment offered attractive fee-based revenue expansion. However, these results were dampened by higher operating expenses and sentiment for the regional bank soured.

Despite above-consensus 4Q EPS, shares of **PulteGroup** were weighed down by poor market sentiment for homebuilders in a rising rate environment. Management highlighted continued demand strength, pricing power materially outpacing construction cost inflation, and authorized an additional \$1 billion share buyback program.

## Portfolio Specifics

Stock	Average Weight	Absolute Contribution
<b>Contributors</b>		
Royal Gold	1.3%	0.42%
Valero Energy	1.2%	0.35%
Atmos Energy	1.9%	0.2%
Northrop Grumman	0.8%	0.20%
Hess	0.6%	0.19%
<b>Detractors</b>		
First Republic Bank	1.8%	-0.43%
PulteGroup	1.5%	-0.42%
Topbuild	1.0%	-0.38%
D.R. Horton	0.9%	-0.34%
Stanley Black & Decker	1.1%	-0.29%

**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.

## Outlook

Topping the list of concerns for consumers and corporations alike, inflation reached a 40-year high after the consumer price index (CPI) recently jumped to nearly 8%. To help rein in inflation, the Federal Reserve has been transparent about its plans for six to eight quarter point rate hikes over the course of 2022. However, tightening during a slowdown, when the economy already faces multiple exogenous shocks, from the most significant war in Europe since World War II, to energy price spikes and continued Covid risks, engineering a soft landing becomes extremely challenging.

In view of what looks like an increasingly rocky path for equities, we continue to focus on companies that are strong allocators of capital. Share repurchases can boost EPS even when earnings growth decelerates. Further, dividend payers and high cash generators offer a concrete, positive return to help mute market swings, while also providing shorter duration investments. At this point in the economic cycle, we also believe investors should focus on quality factors across sectors, like high returns on equity and stable, predictable earnings. NFJ strategies, which emphasize above average returns on equity and market-exceeding dividend growth, should be well positioned in such an environment.

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.

# NFJ Mid-Cap Value Wrap Strategy

Portfolio Statistics as of March 31, 2022

## Sector Allocation (%)



	Portfolio	Russell Midcap Value
■ Communication Services	1.9	3.5
■ Consumer Discretionary	14.6	9.3
■ Consumer Staples	0.8	4.7
■ Energy	2.7	7.2
■ Financials	13.8	16.4
■ Health Care	11.0	7.9
■ Industrials	16.5	13.8
■ Information Technology	15.8	9.7
■ Materials	7.1	8.1
■ Real Estate	5.0	11.5
■ Utilities	6.8	7.7

Characteristic	Portfolio	Russell Midcap Value
Dividend Yield (trailing 1YR, %)	1.6	1.7
Dividend Growth (5YR wtd avg, %)	12.7	6.4
Price-to-Earnings (next 12Mos.)	14.3	14.1
Price-to-Earnings (trailing 1YR)	16.9	19.1
Return on Equity (%)	18.6	12.9
Return on Assets (%)	10.2	6.4
Earnings Growth (trailing 3YR avg, %)	16.8	11.0
Earnings Growth (trailing 5YR avg, %)	18.6	11.1
Market Cap (wtd avg, \$ bn)	36.8	22.6
Number of Holdings	103	698

Top Ten Positions	Portfolio Weight (%)
WEC Energy Group	2.0
Veeva Systems	2.0
First Republic Bank	2.0
Stanley Black & Decker	1.5
Lam Research	1.5
Broadcom	1.5
LyondellBasell Industries	1.5
American Tower	1.4
PulteGroup	1.4
AutoZone	1.3
<b>TOTAL</b>	<b>15.9</b>

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. The forward P/E ratio shown uses funds from operations, instead of earnings, for REITs.

**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.

# NFJ Mid-Cap Value Wrap Strategy

Schedule of composite performance results as of December 31, 2021

Year	Composite Return Gross (%)	Composite Return Net (%)	Russell Midcap Value 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)
2021	27.0	23.3	28.3	19.7	22.0	0.3	27	10	5,923
2020	2.3	-0.7	5.0	20.4	22.6	0.2	26	11	*
2019	30.0	26.3	27.1	13.5	12.8	0.4	29	12	*
2018	-14.9	-17.4	-12.3	12.5	12.0	0.3	40	15	*
2017	16.1	12.7	13.3	10.2	10.3	0.2	47	23	*
2016	17.8	14.4	20.0	10.9	11.3	0.3	51	22	*
2015	-2.8	-5.7	-4.8	10.3	10.7	0.2	49	19	*
2014	11.8	8.5	14.7	9.9	9.8	1.0	54	27	*
2013	32.2	28.4	33.5	12.5	13.7	0.3	55	21	*
2012	16.2	12.8	18.5	-	-	0.2	61	20	*

\*Prior to February 1, 2021, NFJ was part of Allianz Global Investors LLC.

**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. 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 verification reports are available upon request.

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 Mid Cap Value Wrap Composite (the “Composite”) consists of portfolios that invest in a diversified group of mid capitalization stocks considered to have attractive valuations and return value to shareholders. 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 Russell Midcap Value Index measures the performance of the 800 smallest companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Index measures the performance of the 1,000 largest U.S. companies based on total market capitalization. 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.

**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 “NA”. **Past performance is not indicative of future results.**