

# NFJ Dividend Value Wrap Strategy

## Market Overview

U.S. equities surged in the fourth quarter, buoyed by softening inflation, fading calls for recession, and the prospect of interest rate cuts in 2024. Market breadth widened, and small-capitalization companies generally outpaced their larger-capitalization counterparts over the period. Within the benchmark Russell 1000® Value Index, six sectors appreciated double digits, led by robust gains from real estate, financials, technology, and industrials companies. In contrast, energy slumped into negative territory, followed by relative weakness from the consumer staples, healthcare, and utilities sectors.

## Portfolio Overview

The NFJ Dividend Value Wrap Strategy outperformed the Russell 1000 Value benchmark Index over the quarter, as positive stock selection and sector allocations drove returns. Notably, the Strategy also outperformed the benchmark over the 2023 calendar year.

## Portfolio Contributors

Selection was positive across the healthcare, financials, and energy sectors. An overweight in real estate and underweight in energy also contributed over the quarter. **Alexandria Real Estate Equities** and **Intuit** were the strongest absolute contributors.

High-quality office REIT **Alexandria Real Estate Equities** reported solid quarterly results that beat the Street's estimates, and management raised adjusted funds from operations (AFFO) guidance on strong leasing trends. The company also increased its annual dividend by 5% and hosted a largely well-received analyst day focusing on the overall health of the life sciences/biotech sector, the company's capital structure flexibility, and initial 2024 guidance.

**Intuit** is a leading developer of software used for small business accounting (QuickBooks), and consumer tax preparation (TurboTax), while Mint, the company's online service, helps manage personal finances

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

### R. Burns McKinney, CFA

Managing Director,  
Co-Lead Senior Portfolio Manager/Analyst

### Thomas W. Oliver, CFA, CPA

Managing Director,  
Co-Lead Senior Portfolio Manager/Analyst

### Jeff N. Reed, CFA, FDP

Managing Director,  
Co-Lead Senior Portfolio Manager/Analyst

### John R. Mowrey, CFA

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

## Performance Data as of December 31, 2023

Annualized Returns (%) <sup>1</sup>	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NFJ Dividend Value Wrap Composite (gross)	12.58	15.73	15.73	9.37	10.25	7.49	9.38
NFJ Dividend Value Wrap Composite (net)	11.77	12.34	12.34	6.15	7.01	4.32	6.16
Russell 1000 Value Index	9.50	11.46	11.46	8.86	10.91	8.40	10.12

1. Annualized for periods greater than one year.

Composite inception January 1, 2011. 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.

# NFJ Dividend Value Wrap Strategy

## Portfolio Contributors, cont.

and budgeting. The company's F3Q results exceeded analysts expectations, and Intuit continues to integrate AI-driven capabilities into its product suite.

Top Absolute Contributors	Avg Weight
Alexandria Real Estate Equities	3.7%
Intuit	4.1%
Bank of America	3.5%
Crown Castle	2.7%
Agilent Technologies	2.9%

## Portfolio Detractors

Stock picking was negative in the industrials, communication services, and consumer discretionary sectors. Underweight positions in technology and industrials were the only significant detractors from an allocation perspective during the quarter.

[Paycom Software](#) and [TransUnion](#) were the strongest absolute detractors.

Cloud-based human capital management solutions provider [Paycom Software](#) delivered disappointing quarterly results, and one of its new products has shown signs of cannibalizing some of the company's other digital services. We exited the position during the quarter.

Shares of [TransUnion](#) declined after management released weaker-than-expected 3Q results and cut FY2023 guidance amid slowing volumes. The credit reporting firm announced plans to cut costs and boost savings by transitioning roles overseas.

Top Absolute Detractors	Avg Weight
Paycom Software	0.8%
TransUnion	1.8%
Ovintiv	1.6%
Humana	2.2%
FMC	0.7%

## Outlook

In the face of falling inflation, the Federal Reserve (Fed) announced the end of its current rate hike cycle and forecasted the possibility of interest rate cuts in 2024. This backdrop, along with the possibility of a soft economic landing, helped propel equities higher in the last quarter of 2023 and lent optimism going into 2024.

Although 2023 may invariably be remembered as the year that the "Magnificent Seven" mega-cap technology stocks and generative AI dominated market returns, many sectors that lagged growthier tech began to rally in the fourth quarter. These included small caps, financials, and interest rate-sensitive areas such as REITs.

We expect this increased breadth driving returns to continue into the new year, given that many equities (apart from the "Magnificent Seven") have delivered essentially flat performance results over the past two years. Further, valuation spreads for the Russell 2000® and S&P 500® indexes are near their largest levels in over 20 years. We believe this creates an attractive environment for savvy stock pickers to generate relative outperformance over the year ahead.

Dividends reflect past performance and there is no guarantee they will continue to be paid. 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.

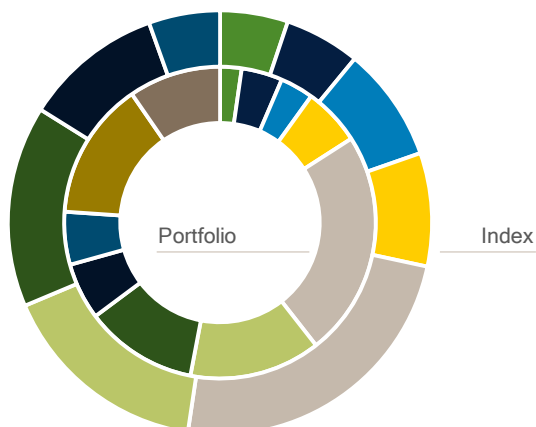
**Risk Considerations: Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its 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, medium, or large-sized companies may enhance that risk.

# NFJ Dividend Value Managed Account

Portfolio Statistics as of December 31, 2023

## Sector Allocation (%)



	Portfolio	Russell 1000 Value
■ Communication Services	2.2	4.7
■ Consumer Discretionary	4.2	5.2
■ Consumer Staples	3.4	7.9
■ Energy	5.9	7.8
■ Financials	23.1	21.8
■ Health Care	13.4	14.6
■ Industrials	11.5	13.9
■ Information Technology	5.8	9.6
■ Materials	5.4	4.9
■ Real Estate	14.1	5.1
■ Utilities	9.4	4.8

Characteristic	Portfolio	Russell 1000 Value
Price-to-Earnings (next 12Mo.)	14.7x	15.3x
Price-to-Earnings (trailing 1YR)	20.8x	19.3x
Dividend Yield (trailing 1YR, %)	2.5	2.3
Dividend Growth (5YR wtd avg, %)	11.5	7.1
Return on Equity (%)	14.8	15.7
Return on Assets (%)	7.1	6.7
Earnings Growth (trailing 3YR avg, %)	12.7	13.1
Earnings Growth (trailing 5YR avg, %)	13.6	12.4
Market Cap (wtd avg, \$ bn)	132.7	139.0
Number of Holdings	63	849

Top Ten Positions	Portfolio Weight (%)
Bank of America	3.9
Rexford Industrial Realty	3.9
Alexandria Real Estate Equities	3.9
Intuit	3.9
Eversource Energy	3.5
Agilent Technologies	3.0
Crown Castle	2.9
NextEra Energy	2.9
Thermo Fisher Scientific	2.5
Zoetis	2.0
<b>TOTAL</b>	<b>32.5</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. **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. The forward P/E ratio shown uses funds from operations, instead of earnings, for REITs. **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, Russell Investments.

# NFJ Dividend Value Wrap GIPS Composite Report

Schedule of composite performance results as of December 31, 2022

Year	Composite Return Gross (%)	Composite Return Net (%)	Russell 1000 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)
2022	-12.7	-15.3	-7.5	20.7	21.3	0.3	344	154	4,217
2021	29.4	25.7	25.2	17.8	19.1	0.3	436	241	5,923
2020	-0.4	-3.3	2.8	18.2	19.6	0.8	556	269	*
2019	25.0	21.3	26.5	11.6	11.8	0.3	742	333	*
2018	-9.2	-11.9	-8.3	10.7	10.8	0.4	794	283	*
2017	16.7	13.3	13.7	10.4	10.2	0.6	1,178	517	*
2016	15.6	12.3	17.3	10.8	10.8	0.7	1,381	583	*
2015	-7.3	-10.1	-3.8	10.6	10.7	0.4	3,767	1,389	*
2014	11.3	8.1	13.5	9.4	9.2	0.4	4,520	1,961	*
2013	30.1	26.3	32.5	12.0	12.7	0.5	5,085	2,090	*

\*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 December 31, 2022. 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 Dividend Value Wrap Composite has had a performance examination for the periods February 1, 2021 to December 31, 2022. The verification and performance examination 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 Dividend Value Wrap Composite (the “Composite”) consists of portfolios that invest in a diversified group of large to mid-capitalization stocks considered to have attractive valuations and return value to shareholders. Each company typically has a minimum market capitalization of at least \$3.5 billion at purchase and holdings pay or are expected to pay dividends. 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 monthly basis.

**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 1000 Value Index measures the performance of the 1,000 largest companies in the Russell 3000 Index with lower price-to-book ratios and lower forecasted growth values. The Russell 3000 Index measures the performance of the 3,000 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 “N/A”. **Past performance is not indicative of future results.**