



## **Virtus Family Office, LLC**

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### **Form ADV Part 2A Firm Brochure March 31, 2023**

This Brochure provides information about the qualifications and business practices of Virtus Family Office, LLC. If you have any questions about the contents of this Brochure, please contact us at 915.730.3885, or via email at [angelicap@virtus-usa.com](mailto:angelicap@virtus-usa.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Virtus Family Office, LLC is a registered investment advisory firm. Registration of an investment advisory firm does not imply a particular level of skill or training.

Additional information about Virtus Family Office, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2** **Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of our Firm Brochure. This Item discusses only specific material changes made to this Brochure and provides our clients with a summary of such changes.

### **Material Changes since the Last Update**

Since the last amendment filed September 21st, 2022, the following material changes have been made:

Item 4: Assets Under Management have been updated

Item 7: Increased the preferred minimum account balance

Item 8: Added Private Debt to our Investment Strategies

### **Full Brochure and Additional Information**

Full Brochure and additional information about Virtus Family Office, LLC are available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered or are required to be registered as investment adviser representatives ("IAR"). Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of our Firm Brochure. This Item discusses only specific material changes made to this Brochure and provides our clients with a summary of such changes.

## ITEM 3 Table of Contents

ITEM 1	Cover Page.....	1
ITEM 2	Material Changes.....	2
ITEM 3	Table of Contents.....	3
ITEM 4	Advisory Business.....	4
ITEM 5	Fees and Compensation.....	5
ITEM 6	Performance-Based Fees and Side-By-Side Management.....	7
ITEM 7	Types of Clients.....	7
ITEM 8	Methods of Analysis, Investment Strategies, and Risk of Loss.....	8
ITEM 9	Disciplinary Information.....	12
ITEM 10	Other Financial Activities and Affiliations.....	122
ITEM 11	Code of Ethics, Participation in Client Transactions and Personal Trading.....	122
ITEM 12	Brokerage Practices.....	133
ITEM 13	Review of Accounts.....	144
ITEM 14	Client Referrals and Other Compensation.....	155
ITEM 15	Custody.....	155
ITEM 16	Investment Discretion.....	166
ITEM 17	Voting Client Securities.....	166
ITEM 18	Financial Information.....	166

## Advisory Business

### FIRM INFORMATION

Virtus Family Office, LLC (“Virtus,” “we,” “us,” “our”), a Texas Limited Liability Company formed in July 2018, is a registered investment advisory firm located in El Paso, Texas. We are registered through and regulated by the United States Securities and Exchange Commission (“SEC”). We provide investment advisory services primarily to high net worth individuals, ultra-high net worth individuals, corporations, charitable organizations and estates, pooled investment vehicles and other business entities.

### PRINCIPAL OWNERS

Virtus is owned and controlled by Skylight Capital Partners LLC (29%), CJMM Investments, LLC (29%), and Consultoria y Asesoría Fundamental, S.A.S (29%). Angelica Peralta is the Chief Compliance Officer.

### INVESTMENT ADVISORY SERVICES

#### **Asset Management Services:**

We provide asset management services in which investment advisers manage your accounts on either a discretionary or non-discretionary basis. Our services provide additional investment opportunities among stocks, bonds, exchange-traded funds (ETFs), Real Estate Investment Trusts (REITs), and other securities. Our asset management services involve providing you with the continuous and ongoing supervision of your custodial accounts.

#### **Financial Planning and Consulting Services:**

We provide financial planning services that find ways to help you understand your overall financial situation and help you set financial objectives. We accomplish this by helping you review your financial goals, tax planning strategies, asset allocation, risk management, retirement planning, and other areas and objectives. Generally, such financial planning and consulting services will involve preparing a financial plan or rendering a financial consultation based on your financial goals and objectives. Virtus will summarize its services in a written plan, which will typically include general recommendations for a course of action or specific actions for you to take. Implementation of the recommendations will be at your discretion. Virtus provides its financial planning and consulting services on either a project basis or as an ongoing, comprehensive annual plan.

#### **Fund Investment Management Services:**

Virtus is the Investment Manager to VFO Alternative Investment Fund (the “Fund”), a pooled investment vehicle. The Fund will allocate capital into other private funds investing in Private Equity, Venture Capital, Private Debt, Real Estate Funds, Infrastructure, and/or others. The selection process considers the investment strategy, regional exposure, fund management and experience, cost structure, risk profile, and other factors.

Our services are tailored specifically to meet the investment objectives of the Fund. Investors in the Fund will have no ability to direct or restrict investments by the Fund in any capacity.

**Third-Party Money Management Services:**

We may recommend third-party money managers (“TPMMs”) to manage part or the client’s entire portfolio. TPMMs may be recommended when the TPMMs’ philosophy, investment strategy, and style meets the client’s financial situation, investment objectives, and risk tolerance. The asset management services provided by the TPMMs, the compensation to be paid, and other terms of the relationship between the client and the TPMMs will be described in the TPMMs’ disclosure documents and its managed account agreement.

**CLIENT INVESTMENT OBJECTIVES/RESTRICTIONS**

Virtus offers the same suite of services to all our clients. However, specific client financial plans and their implementation are dependent upon the individual client’s Investment Policy Statement, which outlines a client’s current financial situation such as income, net worth, and risk tolerance levels. This information is essential in the development of a client-specific plan in the selection of investments that matches restrictions, needs, and targets. On a case by case basis, our clients may impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent us from properly servicing the client’s account, or if the restrictions would require us to deviate from our standard suite of services, we reserve the right to end the relationship. We may request additional information and documentation such as current investments, tax returns, insurance policies, and estate plan. We will discuss your investment objectives, needs, and goals, but you must inform us of any changes. Unless directed by you, we do not independently verify any information provided to us by you or your attorney, accountant, or other professionals.

**WRAP FEE PROGRAMS**

Virtus does not participate in, recommend, or offer wrap fee programs.

**ASSETS UNDER MANAGEMENT**

As of December 31, 2022, Virtus managed assets totaling \$344,698,590.39 all on a discretionary basis.

**ITEM 5 Fees and Compensation****ANNUAL FEES FOR ADVISORY SERVICES**

Virtus is compensated for providing Asset Management services by charging an asset management fee of up to 1.0%. The asset management fee is based on the total assets under management and may be negotiable.

The fees charged for financial planning services are project-driven. The fees are negotiable and vary depending on the complexity of the process undertaken, the types of issues addressed, the scope of services provided, and the frequency with which the services are rendered. We charge an annual fee of up to 1.0% of the client’s net worth or up to 1.50% of the transaction amount for business-related planning projects. The exact fee will be agreed upon before entering into the Investment Advisory Agreement you sign.

We may waive the agreed-upon financial planning fees if you engage our asset management services.

When Virtus directs clients to third-party money managers, it will be compensated via a fixed fee payable monthly or quarterly in advance or arrears. This relationship will be disclosed in each contract between the client and each third-party adviser. The fees shared will not exceed any limit imposed by any regulatory agency. The exact fee will be disclosed in the Investment Advisory Agreement you sign. Virtus is compensated for providing Fund Investment Management services by charging an assets under management fee of up to 1.25%. The asset management fee is based on the total assets under management and may be negotiable.

These fees are negotiable depending on the client's needs and the complexity of the account.

## **FEE BILLING & PAYMENT**

Asset management fees are invoiced and billed directly to you either monthly, quarterly, semiannually and annually in arrears. Payments are due on the first day of the calendar month or quarter, semiannually or annually and are based on the daily average. The fee for the subsequent month or quarter, semiannually or annually is billed and payable within ten (10) days after the end of either the month, quarter, semiannually or annually. The fee billing will be pre-determined in writing in the investment advisory agreement that is executed by you and Virtus. We will deduct our asset management fee only when in receipt of your written authorization by executing an investment advisory agreement permitting the fees to be paid directly from your account. In regards to currencies the account will be charged in the currency that it is holding to avoid any foreign currency risk. We will send a copy of your invoice to the custodian at the same time that we send a copy to you. The qualified custodian will deliver an account statement to you at least quarterly, which will show all disbursements from your account. We urge you to review all statements for accuracy.

Financial planning and consulting fees will be assessed as an annual fee, payable monthly, quarterly, semiannually or annually in advance. In no case will Virtus require a fee of \$1200 or more to be paid 6 months or more in advance. Financial planning and consulting fees are paid via credit card, check or wire transfer. A portion of the transaction-based planning fee may be charged in advance in certain instances.

In TPMM accounts, Virtus typically charges a fixed fee payable monthly or quarterly in arrears or in advance. The fee is dependent on the number of managers and custodians used by the client. The third-party adviser deducts the advisory fee from the client's account and then will forward a portion of the fee to our firm. We urge our clients to refer to the selected TPMM's disclosure documents for exact fees and expenses charged by each such TPMM, as well as minimum account requirements, refund, and termination provisions. A complete description of each program can be found in disclosure materials prepared by the TPMM, which we will provide to the client at the time we recommend the program.

You are responsible for all third-party fees (i.e., custodian fees, mutual fund fees, transaction fees, etc.). These fees are separate and distinct from the fees and expenses charged by Virtus.

## **TERMINATION OF AGREEMENT**

Either party may terminate the investment management agreement by providing 30-day advance written notice. Upon termination of any account or service, any prepaid, unearned fees will be promptly refunded on a pro-rata basis, and any earned, unpaid fees will be due and payable up to and including the effective date of termination.

Notwithstanding the above, if we do not deliver the appropriate disclosure statement to you at least 48 hours prior to you entering into any written or oral advisory contract with this us, then you have the right to terminate the contract without penalty within five (5) business days after entering into the contract.

### **OTHER EXPENSES AND FEES**

The fees discussed above include payment solely for our asset management and financial planning services provided by us and are separate to certain fees or charges that are imposed by third parties in connection with investments made on your behalf for your account. Third-party fees may include markdowns, markups, brokerage commissions, other transaction costs, and/or custodial fees.

Also, all fees paid to us for asset management services are separate from the expenses charged by exchange-traded funds and mutual funds to their shareholders. These fees and expenses will be used to pay management fees for the funds, other fund expenses, account administration, and a possible distribution fee. Exchanged traded funds and mutual funds can be invested in directly by you without our services. However, you would not receive our services to assist you in determining which products or services are most suitable for your financial situation and objectives. You should review both the fees we charge and the fees charged by the fund(s) to understand the total fees to be paid fully.

## **ITEM 6**

### **Performance-Based Fees and Side-By-Side Management**

We do not charge any performance-based fees, which are fees based on a share of capital gains on or capital appreciation of your assets.

We could be subject to a conflict of interest because varying compensation arrangements among the Fund and other clients (including the SMA) could incentivize us to manage the Fund and such other clients differently. These and other differences could make the Funds less profitable to us than certain other clients. For example, the compensation earned by us and our affiliates from other clients may be greater than the compensation earned from the Funds. Since we may, at times receive greater compensation from such other clients than the Funds, we will have a conflict of interest in allocating trades among the Funds and the other clients. We also face a conflict of interest if our principal, his affiliates and/or senior management employees have a greater financial interest in other clients over the Funds (or another client with overlapping trading strategies). To mitigate such conflicts of interest, we generally follow documented policies and procedures in allocating trading opportunities among client accounts as described below, which do not take into account the fees and/or allocations to which such accounts are subject or the financial interest that our principal, his affiliates and/or senior management employees may have in the Funds or any other client. We charge performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **ITEM 7**

### **Types of Clients**

We provide our investment advisory services to:

- High Net Worth Individuals including Ultra-High Net Worth Individuals
- Estates or charitable organizations

- Corporations
- Pooled investment vehicles
- Other business entities

We have a preferred minimum account size of \$3,000,000. We may consider clients with less than this minimum in circumstances as determined at our discretion.

## ITEM 8

# Methods of Analysis, Investment Strategies, and Risk of Loss

## METHODS OF ANALYSIS

We use various methods of analysis and investment strategies. Methods and strategies will vary based on the IAR, providing advice.

**Fundamental Analysis** – We evaluate economic and financial factors to determine if a security can be underpriced, overpriced, or fairly priced. This method entails assessing a security by attempting to determine its intrinsic value by examining related financial, economic, and other qualitative and quantitative factors. Fundamental analysis requires an in-depth look at all factors that can affect the security's value, from macroeconomic factors (like the overall economy and industry conditions) to individually specific factors (like the financial situation and management of companies). The overall objective of performing the fundamental analysis is to determine a value that an investor can use to determine what sort of position to take with that security. This method of security analysis is contrary to technical analysis. Fundamental analysis involves using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and/or company developments can result in significant price fluctuations that can lead to investor losses.

## INVESTMENT STRATEGIES

When formulating investment advice or managing client assets, we will use long-term investment strategies. There are inherent risks associated with this strategy in that a long-term strategy may not take advantage of short-term gains or may experience more volatility over the life of the portfolio.

## POTENTIAL RISKS

Investing involves different levels of risk that can result in loss of any profits and/or principal you have not realized. We manage your account in a manner consistent with your pre-determined risk tolerance and suitability profile. However, we cannot guarantee that our efforts will be successful. Investing in securities involves the risk of loss clients should be prepared to bear.



**Investing involves the assumption of risk, including:**

**Financial Risk:** which is the risk that the companies we recommend to you perform poorly, which affect the price of your investment. Loss of all or a substantial portion of the investment is possible.

**Liquidity Risk:** arises from situations in which we might not be able to trade a bond, stock or ETF due to lack of buyers or sellers.

**Market Risk:** which is the risk that the stock market will decline, decreasing the value of the securities we recommend to you with it.

**Inflation Risk:** which is the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.

**Political and Governmental Risk:** which is the risk that the value of your investment will be affected by the introduction of new laws or regulations.

**Interest Rate Risk:** which is the risk that the value of the investments we recommend to you will fall if interest rates rise.

**Call Risk:** which is the risk that your investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.

**Default Risk:** which is the risk that the issuer is unable to pay the contractual interest or principal on the investment promptly or at all.

**Manager Risk:** which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.

**Industry Risk:** which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.

**Fiscal Risk:** Tax regulations can change which might have an adverse impact on your net investment results.

**Alternative Investment Risk:** Investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative investment practices.
- Lack of liquidity in that there may be no secondary market for the fund, and none expected to develop.
- Volatility of returns.
- Absence of information regarding valuations and pricing.
- Delays in tax reporting.
- Less regulation and higher fees than mutual funds.

These Alternative Investment can include:

- **Private debt funds**, also known as private credit, is a private capital strategy in which investment managers and institutions invest by making private, non-bank loans to companies. These loans are not available via publicly traded markets, and they generate returns for investment managers and their private debt fund investors via interest payments.
- **Private equity funds** carry certain risks. Capital calls will be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.
- **Venture capital funds** invest in start-up companies at an early stage of development in the interest of generating a return through an eventual realization event; the risk is high as a result of the uncertainty involved at that stage of development.

**Foreign Securities Risk:** Funds in which clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Illiquidity of Investments:** The Funds will invest a significant amount of capital in securities, loans or other assets for which no, or only a limited, market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on the Funds' assets. Accordingly, the Funds may not be able to sell assets when the Funds desire to do so or to realize what the general partner perceives to be the fair value of their assets in the event of a sale. The sale of loans and illiquid assets often requires more time and the incurrence of significant selling expense by the Funds. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Colbeck typically seeks to mitigate these traditional risks associated with illiquid credit by syndicating to the broader market of credit investors.

**Lower Credit Quality Loans:** There are no restrictions on the credit quality of the loans that may be held in the Funds' portfolio. Loans arranged or purchased by the Funds may be deemed to have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans which the Funds may acquire have large uncertainties or major risk exposures to adverse conditions, and may be considered to be predominantly speculative. Generally, such loans offer a higher return

potential than higher quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

**Leverage and Financing Risks:** The Fund may leverage its capital because the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the Fund may pledge its investments in order to borrow additional funds for investment purposes. The Fund may also leverage its investment return with options, futures, forwards, short sales, swaps and other derivative instruments. The amount of borrowings which the Fund may have outstanding at any time may be substantial in relation to its capital. While leverage presents opportunities for increasing the Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by the Fund would be magnified to the extent the Fund is leveraged. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund which would be greater than if the Fund were not leveraged.

In general, the ability to use short-term margin borrowings may result in certain additional risks to the Fund. For example, should the investments pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call", pursuant to which the Fund must either deposit additional funds or investments with the broker, or suffer mandatory liquidation of the pledged investments to compensate for the decline in value. In the event of a sudden drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy their margin requirements.

The financing used by the Fund to leverage its portfolio may be extended by brokers and dealers in the markets in which the Fund invests. While the Fund will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so will be limited. The Fund is therefore subject to changes in the value that the broker-dealer ascribes to a given investment or position, the amount of margin required to support such investment or position, the borrowing rate to finance such investment or position and/or such broker-dealer's willingness to continue to provide any such credit to the Fund. The Fund could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or a portion of the Fund's portfolio at distressed prices could result in significant losses to the Fund.

The Fund intends to enter into revolving credit facilities or similar short-term loan agreements with individuals or their affiliated entities that may also be Shareholders of the Fund (the "Credit Agreements"). Pursuant to the Credit Agreements, certain Shareholders of the Fund will also become creditors of the Fund. The Fund will not perform any specific due diligence on these lenders and the lenders may not provide any financial information or typical representations or warranties to the Fund. These lenders may be uncapped and if they fail to meet their obligations under the Credit Agreements to the Fund, the Fund may have limited options for recourse. In the event that a lender defaults under the Credit Agreements, the Fund will have a conflict of interest in determining whether to exercise its default remedies against the lenders who are also Shareholders of the Fund. In the event the Fund becomes insolvent or is subject to liquidation, Shareholders who are creditors of the Fund would likely have priority over other Shareholders.

## **ITEM 9** Disciplinary Information

As of the date of this brochure, we have not been subject to any disciplinary, legal, or regulatory events related to past or present investment clients. There has been no disciplinary, legal, or regulatory events related to us or any of our management persons.

## **ITEM 10** Other Financial Activities and Affiliations

### **FINANCIAL INDUSTRY ACTIVITIES**

Neither Virtus nor its management persons are registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither Virtus nor its management persons are registered or has an application pending to register as a futures commission merchant, commodity pool operator, or commodity trading advisor.

### **AFFILIATIONS**

The owners of Virtus also own VFO Consulting, S.A.P.I. de C.V. a consulting office located in Mexico City, Mexico. Associated persons of Virtus may rely on investment research provided by this affiliated entity. Clients' investment policies will be developed by the associated persons of the affiliated adviser, and Virtus will execute the strategies. In certain instances, clients may maintain advisory agreements and relationships with the affiliated entity that are separate from Virtus' advisory services. This association may present a conflict of interest based upon the overall allocation of time and services provided by Virtus and the affiliated entity; however, the conflict will be mitigated in that both entities will always act in the best interest of the client.

As noted above, Virtus is an investment manager of VFO Alternative Investment Fund a separate offshore fund that is formed in the Cayman Islands.

### **SELECTION OF OTHER INVESTMENT ADVISERS**

We may recommend or select TPMMs for our clients. We will receive compensation from our clients for such recommendation and supervision of the TPMM. Virtus will always act in the best interest of our clients when making recommendations or selecting TPMMs. The client always has the right to decide whether to act on our recommendations and whether to utilize the services of the recommended TPMM. The client always has the right to utilize the professional of his or her choice. All TPMMs will be properly licensed and registered as investment advisers in the proper jurisdictions. The fees shared will not exceed any limit imposed by any regulatory agency.

## **ITEM 11** Code of Ethics, Participation in Client Transactions and Personal Trading

### **CODE OF ETHICS**

Virtus has developed a code of ethics that will apply to all of our supervised persons. We and our IARs must act in a fiduciary capacity when providing investment advisory services to you. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Virtus has a fiduciary duty to all

clients. This fiduciary duty is considered the core underlying principle of our code of ethics, which also covers our insider trading and personal securities transactions policies and procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will acknowledge that they have read, understand, and agree to comply with our Code of Ethics.

Our Code of Ethics is available to clients and prospective clients upon request.

### **RECOMMENDATIONS INVOLVING A MATERIAL FINANCIAL INTEREST**

Neither we nor any related person recommend to clients or buys or sells for clients' accounts securities in which we or a related person has a material financial interest.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

There may be instances where an IAR will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which an IAR, its affiliates, or other clients may also have a position or interest. Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis. Generally, in such circumstances, the affiliated and client accounts will share execution costs equally. Completed trade orders will be allocated according to the instructions from the initial trade order. Partially filled trade orders will be allocated on a pro-rata basis. Any exceptions will be explained in the trade order.

### **PERSONAL TRADING**

Employees are permitted to have personal securities accounts as long as personal investing practices are in line with fiduciary standards and regulatory requirements and do not conflict with their duty to Virtus and our clients. Virtus monitors and controls personal trading through pre-approval of all personal securities transactions or blackout periods imposed upon employees trading in the same securities as Virtus. We forbid any officer or employee, either personally or on behalf of others, to trade on material, nonpublic information, or to communicate such information to others in violation of the law.

## **ITEM 12 Brokerage Practices**

As a fiduciary, we are obligated to seek out the best execution of client transactions for accounts that we manage. In general, the execution of securities transactions is at a total cost to process each transaction and are the most favorable under the circumstances. However, we do not limit the best execution to the lowest available price. Additional factors are taken into consideration when determining the arrangement and services in the selection of a broker-dealer or qualified custodian. Our review consists of reviewing the commission and fee structures of various broker-dealers, research platforms, and execution services. Accordingly, while we consider competitive rates, we do not necessarily obtain the lowest possible commission rates for account transactions. Therefore, the overall services provided by unaffiliated broker-dealers and qualified custodians are evaluated to determine the best execution. You can pay trade execution charges and higher commissions through the trading platforms approved by us than through platforms that have not been approved by us.

We recommend broker/dealers for our clients to use in order to custody their accounts. The firms we recommend will be independent SEC-registered broker-dealers and members of FINRA and SIPC.

As a fiduciary, we are obligated to seek out the best execution of client transactions for that accounts that we manage. In general, the execution of securities transactions is at a total cost or proceeds in each transaction and are the most favorable under the circumstances. However, we do not limit the best execution to the lowest available price. Additional factors are taken into consideration when determining the arrangement and services in the selection of a broker-dealer or qualified custodian. Our review consists of reviewing the commission and fee structures of various broker/dealers, research platforms, and execution services. Accordingly, while we do consider competitive rates, we do not necessarily obtain the lowest possible commission rates for account transactions. Therefore, the overall services provided by our affiliated broker-dealers and qualified custodians are evaluated to determine the best execution. You may pay trade execution charges and higher commissions through the trading platforms approved by us than through platforms that have not been approved by us. Not all investment advisers restrict or limit the broker/dealers their clients can use. Some investment advisers permit their clients to select any broker/dealer of the client's choosing.

### **RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

We do not receive soft dollar benefits; however, certain custodians may make available to us other products and services such as trade execution software, investment research, pricing information, market data, recordkeeping, publications, and conferences. These types of services are available to all of the retail and professional clients of the custodians on an unsolicited basis.

### **BROKERAGE FOR CLIENT REFERRALS**

We do not receive client referrals from broker/dealers.

### **DIRECTED BROKERAGE**

Clients will be permitted to select any broker/dealer of their choosing. In these situations, we may be unable to achieve the most favorable execution for client transactions. Directing brokerage may cost clients more money in that the client may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

### **TRADE AGGREGATION**

We attempt to allocate trade executions in the most equitable manner possible, taking into consideration current asset allocation and availability of funds using price averaging, proration, and consistently non-arbitrary methods of allocation. We may aggregate orders in order to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among our clients' differences in prices and commission or other transaction costs. In aggregated orders, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. Due to the having several custodians, we may need to conduct aggregate trades in various custodians we will use third party software to conduct aggregate orders over multiple custodians, we cannot guarantee same price or time of aggregate orders across multiple custodians. However, there is no incentive or ability for the Adviser to treat one client more favorably than another.

## **ITEM 13 Review of Accounts**

### **PERIODIC REVIEWS**



We review asset management accounts on a quarterly basis. These accounts will be reviewed by CCO. Accounts are reviewed to evaluate asset allocation, investment strategy and objectives, cash balance, and performance, as well as the general economic outlook and current investment trends.

Financial plans created utilizing our on-going financial planning services will be reviewed semi-annually by CCO.

### **REVIEW TRIGGERS**

We conduct periodic reviews to evaluate the current market, economic and political events and how these may affect client accounts. Additional reviews may be triggered by these events or by events in the client's financial or personal status.

### **REGULAR REPORTS**

Asset management clients will receive advisory account reports no less than quarterly. These reports show asset value by cash balances, security, unit cost, total cost, current per share values, etc. Clients are urged to review the quarterly reports provided by us with those provided by their custodian and notify us of any differences. Clients are encouraged to phone or email us as often as they deem necessary to receive information regarding the investment tactics and strategies being followed. Upon a specific client request, we will prepare a written portfolio analysis and reports to satisfy the client's informational needs.

Financial planning and consulting clients are provided a written financial plan concerning their financial situation and a quarterly report until such time that either party terminates the agreement.

## **ITEM 14 Client Referrals and Other Compensation**

From time to time, we may pay a referral fee to third party solicitors. However, no fee is paid unless we have a signed and executed solicitor agreement. You must sign a disclosure form that contains the details of the referral agreement. Our fiduciary duties still apply to referral relationships, and we must put the interest of our clients first and see the best execution of securities transactions on behalf of our clients.

While we do not have any current arrangements with any TPMs, at such time that we do, we will receive compensation based on the service they provide to our clients. Any such compensation arrangement will be formalized in an agreement and disclosed to our clients.

## **ITEM 15 Custody**

Pursuant to the Custody Rule, Virtus is deemed to have custody of the Funds' cash and securities, even though it is not the Firm's practice to accept or maintain physical possession of Clients' funds and securities.

In accordance with the Custody Rule, all of the Funds' cash and securities are held in custody by independent, qualified custodians. The Firm arranges for the Funds' financial statements to be prepared in accordance with U.S. generally accepted accounting principles and audited at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The Firm distributes such audited financial statements to all of the Funds' investors within 120 day of the end of the Funds' fiscal year.

We are also deemed to have custody of client funds and securities due to our ability to deduct management fees from clients' accounts. We will not take physical custody of clients' funds of separately managed accounts and will not assign or transfer trading authorization to another advisor. Clients will receive account statements from the qualified custodian(s) holding their funds and securities at least quarterly. The custodian's account statements will indicate the amount of our advisory fees deducted from the clients' account(s) each billing period. These statements should be carefully reviewed by the client for accuracy. Item 5 – Fees and Compensation has additional information regarding our ability to deduct management fees from clients' accounts.

## **ITEM 16** Investment Discretion

### **DISCRETIONARY AUTHORITY FOR TRADING**

Our asset management services are provided on both a discretionary and non-discretionary basis. If you are participating in our asset management services, upon receiving your written authorization via our executed investment advisory agreement, we will maintain trading authorization over your designated account and may also implement trades on a discretionary basis.

When discretionary authority is granted, we will have the limited authority to determine the type of securities to be purchased, sold, or exchanged and a number of securities that can be bought, sold, or exchanged for your portfolio without obtaining your consent for each transaction.

If you do not grant this limited investment discretion, your IAR will be required to contact you and get affirmation regarding our investment recommendations such as the security being recommended, the number of shares, whether the security should be bought or sold before implementing changes in your account.

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, it is critical that you respond promptly. If we do not receive a response to our request immediately, the timing of trade implementation may lead to an adverse impact where we may not achieve the optimal trading price.

On a case by case basis, you may place reasonable restrictions on the types of investments that may be purchased or sold in your account so long as the restrictions are explicitly set forth or included as an attachment to the investment advisory agreement.

## **ITEM 17** Voting Client Securities

We do not have the authority to vote proxies as it pertains to the issuers of securities held in your account. The responsibility for voting your securities places increased liability to us and does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting your securities.

Therefore, you are responsible for voting all proxies for securities held in accounts managed by us. Typically, our qualified custodian will forward you your proxy information. Although we do not vote your proxies, you can contact us if you have a question about a particular proxy.

## **ITEM 18** Financial Information

We are not required to include a balance sheet for our most recent fiscal year.



In the spring of 2020, Virtus applied for and received funding from the Paycheck Protection Program (PPP) established by the U.S. Small Business Administration. Due to the economic uncertainty caused by the COVID-19 pandemic and the market volatility, we elected to participate in the PPP loan program to support necessary ongoing operations.

We are currently not in, nor have been historically in a financially precarious situation or the subject of a bankruptcy petition.