Investment Case:
Virtus Newfleet Multi-Sector Bond ETF

NFLT

Traditional core bond portfolios alone are unlikely to provide the diversification a fixed income investor needs in our current macro climate. A global scope and scale is essential to deliver risk management that covers a wide range of necessary concerns, including duration, credit quality, governmental, and default risk.

The Risks of "Old Core" Bond Investing

The traditional core bond portfolio, as represented by the Bloomberg U.S. Aggregate Bond Index, has grown less attractive since the financial crisis of 2008. Some elements of the market have changed—while other foundations remain steady. Achieving a successful long-term outcome requires a nuanced understanding of today's playing field.

In our experience, typical retail managers may be ill-equipped to select fixed income assets across sectors that will provide consistently compelling risk-adjusted returns. We believe an active multi-sector manager with deep fixed income experience is better positioned to help investors cover the fixed income spectrum with timely investment opportunities.

WHAT'S NEW?	WHAT'S NOT?
The strong return tailwind from a 30-year decline in interest rates is over	The roles fixed income serves in a portfolio—income, return, diversification
The scope and extent of central bank market intervention	Bond math: price and yield are inversely related
Bond market (il)liquidity	Sources of bond risk: duration, credit, currency, liquidity, inflation
Market complexity	Importance of rigorous fundamental research and risk management

What Is Multi-Sector Management?

Fixed income securities span multiple bond segments across sectors such as investment grade, high yield, bank loans, securitized credit, municipal bonds, and emerging markets.

Experienced investment professionals actively analyze opportunities across these sectors to help generate overlooked yield while avoiding poorly performing credits.

Agency Debentures	Corporates – High Yield	Non-Agency Residential MBS
Asset Backed Securities	Emerging Markets – High Yield	Other (Non-dollar)
Bank Loans	Mortgage Backed Securities	Taxable Municipals
Collateralized Mortgage Obligations	Municipals	Treasuries
Corporates – High Quality	Non-Agency Commercial MBS	Yankees – High Quality

Potential Benefits of a Multi-Sector Approach

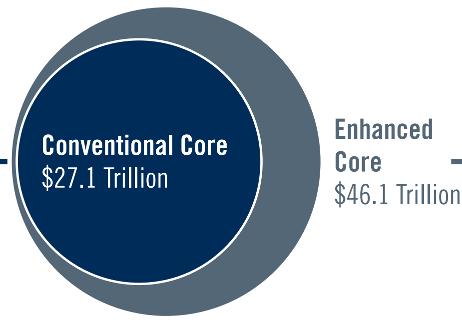
A multi-sector approach may help investors outsource the complexity of managing credit and duration risks while finding opportunities for yield. Active multi-sector portfolio managers can dynamically allocate exposures to various sectors based on specific opportunities in the market with the goal of delivering attractive risk-adjusted returns over time.

NFLT: A global, multi-sector perspective creates opportunity

The **Virtus Newfleet Multi-Sector Bond ETF** includes investments across the global fixed income universe in an easily accessible vehicle with daily liquidity and low fees. Individual opportunities are screened with a fundamental approach that emphasizes both quantitative and qualitative analysis. The investment management team seeks broad diversification across industries and issuers and can opportunistically invest in below-investment grade and non-U.S. debt in search of high current income and long-term returns.

Newfleet is a pioneer in enhanced multi-sector investing, with a purview 60% larger than the size of the traditional core bond market. That perspective is critical in shifting from “old core” to “enhanced core” bond investing.

$11.3 tn	U.S. Government Securities
7.0 tn	Agency Mortgage-Backed Securities
6.7 tn	Investment Grade Corporate Bonds
1.1 tn	Investment Grade Yankee Bonds
430 bn	Commercial Mortgage-Backed
131 bn	Asset-Backed Securities
399 bn	Taxable Municipals



$1.6 tn	Municipals
1.3 tn	High Yield Bonds
608 bn	Residential Mortgage-Backed
11.8 tn	Non-U.S. Dollar
2.0 tn	Emerging Markets Bonds
278 bn	Convertibles
1.3 tn	U.S. High Yield Loans
130 bn	Preferred Stock

As of 3/31/2024. Source: Bloomberg, Merrill Lynch, JP Morgan, Morningstar LSTA US Leveraged Loan TR USD. Holdings subject to change.

Multi-Sector Investment Process

NFLT’s research intensive, multi-sector analysis begins with top-down sector allocation to identify relative value sector opportunities, followed by bottom-up security selection across the investable universe. The portfolio is then actively managed through reviews, as well as risk, credit, and performance attribution over time.

SECTOR ANALYSIS AND ALLOCATION

Newfleet follows a three-step process to analyze and allocate sectors in the Fund.

STEP 1: EVALUATE

Determine the relative value of sector allocation by analyzing fixed income fundamentals, technicals, and valuations.

STEP 2: COMPARE

Compare relative sector value by risk category, including interest rate and currency risk.

STEP 3: ALLOCATE

Optimize intra-sector positioning by credit quality, duration, and non-U.S. exposure.

SECURITY SELECTION

Newfleet screens individual securities using an in-house platform that systematically analyzes credit fundamentals and a wealth of fixed income research. Investment ideas are debated by the team in a credit review meeting before implementation into the Fund.

- INITIAL SCREEN
- FOCUS ON RELATIVE VALUE
- CAPITAL STRUCTURE ANALYSIS
- CREDIT REVIEW MEETING

MULTI-DIMENSIONAL RISK MANAGEMENT

Newfleet monitors the Fund from three perspectives to understand its sources of risk and return, then continually assesses the ways market dynamics are impacting investments.

- CREDIT REVIEW MEETING
- TECHNOLOGY
- INDEPENDENT OVERSIGHT

About Newfleet Asset Management

With more than a quarter century of investment experience across the full fixed income universe, Newfleet Asset Management brings a wealth of active multi-sector acumen, individual security selection expertise, and a repeatable risk management process to the Virtus Newfleet Multi-Sector Bond ETF (NFLT).

Newfleet rotates holdings across fixed income sectors in an effort to benefit from timely opportunities and manage risk in the Fund. It's a hallmark of their relative value approach, specifically designed to provide compelling risk-adjusted returns.

- **Continuity & Longevity –** Key members of our team and essential aspects of our process have been in place for more than 20 years.
- **Experience & Discipline –** Years of collective experience provide an overlay of sound judgement on disciplined and systematic processes.
- **Collaborative & Team-Based Culture –** Our sector specialists are able to make highly informed investment decisions, leveraging the research and ideas of their colleagues.
- **Advantageous Size –** Our assets are large enough to maintain strong relationships with Wall Street, yet we remain nimble in our trades and are able to participate in a wide range of opportunities.

Key Features

1. **High-Conviction Portfolio**
   Opportunistic, diversified portfolio pursues the greatest risk/reward potential across bond markets.
2. **Flexible Fixed Income Exposure**
   Portfolio exposure is unconstrained across sectors with no target duration.
3. **Active Sector Rotation**
   Top-down analysis considers the relative attractiveness of bond sectors, evaluating fundamentals, yields, spreads, and supply/demand dynamics.

IMPORTANT RISK CONSIDERATIONS

Exchange-Traded Funds (ETF): The value of an ETF may be more volatile than the underlying portfolio of securities it is designed to track. The costs to the portfolio of owning shares of an ETF may exceed the cost of investing directly in the underlying securities. **Credit & Interest:** Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **High Yield Fixed Income Securities:** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Bank Loans:** Bank loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be less liquid and may trade infrequently on the secondary market. Bank loans settle on a delayed basis; thus, sale proceeds may not be available to meet redemptions for a substantial period of time after the sale of the loan. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the non-repayment of underlying collateral, including losses to the portfolio. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **Market Price/NAV:** At the time of purchase and/or sale, an investor's shares may have a market price that is above or below the fund's NAV, which may increase the investor's risk of loss. **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 or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

INDEX DEFINITIONS

The **Bloomberg US Aggregate Bond Index** measures the U.S. investment grade fixed-rate bond market. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

The Fund is an actively managed exchange-traded fund and does not seek to replicate the performance of a specified index. The Fund may have a higher portfolio turnover than funds that seek to replicate the performance of an index.

Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, contact your financial professional, call 800-243-4361, or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

Not FDIC Insured	May Lose Value	Not Bank Guaranteed