SEIX INVESTMENT ADVISORS
A VIRTUS INVESTMENT PARTNER

Continued Focus on Higher Quality

> We see a great entry point into the loan market, with the average price just above 93 to start the year. Starting yields near 10% are the highest since 2009 and should pay investors for the likely modest rise in defaults this year. There are highly levered LBOs that many own because of their index weight, but this is not the time to own those. Active management will be crucial in a slowing economy.

> In 2023, we expect total returns of 5-6% for the loan market depending on the depth of the recession and short-term interest rate progression.

> In the high yield space, a stable 10-year, better than expected earnings, reasonable valuations and a very good technical stoked a rally in the asset class for the final quarter of the year. The overall ICE BofA High Yield Index returned 3.98% for Q4, and the ICE BofA U.S. High Yield Index Constrained Index had a 4.32% return.

> The ICE BofA High Yield Index started the quarter with a 9.58% yield to worst and ended 4Q22 with an 8.99% yield. The ICE BofA High Yield Index started the fourth quarter with a 543 basis points (bps) option-adjusted spread (OAS) and ended the quarter with a 481 bps OAS.

LEVERAGED LOANS

More Retail Outflows, Less CLO activity, and Subdued Issuance

Performance: For 4Q, the JP Morgan Leveraged Loan Index saw a return of 2.79%. For 2022, the index provided a modest 0.06% gain. On balance, the index saw a modest increase in price/yield tightening.

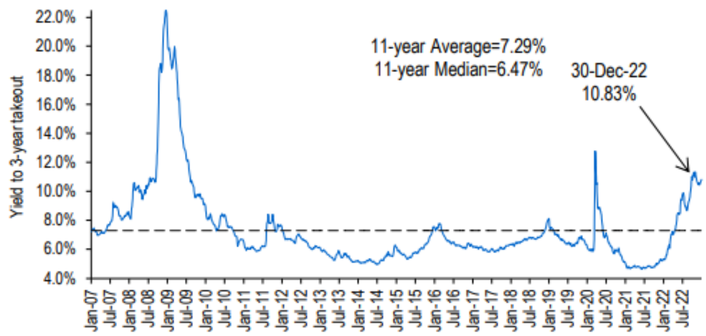
For Q4, top contributors by industry were metals/mining +4.88%, energy +4.58% and housing +4.34%. No industry was a detractor, with healthcare +1.23%, broadcasting +1.42% and technology +2.33% contributing the least.

For 2022, top contributors by industry were: energy +7.4%, utilities +5.2%, and transportation +3.4%. Detractors were consumer products -4.2%, healthcare -2.7%, and metals/mining -2.5%.

For Q4, Single-B rated loans returned +2.8% compared to returns of +2.47% and -2.38% for BB and Split- B/CCC rated loans, respectively.

As of 12/31/22: The yield to 3-year takeout was 10.83% (versus 11.04% for Q3), down 21 bps for the quarter. The price on the JP Morgan Leveraged Loan Index was approximately $92.82, up $0.62 for the quarter.

YIELD TO 3-YEAR TAKEOUT



Source: J.P. Morgan, IHS Markit

LEVERAGED LOAN INDEX PROFILE

Summary profile of J.P. Morgan Leveraged Loan Indices as of December 30, 2022

	Leveraged Loan	Liquid	Second Lien	BB/B	EUR/GBP
Market Value ($mn)	1,405,439	481,303	59,775	1,247,801	283,877
Number of Loans	1,698	198	226	1,365	457
Number of Borrowers	1,465	198	220	1,181	368
Average Rating	B	Split BB	Split B/CCC	Split BB	B
Margin	L+367	L+330	L+712	L+350	L+374
Current Yield	8.94%	8.44%	14.32%	8.59%	6.09%
Years to Maturity	4.52 yrs	4.67 yrs	5.52 yrs	4.59 yrs	4.33 yrs
Price	92.82	93.75	80.88	94.49	91.16
Yield	10.83%	9.96%	18.75%	9.95%	10.74%
Spread	656bp	571bp	1448bp	570bp	743bp
DM	597bp	509bp	1388bp	510bp	812bp

Note: Yield, spread and DM are to 3-year takeout and based on forward curve analytics. Source: J.P. Morgan; IHS Markit

Issuance: 4Q gross issuance remained subdued totaling $47.4 billion reflecting the impact of higher rates. For 2022, issuance totaled $252.5 billion or $163.1 billion net of refi/re-pricing, which were down 70% and 60% compared to FY 2021, respectively.

Demand: 4Q fund outflows totaled -$11.4 billion. 2022 outflows totaled -$11.4 billion (-$4.9 billion ETF), which compares to inflows of +$46.5 billion (+$10.0 billion ETF) in FY 2021. Q1’22 inflows were offset by outflows for the balance of the year.

4Q CLO volume continued to moderate at $23.0 billion compared to 3Q's volume of $33.0 billion. For 2022, 323 U.S. CLOs priced totaling $149.6 billion ($127.5 billion ex-refinancing and $22.2 billion refinancing). For context, in full-year 2021, 920 U.S. CLOs priced for $421.1 billion ($183.7 billion ex-refinancing and $201.7 billion refinancing).

Default Rates: The loan par-weighted default rate including distressed exchanges ended December at 1.64%, deteriorating one bp for the quarter and 99 bps for the year per JPMorgan. For context, the long-term average default rate for leveraged loans is 3.1% per JPMorgan.

OUTLOOK

In 2023, we expect total returns of 5-6% for the loan market depending on the depth of the recession and short-term interest rate progression.

According to Bloomberg, the market expects short-term rates to rise in early 2023, peak near mid-year, and drift lower to end the year near today's 4.33% level. We expect rising rates to provide a tailwind to the floating rate loan asset class. We also expect defaults to tick up in 2023 to more recessionary levels near 3.0% from 1.6%. Our underweight in lower-rated loans should dampen defaults' negative impact on our portfolios.

HIGH YIELD

Potential Opportunities for Long-Term Diversified Investors

The high yield market experienced its second worst calendar year performance ever (2008 was the worst calendar year) declining 11.22% as measured by the ICE BofA U.S. High Yield Index ("H0A0"). Interestingly, high yield outperformed the investment grade market which declined by 15.44% as measured by the ICE BofA U.S. Corporate Index ("C0A0"). The move in Treasury rates drove most of the performance for the two markets as higher rated credits were more affected by the rate move while the lower rated credits experienced a greater impact due to spread widening. The full high yield market began the year with a yield to worst ("YTW") of 4.32% and an OAS of 310 bps and ended the year with a YTW of 8.99% and OAS of 481 bps, suggesting that the rate move was more impactful to performance than spread widening.

BBs as measured by the ICE BofA BB U.S. High Yield Index ("H0A1") declined 10.57% for the year, single-Bs as measured by the ICE BofA U.S. High Yield Index ("H0A2") declined 10.58% and CCC's as measured by the ICE BofA CCC & Lower U.S. High Yield Index (H0A3) declined 16.32%. Notable underperforming segments of the market for the year included the ICE BofA U.S. Distressed High Yield Index ("H0DI") which declined 27.36% (this index has a CCC1 composite rating) and the ICE BofA 10+ Year U.S. Cash Pay High Yield Index ("J9A0") which declined 22.46% (this index has a BB2 composite rating).

Top performing sectors in high yield for the year included transportation (-4.15%), aerospace (-4.24%), gaming (-5.48%) and energy (-5.52%). Bottom performing sectors included non-food retail (-21.75%), entertainment (-19.25%), broadcasting (-16.65%) and healthcare (-16.33%).

SPREAD CHANGES

The ICE BofA U.S. High Yield Index started the quarter with a 9.58% yield to worst and ended 4Q22 with an 8.99% yield. The ICE BofA High Yield Index started the fourth quarter at a 543 bps OAS and ended the quarter at a 481 bps OAS.

The BB index started the quarter with a yield of 7.80% and ended with a yield of 7.26%. The index's OAS tightened from 366 bps to 308 bps during the quarter

The yield to worst on the single-B index started the quarter at 9.91% and ended at 9.34%. The OAS on the single-B index tightened from a 574 bps OAS to 515bps OAS.

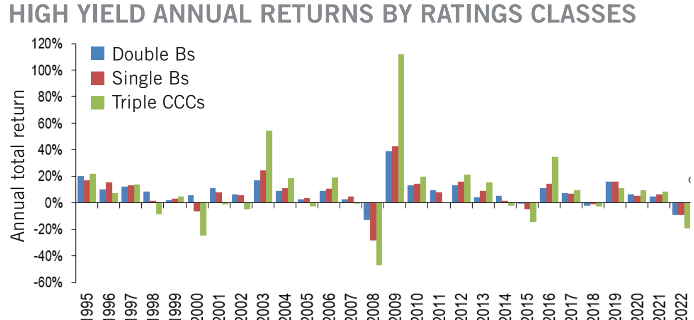
CCC's yields fell from 16.9% to 15.87% during the quarter. The OAS on the CCC index tightened from 1281bps to 1170 bps.

Default Activity: According to JP Morgan, the high yield default rate increased 129 bps for the quarter to 1.65 %. Year to date, $26.3 billion in bonds have defaulted. There were $21.4 billion in distressed exchanges for 2022. This was the largest amount since 2008.

Supply for the quarter/year: For the quarter there was $16.6bn in gross supply, For the year supply totaled $106.5 billion or $56.1 billion ex-refi in 2022, which was down 78% and 71%, respectively, over a year ago. In 2022, refinancing activity led in terms of use of proceeds totaling $50.4 billion (47% of gross volume), while acquisition financing totaled $30.3 billion (28%), general corporate financing totaled $23.3 billion (22%), spin-off financing totaled $2.4 billion (2%), and dividend deals totaled $50 million.

Flows: Retail inflows for high yield bond funds total $7.3bn in 4Q, which bought 2022's outflow to a record $47bn.

HIGH YIELD ANNUAL RETURNS BY RATINGS CLASSES



Source: JP Morgan

OUTLOOK: SUPPORTIVE TECHNICALS AND ENDURING FUNDAMENTALS

The weakness across the fixed-income markets and high yield specifically has created potential opportunities for long-term diversified investors. Yields for the high yield market are at levels that are among the highest since the Global Financial Crisis (GFC): spreads more than compensate for what we believe will be the future default experience; fundamentals, while likely to weaken in 2023, are at or near the best levels ever for the asset class; and technicals are supportive and are likely to remain so for the foreseeable future. Having said all that, we do believe that the best risk-adjusted return opportunities broadly are in the higher-rated part of the high-yield market and the lowest tier of investment grade corporate bonds. While we are a bottom-up money manager and build the portfolios from the bottom up, we are top-down aware and realize that we are entering uncharted territory as global central banks reverse the significant quantitative easing that has been a key part of the capital markets since the GFC. Accordingly, balance sheet flexibility is an important consideration for a corporate investment given an uncertain earnings outlook for many sectors.

From a valuation perspective, yields and spreads have increased considerably through 2022. The fundamentals of the market are also supportive. Further, leverage ratios are right at the lowest levels ever for the asset class and are at the lowest levels ever if adjusted for gaming and transportation that are still benefiting from the economy reopening.

While fundamentals will likely weaken through 2023, the asset class is entering the expected slowdown in its best fundamental shape ever. We believe this will be an important consideration keeping defaults below past cycle highs. In addition, we believe the asset class has evolved over the past 15+ years to consist of larger companies. As a result, we believe investors waiting for past recessionary spread levels to reenter the asset class could end up being disappointed as the asset class ends up proving more resilient than many anticipate.

The other key consideration is that technicals have been supportive despite the outflows from the asset class, largely due to low levels of new issuance and the significant percentage of the asset class that has been upgraded back to investment grade.

In summary, we believe fixed income investors have a much better opportunity to benefit from the income generation capabilities and diversification benefits of an allocation to high yield.

continued

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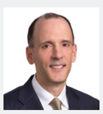
Leveraged Loans



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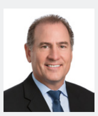

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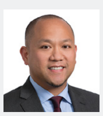

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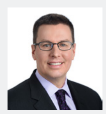
High Yield



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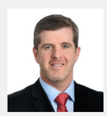

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Seix Investment Advisors, a division of Virtus Fixed Income Advisers, LLC, is an investment management boutique focused exclusively on managing fixed income securities since 1992. Seix seeks to generate competitive absolute and relative risk-adjusted returns over the full market cycle through a bottom-up focused, top-down aware process. Seix employs multi-dimensional approaches based on strict portfolio construction methodology, sell disciplines, and trading strategies with prudent risk management as a cornerstone.

ICE BofA U.S. High Yield Cash Pay Index is an unmanaged index consisting of all domestic and Yankee high-yield bonds maturing over one year. The quality range is less than BBB-/Baa3 but not in default (DDD1 or less). The **ICE BofA U.S. High Yield Constrained Index** is a market-value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3 but are not in default. The ICE BofA U.S. High Yield Constrained Index limits any individual issuer to a maximum of 2% benchmark exposure. The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market. The **J.P. Morgan Leveraged Loan Index** is designed to mirror the investable universe of U.S. dollar institutional leveraged loans, including U.S. and international borrowers. **ICE BofA U.S. High Yield Index (H0A0)** tracks the performance of U.S. dollar denominated below investment grade rated corporate debt publicly issued in the U.S. domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating and an investment grade rated country of risk. The **ICE BofA BB U.S. High Yield Index (H0A1)** is a subset of the ICE BofA U.S. High Yield Master II Index and includes all securities with a given investment grade rating BB. The **ICE BofA CCC & Lower U.S. High Yield Index (H0A3)** subset includes all securities with a given investment grade rating CCC or below. The **ICE BofA Single-B U.S. High Yield Index (H0A2)** subset includes all securities with a given investment grade rating B. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

The **Secured Overnight Financing Rate (SOFR)** is widely accepted as the LIBOR replacement for loans. SOFR is based on overnight Treasury Repo Rates with nearly $1 trillion of underlying daily transactions and not subject to market manipulation. Since SOFR is a daily rate, Term SOFR was developed as a forward-looking rate from SOFR futures trading.

A **Basis Point (bp)** is equal to 0.01%.

Collateralized Loan Obligations are securities backed by a pool of assets often low-rated corporate loans.