

Market Overview

During the third quarter, investors grappled with the possibility of enduring inflation, slowing economic growth, the rise of the Delta variant, Congressional paralysis, fears of property-developer China Evergrande unleashing a Lehman-esque contagion, and indications that the Federal Reserve's ultra-easy monetary policy is nearing an end. The cyclical and reopening trades that buoyed markets in the first half of 2021 stalled. Higher growth tech stocks surged early in the quarter as a haven play amid broader economic softening only to be hit the hardest in September on their greater sensitivity to rising interest rates. In the Russell 2000® Value Index, energy and financials were the only sectors to post positive total returns for the quarter. In contrast, the communication services sector fell 16%, followed by weakness from consumer discretionary and health care stocks.

Portfolio Overview

The Portfolio outperformed the Russell 2000 Value benchmark Index on a relative basis for the quarter. Positive stock selection drove relative outperformance while sector allocation was modestly positive.

Portfolio Contributors

Selection was positive across the health care, technology, and energy sectors. From a sector allocation perspective, underweight positions in communication services and health care benefitted quarterly results. **Matador Resources** and **SPS Commerce** were the strongest absolute contributors.

Shares of **Matador Resources** rose over the quarter, benefitting from a more favorable oil pricing environment. The oil & gas exploration & production company reported all-time quarterly highs for oil and natural gas production, revenues, adjusted EBITDA, and adjusted free cash flow (FCF). Management expects to use a "significant portion" of FCF to strengthen the company's balance sheet and return value to shareholders.

SPS Commerce reported its 15th consecutive quarter of beating analysts' estimates. The software company provides supply chain and fulfillment solutions to businesses and has benefited from e-commerce trends likely to continue for the foreseeable future.

Performance Data as of September 30, 2021

Annualized Returns (%) ¹	QTD	YTD	1 Year	3 Year	5 Year	10 Year
NFJ Small-Cap Value Wrap Composite (gross)	-1.61	12.94	35.27	5.39	9.68	10.95
NFJ Small-Cap Value Wrap Composite (net)	-2.35	10.46	31.36	2.28	6.45	7.69
Russell 2000 Value Index	-2.98	22.92	63.92	8.58	11.03	13.22

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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NFJ Small-Cap Value Wrap Strategy

Portfolio Detractors

Stock picking in materials, financials, and consumer staples detracted. From an allocation perspective, an underweight in energy and overweight in consumer discretionary detracted from returns. **Mercury Systems** and **CMC Materials** were the strongest absolute detractors.

Though fiscal fourth quarter revenues and adjusted EPS were above the Street's expectations, **Mercury Systems** lowered FY22 revenue guidance. Shares of the global technology company, which largely serves the aerospace and defense industry, generally trended downward over the quarter. Though policy issues have softened near term trends, we believe the secular theme of integrating technology in areas like aerospace and defense will remain in place for the foreseeable future.

Though **CMC Materials** delivered record quarterly revenue, management lowered FY adjusted EBITDA guidance to reflect inflationary pressures impacting the semiconductor industry. The company's underlying fundamentals are strong and the valuation compelling in the face of this uncertainty.

Portfolio Specifics

Stock	Average Weight	Absolute Contribution
Contributors		
Matador Resources	0.8%	0.58%
SPS Commerce	0.9%	0.53%
Hill-Rom Holdings	1.2%	0.43%
Houlihan Lokey	2.6%	0.33%
First American Financial	2.6%	0.28%
Detractors		
Mercury Systems	1.7%	-0.57%
CMC Materials	2.0%	-0.38%
National Health Investors	1.7%	-0.35%
ManTech International	2.7%	-0.34%
ONE Gas	2.2%	-0.32%

Outlook

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.

Last quarter it appeared the economy had completed a "V shaped" recovery, as stocks nearly doubled from their COVID lows. This massive rebound can be primarily attributed to policy tailwinds. The M2 money supply is up nearly a third since the end of 2019; it's probably not a coincidence that this nearly matches the stock market's gains. Emergency stimulus spending has been a multiple of that employed during the global financial crisis. Perhaps the biggest tailwind has been COVID vaccinations, which returned mobility to nearly pre-pandemic levels in some places. As of early October, 57% of Americans are fully vaccinated. While some areas such as travel and leisure continue to be buffeted by COVID-related headwinds, much of the economy has regained or even surpassed its prior trendline.

Going forward, a rising tide may not lift all ships, and we are braced for a more volatile fall and winter. Government stimulus is beginning to roll off. The Fed has laid the groundwork for tapering asset purchases, while making it clear this does not mean rate hikes are imminent. If anything, policy tailwinds are poised to become headwinds. As of this writing, there remains uncertainty regarding passage of the president's bipartisan infrastructure proposal and larger spending bill. The most probable outcome would be a more scaled back plan. However, any package that is passed would likely be attached to an increase in personal and corporate taxes, which could eat into current 2022 earnings forecasts.

Amidst this backdrop, the most pressing topic has been inflation that has proven to be far from "transitory." Many supply chain bottlenecks driving up prices have yet to subside. Difficulties finding workers has driven wage growth higher, which may put pressure on corporate profit margins. Stock valuations are at extreme levels, reducing the risk/reward calculus for investors and limiting price appreciation potential to earnings growth. Heightened volatility is likely. As such, we recommend investing in companies that are well positioned to pass along price increases. We believe this environment remains supportive of companies paying and raising their dividends. Dividends serve the dual purpose of blunting portfolio volatility, while dividend growth may help offset inflation, offering more defensive positioning in uncertain markets.

NFJ Small-Cap Value Wrap Strategy

Portfolio Statistics as of September 30, 2021

Sector Allocation (%)



	Portfolio	Russell 2000 Value
■ Communication Services	1.9	4.3
■ Consumer Discretionary	11.8	8.0
■ Consumer Staples	1.4	2.8
■ Energy	1.5	7.1
■ Financials	28.5	26.2
■ Health Care	6.1	11.2
■ Industrials	17.9	14.8
■ Information Technology	7.9	5.4
■ Materials	5.8	4.6
■ Real Estate	8.8	11.1
■ Utilities	5.7	4.6

Characteristic	Portfolio	Russell 2000 Value
Dividend Yield (trailing 1YR, %)	1.69	1.67
Dividend Growth (5YR wtd avg, %)	12.36	2.98
Price-to-Earnings (next 12Mos.)	16.89	13.24
Price-to-Earnings (trailing 1YR)	20.14	14.20
Return on Equity (%)	11.56	5.27
Return on Assets (%)	5.76	1.43
Earnings Growth (trailing 3YR avg)	18.16	2.47
Earnings Growth (trailing 5YR avg)	17.31	6.54
Market Cap (wtd avg, \$ bn)	4.4	2.9
Number of Holdings	68	1,429

Top Ten Positions	Portfolio Weight (%)
Enterprise Financial Services	3.2
Walker & Dunlop	3.0
Community Bank System	2.8
Houlihan Lokey	2.7
ManTech International	2.6
Kinsale Capital Group	2.5
CMC Materials	2.2
ONE Gas	2.2
Hannon Armstrong Sustainable Infrastructure Capital	2.1
First American Financial	2.0
TOTAL	25.2

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 Small-Cap Value Wrap Strategy

Schedule of composite performance results as of March 31, 2021

Year	Composite Return Gross (%)	Composite Return Net (%)	Russell 2000 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)
3/31/21	11.7	10.9	21.2	21.9	26.6	0.1	42	18.3	5,739
2020	-2.5	-5.4	4.6	21.7	26.1	0.3	35	14.6	
2019	28.2	24.4	22.4	15.5	15.7	0.4	44	22.3	
2018	-12.6	-15.2	-12.9	14.3	15.8	0.3	44	18.9	
2017	14.8	11.4	7.8	11.4	14.0	0.3	54	25.6	
2016	23.8	20.1	31.7	12.3	15.5	0.4	59	34.3	
2015	3.5	0.5	-7.5	10.7	13.5	0.3	68	29.6	
2014	1.0	-2.0	4.2	10.7	12.8	0.3	75	31.4	
2013	31.4	27.5	34.5	14.1	15.8	0.4	157	66.5	
2012	3.9	0.8	18.1	-	-	0.5	211	71.9	
2011	-0.2	-3.1	-5.5	-	-	0.4	266	111.2	

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 Small Cap Value Wrap Composite (the “Composite”) consists of portfolios that invest in a diversified group of small capitalization stocks considered to have attractive valuations and return value to shareholders. Each company typically has a minimum market capitalization of at least \$100 million at purchase. 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 2000 Value Index measures the performance of the 2,000 smallest 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. 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 “NA”. **Past performance is not indicative of future results.**