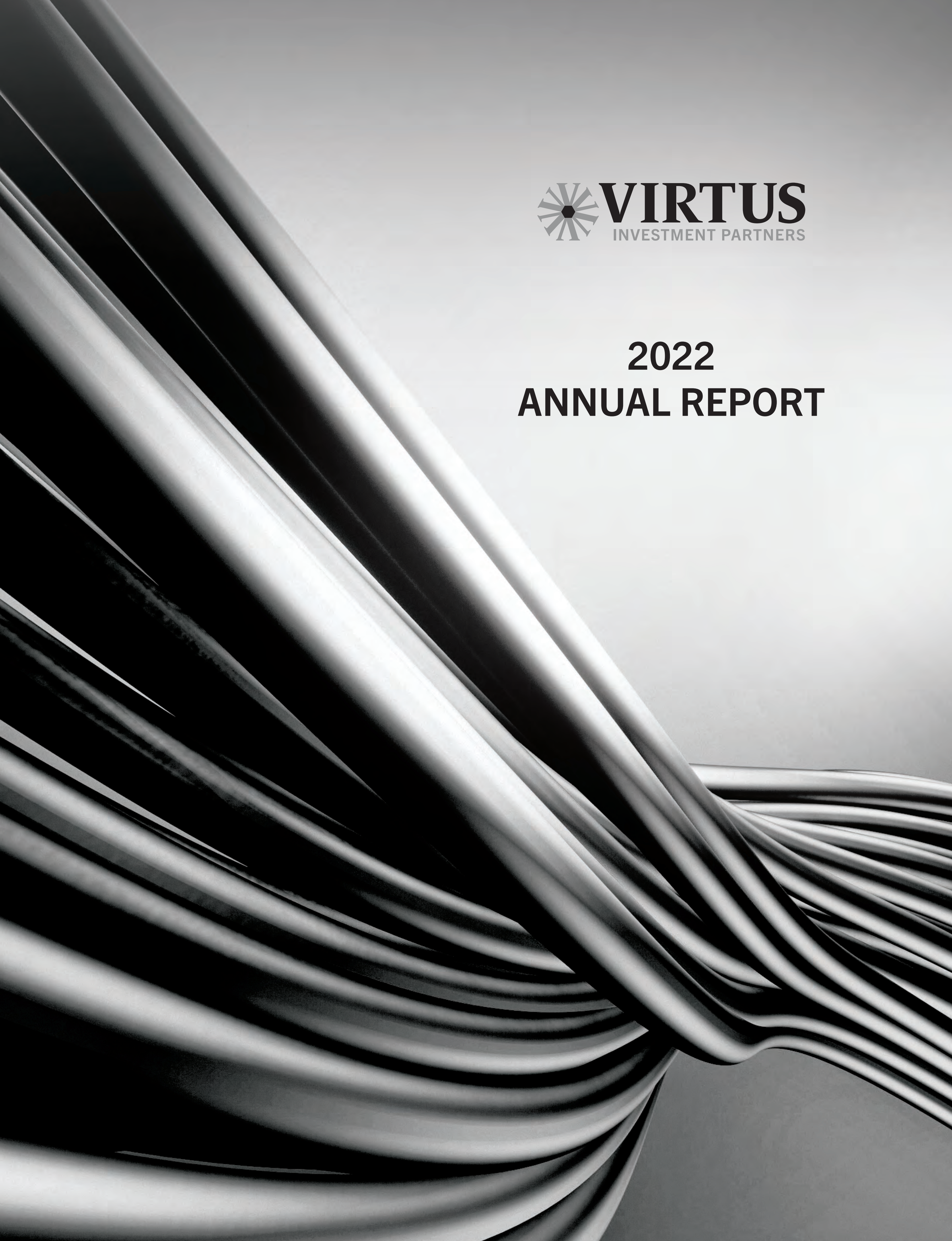


VIRTUS
INVESTMENT PARTNERS

2022
ANNUAL REPORT

Summary of Operations[1]

(Dollars in millions, except per share data)

	2022	2021	Change
Revenues	$886.4	$979.2	(9)%
Revenues, as Adjusted	$782.9	$847.9	(8)%
Operating Expenses	$688.9	$653.7	5%
Operating Expenses, as Adjusted	$493.8	$440.0	12%
Operating Income	$197.5	$325.5	(39)%
Operating Income, as Adjusted	$289.2	$407.8	(29)%
Net Income attributable to Virtus Investment Partners, Inc.	$117.5	$208.1	(44%)
Net Income attributable to Virtus Investment Partners, Inc., as Adjusted	$195.2	$286.9	(32)%
Operating Margin	22%	33%	
Operating Margin, as Adjusted	37%	48%	

Per Share Data

	2022	2021	Change
Earnings per Share – Diluted	$15.50	$26.01	(40%)
Earnings per Share – Diluted, as Adjusted	$25.74	$35.85	(28)%
Weighted Average Shares Outstanding – Diluted *(in thousands)*	7,582	8,003	(5%)

Assets Under Management

(in millions)

	2022	2021	Change
Ending Assets Under Management	$149,376	$187,186	(20)%

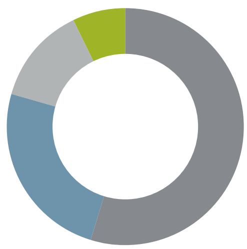
By Product

(12/31/2022)

U.S. Retail Funds	$47,494	31.8%
Global Funds	3,443	2.3%
Exchange-Traded Funds	1,226	0.8%
Variable Insurance Funds	837	0.6%
Closed-End Funds	10,361	6.9%
Retail Separate Accounts	35,352	23.7%
Institutional Accounts	46,908	31.4%
Structured Products	3,755	2.5%
TOTAL	$149,376	100%

By Asset Class

(12/31/2022)



Equity	$81,894	54.8%
Fixed Income	36,903	24.7%
Multi-Asset[2]	19,937	13.3%
Alternatives[3]	10,642	7.1%
TOTAL	$149,376	100%

[1] Certain supplemental performance measures are provided in addition to, but not as a substitute for, performance measures determined in accordance with GAAP. These supplemental measures may not be comparable to non-GAAP performance measures of other companies. "Operating Income, as adjusted," "Operating Margin, as adjusted," and "Net Income attributable to Virtus Investment Partners, Inc., as adjusted," are supplemental non-GAAP measures that net the distribution and administration expenses against the related revenue and remove certain non-cash and other identified amounts. For our definition of these terms, as well as a reconciliation to GAAP measures, see "Non-GAAP Information and Reconciliations" in the Supplemental Financial Information, included as an attachment to this annual report after the Form 10-K.

[2] Consists of strategies with substantial holdings in at least two of the following: equity, fixed income, and alternatives.

[3] Consists of event-driven, real estate securities, infrastructure, long/short, and other strategies.

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which, by their nature, are subject to significant risks and uncertainties. Virtus Investment Partners, Inc. intends for these forward-looking statements to be covered by the safe harbor provisions of the federal securities laws relating to forward-looking statements. For a further discussion, see "Special Note About Forward-Looking Statements" on page 17 of the attached Form 10-K.

To Our Fellow Shareholders:

Rising interest rates, inflation, geopolitical tensions, and heightened market volatility created a difficult environment for active investment managers in 2022. Like others in the industry, we were impacted by the exceptionally challenging equity and fixed income markets that negatively affected investor sentiment across products and asset classes and led to declines in assets under management, revenues, and financial results.

We have faced similar challenges in the past and during 2022 we responded, as we have previously, by sharpening our focus on our strategic priorities of Product Quality, Distribution Growth, Operating Optimization, Talent Engagement, and Financial Management. We enhanced product and distribution capabilities, expanded our investment capabilities from affiliated managers, and leveraged our capital structure to best position the company to deliver long-term growth for our shareholders.

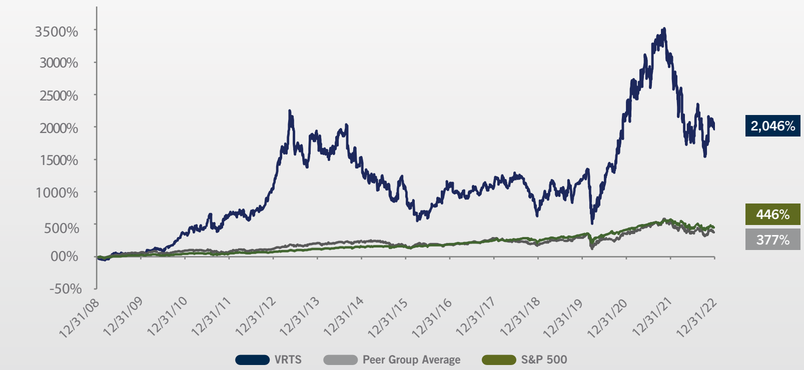
Key Accomplishments

Our business model provides an attractive environment for boutique asset managers and, during 2022, we expanded our portfolio of distinctive strategies from affiliated managers, enhanced distribution resources, and refined our operating platform.

- We acquired Stone Harbor Investment Partners, which is a global credit specialist with expertise in emerging and developed markets debt. Stone Harbor enhanced and diversified our investment capabilities and increased our non-U.S. institutional client base.
- We established two new affiliated teams: Virtus Systematic, which provides strategies employing investment-return forecasting models that combine behavioral factors with intrinsic and valuation factors, and Virtus Multi-Asset, which assesses changing market, macroeconomic, and other factors and incorporates environmental, social, and governance attributes to dynamically allocate across asset classes.

Total Shareholder Return

January 1, 2009 – December 31, 2022



Companies comprising Peer Group average: Affiliated Managers Group, AllianceBernstein, Cohen & Steers, Federated Hermes, Franklin Resources, Invesco, T. Rowe Price

1 The referenced non-GAAP measures are described and reconciled to GAAP reported amounts in the supplemental financial information that is included as an attachment to this annual report after the Form 10-K.

2 See Appendix B for additional information regarding mutual fund investment performance.

- We also reached an agreement to add AlphaSimplex, a leading manager of systematic, quantitative alternative investment solutions. That transaction, which closed in 2023, further diversifies our offerings of differentiated, non-correlated strategies for institutional and individual clients.

- The strategic focus on expanding our global distribution resources and enhancing institutional business development, augmented through recent acquisitions, has generated notable results. Sales of institutional strategies increased 25% from 2021 and net flows, which were positive for the third consecutive year, more than doubled from the prior year. In addition, the percentage of AUM with non-U.S. clients, which was less than 5% several years ago, was at 16% at year-end.

- A proprietary operating and analytical platform that provides performance analytics, risk management, and client reporting capabilities is being leveraged across affiliates.

- We increased targeted activities designed to support the organization's diversity, equity, and inclusion culture including the introduction of a Diversity Council and Employee Resource Groups and expanded partnerships to build a pipeline of more diverse talent and reach candidates from underrepresented communities.

Financial and Operating Results

Financial results reflected the exceptionally challenging equity and credit markets.

- Assets under management (AUM) ended 2022 at $149.4 billion compared with $187.2 billion at December 31, 2021 due to negative market performance across asset classes and net outflows in most products.

- Total sales of $30.3 billion, down from $36.5 billion in 2021, primarily reflected the negative retail investor sentiment and after two years of positive net flows, we had net flows of ($13.4) billion.

- Revenues decreased to $886.4 million and revenues, as adjusted[1], were $782.9 million, both as a result of lower average assets.

- Net income attributable to Virtus Investment Partners was $117.5 million with a related margin of 22%, and diluted earnings per share (EPS) was $15.50 compared with $26.01 in 2021. Net income, as adjusted, was $195.2 million with a related margin of 37% and EPS, diluted, as adjusted, was $25.74.

- Relative long-term performance remained strong across products and asset classes, with 57% of assets of all long-term investment strategies outperforming their benchmarks on a five-year basis as of December 31, 2022. In addition, 57% of rated mutual fund assets were in funds with 5- or 4-star Overall Morningstar® ratings [2].

Capital Management

Our balanced and prudent approach to capital management has allowed us to invest in growth initiatives, such as the acquisition of new affiliated managers, return meaningful capital to shareholders, and maintain appropriate levels of working capital and leverage.

- We increased the payout to shareholders to $155 million, or 79% of net income, as adjusted, from $114 million, or 40% of net income, as adjusted, in 2021. The return of capital included $90.0 million, or 451,097 shares, in share repurchases that reduced shares outstanding at by 4.3% from the beginning of the year. We also increased our quarterly common stock dividend by 10% to $1.65 per share, the fifth consecutive year of a dividend increase.

- By ending 2022 in a net cash position with moderate debt, we have the balance sheet flexibility to manage our capital allocation priorities, including support for acquisitions and other inorganic growth opportunities.

The depth of our experience, the investments we have made in our company, and the focus of our entire team helped us respond to the unpredictable events in the global financial markets and the particular challenges faced by active asset managers. Those same qualities give us the confidence that the company is well prepared to meet future challenges.

We have the strategy, resources, and determination to further grow our business and we look forward to continuing to serve the needs of our clients and shareholders.

On behalf of the staff, management, and your board of directors, we value the trust and confidence you have placed in Virtus. We thank you for your investment in our company and we look forward to the opportunities ahead.

Sincerely,

George R. Aylward
President and Chief Executive Officer

Timothy A. Holt
Chairman

2022 FORM 10-K

VIRTUS
INVESTMENT PARTNERS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-10994

VIRTUS INVESTMENT PARTNERS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**26-3962811**
State or other jurisdiction of incorporation or organization	**(I.R.S. Employer Identification No.)**

One Financial Plaza, Hartford, CT 06103
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:
(800) 248-7971

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $.01 par value	**VRTS**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold (based on the closing share price as quoted on the NASDAQ Global Market) as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $1.17 billion. For purposes of this calculation, shares of common stock held or controlled by executive officers and directors of the registrant have been treated as shares held by affiliates.

There were 7,181,554 shares of the registrant's common stock outstanding on February 10, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement that will be filed with the SEC in connection with the 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

Virtus Investment Partners, Inc.

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2022

"We," "us," "our," the "Company," and "Virtus" as used in this Annual Report on Form 10-K (the "Annual Report") refer to Virtus Investment Partners, Inc., a Delaware corporation, and its subsidiaries.

PART I

Item 1. Business.

Organization

Virtus Investment Partners, Inc. (the "Company"), a Delaware corporation, commenced operations on November 1, 1995 and became an independent publicly traded company on December 31, 2008.

Our Business

We provide investment management and related services to individuals and institutions. We use a multi-manager, multi-style approach, offering investment strategies from affiliated managers, each having its own distinct investment style, autonomous investment process, individual brand, and select unaffiliated subadvisers. By offering a broad array of products, we believe we can appeal to a greater number of investors and have offerings across market cycles and through changes in investor preferences. Through our multi-manager model, we provide our affiliated managers with centralized U.S. retail distribution capabilities and offer institutional sales and business support resources to support affiliate operations.

We offer investment strategies for individual and institutional investors in different investment products and through multiple distribution channels. Our investment strategies are available in a diverse range of styles and disciplines, managed by differentiated investment managers. We have offerings in various asset classes (equity, fixed income, multi-asset and alternative), geographies (domestic, global, international and emerging), market capitalizations (large, mid and small), styles (growth, core and value) and investment approaches (fundamental and quantitative). Our retail products include mutual funds registered pursuant to the Investment Company Act of 1940, as amended ("U.S. retail funds"); Undertaking for Collective Investment in Transferable Securities and Qualifying Investor Funds (collectively, "global funds") and collectively with U.S. retail funds, variable insurance funds, exchange-traded funds ("ETFs"), the "open-end funds"); closed-end funds (collectively, with open-end funds, the "funds"); and retail separate accounts that include intermediary-sold and private client accounts. Our investment strategies are offered to institutional clients through separate accounts and pooled, or commingled, structures. We also provide subadvisory services to other investment advisers and serve as the collateral manager for structured products.

Our Investment Managers

We provide investment management services through our affiliated investment managers who are registered under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"). The investment managers are responsible for portfolio management activities for our retail and institutional products operating under advisory, subadvisory or collateral management agreements. We also use the investment management services of select unaffiliated managers to sub-advise certain of our open- and closed-end funds. We monitor our managers' services by assessing their performance, style and consistency and the discipline with which they apply their investment process.

Our affiliated investment managers, their respective investment styles and assets under management as of December 31, 2022 were as follows:

Affiliated Manager	Headquarters	Investment Style	Assets *(in billions)*
Ceredex Value Advisors *Founded 1995*	Orlando, FL	Value Equities	$7.0
Duff & Phelps Investment Management *Founded 1932*	Chicago, IL	Listed Real Assets	$12.0
Kayne Anderson Rudnick Investment Management *Founded 1984*	Los Angeles, CA	Quality-Oriented Equities	$47.4
Newfleet Asset Management (1) *Founded 2011*	Hartford, CT	Multi-Sector Fixed Income	$12.1
NFJ Investment Group *Founded 1989*	Dallas, TX	Global Value Equities	$6.8
Seix Investment Advisors (1) *Founded 1992*	Park Ridge, NJ	Investment Grade and Leveraged Finance Fixed Income	$14.4
Silvant Capital Management *Founded 2008*	Atlanta, GA	Growth Equities	$1.7
Stone Harbor Investment Partners (1) *Founded 2006*	New York, NY	Emerging Markets Debt	$6.6
Sustainable Growth Advisers *Founded 2003*	Stamford, CT	Global Growth Equities	$20.8
Westchester Capital Management *Founded 1989*	Valhalla, NY	Event-Driven Equity	$5.1
Virtus Multi-Asset (1)	Hartford, CT	Global Multi-Asset	$0.2
Virtus Systematic (1)	San Diego, CA	Systematic Equity	$0.5
Zevenbergen Capital Investments (2) *Founded 1987*	Seattle, WA	High Growth Equity	$1.3

(1) Operates as a division within a broader legal entity.
(2) Affiliated through ownership of a minority interest.

Our select unaffiliated subadvisers, their respective investment styles and assets under management as of December 31, 2022 were as follows:

Unaffiliated Subadviser	Investment Style	Assets *(in billions)*
Voya Investment Management	Income & Growth and Convertible	$9.8
Vontobel Asset Management, Inc.	International Growth Equity	$2.6
Other	Risk-Based Quantitative, Income-Focused Equity and Systematic Quantitative	$1.1

Our Investment Products

Our assets under management are in open-end funds, closed-end funds, retail separate accounts and institutional accounts. Our earnings are primarily from asset-based fees charged for services relating to these various products, including investment management, fund administration, distribution and shareholder services.

Assets Under Management by Product as of December 31, 2022

Products	*(in billions)*
Open-end funds (1)	$ 53.0
Closed-end funds	10.4
Retail separate accounts	35.4
Institutional accounts (2)	50.7
Total Assets Under Management	$ 149.4

(1) Represents assets under management of U.S. retail funds, global funds, ETFs and variable insurance funds.

(2) Represents assets under management of institutional separate and commingled accounts, including structured products.

Open-End Funds

Our U.S. retail funds are offered in a variety of asset classes (domestic, global and international equity, taxable and non-taxable fixed income, multi-asset and alternative investments), market capitalizations (large, mid and small), styles (growth, core and value) and investment approaches (fundamental and quantitative). Our global funds are offered in select investment strategies to non-U.S. investors. Our ETFs are offered in a range of actively managed and index-based investment capabilities across multiple asset classes. Summary information about our open-end funds as of December 31, 2022 was as follows:

Asset Class	**Number of Funds**	**Total Assets** *(in millions)*	**Advisory Fee Range % (1)**
Domestic Equity	27	$18,021	2.15-0.29
Fixed Income	46	15,298	1.85-0.21
International Equity	14	4,077	1.20-0.21
Multi-Asset	4	5,662	0.75-0.45
Alternative	16	6,319	1.25-0.45
Specialty Equity	9	2,391	0.95-0.59
Global Equity	7	1,232	1.85-0.65
Total Open-End Funds	123	$53,000	

(1) Percentage of average daily net assets. The percentages listed represent the range of management advisory fees paid by the funds, from the highest to the lowest. The range indicated includes the impact of breakpoints at which management advisory fees for certain of the funds in each fund type decrease as assets in such funds increase. Subadvisory fees paid on funds managed by unaffiliated subadvisers are not reflected in the percentages listed.

Closed-End Funds

Our closed-end funds are offered in a variety of asset classes such as equity, fixed income and multi-asset. We managed the following closed-end funds as of December 31, 2022, each of which is traded on the New York Stock Exchange:

Asset Class	Number of Funds	Total Assets *(in millions)*	Advisory Fee Range % (1)
Multi-Asset	5	$ 7,159	1.00-0.50
Fixed Income	7	1,746	1.00-0.50
Equity	1	786	1.25
Alternatives	1	670	1.00
Total Closed-End Funds	14	$10,361	

(1) Percentage of average weekly or daily net assets. The percentages listed represent the range of management advisory fees paid by the funds, from the highest to the lowest. The range indicated includes the impact of breakpoints at which management advisory fees for certain of the funds in each fund type decrease as assets in such funds increase. Subadvisory fees paid on funds managed by unaffiliated subadvisers are not reflected in the percentages listed.

Retail Separate Accounts

Intermediary-Sold Managed Accounts

Intermediary-sold managed accounts are individual investment accounts that are contracted through intermediaries as part of investment programs offered to retail investors. Summary information about our intermediary-sold managed accounts as of December 31, 2022 was as follows:

Asset Class	Total Assets *(in millions)*
Equity	
Domestic	$26,789
Global	357
Specialty	77
International	82
Fixed Income	
Leveraged finance	1,464
Investment grade	193
Multi-Asset	198
Total Intermediary-Sold Managed Accounts	$29,160

Private Client Accounts

Private client accounts are investment accounts offered by certain affiliates directly to individual investors. Services provided include investment and wealth advisory services employing both affiliated and unaffiliated investment managers and select third-party business partners. Summary information about our private client accounts as of December 31, 2022 was as follows:

Asset Class	Total Assets *(in millions)*
Multi-Asset	$6,054
Fixed Income	
Investment grade	110
Leveraged finance	3
Equity	
Domestic	25
Total Private Client Accounts	$6,192

Institutional Accounts

Our institutional clients include corporations, multi-employer retirement funds, public employee retirement systems, foundations and endowments. We also act as collateral manager for 12 collateralized loan obligations ("CLOs"). In addition, we provide subadvisory services to unaffiliated mutual funds. Summary information about our institutional accounts as of December 31, 2022 was as follows:

Asset Class	Total Assets *(in millions)*
Equity	
Domestic	$20,112
International	1,241
Global	6,703
Fixed Income	
Leveraged finance	12,338
Investment grade	5,752
Alternative	3,653
Multi-Asset	864
Total Institutional Accounts	50,663

Other Fee Earning Assets

Other fee earning assets include assets for which we provide services for an asset-based fee but do not serve as the investment adviser. Other fee earning assets are not included in our assets under management. At December 31, 2022, we had $2.5 billion of other fee earning assets.

Our Investment Management, Administration and Shareholder Services

Our investment management, administration and shareholder service fees earned in each of the last three years were as follows:

	Years Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Open-end funds	$335,585	$395,152	$250,030
Closed-end funds	63,841	63,301	36,833
Retail separate accounts	171,509	174,919	104,932
Institutional accounts	157,404	148,213	113,543
Total investment management fees	728,339	781,585	505,338
Administration fees	61,344	73,113	41,582
Shareholder service fees	24,518	29,418	17,881
Total	$814,201	$884,116	$564,801

Investment Management Fees

We provide investment management services through our affiliated investment advisers (each an "Adviser") pursuant to investment management agreements. For our sponsored funds, we earn fees based on each fund's average daily or weekly net assets with most fee schedules providing for rate declines or "breakpoints" as asset levels increase to certain thresholds. For funds managed by subadvisers, the day-to-day investment management of the fund's portfolio is performed by the subadviser, which receives a management fee based on a percentage of the Adviser's management fee. Each fund bears all expenses associated with its operations. In some cases, to the extent total fund expenses exceed a specified percentage of a fund's average net assets, the Adviser has agreed to reimburse the fund's expenses in excess of that level.

For retail separate accounts and institutional accounts, investment management fees are negotiated and based primarily on portfolio size and complexity, individual client requests and investment strategy capacity, as appropriate. In certain instances, institutional fees may include performance-related fees, generally earned if the returns on the portfolios exceed agreed upon periodic or cumulative return targets, primarily benchmark indices. Fees for CLOs, for which we act as the collateral manager, consist of senior, subordinated and, in certain instances, incentive management fees. Senior and subordinated management fees are calculated at a contractual fee rate applied against the end of the preceding quarter par value of the total collateral being managed with subordinated fees being recognized only after certain portfolio criteria are met. Incentive fees on certain of our structured products are typically a percentage of the excess cash flows available to holders of the subordinated notes, above a threshold level internal rate of return.

Administration Fees

We provide various administrative services to our U.S. retail funds, ETFs and the majority of our closed-end funds. We earn fees based on each fund's average daily or weekly net assets. These services include: record keeping, preparing and filing documents required to comply with securities laws, legal administration and compliance services, customer service, supervision of the activities of the funds' service providers, tax services and treasury services as well as providing office space, equipment and personnel that may be necessary for managing and administering the business affairs of the funds.

Shareholder Service Fees

We provide shareholder services to our U.S. retail funds. We earn fees based on each fund's average daily net assets. Shareholder services include maintaining shareholder accounts, processing shareholder transactions, preparing filings and performing necessary reporting, among other things.

Our Distribution Services

Our products are offered through various retail and institutional distribution channels.

Retail

Our retail distribution resources in the U.S. consist of regional sales professionals, a national account relationship group and specialized teams for retirement and ETFs. Our U.S. retail funds and retail separate accounts are distributed through financial intermediaries. We have broad distribution access in the U.S. retail market, with distribution partners that include national and regional broker-dealers, independent broker-dealers and registered investment advisers, banks and insurance companies. In many of these firms, we have a number of products that are on preferred "recommended" lists and on fee-based advisory programs. Our private client business is marketed directly to individual clients by financial advisory teams at our affiliated investment managers.

Institutional

Our institutional distribution resources include affiliate specific institutional sales teams primarily focused on the U.S. market, supported by shared consultant relation support and non-U.S. institutional distribution. Our institutional products are marketed through relationships with consultants as well as directly to clients. We target key market segments, including foundations and endowments, corporations, public and private pension plans, sovereign wealth funds and subadvisory relationships.

Our Broker-Dealer Services

We operate a broker-dealer that is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is a member of the Financial Industry Regulatory Authority ("FINRA"). Our broker-dealer serves as the principal underwriter and distributor of our funds under sales agreements with unaffiliated financial intermediaries, provides market advisory services to sponsors of retail separate accounts, and is also a program manager and distributor of a qualified tuition plan under Section 529 of the Internal Revenue Code ("529 Plan"). Our broker-dealer is subject to the net capital rule of the Securities and Exchange Commission (the "SEC"), which is designed to enforce minimum standards regarding the general financial condition and liquidity of broker-dealers.

Our Competition

We face significant competition from a wide variety of financial institutions, including other investment management companies, as well as from proprietary products offered by our distribution partners such as banks, broker-dealers and financial planning firms. Competition in our businesses is based on several factors, including investment performance, fees charged, access to distribution channels, and service to financial advisors and their clients. Our competitors, many of which are larger than us, often offer similar products and use similar distribution sources, and may also offer less expensive products, have greater access to key distribution channels and have greater resources than we do.

Our Regulatory Matters

We are subject to regulation by the SEC and other federal and state agencies, as well as FINRA and other self-regulatory organizations. Each of our affiliated investment managers and unaffiliated subadvisers is registered with the SEC under the Investment Advisers Act. Our affiliated investment managers operating outside of the U.S. are also subject to regulation by various regulatory authorities and exchanges in the relevant jurisdictions, including, for those active in the United Kingdom (the "UK"), the Financial Conduct Authority (the "FCA"). We have distribution teams that operate offices in the UK and Singapore and are subject to regulation by both the FCA and Monetary Authority of Singapore, respectively. Each of our U.S. sponsored funds is registered with the SEC under the Investment Company Act of 1940, as amended ("the Investment Company Act"). Our global funds are registered with and subject to regulation by the Central Bank of Ireland. New regulations or interpretations of existing laws may result in enhanced disclosure obligations, including with respect to climate change or other environmental, social and governance ("ESG") matters, which could negatively affect us or materially increase our regulatory burden. Increased regulations generally increase our costs, and we could continue to experience higher costs if new laws require us to spend more time, hire additional personnel, or purchase new technology to comply effectively.

The financial services industry is highly regulated, and failure to comply with related laws and regulations can result in the revocation of registrations, the imposition of censures or fines and the suspension or expulsion of a firm and/or its employees from the industry. Most aspects of our investment management business are subject to various U.S. federal and state laws and regulations.

Our U.S.-domiciled open-end mutual funds are generally available for sale and are qualified in all 50 states, Washington, D.C., Puerto Rico, Guam and the U.S. Virgin Islands. Our global funds are sold to non-U.S. institutional and retail clients who are not citizens or residents of the U.S.

Our officers, directors and employees may, from time to time, own securities that are also held by one or more of our funds or strategies offered to clients. We have adopted a Code of Ethics pursuant to the provisions of the Investment Company Act and the Investment Advisers Act that require the disclosure of personal securities holdings and trading activity by all employees on a quarterly and annual basis. Employees with investment discretion or access to investment decisions are subject to additional restrictions with respect to the pre-clearance of the purchase or sale of securities over which they have investment discretion or beneficial interest. Our Code of Ethics also imposes restrictions with respect to personal transactions in securities that are held, recently sold, or contemplated for purchase by our mutual funds, and certain transactions are restricted so as to avoid the possibility of improper use of information relating to the management of client accounts.

Human Capital

As of December 31, 2022, we employed 772 employees and we operate offices in the U.S., UK and Singapore. We strive to attract and retain talented individuals by creating an environment of excellence and opportunity that serves as a foundation for all employees to reach their potential and make meaningful contributions to the organization. We have competitive salaries and offer a comprehensive suite of benefits, including programs that support wellness, financial security, and professional development.

- We regularly assess and benchmark our compensation and benefit practices and conduct internal and external pay comparisons to assist us in ensuring that employees are compensated fairly, equitably and competitively.
- We offer career enhancement opportunities to maximize each employee's potential and develop leaders throughout the organization.
- We provide an education assistance program with tuition reimbursement for employees who wish to continue their education to secure increased responsibility and growth within their careers.
- We offer benefits that promote financial and personal security including comprehensive insurance coverage, matching 401(k) employee contributions, an employee stock purchase plan and employee reimbursement of work-related expenses.
- Our wellness programs include health screenings and wellness earned premium rebates, as well as paid time off for vacation, illness, bereavement, parental and family care leave, and volunteer activities.

We depend upon our key personnel to manage our business, including our senior executives, portfolio managers, securities analysts, investment advisers, sales personnel and other professionals. The retention of our key investment personnel is material to the management of our business. The departure of our key investment personnel could cause us to lose certain client accounts, which could adversely affect our business.

We believe our value as a company derives from the talents and diversity of our employees, and we are committed to creating and maintaining an environment where every employee is treated with dignity and respect. The collective sum of our individual differences, backgrounds, unique skills, and life experiences creates an environment where employees and the company can achieve the highest levels of performance. Our programs and practices in (i) workforce diversity, (ii) inclusive culture, (iii) community participation, (iv) employee involvement, and (v) philanthropy are designed to help us deliver on our commitment to maintaining an organization that is diverse, equitable, and inclusive for all employees.

- We collaborate with organizations, institutions, and referral sources to identify diverse talent pools and increase the diversity of potential candidates.
- We prohibit any form of discrimination and have no tolerance for harassment in any form or any behavior that may contribute to a hostile, intimidating, unwelcoming, and/or inaccessible work environment.
- We engage with employees across the organization to raise the awareness of and advance our diversity and inclusion efforts.
- We and our employees have a rich history of community engagement and philanthropic activities that support the diverse needs of the communities in which we have a business presence.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, are available free of charge on our website located at www.virtus.com as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Reports, proxy statements and other information regarding issuers that file electronically with the SEC, including our filings, are also available to the public on the SEC's website at http://www.sec.gov.

A copy of our Corporate Governance Principles, our Code of Conduct and the charters of our Audit Committee, Compensation Committee, and Governance Committee are posted on our website at http://ir.virtus.com under "Corporate Governance" and are available in print to any person who requests copies by contacting Investor Relations by email to: investor.relations@virtus.com or by mail to Virtus Investment Partners, Inc., c/o Investor Relations, One Financial Plaza, Hartford, CT 06103. The Company may use its website as a distribution channel of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company's website at http://ir.virtus.com. In addition, you may automatically receive email alerts and other information about the Company when you enroll your email address by visiting http://ir.virtus.com. Information contained on the website is not incorporated by reference or otherwise considered part of this document.

Item 1A. Risk Factors.

This section describes some of the potential risks relating to our business. The risks described below are some of the more important factors that could affect our business. You should carefully consider the risks described below, together with all of the other information included in this Annual Report on Form 10-K, in evaluating the Company and our common stock. If any of the risks described below actually occur, our business, revenues, profitability, results of operations, financial condition, cash flows, reputation and stock price could be materially adversely affected.

RISKS RELATED TO OUR INDUSTRY, BUSINESS AND OPERATIONS

We earn substantially all of our revenues based on assets under management that fluctuate based on many factors, and any reduction would negatively impact our revenues and profitability.

The majority of our revenues are generated from asset-based fees from investment management products and services to individuals and institutions. Therefore, if assets under management decline, our fee revenues would decline, reducing profitability as certain of our expenses are fixed or have contractual terms. Assets under management could decline due to a variety of factors including, but not limited to, the following:

- **General domestic and global economic, political and public health conditions.** Capital, equity and credit markets can experience substantial volatility. Changes in interest rates, the availability and cost of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, commodity prices, currency exchange rates, national and international political circumstances and conflicts, public health issues and other conditions may impact the capital, equity and credit markets. Employment rates, economic weakness and budgetary challenges in parts of the world, uncertainty regarding governmental regulations and international trade policies, conflicts such as in Ukraine, concern over prospects in China and emerging markets, and growing debt for certain countries all indicate that economic and political conditions remain unpredictable. The occurrence of public health issues such as a major epidemic or pandemic that affect public health and public perception of health risk, as well as local, state and/or national government restrictive measures implemented to control such issues, could adversely affect the global financial markets, our employees and the systems we rely on. For example, the outbreak and spread of contagious diseases, such as the COVID-19 pandemic in early 2020, resulted in a widespread global public health crisis, which had, and may continue to have, negative impacts on global financial markets. Any of the conditions listed herein, among others, may impact our assets under management.

  The volatility in the markets in the past has highlighted the interconnection of the global economies and markets and has demonstrated how the deteriorating financial condition of one institution may adversely impact the performance of other institutions. Our assets under management have exposure to many different industries and counterparties and may be exposed to credit, operational or other risk due to the default by a counterparty or client or in the event of a market failure or disruption. Negative, uncertain or diminishing investor confidence in the markets and/or adverse market conditions could result in a decrease in investor risk tolerance. Such a decrease could prompt investors to reduce their rate of investment or to partially or fully withdraw from markets, which could reduce our overall assets under management and have an adverse effect on our revenues, earnings and growth prospects. In the event of extreme circumstances, including economic, political or business or health crises, such as a widespread systemic failure in the global financial system, failures of firms that have significant obligations as counterparties, political conflicts or global pandemics, we may suffer significant declines in assets under management and severe liquidity or valuation issues.

- **Price declines in individual securities, market segments or geographic areas.** Portfolios that we manage that are focused on certain geographic markets or industry sectors are particularly vulnerable to political, social and economic events in those markets and sectors. If those markets or industries decline or experience volatility, this could have a negative impact on our assets under management and our revenues. For example, certain non-U.S. markets, particularly emerging markets, are not as developed or as efficient as the U.S. financial markets and, as a result, may be less liquid, less regulated and significantly more volatile than the U.S. financial markets. In addition, certain industry sectors can experience significant volatility, such as the technology or oil sector. Liquidity or values in such markets or sectors may be adversely impacted by factors including political or economic events, government policies, expropriation, volume trading limits by foreign investors, social or civil unrest, etc. These factors may negatively impact the market value of a security or our ability to dispose of it.

- **Real or perceived negative absolute or relative performance.** Sales and redemptions of our investment strategies can be affected by investment performance relative to established benchmarks or other competing investment strategies. Our investment management strategies are rated, ranked or assessed by independent third-parties, distribution partners and industry periodicals and services. These assessments often influence the investment decisions of clients. If the performance of our investment strategies is perceived to be underperforming relative to peers, it could result in increased withdrawals of assets by existing clients and the inability to attract additional investments from new and existing clients.

We may engage in significant transactions that may not achieve the anticipated benefits or could expose us to additional or increased risks.

We have executed several inorganic transactions over the past years and we regularly evaluate potential transactions, including acquisitions, consolidations, joint ventures, strategic partnerships, or similar transactions, some of which could be significant. Our past acquisitions and strategic transactions have led to a significant increase in our assets under management and an expansion of our product and service offerings. We cannot provide assurance that we will continue to be successful in closing on transactions or achieving anticipated financial benefits, including such things as revenue or cost synergies.

Any transaction may also involve a number of other risks, including additional demands on our staff, unanticipated problems regarding integration of operating facilities, technologies and new employees, and the existence of liabilities or contingencies not disclosed to, or otherwise unknown by, us prior to closing a transaction. In addition, any business we acquire may underperform relative to expectations or may lose customers or employees.

Our investment advisory agreements are subject to renegotiation or termination on short notice, which could negatively impact our business.

Our clients include our sponsored fund investors, represented by boards of trustees or directors (the “boards”), managed account program sponsors, individual private clients, and institutional clients. Our investment management agreements with these clients may be terminated on short notice and without penalty. As a result, there would be little impediment for these clients to terminate our agreements. Our clients may renegotiate their investment contracts, or reduce the assets we manage for them, due to a number of reasons including, but not limited to: poor investment performance; loss of key investment personnel; a change in the client’s or third-party distributors’ decision makers; and reputational, regulatory or compliance issues. The boards of our sponsored funds may deem it to be in the best interests of a fund’s shareholders to make decisions adverse to us, such as reducing the compensation paid to us, requesting that we subsidize fund expenses over certain thresholds, or imposing restrictions on our management of the fund. Under the Investment Company Act, investment advisory agreements automatically terminate in the event of an assignment, which may occur if, among other events, the Company undergoes a change in control, such as any person acquiring 25% of the voting rights of our common stock. If an assignment were to occur, we cannot be certain that the funds’ boards and shareholders would approve a new investment advisory agreement. In addition, investment advisory agreements for the separate accounts we manage may not be assigned without the consent of the client. If an assignment occurs, we cannot be certain that the Company will be able to obtain the necessary approvals or client consents.

The withdrawal, renegotiation or termination of any investment management contract relating to a material portion of assets under management would have an adverse impact on our results of operations and financial condition.

Our business could be harmed by any damage to our reputation and lead to a reduction in our revenues and profitability.

Maintaining a positive reputation with existing and potential clients, the investment community and other constituencies is critical to our success. Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate even if they are without merit or satisfactorily addressed. Our reputation may be impacted by many factors including, but not limited to: poor performance; litigation; conflicts of interests; regulatory inquiries, investigations or findings; operational failures (including cyber breaches); intentional or unintentional misrepresentation of our products or services by us or our third-party service providers; material weaknesses in our internal controls; or employee misconduct or rumors. Any damage to our reputation could impede our ability to attract and retain clients and key personnel, adversely impact relationships with clients, third-party distributors and other business partners, and lead to a reduction in the amount of our assets under management, any of which could adversely affect our results of operations and financial condition.

Our debt agreements contain covenants, required principal repayments and other provisions that could adversely affect our financial condition or results of operations.

We incur indebtedness for a variety of business reasons, including in relation to financing acquisitions and transactions. The indebtedness we incur can take many forms including, but not limited to, term loans or revolving lines of credit that customarily contain covenants.

At December 31, 2022, the Company had $261.6 million of total debt outstanding under its credit agreement, excluding debt of consolidated investment products ("CIP"), and had no borrowings outstanding under its $175.0 million revolving credit facility. Under our credit agreement, we are required to use a portion of our cash flow to service interest and make required annual principal payments, which will restrict our cash flow available for other purposes. The credit agreement also contains covenants that may limit our ability to return capital to shareholders. We cannot provide assurances that at all times in the future we will satisfy all such covenants or obtain any required waiver or amendment, in which event all indebtedness could become immediately due. Any or all of the above factors could adversely affect our financial condition or results of operations.

We may need to obtain additional capital in the future that may not be available to us in sufficient amounts or on acceptable terms, which could have an adverse impact on our business.

Our ability to meet our future cash needs is dependent upon our ability to generate or have short-term access to cash. Although we have generated sufficient cash in the past, we may not do so in the future. The Company had unused capacity under its revolving credit facility of $175.0 million as of December 31, 2022. Our ability to access capital markets efficiently depends on a number of factors, including the state of credit and equity markets, interest rates and credit spreads. At December 31, 2022, we had $261.6 million in debt outstanding, excluding the notes payable of our CIP for which risk of loss to the Company is limited to our $78.9 million investment in such products. See Note 21 of our consolidated financial statements for additional information on the notes payable of the CIP. We may need to raise capital to fund new business initiatives in the future, and financing may not be available to us in sufficient amounts, on acceptable terms, or at all. If we are unable to access sufficient capital on acceptable terms, our business could be adversely impacted.

Our business relies on the ability to attract and retain key employees, and the loss of such employees could negatively affect our financial performance.

The success of our business is dependent to a large extent on our ability to attract and retain key employees, such as senior executives, portfolio managers, securities analysts and sales personnel. There is significant competition in the job market for these professionals and compensation levels in the industry are highly competitive. Our industry is also characterized by the movement of investment professionals among different firms.

If we are unable to continue to attract and retain key employees, or if compensation costs required to attract and retain key employees increase, our performance, including our competitive position, could be adversely affected. Additionally, we utilize equity awards as part of our compensation plans and as a means for recruiting and retaining key employees. Declines in our stock price would result in deterioration of the value of equity awards granted, thus lessening the effectiveness of using stock-based awards to retain key employees.

In certain circumstances, the departure of key investment personnel could cause higher redemption rates in certain strategies or the loss of certain client accounts. Any inability to retain key employees, attract qualified employees or replace key employees in a timely manner could lead to a reduction in the amount of our assets under management, which would have an adverse effect on our revenues and profitability. In addition, there could be additional costs to replace, retain or attract new talent that could result in a decrease in our profitability and have an adverse impact on our results of operations and financial condition.

We operate in a highly competitive industry that may require us to reduce our fees or increase amounts paid to financial intermediaries, which could result in a reduction of our revenues and profitability.

We face significant competition from a wide variety of financial institutions, including other investment management companies, as well as from proprietary products offered by our distribution partners such as banks, broker-dealers and financial planning firms. Competition in our businesses is based on several factors, including investment performance, fees charged, access to distribution channels and service to financial advisors. Our competitors, many of which are larger, often offer similar products, use the same distribution sources, offer less expensive products, maintain greater access to key distribution channels, and have greater resources, geographic footprints and name recognition. Additionally, certain products and asset classes that we do not currently offer, such as passive or index-based products, are popular with investors. Existing clients may withdraw their assets in order to invest in these products, and we may be unable to attract additional investments from existing and new clients, which would lead to a decline in our assets under management and market share.

Our profits are highly dependent on the fees we earn for our products and services. Competition could cause us to reduce the fees that we charge. If our clients, including our fund boards, were to view our fees as being inappropriately high relative to the market or the returns generated by our investment products, we may choose, or be required, to reduce our fee levels, or we may experience significant redemptions in our assets under management, which could have an adverse impact on our results of operations and financial condition.

We utilize unaffiliated firms to provide investment management services and any matters that adversely impact them or any change in our relationships with them could adversely affect our revenues and profitability.

We utilize unaffiliated subadvisers as investment managers for certain of our retail funds. Because we typically have no ownership interests in these unaffiliated firms, we do not control their business activities. Problems stemming from the business activities of these unaffiliated firms may negatively impact or disrupt their operations or expose them to disciplinary action or reputational harm. Furthermore, any such matters at these unaffiliated firms may have an adverse impact on our business or reputation or expose us to regulatory scrutiny, including with respect to our oversight of such firms.

We periodically negotiate provisions and renewals of these relationships, and we cannot provide assurance that such terms will remain acceptable to us or the unaffiliated firms. These relationships can also be terminated upon short notice without penalty. In addition, the departure of key employees at unaffiliated subadvisers could cause higher redemption rates for certain assets under management. An interruption or termination of unaffiliated firm relationships could affect our ability to market our products and result in a reduction in assets under management, which would have an adverse impact on our results of operations and financial condition.

We distribute our products through intermediaries and changes in key distribution relationships could reduce our revenues, increase our costs and adversely affect our profitability.

Our primary source of distribution for retail products is through intermediaries that include third-party financial institutions such as: major wire-houses; national, regional and independent broker-dealers and financial advisors; banks and financial planners; and registered investment advisers. We are highly dependent on access to these various distribution systems to maintain and raise assets under management. These distributors are generally not contractually required to distribute our products and typically offer their clients various investment products and services, including proprietary products and services, in addition to, and in competition with, our products and services. While we compensate these intermediaries pursuant to contractual agreements, we may not be able to retain access to these channels at all or at similar pricing. Increasing competition for these distribution channels could cause our distribution costs to rise, which could have an adverse effect on our business, revenues and profitability. To the extent that existing or future intermediaries prefer to do business with our competitors, the sales of our products as well as our market share, revenues and profitability could decline.

We and our third-party service providers rely on numerous technology systems and any business interruption, security breach, or system failure could negatively impact our business and profitability.

Our technology systems, and those of third-party service providers, are critical to our operations. The ability to consistently and reliably obtain accurate securities pricing information, process client portfolio and fund shareholder transactions, and provide reports and other customer service to clients is an essential part of our business. Any delays or inaccuracies in obtaining pricing information, processing such transactions or reports, other breaches and errors, and any inadequacies in other customer service could result in reimbursement obligations or other liabilities or alienate clients and potentially give rise to claims against us. Our business is highly dependent on third-party service providers' information systems, including for our ability to obtain prompt and accurate securities pricing information and to process transactions and reports. Any failure or interruption of those systems, whether resulting from technology or infrastructure breakdowns, defects or external causes such as fire, natural disaster, computer viruses, acts of terrorism or power disruptions, or public health events could result in financial loss, negatively impact our reputation and negatively affect our ability to do business. Although we and our third-party service providers have disaster recovery plans in place, we may nonetheless experience interruptions if a natural or man-made disaster or prolonged power outage were to occur, which could have an adverse impact on our business and profitability.

In addition, like many companies, our computer systems are regularly the target of computer viruses or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. The sophistication of cyber threats continues to increase, including through the use of "ransomware" and phishing attacks, and our controls and the preventative actions we take to reduce the risk of cyber incidents and protect our information systems may be insufficient to detect or prevent unauthorized access, cyber-attacks or other security breaches to our computer systems or those of third parties with whom we do business. Our third-party service providers' systems may also be affected by, or fail as a result of, catastrophic events, such as fires, floods, hurricanes and tornadoes. A breach of our technology systems, or of those of third-party service providers, through cyber-attacks or failure to manage and sufficiently secure our technology environment could result in interruptions or malfunctions in the operations of our business, loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by a breach or to recover access to our systems, additional costs to mitigate against future incidents, and litigation costs resulting from an incident. Any of these conditions could have an adverse impact on our business and profitability.

We and certain of our third-party vendors receive and store personal information as well as non-public business information. Although we and our third-party vendors take precautions, we may still be vulnerable to hacking or other unauthorized use. A breach of the systems or hardware could result in unauthorized access to our proprietary business or client data or release of this type of data, which could subject us to legal liability or regulatory action under data protection and privacy laws, which may result in fines or penalties, the termination of existing client contracts, costly mitigation activities and harm to our reputation. The occurrence of any of these risks could have an adverse impact on our business and profitability.

We have significant capital invested in marketable securities, which exposes us to earnings volatility as the value of these investments fluctuate, as well as risk of capital loss.

We use capital to incubate new investment strategies, introduce new products or to enhance distribution access of existing products. At December 31, 2022, the Company had $223.5 million of such investments, comprising $144.6 million of marketable securities and $78.9 million of net investments in CLOs. These investments are in a variety of asset classes, including alternative, fixed income and equity strategies and first-loss tranches of CLO equity. Many of these investments employ a long-term investment strategy with an optimal investment period spanning several years. Accordingly, during this investment period, the capital held in these investments may not be available for other corporate purposes without significantly diminishing our investment return. We cannot provide assurance that these investments will perform as expected. Increases or decreases in the value of these investments could increase the volatility of our earnings, and an other-than-temporary or permanent decline in the value of these investments could result in the loss of capital and have an adverse impact on our results of operations and financial condition.

LEGAL AND REGULATORY RISKS

We are subject to an extensive and complex regulatory environment and changes in regulations or failure to comply with them could adversely affect our revenues and profitability.

The investment management industry in which we operate is subject to extensive and frequently changing regulation. We are subject to regulation by the SEC and other federal and state agencies, as well as FINRA and other self-regulatory organizations. Each of our affiliated investment managers and unaffiliated subadvisers is registered with the SEC under the Investment Advisers Act. Our affiliated investment managers operating outside of the U.S. are also subject to regulation by various regulatory authorities and exchanges in the relevant jurisdictions, including, for those active in the UK, the Financial Conduct Authority (“FCA”). We have distribution teams that operate offices in the UK and Singapore and are subject to regulation by the FCA and the Monetary Authority of Singapore, respectively. Each of our U.S.-sponsored funds is registered with the SEC under the Investment Company Act. Our global funds are registered with and subject to regulation by the Central Bank of Ireland. New regulations or interpretations of existing laws may result in enhanced disclosure obligations, including with respect to climate change or other environmental, social and governance (“ESG”) matters, which could negatively affect us or materially increase our regulatory burden. Increased regulations generally increase our costs, and we could continue to experience higher costs if new laws require us to spend more time, hire additional personnel, or purchase new technology to comply effectively.

Although we spend extensive time and resources to ensure compliance with all applicable laws and regulations, if we fail to properly adhere to our policies or modify and update our compliance procedures in a timely manner in this changing and highly complex regulatory environment, we may be subject to various legal proceedings, including civil litigation, governmental investigations and enforcement actions that could result in fines, penalties, suspensions of individual employees, or limitations on particular business activities, any of which could have an adverse impact on our revenues and profitability.

We manage assets under agreements that have investment guidelines or other contractual requirements and failure to comply could result in claims, losses, or regulatory sanctions, which could negatively impact our revenues and profitability.

The agreements under which we manage client assets often have established investment guidelines or other contractual requirements with which we are required to comply in providing our investment management services. Although we maintain various compliance procedures and other controls to prevent, detect and correct such errors, any failure or allegation of a failure to comply with these guidelines or other requirement could result in client claims, reputational damage, withdrawal of assets and potential regulatory sanctions, any of which could have an adverse impact on our revenues and profitability.

We could be subject to civil litigation and government investigations or proceedings, which could adversely affect our business.

Many aspects of our business involve substantial risks of liability, and there have been substantial incidences of litigation and regulatory investigations in the financial services industry in recent years, including customer claims as well as class action suits seeking substantial damages. From time to time, we and/or our sponsored funds may be named as defendants or co-defendants in lawsuits or be involved in disputes that involve the threat of lawsuits seeking substantial damages. We and/or our sponsored funds are also involved from time to time in governmental and self-regulatory organization investigations and proceedings. See Item 3. "Legal Proceedings" for further information.

Any lawsuits, investigations or proceedings could result in reputational damage, loss of clients and assets, settlements, awards, injunctions, fines, penalties, increased costs and expenses in resolving a claim, diversion of employee resources and resultant financial losses. Predicting the outcome of such matters is inherently difficult, particularly where claims are brought on behalf of various classes of claimants or by a large number of claimants, when claimants seek substantial or unspecified damages, or when investigations or legal proceedings are at an early stage. A substantial judgment, settlement, fine or penalty could be material to our operating results or cash flows for a particular period, depending on our results for that period, or could cause us significant reputational harm, which could harm our business prospects.

We depend to a large extent on our business relationships and our reputation to attract and retain clients. As a result, allegations of improper conduct by private litigants, including investors in our funds, or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the asset management industry in general, whether or not valid, may harm our reputation. We may incur substantial legal expenses in defending against proceedings commenced by a client, regulatory authority or other private litigant. Substantial legal liability levied on us could cause significant reputational harm and have an adverse impact on our results of operations and financial condition.

We are subject to multiple tax jurisdictions and any changes in tax laws or unanticipated tax obligations could have an adverse impact on our financial condition, results of operations and cash flow.

We are subject to income as well as non-income-based taxes and are subject to ongoing tax audits, in various jurisdictions in which we operate. Tax authorities may disagree with certain positions we have taken that may result in the assessment of additional taxes. We regularly assess the appropriateness of our tax positions and reporting. We cannot provide assurance that we will accurately predict the outcomes of audits and the actual outcomes of these audits could be unfavorable. Any changes to tax laws could impact our estimated effective tax rate and tax expense and could result in adjustments to our treatment of deferred taxes, including the realization or value thereof, which could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

We may not pay quarterly dividends as intended or at all.

The declaration, payment and determination of the amount of our quarterly dividends may change at any time. In making decisions regarding our quarterly dividends, we consider general economic and business conditions as well as our strategic plans and prospects, business and investment opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, contractual and regulatory restrictions (including under the terms of our credit agreement) and other obligations, that may have implications on the payment of distributions by us to our shareholders or by our subsidiaries to us, and such other factors as we may deem relevant. Our ability to pay or increase our dividends maybe subject to restrictions under the terms of our credit agreement. We cannot make any assurances that any dividends, whether quarterly or otherwise, will continue to be paid in the future.

We have corporate governance provisions that may make an acquisition of us more difficult.

Certain provisions of our certificate of incorporation and bylaws could discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions by which stockholders might otherwise receive a premium for their shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. Stockholders who wish to participate in these transactions may not have the opportunity to do so. In addition, the provisions of Section 203 of the Delaware General Corporation Law also restrict certain business combinations with interested stockholders.

GENERAL RISK FACTORS

Our insurance policies may not cover all losses and costs to which we may be exposed, which could adversely impact our results of operations and financial condition.

We carry insurance in amounts and under terms that we believe are appropriate. Our insurance may not cover all liabilities and losses to which we may be exposed. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or pay higher premiums, which could have an adverse impact on our results of operations and financial condition.

We have goodwill and other intangible assets on our balance sheet that could become impaired, which could impact our results of operations and financial condition.

As of December 31, 2022, the Company had $791.4 million in intangible assets and goodwill. We cannot be certain that we will realize the value of such intangible assets. Our intangible assets may become impaired as a result of a variety of factors which could adversely affect our financial condition and results of operations.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements that are, or may be considered to be, forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995, as amended, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements that are not historical facts, including statements about our beliefs or expectations, are “forward-looking statements.” These statements may be identified by such forward-looking terminology as “expect,” “estimate,” “intent,” “plan,” “intend,” “believe,” “anticipate,” “may,” “will,” “should,” “could,” “continue,” “project,” “opportunity,” “predict,” “would,” “potential,” “future,” “forecast,” “guarantee,” “assume,” “likely,” “target” or similar statements or variations of such terms.

Our forward-looking statements are based on a series of expectations, assumptions and projections about the Company and the markets in which we operate, are not guarantees of future results or performance, and involve substantial risks and uncertainty, including assumptions and projections concerning our assets under management, net asset inflows and outflows, operating cash flows, business plans and ability to borrow, for all future periods. All forward-looking statements contained in this Annual Report on Form 10-K are as of the date of this Annual Report on Form 10-K only.

We can give no assurance that such expectations or forward-looking statements will prove to be correct. Actual results may differ materially. We do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections, or other circumstances occurring after the date of this Annual Report on Form 10-K, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. If there are any future public statements or disclosures by us that modify or impact any of the forward-looking statements contained in or accompanying this Annual Report on Form 10-K, such statements or disclosures will be deemed to modify or supersede such statements in this Annual Report on Form 10-K.

Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including those discussed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K, resulting from: (i) any reduction in our assets under management including from domestic and global conditions, security price declines and negative performance; (ii) inability to achieve the expected benefits of our strategic transactions; (iii) withdrawal, renegotiation or termination of investment advisory agreements; (iv) damage to our reputation; (v) inability to satisfy financial debt covenants and required payments; (vi) inability to attract and retain key personnel; (vii) challenges from the competition we face in our business; (viii) adverse developments related to unaffiliated subadvisers; (ix) negative changes in key distribution relationships; (x) interruptions, breaches, or failures of technology systems; (xi) loss on our investments; (xii) lack of sufficient capital on satisfactory terms; (xiii) adverse regulatory and legal developments; (xiv) failure to comply with investment guidelines or other contractual requirements; (xv) adverse civil litigation, government investigations, or proceedings; (xvi) unfavorable changes in tax laws or limitations; (xvii) inability to make quarterly common stock dividends; (xviii) impediments from certain corporate governance provisions; (xix) losses or costs not covered by insurance; (xx) impairment of goodwill or other intangible assets; and other risks and uncertainties. Any occurrence of, or any material adverse change in, one or more risk factors or risks and uncertainties referred to in this Annual Report on Form 10-K and our other periodic reports filed with the SEC could materially and adversely affect our operations, financial results, cash flows, prospects and liquidity.

Certain other factors that may impact our continuing operations, prospects, financial results and liquidity, or that may cause actual results to differ from such forward-looking statements, are discussed or included in the Company’s periodic reports filed with the SEC and are available on our website at www.virtus.com under “Investor Relations.” You are urged to carefully consider all such factors.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our principal offices, which are located at One Financial Plaza, Hartford, CT 06103. In addition, we lease office space in California, Connecticut, Florida, Georgia, Illinois, New Jersey, New York, Texas, Singapore and the UK.

Item 3. Legal Proceedings.

The information set forth in response to Item 103 of Regulation S-K under “Legal Proceedings” is incorporated by reference from Part II, Item 8. “Financial Statements and Supplementary Data,” Note 12 “Commitments and Contingencies” of this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the NASDAQ Global Market under the trading symbol "VRTS." As of February 10, 2023, we had 7,181,554 shares of common stock outstanding that were held by approximately 41,000 holders of record.

In making decisions regarding our quarterly dividend, we consider general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax, regulatory and other restrictions that may have implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us, and such other factors as we may deem relevant. We cannot provide any assurances that any distributions, whether quarterly or otherwise, will continue to be paid in the future.

On February 22, 2023, our Board of Directors declared a quarterly cash dividend of $1.65 per common share to be paid on May 15, 2023 to shareholders of record at the close of business on April 28, 2023.

Issuer Purchases of Equity Securities

An aggregate of 5,680,045 shares of our common stock have been authorized to be repurchased under a share repurchase program since it was initially approved in 2010 by our Board of Directors. As of December 31, 2022, 828,352 shares remained available for repurchase. Under the terms of the program, we may repurchase shares of our common stock from time to time at our discretion through open market repurchases, privately negotiated transactions and/or other mechanisms, depending on price, prevailing market and business conditions, tax and other financial considerations. The program, which has no specified term, may be suspended or terminated at any time.

During the year ended December 31, 2022, we repurchased a total of 451,097 common shares for $90.0 million. The following table sets forth information regarding our share repurchases in each month during the quarter ended December 31, 2022:

Period	Total number of shares purchased	Average price paid per share (1)	Total number of shares purchased as part of publicly announced plans or programs (2)	Maximum number of shares that may yet be purchased under the plans or programs (2)
October 1—31, 2022	—	$ —	—	881,672
November 1—30, 2022	28,737	$183.58	28,737	852,935
December 1—31, 2022	24,583	$192.12	24,583	828,352
Total	53,320		53,320	

(1) Average price paid per share is calculated on a settlement basis and excludes commissions.

(2) The share repurchases above were completed pursuant to a program announced in the fourth quarter of 2010 and most recently increased in May 2022. This repurchase program is not subject to an expiration date.

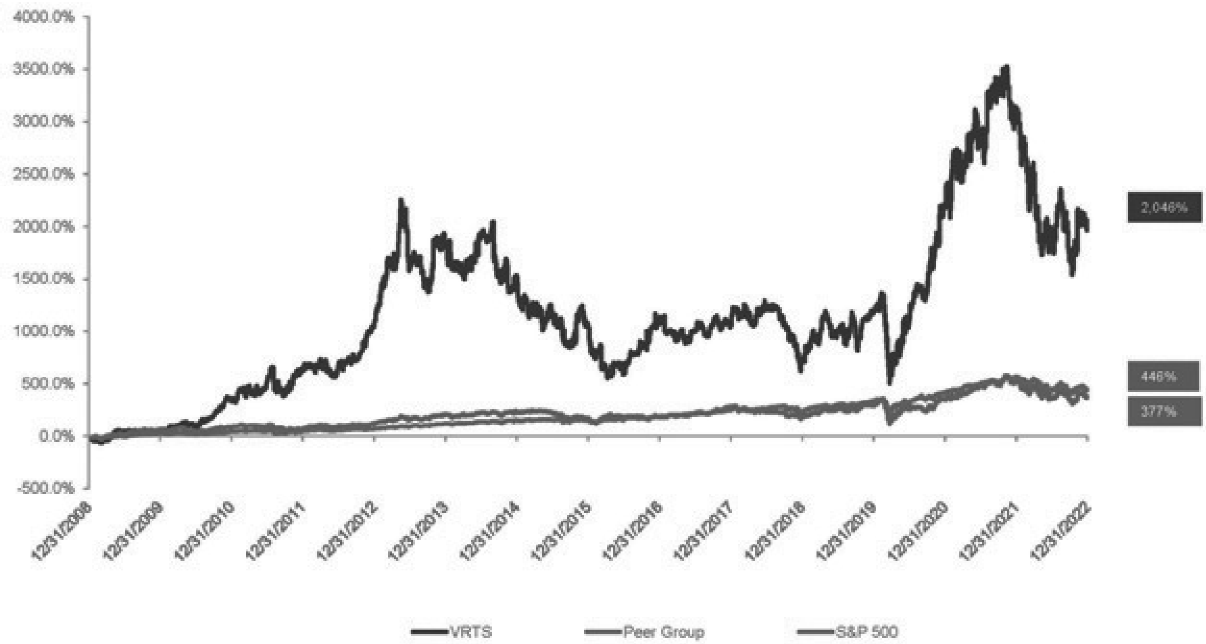
Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the fourth quarter of fiscal 2022. Shares of our common stock purchased by participants in our Employee Stock Purchase Plan were delivered to participant accounts via open market purchases at fair value by the third-party administrator under the plan. We do not reserve shares for this plan or discount the purchase price of the shares.

Stock Performance Graph

Cumulative Total Return Among Virtus, S&P 500 Index and Peer Companies

The following graph compares the cumulative total shareholder return of Virtus since its inception with the performance of the Standard & Poor's 500 ("S&P 500") Stock Index and a peer group index that consists of several peer companies (referred to as the "Financial Peer Group") as defined below. This graph assumes an equal investment in our common stock, the S&P 500 and the Peer Group on January 2, 2009, reflects reinvested dividends, and is weighted on a market capitalization basis. Each reported data point below represents the last trading day of each calendar year. The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance.



Financial Peer Group: Affiliated Managers Group, Inc., AllianceBernstein Holding L.P., Artisan Partners Asset Management Inc.*, BrightSphere Investment Group Inc.*, Cohen & Steers, Inc., Federated Hermes, Inc., Franklin Resources, Inc., Invesco Ltd., Janus Henderson Group Plc*, T. Rowe Price Group, Inc. and Victory Capital Holdings, Inc.*

* The above listed peers are excluded from the cumulative total return table due to the lack of comparable performance periods.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Our Business

We provide investment management and related services to individuals and institutions. We use a multi-manager, multi-style approach, offering investment strategies from affiliated managers, each having its own distinct investment style, autonomous investment process and individual brand, as well as from select unaffiliated subadvisers for certain of our retail funds. By offering a broad array of products, we believe we can appeal to a greater number of investors and have offerings across market cycles and through changes in investor preferences. Our earnings are primarily from asset-based fees charged for services relating to these various products, including investment management, fund administration, distribution, and shareholder services.

We offer investment strategies for individual and institutional investors in different investment products and through multiple distribution channels. Our investment strategies are available in a diverse range of styles and disciplines, managed by differentiated investment managers. We have offerings in various asset classes (equity, fixed income, multi-asset and alternative), geographies (domestic, global, international and emerging), market capitalizations (large, mid and small), styles (growth, core and value) and investment approaches (fundamental and quantitative). Our retail products include open-end funds, closed-end funds and retail separate accounts. Our institutional products are offered through separate accounts and pooled or commingled structures to a variety of institutional clients. We also provide subadvisory services to other investment advisers and serve as the collateral manager for structured products.

We distribute our open-end funds principally through financial intermediaries. We have broad distribution access in the U.S. retail market, with distribution partners that include national and regional broker-dealers, independent broker-dealers and registered investment advisers, banks and insurance companies. In many of these firms, we have a number of products that are on preferred "recommended" lists and on fee-based advisory programs. Our sales efforts are supported by regional sales professionals, a national account relationship group, and additional teams for ETFs and the retirement and insurance channels. Our retail separate accounts are distributed through financial intermediaries and directly to private clients by teams at an affiliated manager.

Our institutional services are marketed through relationships with consultants as well as directly to clients. We target key market segments, including foundations and endowments, corporate, public and private pension plans, and subadvisory relationships.

Market Developments

The financial markets have a significant impact on the value of our assets under management and on the level of our sales and net flows. The capital and financial markets experience fluctuation, volatility and declines, which impact investment returns and asset flows of our investment offerings as well as in investor choices and preferences among investment products. The changes in our assets under management may also be affected by the factors discussed in Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

The U.S. and global equity markets decreased in value in 2022, as evidenced by decreases in major indices as noted in the following table:

Index	December 31, 2022	December 31, 2021	As of Change %
MSCI World Index	2,603	3,232	(19.5)%
Standard & Poor's 500 Index	3,840	4,766	(19.4)%
Russell 2000 Index	1,761	2,245	(21.6)%
Morningstar / LSTA Leveraged Loan Index	2,406	2,420	(0.6)%

Financial Highlights

- Net income per diluted share was $15.50 in 2022, a decrease of $10.51, or 40.4%, as compared to net income per diluted share of $26.01 in 2021.
- Total sales were $30.3 billion in 2022, a decrease of $6.2 billion, or 17.0%, from $36.5 billion in 2021. Net flows were $(13.4) billion in 2022 compared to $3.5 billion in 2021.
- Assets under management were $149.4 billion at December 31, 2022, a decrease of $37.8 billion, or 20.2%, from $187.2 billion at December 31, 2021.

AlphaSimplex

On October 19, 2022, the Company entered into an agreement to acquire AlphaSimplex Group, LLC ("AlphaSimplex"), a leading manager of liquid alternative investment solutions. Under the agreement, the Company would acquire 100% of AlphaSimplex for $130.0 million at closing, which includes deferred retention incentives for management. The transaction is expected to close near the end of the first quarter of 2023, subject to customary closing conditions, necessary regulatory approvals, and client approvals, including approvals by the fund boards and fund shareholders.

Stone Harbor Investment Partners

On January 1, 2022, the Company acquired Stone Harbor Investment Partners LLC ("Stone Harbor"), a premier manager of emerging markets debt, multi-asset credit, global corporate, and other strategies with $14.7 billion of assets under management at December 31, 2021.

Westchester Capital Management

On October 1, 2021, the Company acquired Westchester Capital Management, LLC ("Westchester"), a recognized leader in global event-driven strategies with $5.1 billion of assets under management at September 30, 2021.

Fund Adoption and NFJ Investment Group

On February 1, 2021, the Company executed an agreement with Allianz Global Investors U.S. LLC ("AGI"), pursuant to which NFJ Investment Group ("NFJ") was established as a new affiliated investment manager, and the Company became the investment adviser, distributor and/or administrator for $29.5 billion of AGI's open-end, closed-end, institutional and retail separate account assets.

Assets Under Management

At December 31, 2022, total assets under management were $149.4 billion, representing a decrease of $37.8 billion, or 20.2%, from December 31, 2021. The change in total assets under management from December 31, 2021 included $37.1 billion of negative market performance and $13.4 billion of net outflows partially offset by $14.7 billion in assets under management from the addition of Stone Harbor.

Assets Under Management by Product

The following table summarizes our assets under management by product:

(in millions)	As of December 31, 2022	2021	As of Change 2022 vs. 2021	%
Open-End Funds (1)	$ 53,000	$ 78,706	$(25,706)	(32.7)%
Closed-End Funds	10,361	12,068	(1,707)	(14.1)%
Retail Separate Accounts	35,352	44,538	(9,186)	(20.6)%
Institutional Accounts (2)	50,663	51,874	(1,211)	(2.3)%
Total Assets Under Management	$149,376	$187,186	$(37,810)	(20.2)%
Average Assets Under Management (3)	$166,795	$172,841	$ (6,046)	(3.5)%

(1) Represents assets under management of U.S. retail funds, global funds, ETFs and variable insurance funds.

(2) Represents assets under management of institutional separate and commingled accounts including structured products.

(3) Averages are calculated as follows:
- Funds—average daily or weekly balances
- Retail Separate Accounts—average of prior-quarter ending balances
- Institutional Accounts—average of month-end balances

The following table summarizes asset flows by product:

Asset Flows by Product

(in millions)	Years Ended December 31, 2022	2021
Open-End Funds (1)		
Beginning balance	$ 78,706	$ 51,608
Inflows	13,985	19,158
Outflows	(28,549)	(21,525)
Net flows	(14,564)	(2,367)
Market performance	(15,113)	6,308
Other (2)	3,971	23,157
Ending balance	$ 53,000	$ 78,706
Closed-End Funds		
Beginning balance	$ 12,068	$ 5,914
Inflows	191	22
Outflows	—	—
Net flows	191	22
Market performance	(1,346)	1,223
Other (2)	(552)	4,909
Ending balance	$ 10,361	$ 12,068
Retail Separate Accounts		
Beginning balance	$ 44,538	$ 29,751
Inflows	5,710	9,215
Outflows	(6,440)	(4,085)
Net flows	(730)	5,130
Market performance	(8,456)	6,124
Other (2)	—	3,533
Ending balance	$ 35,352	$ 44,538
Institutional Accounts (3)		
Beginning balance	$ 51,874	$ 44,921
Inflows	10,407	8,101
Outflows	(8,747)	(7,404)
Net flows	1,660	697
Market performance	(12,168)	5,697
Other (2)	9,297	559
Ending balance	$ 50,663	$ 51,874
Total		
Beginning balance	$187,186	$132,194
Inflows	30,293	36,496
Outflows	(43,736)	(33,014)
Net flows	(13,443)	3,482
Market performance	(37,083)	19,352
Other (2)	12,716	32,158
Ending balance	**$149,376**	**$187,186**

(1) Represents assets under management of U.S. retail funds, global funds, ETFs and variable insurance funds.

(2) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from cash management strategies, and the impact of non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), current income or capital returned by structured products and the use of leverage.
(3) Represents assets under management of institutional separate and commingled accounts including structured products.

The following table summarizes our assets under management by asset class:

(in millions)	December 31, 2022	December 31, 2021	Change 2022 vs. 2021	Change %	% of Total 2022	% of Total 2021
Asset Class						
Equity	$ 81,894	$116,546	$(34,652)	(29.7)%	54.9%	62.3%
Fixed Income	36,903	34,261	2,642	7.7%	24.7%	18.3%
Multi-Asset (1)	19,937	24,853	(4,916)	(19.8)%	13.3%	13.3%
Alternatives (2)	10,642	11,526	(884)	(7.7)%	7.1%	6.1%
Total	$149,376	$187,186	$(37,810)	(20.2)%	100.0%	100.0%

(1) Includes strategies with substantial holdings in at least two of the following asset classes: equity, fixed income and alternatives.
(2) Consists of event-driven, real estate securities, infrastructure, long/short and other strategies.

Average Assets Under Management and Average Fees Earned

The following table summarizes the average management fees earned in basis points and average assets under management:

	Years Ended December 31,			
	Average Fee Earned *(expressed in basis points)*		Average Assets Under Management *(in millions)* (3)	
	2022	2021	2022	2021
Products				
Open-End Funds (1)	46.6	46.9	$ 64,046	$ 74,774
Closed-End Funds	57.4	55.8	11,132	11,352
Retail Separate Accounts	42.8	44.6	38,498	37,867
Institutional Accounts (2)	31.4	32.2	53,120	48,849
All Products	41.6	42.9	$166,795	$172,841

(1) Represents assets under management of U.S. retail funds, global funds, ETFs and variable insurance funds.
(2) Represents assets under management of institutional separate and commingled accounts including structured products.
(3) Averages are calculated as follows:
- Funds—average daily or weekly balances
- Retail Separate Accounts—prior-quarter ending balances
- Institutional Accounts—average of month-end balances

Average fees earned represent investment management fees, net of revenue-related adjustments, divided by average net assets, excluding the impact of consolidated investment products ("CIP"). Revenue-related adjustments are based on specific agreements and reflect the portion of investment management fees passed-through to third-party client intermediaries for services to investors in sponsored investment products. Fund fees are calculated based on average daily or weekly net assets. Retail separate account fees are calculated based on the end of the preceding or current quarter's asset values or on an average of month-end balances. Institutional account fees are calculated based on an average of month-end balances, an average of current quarter's asset values or on a combination of the underlying cash flows and the principal value of the product. Average fees earned will vary based on several factors, including the asset mix and expense reimbursements to the funds.

The average fee rate earned for 2022 on all products decreased by 1.3 basis points compared to the prior year primarily due to a lower proportion of assets under management in equity products as a result of negative equity markets in the year partially offset by a higher proportion of alternative assets.

Investment Performance

The following table presents a summary of investment performance by asset class measured by the percentage of assets under management exceeding their relevant benchmarks as of December 31, 2022:

	Percentage of Assets Under Management Beating Benchmark (2)		
Asset Class (1)	**3-Year**	**5-Year**	**10-Year**
Equity	50%	67%	65%
Fixed Income	65%	49%	54%
Alternatives	94%	95%	92%

(1) Excludes non-rated funds, closed-end funds, private client accounts, structured products and certain other multi-asset strategies.

(2) Percentage beating benchmark is reported as the percentage of assets under management that have outperformed benchmarks across the indicated periods. Performance is presented on an average annual total return basis for products with a three-, five-, and/or ten-year track record, is net of fees and is measured on a consistent basis relative to the most appropriate benchmarks. Benchmark indices are unmanaged, their returns do not reflect any fees, expenses or sales charges, and they are not available for direct investment. Past performance is not indicative of future results.

As of December 31, 2022, 34 of 77, or 44%, of our rated U.S. retail funds received an overall rating of 4 or 5 stars representing 57% of our total U.S. retail fund assets under management [(1)]. By comparison, 32.5% of Morningstar's fund population is given a 4 or 5 star rating [(2)].

(1) Assets under management excludes non-rated funds. Based on institutional-class shares, except for funds without I shares, for which shares were used, or if A share rating is higher than I shares. Past performance is not indicative of future results.

(2) Morningstar ratings are based on risk-adjusted returns. Strong ratings are not indicative of positive fund performance.

Results of Operations—December 31, 2022 compared to December 31, 2021

A discussion of our results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020 may be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our *Form 10-K for the fiscal year ended December 31, 2021*, which specific discussion is incorporated herein by reference.

Summary Financial Data

(in thousands)	Years Ended December 31, 2022	2021	Change 2022 vs. 2021	%
Investment management fees	$728,339	$781,585	$ (53,246)	(6.8) %
Other revenue	158,040	197,649	(39,609)	(20.0) %
Total revenues	886,379	979,234	(92,855)	(9.5) %
Total operating expenses	688,919	653,746	35,173	5.4 %
Operating income (loss)	197,460	325,488	(128,028)	(39.3) %
Other income (expense), net	(51,938)	6,376	(58,314)	(914.6) %
Interest income (expense), net	18,366	21,806	(3,440)	(15.8) %
Income (loss) before income taxes	163,888	353,670	(189,782)	(53.7) %
Income tax expense (benefit)	57,260	90,835	(33,575)	(37.0) %
Net income (loss)	106,628	262,835	(156,207)	(59.4) %
Noncontrolling interests	10,913	(54,704)	65,617	(119.9) %
Net Income (Loss) Attributable to Virtus Investment Partners, Inc.	$117,541	$208,131	$ (90,590)	(43.5) %
Earnings (loss) per share-diluted	$ 15.50	$ 26.01	$ (10.51)	(40.4) %

In 2022, total revenues decreased $92.9 million, or 9.5%, to $886.4 million from $979.2 million in 2021 primarily as a result of lower average assets under management due to negative market performance and net outflows partially offset by the addition of assets under management from Stone Harbor and Westchester. Operating income decreased by $128.0 million, or 39.3%, to $197.5 million in 2022 from $325.5 million in 2021 due to the previously mentioned factors.

Revenues

Revenues by source were as follows:

(in thousands)	Years Ended December 31, 2022	2021	Change 2022 vs. 2021	%
Investment management fees				
Open-end funds	$335,585	$395,152	$(59,567)	(15.1)%
Closed-end funds	63,841	63,301	540	0.9 %
Retail separate accounts	171,509	174,919	(3,410)	(1.9)%
Institutional accounts	157,404	148,213	9,191	6.2 %
Total investment management fees	728,339	781,585	(53,246)	(6.8)%
Distribution and service fees	67,518	90,555	(23,037)	(25.4)%
Administration and shareholder service fees	85,862	102,531	(16,669)	(16.3)%
Other income and fees	4,660	4,563	97	2.1 %
Total revenues	$886,379	$979,234	$(92,855)	(9.5)%

Investment Management Fees

Investment management fees are earned based on a percentage of assets under management and are paid pursuant to the terms of the respective investment management contracts, which generally require monthly or quarterly payments. Investment management fees decreased by $53.2 million, or 6.8%, for the year ended December 31, 2022, due to lower average assets under management and a lower average fee rate.

Distribution and Service Fees

Distribution and service fees are sales- and asset-based fees earned from open-end funds for marketing and distribution services. Distribution and service fees decreased by $23.0 million, or 25.4%, for the year ended December 31, 2022, primarily due to lower sales for open-end funds in share classes that have sales-based distribution and service fees.

Administration and Shareholder Service Fees

Administration and shareholder service fees represent fees earned for fund administration and shareholder services from our U.S. retail funds, ETFs and certain closed-end funds. Fund administration and shareholder service fees decreased by $16.7 million, or 16.3%, for the year ended December 31, 2022 compared to the prior year, primarily due to the decrease in average assets under management for our open- and closed-end funds during the period as a result of market performance and net outflows in our open-end funds.

Other Income and Fees

Other income and fees primarily represent fees related to other fee earning assets and contingent sales charges earned from investor redemptions of certain shares sold without a front-end sales charge. Other income and fees increased modestly during the year ended December 31, 2022 compared to the prior year.

Operating Expenses

Operating expenses by category were as follows:

	Years Ended December 31,		Change	
(in thousands)	**2022**	**2021**	**2022 vs. 2021**	**%**
Operating expenses				
Employment expenses	$371,259	$358,230	$ 13,029	3.6 %
Distribution and other asset-based expenses	112,612	141,039	(28,427)	(20.2)%
Other operating expenses	126,178	90,134	36,044	40.0 %
Other operating expenses of CIP	4,408	3,562	846	23.8 %
Change in fair value of contingent consideration	8,020	12,400	(4,380)	(35.3)%
Restructuring expense	4,015	—	4,015	100.0 %
Depreciation expense	3,923	3,900	23	0.6 %
Amortization expense	58,504	44,481	14,023	31.5 %
Total operating expenses	$688,919	$653,746	$ 35,173	5.4 %

Employment Expenses

Employment expenses consist of fixed and variable compensation and related employee benefit costs. Employment expenses of $371.3 million increased $13.0 million, or 3.6%, from the prior year primarily due to the addition of Stone Harbor and Westchester and increased salary expense partially offset by a decrease in profit-based compensation in the current year.

Distribution and Other Asset-Based Expenses

Distribution and other asset-based expenses consist primarily of payments to third-party client intermediaries for providing services to investors in sponsored investment products. These payments are primarily based on assets under management or on a percentage of sales. Distribution and other asset-based expenses also include the amortization of deferred sales commissions related to up-front commissions on shares sold without a front-end sales charge to shareholders. The deferred sales commissions are amortized on a straight-line basis over the period commissions are recovered from distribution fee revenues and contingent sales charges received upon redemption of shares. Distribution and other asset-based expenses decreased $28.4 million, or 20.2%, compared to the prior year primarily due to lower sales and a decrease in assets under management in share classes that have sales- and asset-based distribution and other asset-based expenses.

Other Operating Expenses

Other operating expenses primarily consist of investment research and technology costs, professional fees, travel and distribution-related costs, rent and occupancy expenses, and other business costs. Other operating expenses increased $36.0 million, or 40.0%, for the year ended December 31, 2022 as compared to the prior year primarily due to the addition of Stone Harbor and Westchester, as well as higher travel and related expenses.

Other Operating Expenses of CIP

Other operating expenses of CIP increased $0.8 million, or 23.8%, for the year ended December 31, 2022 compared to the prior year primarily due to the costs associated with the issuance of a new CLO in the current year that did not occur in the prior year.

Restructuring Expense

Restructuring expense consists primarily of costs incurred during the year ended December 31, 2022 related to the write-down of right-of-use assets for a lease in conjunction with the consolidation of certain office space.

Change in Fair Value of Contingent Consideration

Contingent consideration related to the NFJ, Westchester and Stone Harbor transactions are remeasured at fair value each reporting date taking into consideration changes in various estimates, including underlying performance estimates, discount rates and amount of time until the conditions of the contingent payments are achieved. The change in fair value is recorded in the current period as a gain or loss. The decrease in the change in fair value of contingent consideration of $4.4 million in 2022 compared to the prior year was primarily attributable to future revenue projections and the time value of money.

Depreciation Expense

Depreciation expense consists primarily of the straight-line depreciation of furniture, equipment and leasehold improvements. Depreciation expense remained consistent in 2022 compared to the prior year.

Amortization Expense

Amortization expense consists of the amortization of definite-lived intangible assets over their estimated useful lives. Amortization expense increased $14.0 million, or 31.5%, for the year ended December 31, 2022 compared to the prior year due to the additional amortization associated with the acquisitions of Stone Harbor and Westchester.

Other Income (Expense), net

Other Income (Expense), net by category were as follows:

(in thousands)	Years Ended December 31, 2022	2021	Change 2022 vs. 2021	%
Other Income (Expense)				
Realized and unrealized gain (loss) on investments, net	$(12,489)	$ 3,907	$(16,396)	(419.7)%
Realized and unrealized gain (loss) of CIP, net	(39,296)	(1,761)	(37,535)	2,131.5 %
Other income (expense), net	(153)	4,230	(4,383)	(103.6)%
Total Other Income (Expense), net	$(51,938)	$ 6,376	$(58,314)	(914.6)%

Realized and Unrealized Gain (Loss) on Investments, net

Realized and unrealized gain (loss) on investments, net changed during the year ended December 31, 2022 by $16.4 million, as compared to the prior year. The realized and unrealized gains and losses during the year ended December 31, 2022 reflected changes in overall market conditions experienced during the year.

Realized and Unrealized Gain (Loss) of CIP, net

Realized and unrealized gain (loss) of CIP, net changed $37.5 million compared to the prior year. The change for the current year consisted primarily of net realized and unrealized losses of $140.5 million due to changes in market values of leveraged loans, partially offset by unrealized gains of $103.0 million related to the value of the notes payable.

Other Income (Expense), net

Other income (expense), net decreased by $4.4 million during the year ended December 31, 2022 compared to the prior year primarily due to lower equity method investment income during the current year.

Interest Income (Expense), net

Interest Income (Expense), net by category were as follows:

(in thousands)	Years Ended December 31, 2022	2021	Change 2022 vs. 2021	%
Interest Income (Expense)				
Interest expense	$ (13,173)	$ (9,240)	$ (3,933)	42.6 %
Interest and dividend income	4,448	1,364	3,084	226.1 %
Interest and dividend income of investments of CIP	107,325	90,080	17,245	19.1 %
Interest expense of CIP	(80,234)	(60,398)	(19,836)	32.8 %
Total Interest Income (Expense), net	$ 18,366	$ 21,806	$ (3,440)	(15.8)%

Interest Expense

Interest expense increased $3.9 million, or 42.6%, for the year ended December 31, 2022 compared to the prior year primarily due to higher interest rates on our debt.

Interest and Dividend Income

Interest and dividend income is earned on cash equivalents and our marketable securities. Interest and dividend income increased $3.1 million, or 226.1%, compared to the prior year due to higher average investment balances and higher interest rates during the current year compared to the prior year.

Interest and Dividend Income of Investments of CIP

Interest and dividend income of investments of CIP increased $17.2 million, or 19.1%, compared to the prior year primarily due to higher average interest rates in the current year and the addition of a new CLO in the current year.

Interest Expense of CIP

Interest expense of CIP represents interest expense on the notes payable of CIP. Interest expense of CIP increased by $19.8 million, or 32.8%, compared to the prior year primarily due to higher average interest rates during the current year and the addition of a new CLO in the current year.

Income Tax Expense (Benefit)

The provision for income taxes reflected U.S. federal, state and local taxes at an estimated effective tax rate of 34.9% and 25.7% for 2022 and 2021, respectively. The higher estimated effective tax rate for 2022 was primarily due to valuation allowances recorded in the current year for the tax effects of unrealized losses on certain Company investments.

Effects of Inflation

Inflationary pressures can result in increases to our costs, especially to the extent that large expense components such as compensation are impacted. To the degree that these expense increases are not recoverable or cannot be counterbalanced through pricing increases due to the competitive environment, our profitability could be negatively impacted. In addition, the value of the assets that we manage may be negatively impacted if inflationary expectations result in a rising interest rate environment. Declines in the values of these assets under management could lead to reduced revenues as management fees are generally earned as a percentage of assets under management.

Liquidity and Capital Resources

Certain Financial Data

The following tables summarize certain financial data relating to our liquidity and capital resources:

(in thousands)	December 31, 2022	December 31, 2021	Change 2022 vs. 2021	Change %
Balance Sheet Data				
Cash and cash equivalents	$338,234	$378,921	$(40,687)	(10.7)%
Investments	100,330	108,890	(8,560)	(7.9)%
Contingent consideration	128,400	162,564	(34,164)	(21.0)%
Debt	255,025	266,346	(11,321)	(4.3)%
Redeemable noncontrolling interests	113,718	138,965	(25,247)	(18.2)%
Total equity	822,936	836,627	(13,691)	(1.6)%

(in thousands)	Years Ended December 31, 2022	Years Ended December 31, 2021	Change 2022 vs. 2021	Change %
Cash Flow Data				
Provided by (used in)				
Operating activities	$ 132,670	$ 665,729	$(533,059)	(80.1)%
Investing activities	(27,467)	(175,033)	147,566	(84.3)%
Financing activities	(102,057)	(244,400)	142,343	(58.2)%

Overview

At December 31, 2022, we had $338.2 million of cash and cash equivalents and $100.3 million of investments, which included $77.0 million of investment securities, compared to $378.9 million of cash and cash equivalents and $108.9 million of investments, which included $80.3 million of investment securities, at December 31, 2021.

Uses of Capital

Our main uses of capital related to operating activities comprise employee compensation and related benefit costs, which include annual incentive compensation, other operating expenses, which primarily consist of investment research, technology costs, professional fees, distribution and occupancy costs, interest on our indebtedness, and income taxes. Annual incentive compensation, which is one of the largest annual operating cash expenditures, is typically paid in the first quarter of the year. In 2022 and 2021, we paid approximately $151.6 million and $96.9 million, respectively, in incentive compensation earned during the years ended December 31, 2021 and 2020, respectively.

In addition to operating activities, other uses of cash could include: (i) investments in organic growth, including seeding or launching new products and expanding distribution; (ii) debt principal payments through scheduled amortization, excess cash flow payment requirements or additional paydowns; (iii) dividend payments to common stockholders; (iv) repurchases of our common stock, or withholding obligations for the net settlement of employee share transactions; (v) investments in our infrastructure; (vi) investments in inorganic growth opportunities that may require upfront and/or future payments; (vii) integration costs, including restructuring and severance, related to acquisitions, if any; and (viii) purchases of affiliate equity interests.

Capital and Reserve Requirements

We operate an SEC registered broker-dealer subsidiary that is subject to certain rules regarding minimum net capital. The broker-dealer is required to maintain a ratio of “aggregate indebtedness” to “net capital,” as defined, which may not exceed 15 to 1 and must also maintain a minimum amount of net capital. Failure to meet these requirements could result in adverse consequences to us, including additional reporting requirements, a lower required ratio of aggregate indebtedness to net capital, or interruption of our business. At December 31, 2022, the ratio of aggregate indebtedness to net capital of our broker-dealer was below the maximum allowed, and net capital was significantly greater than the required minimum.

Balance Sheet

Cash and cash equivalents consist of cash in banks and money market fund investments. Investments consist primarily of investments in our sponsored funds. CIP represent investment products for which we provide investment management services and where we have either a controlling financial interest or we are considered the primary beneficiary of an investment product that is considered a variable interest entity.

Operating Cash Flow

Cash flows provided by operating activities of $132.7 million for 2022 decreased by $533.1 million from cash flows provided by operating activities of $665.7 million in 2021 primarily due to a $396.2 million reduction in net sales of investments by CIP and a decrease in accrued compensation and other liability balances compared to the prior year.

Investing Cash Flow

Cash flows from investing activities consist primarily of capital expenditures and other investing activities related to our business operations. Net cash used in investing activities of $27.5 million for 2022 decreased by $147.6 million from net cash used in investing activities of $175.0 million in 2021. The decrease in cash used in investing activities during 2022 compared to the prior year related to the decrease in cash paid for acquisitions.

Financing Cash Flow

Cash flows from financing activities consist primarily of transactions related to our common shares, issuance and repayment of debt by us and CIP, payments of contingent consideration and changes to noncontrolling interests. Net cash used in financing activities decreased by $142.3 million to net cash outflows of $102.1 million in 2022 compared to net cash outflows of $244.4 million in the prior year. The decrease in the current year was primarily due to a decrease in net borrowings of CIP of $308.8 million partially offset by an increase in contingent consideration payments of $33.0 million and an increase in repurchases of common shares of $32.5 million in the current year.

Credit Agreement

The Company's credit agreement, as amended (the "Credit Agreement"), comprises (i) a $275.0 million term loan with a seven-year term (the "Term Loan") expiring in September 2028, and (ii) a $175.0 million revolving credit facility with a five-year term expiring in September 2026. During 2022, the Company repaid $12.8 million outstanding under its Term Loan. At December 31, 2022, $261.6 million was outstanding under the Term Loan, and there were no outstanding borrowings under the revolving credit facility. In accordance with Accounting Standards Codification ("ASC") 835, *Interest*, the amounts outstanding under the Company's Term Loan are presented on the Consolidated Balance Sheet net of related debt issuance costs, which were $6.6 million as of December 31, 2022.

Impact of New Accounting Standards

For a discussion of accounting standards, see Part II, Item 8, "Financial Statements and Supplementary Data," Note 2 "Summary of Significant Accounting Policies."

Critical Accounting Policies and Estimates

Our consolidated financial statements and the accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, which requires the use of estimates. Actual results will vary from these estimates. Management believes the following critical accounting policies are important to understanding our results of operations and financial position.

Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and investment products that are consolidated. Voting interest entities ("VOEs") are consolidated when we are considered to have a controlling financial interest, which is typically present when we own a majority of the voting interest in an entity or otherwise have the power to govern the financial and operating policies of the entity.

We evaluate any variable interest entities ("VIEs") in which we have a variable interest for consolidation. A VIE is an entity in which either (i) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (ii) where as a group, the holders of the equity investment at risk do not possess: (x) the power through voting or similar rights to direct the activities that most significantly impact the entity's economic performance; (y) the obligation to absorb expected losses or the right to receive expected residual returns of the entity; or (z) proportionate voting and economic interests and where substantially all of the entity's activities either involve or are conducted on behalf of an investor with disproportionately fewer voting rights. If an entity has any of these characteristics, it is considered a VIE and is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that has both the power to direct the activities that most significantly impact the VIE's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE.

CIP includes both VOEs, made up primarily of open-end funds in which we hold a controlling financial interest, and VIEs, which primarily consist of CLOs of which we are considered the primary beneficiary. The consolidation and deconsolidation of these investment products have no impact on net income (loss) attributable to stockholders. Our risk with respect to these investment products is limited to our beneficial interests in these products. We have no right to the benefits from, and do not bear the risks associated with, these investment products beyond our investments in, and fees generated from, these products.

Noncontrolling Interests

Noncontrolling interests—CIP

Noncontrolling interests—CIP represent third-party investments in our CIP and are classified as redeemable noncontrolling interests in our Consolidated Balance Sheets because investors in those products are able to request withdrawal at any time.

Noncontrolling interests—affiliate

Noncontrolling interests—affiliate represent minority interests held in a consolidated affiliate. Minority interests held in an affiliate are subject to holder put rights and our call rights at established multiples of earnings before interest, taxes, depreciation and amortization and, as such, are considered redeemable at other than fair value. These rights are exercisable at pre-established intervals (between four and seven years from their issuance) or upon certain conditions such as retirement. The put and call rights are not legally detachable or separately exercisable and are deemed to be embedded in the related noncontrolling interests. We, in purchasing affiliate equity, have the option to settle in cash or shares of common stock and are entitled to the cash flow associated with any purchased equity. Minority interests held in an affiliate are generally recorded in our Consolidated Balance Sheets at estimated redemption value within redeemable noncontrolling interests, and changes in estimated redemption value of these interests are recorded in our Consolidated Statements of Operations within noncontrolling interests.

Fair Value Measurements and Fair Value of Financial Instruments

The Financial Accounting Standards Board (the "FASB") defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurement* ("ASC 820"), establishes a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels as follows:

Level 1 – Quoted prices for identical instruments in active markets. Level 1 assets and liabilities may include debt securities and equity securities that are traded in an active exchange market.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs may include observable market data such as closing market prices provided by independent pricing services after considering factors such as the yields or prices of comparable investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers and general market conditions. In addition, pricing services may determine the fair value of equity securities traded principally in foreign markets when it has been determined that there has been a significant trend in the U.S. equity markets or in index futures trading. Level 2 assets and liabilities may include debt and equity securities, purchased loans and over-the-counter derivative contracts whose fair value is determined using a pricing model without significant unobservable market data inputs.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable in active exchange markets.

The following is a discussion of the valuation methodologies used for our assets measured at fair value:

Cash equivalents represent investments in money market funds. Cash investments in money market funds are valued using published net asset values and are classified as Level 1.

Sponsored funds represent investments in open- and closed-end funds for which we act as the investment manager. The fair value of U.S. retail funds, global funds and variable insurance funds is determined based on their published net asset values and are categorized as Level 1. The fair value of closed-end funds and ETFs is determined based on the official closing price on the exchange on which they are traded and are categorized as Level 1.

Equity securities represent securities traded on active markets, are valued at the official closing price (typically last sale or bid) on the exchange on which the securities are primarily traded and are categorized as Level 1.

Nonqualified retirement plan assets represent mutual funds within a nonqualified retirement plan whose fair value is determined based on their published net asset value and are categorized as Level 1.

Contingent consideration represents liabilities associated with our business combinations. The estimated fair values are measured using a simulation model using unobservable market data inputs prepared with the assistance of an independent valuation firm. These liabilities are categorized as Level 3.

Investments of CIP represent the underlying debt, equity and other securities held in CIP. Equity investments are valued at the official closing price on the exchange on which the securities are traded and are generally categorized within Level 1. Level 2 investments represent most debt securities, including bank loans and certain equity securities (including non-U.S. securities), for which closing prices are not readily available or are deemed to not reflect readily available market prices, and are valued using an independent pricing service.

Debt investments are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Bank loan investments, which are included as debt investments, are generally priced at the average mid-point of bid and ask quotations obtained from a third-party pricing service. Fair value may also be based upon valuations obtained from independent third-party brokers or dealers utilizing matrix pricing models that consider information regarding securities with similar characteristics. In certain instances, fair value has been determined utilizing discounted cash flow analyses or single broker non-binding quotes. Depending on the nature of the inputs, these assets are classified as Level 1, 2 or 3 within the fair value measurement hierarchy. Level 3 investments include debt and equity securities that are not widely traded, are illiquid or are priced by dealers based on pricing models used by market makers in the security.

Notes payable of CIP represent notes issued by CIP CLOs we consolidate and are measured using the measurement alternative in Accounting Standards Update 2014-13. Accordingly, the fair value of CLO liabilities was measured as the fair value of CLO assets less the sum of (i) the fair value of the beneficial interests held by the Company and (ii) the carrying value of any beneficial interests that represent compensation for services. The fair value of the beneficial interests held by the Company is based on third-party pricing information without adjustment.

Short sales of CIP are transactions in which a security is sold that is not owned or is owned but there is no intention to deliver, in anticipation that the price of the security will decline. Short sales are recorded on the Consolidated Balance Sheets within other liabilities of CIP and are classified as Level 1 based on the underlying equity security.

Cash, accounts receivable, accounts payable, securities purchased payable of CIP, and accrued liabilities equal or approximate fair value based on the short-term nature of these instruments.

Goodwill

As of December 31, 2022, the carrying value of goodwill was $348.8 million. Goodwill represents the excess of the acquisition purchase price over the fair value of identified net assets and liabilities acquired. We have one reporting unit for purposes of assessing the carrying value of goodwill. Goodwill impairment testing is performed at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we determine that the carrying value of the reporting unit is less than the fair value, a second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. We completed our annual goodwill impairment assessment as of October 31, 2022, and no impairment was identified. For purposes of this assessment, we considered various qualitative factors including, but not limited to, certain indicators of fair value (e.g., market capitalization and market multiples for asset managers) and determined that it was more likely than not that the fair value of our reporting unit was greater than its carrying value. Only a significant decline in the fair value of our reporting unit would indicate that an impairment may exist.

Indefinite-Lived Intangible Assets

As of December 31, 2022, the carrying value of indefinite-lived intangible assets was $42.3 million. Indefinite-lived intangible assets comprise certain fund investment advisory contracts and trade names. We perform indefinite-lived intangible asset impairment tests annually, or more frequently, should circumstances change, which could reduce the fair value of indefinite-lived intangible assets below their carrying value. We completed our annual impairment assessment of these assets as of October 31, 2022, and no impairments were identified. For purposes of this assessment, we considered various qualitative factors for the investment advisory contract intangible assets including, but not limited to, changes in (i) assets under management, (ii) operating margins, and (iii) net cash flows generated, and we determined that it was more likely than not that the fair value of indefinite-lived intangible assets was greater than their carrying value. Only a significant decline in the fair value of the indefinite-lived intangible assets would indicate that an impairment may exist.

Definite-Lived Intangible Assets

As of December 31, 2022, the carrying value of definite-lived intangible assets was $400.2 million. Definite-lived intangible assets comprise certain fund investment advisory contracts, trade names and non-competition agreements. We monitor the useful lives of definite-lived intangible assets and revise the useful lives, if necessary, based on the circumstances. Significant judgment is required in estimating the period that these assets will contribute to our cash flows and the pattern over which these assets will be consumed. A change in the remaining useful life of any of these assets could have a significant impact on amortization expense. All amortization expense is calculated on a straight-line basis. Impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we were to determine that the carrying value of the definite-lived intangible assets was less than the sum of the undiscounted cash flows expected to result from the asset, we would quantify the impairment using a discounted cash flow model.

Revenue Recognition

Our revenues are recognized when a performance obligation is satisfied, which occurs when control of the services is transferred to customers. Investment management fees, distribution and service fees, and administration and shareholder service fees are calculated as a percentage of average net assets of the investment portfolios managed. The net asset values from which these fees are calculated are variable in nature and subject to factors outside of our control such as additional investments, withdrawals and market performance. Because of this, these fees are considered constrained until the end of the contractual measurement period (monthly or quarterly) which is when asset values are generally determinable.

Investment Management Fees

We provide investment management services pursuant to investment management agreements through our investment advisers (each an "Adviser"). Investment management services represent a series of distinct daily services that are performed over time. Fees earned on funds are based on each fund's average daily or weekly net assets and are generally calculated and received on a monthly basis. We record investment management fees net of the fees paid to unaffiliated subadvisers since we are deemed to be an agent of the fund as it relates to the day-to-day investment management services they perform, with our performance obligation being to arrange for the provision of that service and not control the specified service before it is performed. Amounts paid to unaffiliated subadvisers for the years ended December 31, 2022, 2021 and 2020 were $77.0 million, $115.5 million and $38.6 million, respectively.

Retail separate account fees are generally earned based on the end of the preceding or current quarter's asset values. Institutional account fees are generally earned based on an average of month-end balances. In certain instances, institutional fees may include performance related fees that are based on relative investment returns. Fees for structured finance products, for which we act as the collateral manager, consist of senior, subordinated and, in certain instances, incentive management fees. Senior and subordinated management fees are earned at a contractual fee rate applied against the end of the preceding quarter par value of the total collateral being managed with subordinated fees being earned only after certain portfolio criteria are met. Incentive fees on certain of our CLOs are typically a percentage of the excess cash flows available to holders of the subordinated notes, above a threshold level internal rate of return.

We rely on data provided to us by service providers for the pricing of the underlying investment securities for the asset values that drive our investment management fees and our assets under management. Our service providers have formal valuation policies and procedures over the valuation of investments. As of December 31, 2022, our total assets under management by fair value hierarchy level, as defined by ASC 820, were approximately 72.2% Level 1, 27.6% Level 2 and 0.2% Level 3.

Distribution and Service Fees

Distribution and service fees are sales- and asset-based fees earned from open-end funds for marketing and distribution services. These fees primarily consist of an asset-based fee that is paid by the fund over a period of years to cover allowable sales and marketing expenses for the fund or front-end sales charges that are based on a percentage of the offering price. Asset-based distribution and service fees are primarily based on percentages of the average daily net asset value and are paid monthly pursuant to the terms of the respective distribution and service fee contracts.

Distribution and service fees represent two performance obligations comprised of distribution and related shareholder servicing activities. Distribution services are generally satisfied upon the sale of a fund share. Shareholder servicing activities are generally services satisfied over time.

We distribute our open-end funds through third-party financial intermediaries that comprise national, regional and independent broker-dealers. These third-party financial intermediaries provide distribution and shareholder service activities on our behalf. We pay related distribution and service fees to these third-party financial intermediaries for these services as we consider ourselves the principal in these arrangements since we have control of the services prior to the services being transferred to the customer. These payments are classified within distribution and other asset-based expenses.

Administration & Shareholder Service Fees

We provide administrative fund services to our U.S. retail funds, ETFs and the majority of our closed-end funds and shareholder services to our open-end funds. Administration and shareholder services are performed over time. We earn fees for these services, which are calculated and paid monthly, based on each fund's average daily or weekly net assets. Administrative fund services include: record keeping, preparing and filing documents required to comply with securities laws, legal administration and compliance services, customer service, supervision of the activities of the funds' service providers, tax services and treasury services. We also provide office space, equipment and personnel that may be necessary for managing and administering the business affairs of the funds. Shareholder services include maintaining shareholder accounts, processing shareholder transactions, preparing filings and performing necessary reporting.

Other Income and Fees

Other income and fees primarily represent fees related to other fee-earning assets and contingent sales charges earned from investor redemptions of certain shares sold without a front-end sales charge.

Accounting for Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, which requires recognition of the amount of taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for temporary differences between the tax basis of assets and liabilities and the reported amounts on the Consolidated Financial Statements. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained, based on the technical merits of the position. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. We record interest and penalties related to income taxes as a component of income tax expense.

Significant judgment is required in determining the provision for income taxes and, in particular, any valuation allowance that is recorded against our deferred tax assets. The methodology for determining the realizability of deferred tax assets includes consideration of taxable income in prior carryback year(s), if carryback is permitted under the tax law, as well as consideration of the reversal of deferred tax liabilities that are in the same period and jurisdiction and are of the same character as the temporary differences that gave rise to the deferred tax assets. Our methodology also includes estimates of future taxable income from operations, as well as the expiration dates and amounts of carryforwards related to net operating losses and capital losses. These estimates are projected through the life of the related deferred tax assets based on assumptions that we believe to be reasonable and consistent with demonstrated operating results. Changes in future operating results not currently forecasted may have a significant impact on the realization of deferred tax assets. Valuation allowances are provided when it is determined that it is more likely than not that the benefit of deferred tax assets will not be realized.

Contingent Consideration

We periodically enter into contingent payment arrangements in connection with our business combinations or asset purchases. In contingent payment arrangements, we agree to pay additional transaction consideration to the seller based on future performance. We estimate the value of future payments of these potential future obligations at the time a business combination or asset purchase is consummated. Liabilities under contingent payment arrangements are recorded within contingent consideration on the Consolidated Balance Sheets.

Contingent payment obligations related to business combinations are remeasured at fair value each reporting date using a simulation model with the assistance of an independent valuation firm and approved by management (level 3 fair value measurement). The change in fair value is recorded in the current period as a gain or loss. Gains and losses resulting from changes in the fair value of contingent payment obligations are reflected within change in fair value of contingent consideration on the Consolidated Statements of Operations.

Contingent payment obligations related to our asset purchases, if estimable and probable of payment, are initially recorded at their estimated value and reviewed every reporting period for changes. Any changes to the estimated value are recorded as an update of the initial acquisition cost of the asset with a corresponding change to the estimated contingent payment obligation on the Consolidated Balance Sheets.

Loss Contingencies

The likelihood that a loss contingency exists is evaluated using the criteria of ASC 450, *Contingencies,* and an accrued liability is recorded if the likelihood of a loss is considered both probable and reasonably estimable at the date of the consolidated financial statements.

We believe that we have considered relevant circumstances that we may be currently subject to, and the consolidated financial statements accurately reflect our reasonable estimate of the results of our operations, financial condition and cash flows for the years presented.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

Substantially all of our revenues are derived from investment management, distribution and service, and administration and shareholder service fees, which are based on the market value of assets under management. Accordingly, a decline in the market value of assets under management would cause our revenues and income to decline.

We are also subject to market risk due to a decline in the market value of our investments, which consist of marketable securities and our net interests in CIP. The following table summarizes the impact of a 10% increase or decrease in the fair values of these financial instruments:

	December 31, 2022	
(in thousands)	Fair Value	10% Change
Investment securities—fair value (1)	$76,999	$7,700
Our net interest in CIP (2)	148,107	14,811
Total Investments subject to Market Risk	$225,106	$22,511

(1) If a 10% increase or decrease in fair values were to occur, it would result in a corresponding increase or decrease in our pre-tax earnings.
(2) These represent our direct investments in investment products that are consolidated. Upon consolidation, these direct investments are eliminated, and the assets and liabilities of CIP are consolidated on the Consolidated Balance Sheet, together with a noncontrolling interest balance representing the portion of the CIP owned by third parties. If a 10% increase or decrease in the fair values of our direct investments in CIP were to occur, it would result in a corresponding increase or decrease in our pre-tax earnings.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2022, we were exposed to interest rate risk as a result of approximately $155.8 million of investments in fixed and floating rate income products, which include our net interests in CIP. We considered a hypothetical 100 basis point change in interest rates and determined that the fair value of our fixed income investments could change by an estimated $2.7 million.

At December 31, 2022, we had $261.6 million outstanding under our Term Loan. The applicable margin on amounts outstanding under the Credit Agreement is 2.25%, in the case of LIBOR-based loans, and 1.25%, in the case of an alternate base rate loan. Given our borrowings are floating rate, we considered a hypothetical 100 basis point change in the base rate of our outstanding borrowings and determined that annual interest expense would change by an estimated $2.6 million, either an increase or decrease, depending on the direction of the change in the base rate.

Item 8. Financial Statements and Supplementary Data.

The audited consolidated financial statements, including the Report of Independent Registered Public Accounting Firm and the required supplementary quarterly information, required by this item are presented under Item 15 “Exhibits and Financial Statement Schedules” beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2022, the end of the period covered by this Annual Report on Form 10-K.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the fourth quarter of fiscal 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policy or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022 based upon the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm, as stated in their report, which is included in Item 15 "Exhibits and Financial Statement Schedules" of this Annual Report on Form 10-K.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this Item 10 is incorporated herein by reference to our definitive proxy statement for our 2023 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

Item 11. Executive Compensation.

Information required by this Item 11 is incorporated herein by reference to our definitive proxy statement for our 2023 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by Item 403 of Regulation S-K is incorporated herein by reference to our definitive proxy statement for our 2023 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

The following table sets forth information as of December 31, 2022 with respect to compensation plans under which shares of our common stock may be issued:

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights (1)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (2)	377,087	$—	655,343
Equity compensation plans not approved by security holders	—	—	—
Total	377,087	$—	655,343

(1) The weighted-average exercise price set forth in this column is calculated excluding outstanding restricted stock unit awards (“RSUs”) since recipients of such awards are not required to pay an exercise price to receive the shares subject to these awards.

(2) Represents shares of our common stock issuable upon the vesting of RSUs outstanding under the Company’s Omnibus Incentive and Equity Plan (the “Omnibus Plan”). Of the 3,370,000 maximum number of shares of our common stock authorized for issuance under the Omnibus Plan, 124,223 shares of common stock have been issued on a cumulative basis in the form of direct grants to directors.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item 13 is incorporated herein by reference to our definitive proxy statement for our 2023 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

Item 14. Principal Accountant Fees and Services.

Information required by this Item 14 is incorporated herein by reference to our definitive proxy statement for our 2023 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) *Financial Statements:* The following Report of Independent Registered Public Accounting Firm and Consolidated Financial Statements of Virtus are included in this Annual Report:

Report of Independent Registered Public Accounting Firm (PCAOB ID No. 34)

Consolidated Balance Sheets as of December 31, 2022 and 2021

Consolidated Statements of Operations for the Years Ended December 31, 2022, 2021 and 2020

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2022, 2021 and 2020

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2022, 2021 and 2020

Consolidated Statements of Cash Flows for the Years Ended December 31, 2022, 2021 and 2020

Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules:

All financial statement schedules have been omitted because the required information is either presented on the consolidated financial statements or the notes thereto or is not applicable or required.

(a)(3) ***Exhibits:***

The following exhibits are filed herewith or incorporated herein by reference:

Exhibit Number	Exhibit Description
(2)	*Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession*
2.1	Membership Interest Purchase Agreement by and among the Registrant, Westchester Capital Management, LLC, Westchester Capital Partners, LLC, LPC Westchester, LP, MTSWCM Holdings, LLC, RDBWCM Holdings, LLC, and the Individual Equityholders (as defined therein), dated February 1, 2021 (incorporated by reference to Exhibit 2.4 of the Registrant's Annual Report on Form 10-K, filed February 26, 2021).
(3)	*Articles of Incorporation and Bylaws*
3.1	Amended and Restated Certificate of Incorporation of the Registrant, dated December 18, 2008 (incorporated by reference to Exhibit 3.1 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).
3.2	Amended and Restated Bylaws of the Registrant, as amended on February 14, 2018 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed February 16, 2018).
3.3	Certificate of Designations of Series A Non-Voting Convertible Preferred Stock and Series B Voting Convertible Preferred Stock of the Registrant, dated October 31, 2008 (incorporated by reference to Exhibit 4.2 of the Registrant's Amendment No. 2 to Form 10, filed November 14, 2008).
3.4	Certificate of Amendment of the Certificate of Designations of Series A Non-Voting Convertible Preferred Stock and Series B Voting Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q, filed August 13, 2009).
3.5	Certificate of Designations of Series C Junior Participating Preferred Stock of the Registrant, dated December 29, 2008 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed January 2, 2009).

Exhibit Number	Exhibit Description
3.6	Certificate of Designations of 7.25% Series D Mandatory Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed February 1, 2017).
(4)	*Instruments Defining the Rights of Security Holders including Indentures*
4.1	Description of the Registrant's Common Stock (incorporated by reference to Exhibit 4.3 of the Registrant's Annual Report on Form 10-K, filed February 27, 2020).
(10)	*Material Contracts*
10.1*	Change in Control Agreement between George R. Aylward and the Registrant, effective as of December 31, 2008 (incorporated by reference to Exhibit 10.4 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).
10.2*	Virtus Investment Partners, Inc. Amended and Restated Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed May 17, 2021).
10.3*	Virtus Investment Partners, Inc. Non-Qualified Excess Investment Plan, effective as of November 1, 2008 (incorporated by reference to Exhibit 10.6 of the Registrant's Amendment No. 2 to Form 10, filed November 14, 2008).
10.4*	First Amendment to the Virtus Investment Partners, Inc. Non-Qualified Excess Investment Plan, effective as of February 1, 2010 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed May 4, 2010).
10.5*	Virtus Investment Partners, Inc. Amended and Restated Executive Severance Allowance Plan, effective as of February 2, 2009 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed February 4, 2009).
10.6*	Form of Non-Qualified Stock Option Agreement under the Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q, filed May 13, 2009).
10.7*	Form of Restricted Stock Units Agreement under the Virtus Investment Partners, Inc. Amended and Restated Omnibus Incentive and Equity Plan.
10.8*	Form of Performance Share Units Agreement under the Virtus Investment Partners, Inc. Amended and Restated Omnibus Incentive and Equity Plan.
10.9*	Form of Indemnity Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, filed November 4, 2009).
10.10*	Form of Indemnity Agreement.
10.11*	Offer Letter from the Registrant to Barry M. Mandinach dated April 4, 2014 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed May 7, 2014).
10.12*	Offer Letter from the Registrant to Wendy J. Hills dated July 26, 2019 (incorporated by reference to Exhibit 10.15 of the Registrant's Annual Report on Form 10-K, filed February 26, 2021).
10.13*	Offer Letter from the Registrant to Richard W. Smirl dated April 7, 2021 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q filed May 6, 2021).
10.14	Amended and Restated Credit Agreement, dated as of September 28, 2021, by and among Virtus Investment Partners, Inc. as borrower, Morgan Stanley Senior Funding, Inc. as administrative agent, and the Lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed October 4, 2021).
(21)	*Subsidiaries of the Registrant*
21.1	Virtus Investment Partners, Inc. Subsidiaries List.

Exhibit Number	Exhibit Description
(23)	*Consents of Experts and Counsel*
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certifications of Registrant’s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Registrant’s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Registrant’s Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following information is formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2022 and December 31, 2021, (ii) Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2022, 2021 and 2020, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020, (v) Consolidated Statements of Changes in Stockholders’ Equity for the years ended December 31, 2022, 2021 and 2020 and (vi) Notes to Consolidated Financial Statements.
104	Cover page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)

* Management contract, compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs at the date they were made or at any other time.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 27, 2023

Virtus Investment Partners, Inc.

By: /S/ MICHAEL A. ANGERTHAL

Michael A. Angerthal
Executive Vice President
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of February 27, 2023.

/S/ TIMOTHY A. HOLT **Timothy A. Holt** **Director and Non-Executive Chairman**	/S/ GEORGE R. AYLWARD **George R. Aylward** **President, Chief Executive Officer and Director** **(Principal Executive Officer)**
/S/ PETER L. BAIN **Peter L. Bain** **Director**	/S/ SUSAN S. FLEMING **Susan S. Fleming, Ph.D.** **Director**
/S/ PAUL G. GREIG **Paul G. Greig** **Director**	/S/ MELODY L. JONES **Melody L. Jones** **Director**
/S/ W. HOWARD MORRIS **W. Howard Morris** **Director**	/S/ STEPHEN T. ZARRILLI **Stephen T. Zarrilli** **Director**
/S/ MICHAEL A. ANGERTHAL **Michael A. Angerthal** **Chief Financial Officer** **(Principal Financial Officer and Principal Accounting Officer)**	

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Virtus Investment Partners, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Virtus Investment Partners, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Assets Acquired—Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

During the year, the Company acquired Stone Harbor Investment Partners, LLC ("Stone Harbor") which was accounted for as a business combination. Management estimated the fair value of the assets acquired using (1) an excess earnings method for the investment management agreements, (2) a royalty savings method for the trade name, and (3) both a royalty savings method and a replacement cost method for the software. The determination required management to make significant estimates and assumptions related to future cash flows and the selection of the discount rates and long-term growth rates for these assets.

The inputs used in estimating the fair value are in most cases unobservable and reflect management's own judgments about the assumptions market participants would use in pricing the assets. Auditing the valuations of the assets acquired involved a high degree of judgment and an increased extent of effort, including involving our internal fair value specialists in evaluating management's judgments especially as it relates to management's assumptions of future cash flows, discount rates, and long-term growth rates.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the valuation of assets acquired for Stone Harbor included the following, among others:

- We tested the design and operating effectiveness of controls over valuation of the assets acquired including controls over management's projections of future cash flows, discount rates, and long-term growth rates.
- We evaluated the reasonableness of significant business assumptions related to future cash flows, by comparing the projections to historical results and certain peer companies. We also held various discussions with accounting personnel and management regarding the business assumptions utilized in the valuation models and, on a sample basis, obtained audit evidence to substantiate the assumptions therein.

- With the assistance of our internal fair value specialists we evaluated certain valuation assumptions, including discount rates and long-term growth rates.
  - We evaluated the reasonableness of the valuation methodologies used by management to determine whether they were consistent with generally accepted valuation practices.
  - We evaluated the discount rates used by management to determine whether management's discount rate estimates were within our independent range.
  - We performed an analysis of inflation, economic, and industry growth statistics to determine whether management's long-term growth rate used in the income approach fell within a reasonable range of the market data.
  - We evaluated the appropriateness of management's selection of guideline public companies used in developing the discount rates.
- We evaluated whether the assumptions used were consistent with evidence obtained in other areas of the audit.

Valuation of Contingent Consideration—Refer to Notes 2, 4 and 7 to the financial statements

Critical Audit Matter Description

The Company periodically enters into contingent payment arrangements in connection with its business combinations or asset acquisitions.

Contingent payment obligations related to business combinations are recorded at fair value upon acquisition and are remeasured at fair value each reporting date. During the year, the contingent payment obligations associated with the 2022 acquisition of Stone Harbor and the 2021 acquisitions of NFJ Investment Group ("NFJ") and Westchester Capital Management ("Westchester") were valued to reflect remeasurement and payments made, if applicable, and changes were recorded in the current period as a gain or loss. Management uses simulation models to determine the fair value of the Company's estimated contingent liability given the variable nature of the arrangements and the significant management judgments in estimating revenue projections, market rate assumptions, discount rates, and risk volatility assumptions.

Contingent payment obligations related to asset acquisitions, if estimable and probable of payment, are initially recorded at their estimated value and reviewed every reporting period for changes. During the year, the contingent payment obligations associated with the 2021 asset acquisition as part of the strategic partnership with Allianz Global Investors ("AllianzGI") was valued to reflect remeasurement and payments made, if applicable, and changes were recorded in the current period as updates to the initial acquisition cost.

The valuations of the AllianzGI, NFJ, Westchester, and Stone Harbor contingent payment obligations use unobservable inputs and reflect management's own judgments about the assumptions market participants would use in pricing the liabilities. Auditing the estimates involved a high degree of auditor judgment and an increased extent of effort. For the fair value of the business combination contingent consideration, our internal fair value specialists were engaged to evaluate management's judgments utilized within the simulation model related to revenue projections, market rate assumptions, discount rates, and risk volatility assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the valuation of the contingent consideration liability for the AllianzGI, NFJ, Westchester, and Stone Harbor acquisitions included the following, among others:

- We tested the design and operating effectiveness of controls over management's valuation of the contingent consideration liability.

- We held discussions with accounting personnel and management regarding the revenue projections utilized in the valuation models. We confirmed that the products included in the revenue projections utilized in the valuation models agreed to those within the respective acquisition agreements.
- For the AllianzGI acquisition, we evaluated the methodology used to calculate the estimated value of the contingent payment obligations to confirm it was appropriate for an asset acquisition and confirmed that the amounts recorded were based on the revenue projections and the contractual payment rate.
- With the assistance of our internal fair value specialists, we performed the below procedures related to the NFJ, Westchester, and Stone Harbor contingent consideration liability:
  - We evaluated the valuation methodology used by management to determine whether they were consistent with generally accepted valuation practices.
  - We estimated the fair value of the contingent liability through the preparation of independent simulation models developed from the underlying acquisition agreements and using independently sourced input data. We compared the fair value estimate produced by our independent model to the model prepared by management.
  - We evaluated the appropriateness of management's selection of guideline public companies used for market rate and risk volatility assumptions and the discount rates used by management in the simulation model.
- We evaluated whether the assumptions used were consistent with evidence obtained in other areas of the audit.

Consolidation—Consolidation of Investment Products—Refer to Notes 2 and 21 to the financial statements

Critical Audit Matter Description

The Company is required to consolidate investment products to which it provides investment management services when it (1) has a majority voting interest in an investment product that is a voting interest entity (VOE) or otherwise has the power to govern the financial and operating policies of the entity; or (2) it is considered the primary beneficiary of an investment product that is a variable interest entity (VIE). Management is required to evaluate whether an investment product is a VOE or a VIE upon its initial involvement with the investment product, or the occurrence of a reconsideration event. This assessment involves management's judgment and is determined based on a variety of factors including the capital structure of the investment product, the investment product's activities, the equity investment at risk, and the proportionate voting and economic interests of the investors in the investment product including the Company.

For each investment product that is considered a VIE, management performs a primary beneficiary analysis to determine if it holds a controlling financial interest in the investment product. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Management's evaluation of these two criteria involves judgments to analyze the governing documents of the investment product. The level of judgment required may vary in significance based on the complexity of the voting rights and structure economic interests of the investment product and the facts and circumstances of the Company's investment. This required a high degree of auditor judgment and an increased extent of effort to evaluate management's conclusions related to the power criterion and the economics criterion, including characterizing rights as protective or participating and evaluating all variable interests for the potential significance of economic exposure in the entity.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the consolidation assessment of VIEs included the following, among others:

- We tested the design and operating effectiveness of controls over management's review of the consolidation analysis of new or modified investment products during the year.
- We read and analyzed the governing documents (including the collateral management agreement, preference share subscription agreement and credit agreement, if applicable) of each investment product to assess management's conclusions. Our procedures included evaluating the following:
  - Key facts included in management's consolidation analysis are consistent with the governing documents and the Company's interests in the investment products;
  - Relevant terms impacting the consolidation analysis under GAAP were considered including the evaluation of whether the investment product is a VOE or VIE;
  - Judgments made by management based on the capital structure of the investment product, the investment product's activities, the equity investment at risk, and the proportionate voting and economic interests of the investors in the investment product including the Company were appropriate;
  - The determined primary beneficiary of those investment products possesses both (1) the power to direct activities of the VIE and (2) the obligation to absorb losses or the right to receive benefits from the VIE.

/s/ DELOITTE & TOUCHE LLP

Hartford, Connecticut
February 27, 2023

We have served as the Company's auditor since 2018.

Virtus Investment Partners, Inc.

Consolidated Balance Sheets

(in thousands, except share data)	December 31, 2022	December 31, 2021
Assets:		
Cash and cash equivalents	$ 338,234	$ 378,921
Investments	100,330	108,890
Accounts receivable, net	99,274	123,873
Assets of consolidated investment products (“CIP”)		
Cash and cash equivalents of CIP	250,301	206,620
Cash pledged or on deposit of CIP	644	604
Investments of CIP	2,190,113	2,140,238
Other assets of CIP	45,445	44,210
Furniture, equipment and leasehold improvements, net	19,123	12,542
Intangible assets, net	442,519	500,571
Goodwill	348,836	338,406
Deferred taxes, net	23,171	19,204
Other assets	94,944	60,102
Total assets	$3,952,934	$3,934,181
Liabilities and Equity		
Liabilities:		
Accrued compensation and benefits	$ 181,805	$ 187,449
Accounts payable and accrued liabilities	33,200	48,496
Dividends payable	15,812	14,824
Contingent consideration (Note 4)	128,400	162,564
Debt	255,025	266,346
Other liabilities	87,827	60,225
Liabilities of CIP		
Notes payable of CIP	2,083,314	2,033,617
Securities purchased payable and other liabilities of CIP	230,897	185,068
Total liabilities	3,016,280	2,958,589
Commitments and Contingencies (Note 12)		
Redeemable noncontrolling interests	113,718	138,965
Equity:		
Equity attributable to Virtus Investment Partners, Inc.:		
Common stock, $0.01 par value, 1,000,000,000 shares authorized; 12,033,247 shares issued and 7,181,554 shares outstanding at December 31, 2022 and 11,906,747 shares issued and 7,506,151 shares outstanding at December 31, 2021	120	119
Additional paid-in capital	1,286,244	1,276,424
Retained earnings (accumulated deficit)	130,261	60,962
Accumulated other comprehensive income (loss)	(358)	20
Treasury stock, at cost, 4,851,693 and 4,400,596 shares at December 31, 2022 and December 31, 2021, respectively	(599,248)	(509,248)
Total equity attributable to Virtus Investment Partners, Inc.	817,019	828,277
Noncontrolling interests	5,917	8,350
Total equity	822,936	836,627
Total liabilities and equity	$3,952,934	$3,934,181

The accompanying notes are an integral part of these consolidated financial statements.

Virtus Investment Partners, Inc.

Consolidated Statements of Operations

(in thousands, except per share data)	Years Ended December 31, 2022	2021	2020
Revenues			
Investment management fees	$728,339	$781,585	$505,338
Distribution and service fees	67,518	90,555	38,425
Administration and shareholder service fees	85,862	102,531	59,463
Other income and fees	4,660	4,563	670
Total revenues	886,379	979,234	603,896
Operating Expenses			
Employment expenses	371,259	358,230	267,299
Distribution and other asset-based expenses	112,612	141,039	77,010
Other operating expenses	126,178	90,134	69,896
Other operating expenses of consolidated investment products (“CIP”)	4,408	3,562	10,585
Change in fair value of contingent consideration	8,020	12,400	—
Restructuring expense	4,015	—	1,155
Depreciation expense	3,923	3,900	4,660
Amortization expense	58,504	44,481	30,127
Total operating expenses	688,919	653,746	460,732
Operating Income (Loss)	197,460	325,488	143,164
Other Income (Expense)			
Realized and unrealized gain (loss) on investments, net	(12,489)	3,907	7,139
Realized and unrealized gain (loss) of CIP, net	(39,296)	(1,761)	(1,965)
Other income (expense), net	(153)	4,230	1,876
Total other income (expense), net	(51,938)	6,376	7,050
Interest Income (Expense)			
Interest expense	(13,173)	(9,240)	(11,894)
Interest and dividend income	4,448	1,364	1,367
Interest and dividend income of investments of CIP	107,325	90,080	109,648
Interest expense of CIP	(80,234)	(60,398)	(85,437)
Total interest income (expense), net	18,366	21,806	13,684
Income (Loss) Before Income Taxes	163,888	353,670	163,898
Income tax expense (benefit)	57,260	90,835	43,935
Net Income (Loss)	106,628	262,835	119,963
Noncontrolling interests	10,913	(54,704)	(40,006)
Net Income (Loss) Attributable to Virtus Investment Partners, Inc.	$117,541	$208,131	$ 79,957
Earnings (Loss) per Share-Basic	$ 15.90	$ 27.13	$ 10.49
Earnings (Loss) per Share-Diluted	$ 15.50	$ 26.01	$ 10.02
Weighted Average Shares Outstanding-Basic	7,391	7,672	7,620
Weighted Average Shares Outstanding-Diluted	7,582	8,003	7,976

The accompanying notes are an integral part of these consolidated financial statements.

Virtus Investment Partners, Inc.

Consolidated Statements of Comprehensive Income

(in thousands)	Years Ended December 31, 2022	2021	2020
Net Income (Loss)	$106,628	$262,835	$119,963
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment, net of tax of $135, $3 and $(7) for the years ended December 31, 2022, 2021 and 2020, respectively	(378)	(9)	20
Other comprehensive income (loss)	(378)	(9)	20
Comprehensive income (loss)	106,250	262,826	119,983
Comprehensive (income) loss attributable to noncontrolling interests	10,913	(54,704)	(40,006)
Comprehensive income (loss) attributable to Virtus Investment Partners, Inc.	$117,163	$208,122	$ 79,977

The accompanying notes are an integral part of these consolidated financial statements.

Virtus Investment Partners, Inc.
Consolidated Statements of Changes in Stockholders' Equity

(in thousands, except share data)	Permanent Equity												Temporary Equity
	Common Stock		Preferred Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Attributed To Virtus Investment Partners, Inc.	Non-controlling Interests	Total Equity	Redeemable Non-controlling Interests
	Shares	Par Value	Shares	Amount				Shares	Amount				
Balances at December 31, 2019	6,809,280	$107	1,150,000	$ 110,843	$ 1,199,205	$ (215,216)	$ 9	3,927,607	$ (419,249)	$ 675,699	$10,558	$ 686,257	$ 63,845
Net income (loss)	—	—	—	—	—	79,957	—	—	—	79,957	1,298	81,255	38,708
Foreign currency translation adjustments	—	—	—	—	—	—	20	—	—	20	—	20	—
Net subscriptions (redemptions) and other	—	—	—	—	(167)	—	—	—	—	(167)	(2,057)	(2,224)	12,960
Conversion of preferred stock	912,806	9	(1,150,000)	(110,843)	110,834	—	—	—	—	—	—	—	—
Cash dividends declared ($2.98 per common share)	—	—	—	—	(24,998)	—	—	—	—	(24,998)	—	(24,998)	—
Repurchase of common shares	(279,796)	—	—	—	—	—	—	279,796	(32,500)	(32,500)	—	(32,500)	—
Issuance of common shares related to employee stock transactions	141,176	2	—	—	184	—	—	—	—	186	—	186	—
Taxes paid on stock-based compensation	—	—	—	—	(6,608)	—	—	—	—	(6,608)	—	(6,608)	—
Stock-based compensation	—	—	—	—	19,552	—	—	—	—	19,552	—	19,552	—
Balances at December 31, 2020	7,583,466	$118	—	$ —	$1,298,002	$(135,259)	$ 29	4,207,403	$(451,749)	$711,141	$ 9,799	$720,940	$115,513
Net income (loss)	—	—	—	—	—	208,131	—	—	—	208,131	817	208,948	53,887
Foreign currency translation adjustments	—	—	—	—	—	—	(9)	—	—	(9)	—	(9)	—
Net subscriptions (redemptions) and other	—	—	—	—	—	—	—	—		—	(2,266)	(2,266)	(30,435)
Cash dividends declared ($4.64 per common share)	—	—	—	—	(25,312)	(11,910)		—	—	(37,222)	—	(37,222)	—
Repurchase of common shares	(193,193)	—	—	—	—	—	—	193,193	(57,499)	(57,499)	—	(57,499)	—
Issuance of common shares related to employee stock transactions	115,878	1	—	—	65	—	—	—	—	66	—	66	—
Taxes paid on stock-based compensation	—	—	—	—	(19,509)	—	—	—	—	(19,509)	—	(19,509)	—
Stock-based compensation	—	—	—	—	23,178	—	—	—	—	23,178	—	23,178	—
Balances at December 31, 2021	7,506,151	$119	—	$ —	$ 1,276,424	$ 60,962	$ 20	4,400,596	$ (509,248)	$ 828,277	$ 8,350	$ 836,627	$ 138,965
Net income (loss)	—	—	—	—	—	117,541	—	—	—	117,541	(765)	116,776	(10,148)
Foreign currency translation adjustments	—	—	—	—	—	—	(378)	—	—	(378)	—	(378)	—
Net subscriptions (redemptions) and other	—	—	—	—	2,035	—	—	—		2,035	(1,668)	367	(15,099)
Cash dividends declared ($6.30 per common share)	—	—	—	—	—	(48,242)		—	—	(48,242)	—	(48,242)	—
Repurchase of common shares	(451,097)	—	—	—	—	—	—	451,097	(90,000)	(90,000)	—	(90,000)	—
Issuance of common shares related to employee stock transactions	126,500	1	—	—	(1)	—	—	—	—	—	—	—	—
Taxes paid on stock-based compensation	—	—	—	—	(16,830)	—	—	—	—	(16,830)	—	(16,830)	—
Stock-based compensation	—	—	—	—	24,616	—	—	—	—	24,616	—	24,616	—
Balances at December 31, 2022	7,181,554	$120	—	$ —	$ 1,286,244	$ 130,261	$(358)	4,851,693	$ (599,248)	$ 817,019	$ 5,917	$ 822,936	$ 113,718

The accompanying notes are an integral part of these consolidated financial statements.

Virtus Investment Partners, Inc.
Consolidated Statements of Cash Flow

(in thousands)	Years Ended December 31, 2022	2021	2020
Cash Flows from Operating Activities:			
Net income (loss)	$ 106,628	$ 262,835	$ 119,963
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense, intangible asset and other amortization	64,215	50,769	38,853
Stock-based compensation	24,042	26,225	21,481
Amortization of deferred commissions	4,342	3,956	2,052
Payments of deferred commissions	(2,065)	(5,963)	(2,089)
Equity in earnings of equity method investments	(187)	(4,403)	(1,964)
Realized and unrealized (gains) losses on investments, net	13,105	(2,721)	(7,128)
Distributions from equity method investments	2,244	3,710	1,192
Sales (purchases) of investments, net	(9,309)	(7,952)	12,296
(Gain) loss on extinguishment of debt	—	—	(705)
Change in fair value of contingent consideration	8,020	12,400	—
Deferred taxes, net	(1,960)	(9,664)	6,332
Right of use asset	3,222	—	—
Changes in operating assets and liabilities:			
Accounts receivable, net and other assets	37,548	(30,057)	(9,698)
Accrued compensation and benefits, accounts payable, accrued liabilities and other liabilities	(47,379)	72,628	13,743
Operating activities of consolidated investment products ("CIP"):			
Realized and unrealized (gains) losses on investments of CIP, net	36,054	(4,264)	(5,889)
Purchases of investments by CIP	(939,017)	(1,176,936)	(1,304,723)
Sales of investments by CIP	820,497	1,454,591	883,888
Net proceeds (purchases) of short-term investments and securities sold short by CIP	(13)	16,272	(934)
Change in other assets and liabilities of CIP	6,813	(856)	(3,942)
Amortization of discount on notes payable of CIP	5,870	5,159	11,169
Net cash provided by (used in) operating activities	132,670	665,729	(226,103)
Cash Flows from Investing Activities:			
Capital expenditures and other asset purchases	(6,582)	(5,838)	(1,043)
Change in cash and cash equivalents of CIP due to consolidation (deconsolidation), net	(308)	(13,559)	9,724
Acquisition of business, net of cash acquired of $8,443 and $1,197 for the years ended December 31, 2022 and 2021, respectively	(20,577)	(155,636)	—
Net cash provided by (used in) investing activities	(27,467)	(175,033)	8,681
Cash Flows from Financing Activities:			
Refinancing of credit agreement	—	81,155	—
Payment of long-term debt	(12,750)	(12,513)	(79,086)
Payment of contingent consideration	(33,036)	—	—
Payment of deferred financing costs	—	(7,039)	—
Repurchase of common shares	(90,000)	(57,499)	(32,500)
Preferred stock dividends paid	—	—	(2,084)
Common stock dividends paid	(47,254)	(31,411)	(22,800)
Taxes paid related to net share settlement of restricted stock units	(16,830)	(19,443)	(6,445)
Affiliate equity sales (purchases)	(11,089)	—	—

(in thousands)	Years Ended December 31, 2022	2021	2020
Net contributions from (distributions to) noncontrolling interests	(5,527)	(3,270)	(7,263)
Financing activities of CIP			
Borrowings by CIP	306,296	363,539	779,982
Payments on borrowings by CIP	(191,867)	(557,919)	(394,472)
Net cash provided by (used in) financing activities	(102,057)	(244,400)	235,332
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(112)	—	—
Net increase (decrease) in cash and cash equivalents	3,034	246,296	17,910
Cash, cash equivalents and restricted cash, beginning of year	586,145	339,849	321,939
Cash, cash equivalents and restricted cash, end of year	$ 589,179	$ 586,145	$ 339,849
Supplemental Disclosure of Cash Flow Information			
Interest paid	$ 11,134	$ 6,478	$ 8,857
Income taxes paid, net	74,313	95,411	35,388
Supplemental Disclosure of Non-Cash Investing and Financing Activities			
Conversion of preferred stock to common stock	—	—	115,000
Common stock dividends payable	11,850	11,261	6,218
Contingent consideration	1,200	150,164	—
Increase (decrease) to noncontrolling interests due to consolidation (deconsolidation) of CIP, net	(338)	(30,550)	17,137

(in thousands)	December 31, 2022	2021
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$338,234	$378,921
Cash of consolidated investment products	250,301	206,620
Cash pledged or on deposit of consolidated investment products	644	604
Cash, cash equivalents and restricted cash at end of year	$589,179	$586,145

The accompanying notes are an integral part of these consolidated financial statements.

Virtus Investment Partners, Inc.

Notes to Consolidated Financial Statements

1. Organization and Business

Virtus Investment Partners, Inc. (the “Company,” “we,” “us,” “our” or “Virtus”), a Delaware corporation, operates in the investment management industry through its subsidiaries.

The Company provides investment management and related services to individuals and institutions. The Company’s retail investment management services are provided to individuals through products consisting of: mutual funds registered pursuant to the Investment Company Act of 1940, as amended (“U.S. retail funds” or “variable insurance funds”); Undertaking for Collective Investment in Transferable Securities and Qualifying Investor Funds (collectively, “global funds” and collectively with U.S. retail funds, variable insurance funds, exchange traded funds (“ETFs”), the “open-end funds”); closed-end funds (collectively, with open-end funds, the “funds”); and retail separate accounts. Institutional investment management services are offered through separate accounts and pooled or commingled structures to a variety of institutional clients. The Company also provides subadvisory services to other investment advisers and serves as the collateral manager for structured products.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the accounts of the Company, its subsidiaries and investment products that are consolidated. Voting interest entities (“VOEs”) are consolidated when the Company is considered to have a controlling financial interest, which is typically present when the Company owns a majority of the voting interest in an entity or otherwise has the power to govern the financial and operating policies of the entity.

The Company evaluates any variable interest entity (“VIEs”) in which the Company has a variable interest for consolidation. A VIE is an entity in which either (i) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (ii) where as a group, the holders of the equity investment at risk do not possess: (x) the power through voting or similar rights to direct the activities that most significantly impact the entity’s economic performance; (y) the obligation to absorb expected losses or the right to receive expected residual returns of the entity; or (z) proportionate voting and economic interests and where substantially all of the entity’s activities either involve or are conducted on behalf of an investor with disproportionately fewer voting rights. If an entity has any of these characteristics, it is considered a VIE and is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that has both the power to direct the activities that most significantly impact the VIE’s economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. See Note 21 for additional information related to the consolidation of investment products. Intercompany accounts and transactions have been eliminated.

Noncontrolling Interests

Noncontrolling interests—CIP

Noncontrolling interests—CIP represent third-party investments in the Company’s CIP and are classified as redeemable noncontrolling interests on the Consolidated Balance Sheets because investors in those products are able to request withdrawal at any time.

Noncontrolling interests—affiliate

Noncontrolling interests—affiliate represent minority interests held in a consolidated affiliate. These interests are subject to holder put rights and Company call rights at established multiples of earnings before interest, taxes, depreciation and amortization and, as such, are considered redeemable at other than fair value. The rights are exercisable at pre-established intervals (between four and seven years from their issuance) or upon certain conditions such as retirement. The put and call rights are not legally detachable or separately exercisable and are deemed to be embedded in the related noncontrolling interests. The Company, in purchasing affiliate equity, has the option to settle in cash or shares of the Company's common stock and is entitled to the cash flow associated with any purchased equity. Minority interests in an affiliate are recorded at estimated redemption value within redeemable noncontrolling interests on the Consolidated Balance Sheets and any changes in the estimated redemption value are recorded on the Consolidated Statements of Operations within noncontrolling interests.

Use of Estimates

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management believes the estimates used in preparing the consolidated financial statements are reasonable and prudent. Actual results could differ from those estimates.

Segment Information

Accounting Standards Codification ("ASC") 280, *Segment Reporting*, establishes disclosure requirements relating to operating segments in annual and interim financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources to the segment and assess its performance. The Company's Chief Executive Officer is the Company's chief operating decision maker. The Company operates in one business segment, namely as an asset manager providing investment management and related services for individual and institutional clients. Although the Company provides disclosures regarding assets under management and other asset flows by product, the Company's determination that it operates in one business segment is based on the fact that the same investment professionals manage both retail and institutional products, operational resources support multiple products, such products have the same or similar regulatory framework and the Company's chief operating decision maker reviews the Company's financial performance on a consolidated level. Investment managers within the Company are generally not aligned with a specific product type.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and money market fund investments.

Restricted Cash

The Company considers cash and cash equivalents of CIP and cash pledged or on deposit of CIP to be restricted as it is not available to the Company for its general operations.

Investments

Investment Securities—Fair Value

Investment securities—fair value consist of investments in the Company's sponsored funds and separately managed accounts and are carried at fair value in accordance with ASC 320, *Investments-Debt and Equity Securities* ("ASC 320"), and Topic 321, *Investments-Equity Securities* ("ASC 321"). These securities are marked to market based on the respective publicly quoted net asset values of the funds or market prices of the equity securities or bonds. Transactions in these securities are recorded on a trade date basis. Any unrealized appreciation or depreciation on investment securities is reported on the Consolidated Statement of Operations within realized and unrealized gain (loss) on investments.

Equity Method Investments

Equity method investments consist of Company investments in noncontrolled entities, where the Company does not hold a controlling financial interest but has the ability to significantly influence operating and financial matters. Equity method investments are accounted for in accordance with ASC 323, *Investments-Equity Method and Joint Ventures*. Under the equity method of accounting, the Company's share of the noncontrolled entities' net income or loss is recorded in other income (expense), net on the Consolidated Statements of Operations. Distributions received reduce the Company's investment. The investment is evaluated for impairment if events or changes indicate that the carrying amount exceeds its fair value. If the carrying amount of an investment does exceed its fair value and the decline in fair value is deemed to be other-than-temporary, an impairment charge will be recorded.

Non-qualified Retirement Plan Assets and Liabilities

The Company has a non-qualified retirement plan (the "Excess Incentive Plan") that allows certain employees to voluntarily defer compensation. Assets held in trust, which are considered investment securities, are included in investments at fair value in accordance with ASC 820, *Fair Value Measurement* ("ASC 820"); the associated obligations to participants, which approximate the fair value of the associated assets, are included in other liabilities on the Consolidated Balance Sheets. See Note 6 for additional information related to the Excess Incentive Plan.

Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of three to seven years for furniture and office equipment and three to five years for computer equipment and software. Leasehold improvements are depreciated over the shorter of the remaining estimated lives of the related leases or useful lives of the improvements. Major renewals or betterments are capitalized, and recurring repairs and maintenance are expensed as incurred.

Leases

The Company leases office space and equipment under various leasing arrangements. In accordance with Accounting Standards Update ("ASU") 2016-02, *Leases,* the Company's leases are evaluated and classified as either financing leases or operating leases, as appropriate. The Company recognizes a lease liability and a corresponding right of use ("ROU") asset on the commencement date of any lease arrangement. The lease liability is initially measured at the present value of the future lease payments over the lease term using the rate implicit in the arrangement or, if not readily determinable, the Company's incremental borrowing rate. The Company determines its incremental borrowing rate through market sources, including relevant industry rates. A ROU asset is measured initially as the value of the lease liability plus initial direct costs and prepaid lease payments, and less lease incentives received. Lease expense is recognized on a straight-line basis over the lease term and is recorded within other operating expenses on the Consolidated Statement of Operations.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of business combinations over the identified assets and liabilities acquired. In accordance with ASC 350, *Goodwill and Other Intangible Assets,* goodwill is not amortized. The Company has a single reporting unit for the purpose of assessing potential impairments of goodwill. An impairment analysis of goodwill is performed annually or more frequently, if warranted by events or changes in circumstances affecting the Company's business. The Company follows ASU 2011-08, *Testing Goodwill for Impairment,* which provides the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The Company's 2022 and 2021 annual goodwill impairment analysis did not result in any impairment charges.

Definite-lived intangible assets are comprised of certain fund investment advisory contracts, trade names, non-competition agreements and software. These assets are amortized on a straight-line basis over the estimated useful lives of such assets, which range from 4 to 16 years. Definite-lived intangible assets are evaluated for impairment on an ongoing basis whenever events or circumstances indicate that the carrying value of the definite-lived intangible asset may not be recoverable. The Company determines if impairment has occurred by comparing estimates of future undiscounted cash flows to the carrying value of assets. Assets are considered impaired, and an impairment is recorded, if the carrying value exceeds the expected future undiscounted cash flows.

Indefinite-lived intangible assets are comprised of certain trade names and fund investment advisory contracts. These assets are tested for impairment annually or when events or changes in circumstances indicate the assets might be impaired. The Company follows ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, which provides the option to perform a qualitative assessment of indefinite-lived intangible assets other than goodwill for impairment to determine if additional impairment testing is necessary. The Company's 2022 and 2021 annual indefinite-lived intangible assets impairment analysis did not result in any impairment charges.

Contingent Consideration

The Company periodically enters into contingent payment arrangements in connection with its business combinations or asset purchases. In contingent payment arrangements, the Company agrees to pay additional transaction consideration to the seller based on future performance. The Company estimates the value of estimated future payments of these potential future obligations at the time a business combination or asset purchase is consummated. Liabilities under contingent payment arrangements are recorded within contingent consideration on the Consolidated Balance Sheets.

Contingent payment obligations related to business combinations are remeasured at fair value each reporting date using a simulation model with the assistance of an independent valuation firm and approved by management (level 3 fair value measurement). The change in fair value is recorded in the current period as a gain or loss. Gains and losses resulting from changes in the fair value of contingent payment obligations are reflected within change in fair value of contingent consideration on the Consolidated Statements of Operations.

Contingent payment obligations related to our asset purchases, if estimable and probable of payment, are initially recorded at their estimated value and reviewed every reporting period for changes. Any changes to the estimated value are recorded as an update of the initial acquisition cost of the asset with a corresponding change to the estimated contingent payment obligation on the Consolidated Balance Sheets.

Treasury Stock

Treasury stock is accounted for under the cost method and is included as a deduction from equity on the Stockholders' Equity section of the Consolidated Balance Sheets. Upon any subsequent resale, the treasury stock account is reduced by the cost of such stock.

Revenue Recognition

The Company's revenues are recognized when a performance obligation is satisfied, which occurs when control of the services is transferred to customers. Investment management fees, distribution and service fees, and administration and shareholder service fees are generally calculated as a percentage of average net assets of the investment portfolios managed. The net asset values from which these fees are calculated are variable in nature and subject to factors outside of the Company's control, such as additional investments, withdrawals and market performance. Because of this, these fees are considered constrained until the end of the contractual measurement period (monthly or quarterly), which is when asset values are generally determinable.

Investment Management Fees

The Company provides investment management services pursuant to investment management agreements through its investment advisers (each an "Adviser"). Investment management services represent a series of distinct daily services that are performed over time. Fees earned on funds are based on each fund's average daily or weekly net assets and are generally calculated and received on a monthly basis. The Company records investment management fees net of the fees paid to unaffiliated subadvisers, as the Company is deemed to be the agent of the fund as it relates to the day-to-day investment management services performed by unaffiliated subadvisers, with the Company's performance obligation being to arrange for the provision of that service and not control the specified service before it is performed. Amounts paid to unaffiliated subadvisers for the years ended December 31, 2022, 2021 and 2020 were $77.0 million, $115.5 million and $38.6 million, respectively.

Retail separate account fees are generally earned based on the end of the preceding or current quarter's asset values. Institutional account fees are generally earned based on an average of daily or month-end balances or the current quarter's asset values. Fees for structured finance products, for which the Company acts as the collateral manager, consist of senior, subordinated and, in certain instances, incentive management fees. Senior and subordinated management fees are earned at a contractual fee rate applied against the end of the preceding quarter par value of the total collateral being managed with subordinated fees being earned only after certain portfolio criteria are met. Incentive fees on certain of the Company's collateralized loan obligations ("CLOs") are typically a percentage of the excess cash flows available to holders of the subordinated notes, above a threshold level internal rate of return.

Distribution and Service Fees

Distribution and service fees are sales- and asset-based fees earned from open-end funds, for marketing and distribution services. Depending on the fund type or share class, these fees primarily consist of an asset-based fee that is paid by the fund over a period of years to cover allowable sales and marketing expenses, or front-end sales charges that are based on a percentage of the offering price. Asset-based distribution and service fees are primarily earned as percentages of the average daily net assets value and are paid monthly pursuant to the terms of the respective distribution and service fee contracts.

Distribution and service fees represent two performance obligations comprised of distribution and related shareholder servicing activities. Distribution services are generally satisfied upon the sale of a fund share. Shareholder servicing activities are generally services satisfied over time.

The Company distributes its open-end funds through unaffiliated financial intermediaries that comprise national, regional and independent broker-dealers. These unaffiliated financial intermediaries provide distribution and shareholder service activities on behalf of the Company. The Company passes related distribution and service fees to these unaffiliated financial intermediaries for these services and considers itself the principal in these arrangements since it has control of the services prior to the services being transferred to the customer. These payments are classified within distribution and other asset-based expenses.

Administration and Shareholder Service Fees

The Company provides administrative fund services to its U.S. retail funds, ETFs and the majority of its closed-end funds and shareholder services to its open-end funds. Administration and shareholder services are performed over time. The Company earns fees for these services, which are calculated and paid monthly, based on each fund's average daily or weekly net assets. Administrative fund services include: record keeping, preparing and filing documents required to comply with securities laws, legal administration and compliance services, customer service, supervision of the activities of the funds' service providers, tax services and treasury services. The Company also provides office space, equipment and personnel that may be necessary for managing and administering the business affairs of the funds. Shareholder services include maintaining shareholder accounts, processing shareholder transactions, preparing filings and performing necessary reporting.

Other Income and Fees

Other income and fees primarily represent fees related to other fee earning assets and contingent sales charges earned from investor redemptions of certain shares sold without a front-end sales charge.

Stock-based Compensation

The Company accounts for stock-based compensation expense in accordance with ASC 718, *Compensation—Stock Compensation* ("ASC 718"), which requires the measurement and recognition of compensation expense for share-based awards based on the estimated fair value on the date of grant.

Restricted stock units ("RSUs") are stock awards that entitle the holder to receive shares of the Company's common stock as the award vests over time or when certain performance metrics are achieved. The fair value of each RSU award is based on the fair market value price on the date of grant unless it contains a performance metric that is considered a "market condition." Compensation expense for RSU awards is recognized ratably over the vesting period on a straight-line basis. The value of RSUs that contain a performance metric ("PSUs") is determined based on (i) the fair market value price on the date of grant, for awards that contain a performance metric that represents a "performance condition" in accordance with ASC 718 or (ii) the Monte Carlo simulation valuation model for awards that contain a "market condition" performance metric under ASC 718. Compensation expense for PSU awards with a performance condition is recorded each period based upon a probability assessment of the expected outcome of the performance metric with a final adjustment upon measurement at the end of the performance period. Compensation expense for PSU awards that contain a market condition is fixed at the date of grant and is not adjusted in future periods based upon the achievement of the market condition.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires recognition of the amount of taxes payable or refundable for the current year as well as deferred tax assets and liabilities for temporary differences between the tax basis of assets and liabilities and the reported amounts on the Consolidated Financial Statements.

The Company's methodology for determining the realizability of deferred tax assets includes consideration of taxable income in prior carryback year(s), if carryback is permitted under the tax law, as well as consideration of the reversal of deferred tax liabilities that are in the same period and jurisdiction and are of the same character as the temporary differences that gave rise to the deferred tax assets. The Company's methodology also includes estimates of future taxable income from its operations as well as the expiration dates and amounts of carry-forwards related to net operating losses and capital losses. These estimates are projected through the life of the related deferred tax assets based on assumptions that the Company believes to be reasonable and consistent with demonstrated operating results. Unanticipated changes in future operating results may have a significant impact on the realization of deferred tax assets. Valuation allowances are provided when it is determined that it is more likely than not that the benefit of deferred tax assets will not be realized.

Comprehensive Income

The Company reports all changes in comprehensive income on the Consolidated Statements of Changes in Stockholders' Equity and the Consolidated Statements of Comprehensive Income. Comprehensive income includes net income (loss) and foreign currency translation adjustments (net of tax).

Earnings (Loss) per Share

Earnings (loss) per share ("EPS") is calculated in accordance with ASC 260, *Earnings per Share*. Basic EPS is computed by dividing net income (loss) attributable to Virtus Investment Partners, Inc. by the weighted-average number of common shares outstanding for the period, excluding dilution for potential common stock issuances. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, including shares issuable upon the vesting of RSUs and stock option exercises using the treasury stock method, as determined under the if-converted method.

Fair Value Measurements and Fair Value of Financial Instruments

ASC 820, *Fair Value Measurement,* establishes a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. The Financial Accounting Standards Board (the "FASB") defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels as follows:

Level 1—Unadjusted quoted prices for identical instruments in active markets. Level 1 assets and liabilities may include debt securities and equity securities that are traded in an active exchange market.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs may include observable market data such as closing market prices provided by independent pricing services after considering factors such as the yields or prices of comparable investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers and general market conditions. In addition, pricing services may determine the fair value of equity securities traded principally in foreign markets when it has been determined that there has been a significant trend in the U.S. equity markets or in index futures trading. Level 2 assets and liabilities may include debt and equity securities, purchased loans and over-the-counter derivative contracts whose fair value is determined using a pricing model without significant unobservable market data inputs.

Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable in active exchange markets.

3. Revenues

Investment Management Fees by Source

The following table summarizes investment management fees by source:

	Years Ended December 31,		
(in thousands)	2022	2021	2020
Investment management fees			
Open-end funds	$335,585	$395,152	$250,030
Closed-end funds	63,841	63,301	36,833
Retail separate accounts	171,509	174,919	104,932
Institutional accounts	157,404	148,213	113,543
Total investment management fees	$728,339	$781,585	$505,338

4. Acquisitions

Stone Harbor Investment Partners

On January 1, 2022, the Company acquired Stone Harbor Investment Partners, LLC (“Stone Harbor”), which was accounted for in accordance with ASC 805, *Business Combinations* (“ASC 805”). Transaction consideration consisted of $28.9 million paid in cash and $1.2 million in contingent consideration recorded at fair value, which represents future potential earn-out payments based on pre-established performance metrics related to revenue retention and revenue growth rates. Future contingent consideration will be paid, if earned, in 2023, 2026 and 2027.

The transaction consideration of $30.1 million was allocated to the assets acquired and liabilities assumed, based upon their estimated fair values at the date of the acquisition, as well as goodwill of $10.3 million and definite-lived intangible assets of $10.8 million. The Company expects $21.1 million of the purchase price to be tax deductible over 15 years. The revenues and operating income of Stone Harbor were not material to the Company's results of operations for the year ended December 31, 2022.

The following table summarizes the identified acquired assets and liabilities assumed as of the Stone Harbor acquisition date:

	January 1, 2022 (in thousands)
Assets:	
Cash and cash equivalents	$ 8,443
Intangible assets	10,800
Goodwill	10,259
Other assets	54,264
Total Assets	83,766
Liabilities	
Accounts payable, accrued and other liabilities	53,713
Total liabilities	53,713
Total Net Assets Acquired	**$30,053**

Identifiable Intangible Assets Acquired

The Company identified and recorded the following intangible assets as a result of the Stone Harbor acquisition:

	January 1, 2022	
	Approximate Fair Value (*in thousands*)	Weighted Average of Useful Life (in years)
Definite-lived intangible assets:		
Investment management agreements	$ 6,000	7.3
Trade names	1,000	6.0
Software	3,800	4.0
Total definite-lived intangible assets	**$10,800**	

The fair value of investment management agreements was estimated using a multi-period excess earnings method, the fair value of the trade names was estimated using a royalty savings method, and the fair value of the software was estimated using a royalty savings method and replacement cost approach. The fair value estimates were prepared with the assistance of an independent valuation firm.

Westchester Capital Management

On October 1, 2021, the Company acquired Westchester Capital Management, LLC ("Westchester"), which was accounted for in accordance with ASC 805. Transaction consideration consisted of $156.8 million in cash and contingent consideration representing future potential earn-out payments based on pre-established performance metrics related to revenue growth rates, that was recorded as a liability on the Company's Consolidated Balance sheet. Future contingent consideration payments will be made, if earned, in 2025 and 2026. As of December 31, 2022, the contingent consideration balance was $19.9 million.

The total transaction consideration of $169.3 million was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the acquisition. Goodwill of $23.0 million and intangible assets of $144.4 million were recorded as a result of the acquisition. The Company expects $155.6 million of the purchase price to be tax deductible over 15 years. The revenues and operating income of Westchester were not material to the Company's results of operations for the year ended December 31, 2021.

Fund Adoption and NFJ Investment Group

On February 1, 2021, the Company executed an agreement with Allianz Global Investors U.S. LLC ("AGI"), pursuant to which the Company became the investment adviser, distributor and/or administrator of certain of AGI's open-end, closed-end and retail separate account assets. This transaction was classified as an asset acquisition, and the cost of the acquisition was allocated to the assets acquired on the basis of their relative fair values. Additionally, as part of the transaction, AGI's value equity team joined the Company as a newly established affiliated manager, NFJ Investment Group ("NFJ"). The addition of NFJ was classified as a business combination under ASC 805, and assets acquired were recorded at fair value. Assets acquired primarily consisted of definite-lived intangible assets representing investment contracts as well as indefinite-lived assets consisting of goodwill related to NFJ. The revenues and operating income of NFJ were not material to the Company's results of operations for the year ended December 31, 2021.

Transaction consideration consists of variable cash payments based on a percentage of the investment management fees earned on certain open-end, closed-end and retail separate account assets from the transaction. Payments are to be made annually on the anniversary of the closing date of the transactions over the next seven years. Contingent payment obligations related to NFJ, which were accounted for in accordance with ASC 805, are remeasured at fair value as of each reporting period-end, with the change in fair value recorded within the Consolidated Statements of Operations. An estimate of these future payments has been recorded as a liability and included as contingent consideration on the Company's Consolidated Balance Sheets. A payment of $33.0 million was made in the first quarter of 2022. The estimated value of the total future revenue participation payments at December 31, 2022 was $108.5 million.

5. Goodwill and Other Intangible Assets

Below is a summary of intangible assets, net:

	Definite-Lived			Indefinite-Lived	Total
(in thousands)	Gross Book Value	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Balances of December 31, 2020	$489,570	$(252,822)	$236,748	$43,516	$280,264
Additions/Transfers	266,006	—	266,006	(1,218)	264,788
Intangible amortization	—	(44,481)	(44,481)	—	(44,481)
Balances of December 31, 2021	755,576	(297,303)	458,273	42,298	500,571
Additions	10,800	—	10,800	—	10,800
Adjustments	(10,348)	—	(10,348)	—	(10,348)
Intangible amortization	—	(58,504)	(58,504)	—	(58,504)
Balances of December 31, 2022	**$756,028**	**$(355,807)**	**$400,221**	**$42,298**	**$442,519**

Activity in goodwill was as follows:

(in thousands)	Years Ended December 31, 2022	2021	2020
Goodwill			
Balance, beginning of period	$338,406	$290,366	$290,366
Acquisitions	10,430	48,040	—
Balance, end of period	**$348,836**	**$338,406**	**$290,366**

Definite-lived intangible asset amortization for the next five years and thereafter is estimated as follows:

Fiscal Year	Amount *(in thousands)*
2023	$ 56,964
2024	51,322
2025	46,554
2026	45,575
2027	42,473
2028 and Thereafter	157,333
	$400,221

At December 31, 2022, the weighted average estimated remaining amortization period for definite-lived intangible assets was 8.5 years.

6. Investments

Investments consist primarily of investments in the Company's sponsored products. The Company's investments, excluding the assets of CIP discussed in Note 21, at December 31, 2022 and 2021 were as follows:

(in thousands)	December 31, 2022	2021
Investment securities—fair value	$ 76,999	$ 80,335
Equity method investments (1)	11,448	13,038
Nonqualified retirement plan assets	10,154	13,321
Other investments	1,729	2,196
Total investments	$100,330	$108,890

(1) The Company's equity method investments are valued on a three-month lag based upon the availability of financial information.

Investment Securities—Fair Value

Investment securities—fair value consist of investments in the Company's sponsored funds and separately managed accounts. The composition of the Company's investment securities—fair value was as follows:

	December 31, 2022		December 31, 2021	
(in thousands)	Cost	Fair Value	Cost	Fair Value
Investment Securities—fair value:				
Sponsored funds	$67,472	$62,744	$63,090	$66,326
Equity securities	13,440	14,255	10,659	14,009
Total investment securities—fair value	$80,912	$76,999	$73,749	$80,335

For the years ended December 31, 2022, 2021 and 2020, the Company recognized a net realized loss of $1.4 million, and gains of $5.0 million and $4.7 million, respectively, on the sale of its investment securities—fair value.

Equity Method Investments

The Company's equity method investments primarily consist of a minority investment in an affiliated manager and an investment in a limited partnership. For the years ended December 31, 2022, 2021 and 2020, distributions from equity method investments were $2.2 million, $3.7 million and $1.2 million, respectively. The remaining capital commitment for one of the Company's equity method investments at December 31, 2022 was $0.2 million.

Nonqualified Retirement Plan Assets

The Company's Excess Incentive Plan allows certain employees to voluntarily defer compensation. The Company holds the Excess Incentive Plan assets in a rabbi trust, which is subject to the claims of the Company's creditors in the event of the Company's bankruptcy or insolvency. Each participant is responsible for designating investment options for their contributions, and the ultimate distribution paid to each participant reflects any gains or losses on the assets realized while in the trust. Assets held in trust are included in investments and are carried at fair value utilizing Level 1 valuation techniques in accordance with ASC 320; the associated obligations to participants are included in other liabilities on the Consolidated Balance Sheets.

Other Investments

Other investments represent interests in entities not accounted for under the equity method such as those accounted for under the cost method.

7. Fair Value Measurements

The Company's assets and liabilities measured at fair value on a recurring basis, excluding the assets and liabilities of CIP discussed in Note 21, as of December 31, 2022 and 2021, by fair value hierarchy level were as follows:

December 31, 2022

(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$287,126	$—	$ —	$287,126
Investment securities—fair value				
Sponsored funds	62,744	—	—	62,744
Equity securities	14,255	—	—	14,255
Nonqualified retirement plan assets	10,154	—	—	10,154
Total assets measured at fair value	$374,279	—	$ —	$374,279
Liabilities				
Contingent consideration	$ —	$—	$78,100	$ 78,100
Total liabilities measured at fair value	$ —	$—	$78,100	$ 78,100

December 31, 2021

(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$307,277	$—	$ —	$307,277
Investment securities—fair value				
Sponsored funds	66,326	—	—	66,326
Equity securities	14,009	—	—	14,009
Nonqualified retirement plan assets	13,321	—	—	13,321
Total assets measured at fair value	$400,933	$—	$ —	$400,933
Liabilities				
Contingent consideration	$ —	$—	$88,400	$ 88,400
Total liabilities measured at fair value	$ —	$—	$88,400	$ 88,400

The following is a discussion of the valuation methodologies used for the Company's assets and liabilities measured at fair value.

Cash equivalents represent investments in money market funds. Cash investments in money market funds are valued using published net asset values and are classified as Level 1.

Sponsored funds represent investments in open-end funds, closed-end funds and ETFs for which the Company acts as the investment manager. The fair value of open-end funds is determined based on their published net asset values and are categorized as Level 1. The fair value of closed-end funds and ETFs is determined based on the official closing price on the exchange on which they are traded and are categorized as Level 1.

Equity securities represent securities traded on active markets, are valued at the official closing price (typically the last sale or bid) on the exchange on which the securities are primarily traded and are categorized as Level 1.

Nonqualified retirement plan assets represent mutual funds within the Company's nonqualified retirement plan whose fair value is determined based on their published net asset value and are categorized as Level 1.

Contingent consideration represents liabilities associated with the Company's business combinations. See Note 4 for a discussion of the transactions. The estimated fair values are measured using a simulation model using unobservable market data inputs prepared with the assistance of an independent valuation firm. These liabilities are categorized as Level 3.

Cash, accounts receivable, accounts payable and accrued liabilities equal or approximate fair value based on the short-term nature of these instruments.

The following table presents a reconciliation of beginning and ending balances of recurring fair value measurements classified as Level 3:

(in thousands)	2022	2021
Contingent consideration, beginning of year	$ 88,400	$ —
Additions for acquisitions	1,200	96,000
Reduction of liability for payments made	(19,520)	(20,000)
Increase (reduction) of liability related to re-measurement of fair value, net	8,020	12,400
Contingent consideration, end of year	$ 78,100	$ 88,400

8. Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements, net were as follows:

	December 31,	
(in thousands)	2022	2021
Leasehold improvements	$ 22,657	$ 19,659
Furniture and office equipment	12,389	11,516
Computer equipment and software	5,764	5,142
Subtotal	40,810	36,317
Accumulated depreciation and amortization	(21,687)	(23,775)
Furniture, equipment and leasehold improvements, net	$ 19,123	$ 12,542

9. Leases

All of the Company's leases qualify as operating leases and consist primarily of leases for office facilities, which have remaining initial lease terms ranging from 0.2 to 7.3 years and a weighted average remaining lease term of 5.8 years. The Company has options to renew some of its leases for periods ranging from 3.0 to 10.0 years, depending on the lease. None of the Company's renewal options were considered reasonably assured of being exercised and, therefore, were excluded from the initial lease term used to determine the Company's right-of-use asset and lease liability. The Company's right-of-use asset, recorded in other assets, and lease liability, recorded in other liabilities on the Consolidated Balance Sheets, at December 31, 2022 were $64.5 million and $77.1 million, respectively. The weighted average discount rate used to measure the Company's lease liability was 3.0% at December 31, 2022.

Lease expense totaled $14.0 million, $5.6 million and $5.1 million for fiscal years 2022, 2021 and 2020, respectively. Cash payments relating to operating leases during 2022 were $13.3 million.

Lease liability maturities as of December 31, 2022 were as follows:

Fiscal Year	Amount *(in thousands)*
2023	$15,383
2024	15,190
2025	14,466
2026	12,578
2027	11,919
Thereafter	14,792
Total lease payments	84,328
Less: Imputed interest	7,191
Present value of lease liabilities	$77,137

10. Income Taxes

The components of the provision for income taxes were as follows:

	Years Ended December 31,		
(in thousands)	2022	2021	2020
Current			
Federal	$40,113	$ 75,525	$27,852
State	19,107	24,974	9,751
Total current tax expense (benefit)	59,220	100,499	37,603
Deferred			
Federal	(1,506)	(6,241)	3,899
State	(454)	(3,423)	2,433
Total deferred tax expense (benefit)	(1,960)	(9,664)	6,332
Total expense (benefit) for income taxes	$57,260	$ 90,835	$43,935

The following presents a reconciliation of the provision (benefit) for income taxes computed at the federal statutory rate to the provision (benefit) for income taxes recognized on the Consolidated Statements of Operations for the years indicated:

(in thousands)	Years Ended December 31, 2022		2021		2020	
Tax at statutory rate	$34,416	21%	$74,271	21%	$34,419	21%
State taxes, net of federal benefit	14,736	9	17,283	5	9,775	6
Excess tax benefits related to share-based compensation	(2,792)	(1)	(4,095)	(1)	239	—
Nondeductible compensation	2,356	1	3,461	1	2,686	2
Effect of net (income) loss attributable to noncontrolling interests	(1,435)	(1)	(2,637)	(1)	(1,939)	(1)
Change in valuation allowance	9,596	6	1,941	1	(1,383)	(1)
Other, net	383	—	611	—	138	—
Income tax expense (benefit)	$57,260	35%	$90,835	26%	$43,935	27%

The provision for income taxes reflects U.S. federal, state and local taxes at an effective tax rate of 35%, 26% and 27% for the years ended December 31, 2022, 2021 and 2020, respectively. The Company's tax position for the years ended December 31, 2022, 2021 and 2020 was impacted by changes in the valuation allowance related to the unrealized and realized gains and losses on the Company's investments.

Deferred taxes resulted from temporary differences between the amounts reported on the consolidated financial statements and the tax basis of assets and liabilities. The tax effects of temporary differences were as follows:

(in thousands)	December 31, 2022	2021
Deferred tax assets:		
Intangible assets	$ 17,773	$ 11,216
Net operating losses	11,881	12,743
Compensation accruals	16,813	17,034
Lease liability	10,026	11,857
Investments	18,283	6,335
Capital losses	2,197	1,083
Other	94	595
Gross deferred tax assets	77,067	60,863
Valuation allowance	(19,480)	(7,296)
Gross deferred tax assets after valuation allowance	57,587	53,567
Deferred tax liabilities:		
Intangible assets	(24,163)	(21,297)
Right of use asset	(7,672)	(9,830)
Fixed assets	(1,869)	(1,661)
Other investments	(712)	(1,575)
Gross deferred tax liabilities	(34,416)	(34,363)
Deferred tax assets, net	$ 23,171	$ 19,204

At each reporting date, the Company evaluates the positive and negative evidence used to determine the likelihood of realization of its deferred tax assets. The Company maintained a valuation allowance in the amount of $19.5 million and $7.3 million at December 31, 2022 and 2021, respectively, relating to deferred tax assets on items of a capital nature as well as certain state deferred tax assets.

As of December 31, 2022, the Company had net operating loss carry-forwards for federal income tax purposes represented by a $7.0 million deferred tax asset. The related federal net operating loss carry-forwards are scheduled to begin to expire in the year 2031. As of December 31, 2022, the Company had state net operating loss carry-forwards, varying by subsidiary and jurisdiction, represented by a $4.9 million deferred tax asset. Certain state net operating loss carry-forwards are scheduled to begin to expire in 2023.

Internal Revenue Code Section 382 ("Section 382") limits tax deductions for net operating losses, capital losses and net unrealized built-in losses after there is a substantial change in ownership in a corporation's stock involving a 50-percentage point increase in ownership by 5% or larger stockholders. At December 31, 2022, the Company had pre-change losses represented by deferred tax assets totaling $7.8 million that are subject to Section 382 limits. The utilization of these assets is subject to an annual limitation of $1.1 million.

Activity in unrecognized tax benefits were as follows:

	Years Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Balance, beginning of year	$1,235	$1,021	$1,172
Decrease related to tax positions taken in prior years	(593)	—	(365)
Increase related to positions taken in the current year	214	214	214
Balance, end of year	$ 856	$1,235	$1,021

If recognized, $0.7 million of the $0.9 million gross unrecognized tax benefit balance at December 31, 2022 would favorably impact the Company's effective income tax rate. The Company does not expect any significant changes to its liability for unrecognized tax benefits during the next 12 months.

The Company recognizes interest and penalties related to income tax matters within income tax expense. The Company recorded no interest or penalties related to unrecognized tax benefits at December 31, 2022, 2021 and 2020.

The earliest federal tax year that remains open for examination is 2019. The earliest open years in the Company's major state tax jurisdictions are 2010 for Connecticut and 2019 for all of the Company's remaining state tax jurisdictions.

11. Debt

Credit Agreement

The Company's credit agreement, as amended (the "Credit Agreement"), comprises (i) a $275.0 million seven-year term loan (the "Term Loan") expiring in September 2028 and (ii) a $175.0 million revolving credit facility with a five-year term expiring in September 2026. During the year ended December 31, 2022, the Company repaid $12.8 million outstanding under its Term Loan. At December 31, 2022, $261.6 million was outstanding under the Term Loan, and there were no outstanding borrowings under the revolving credit facility.

In accordance with ASC 835, *Interest*, the amounts outstanding under the Company's Term Loan are presented on the Consolidated Balance Sheet net of related debt issuance costs, which were $6.6 million as of December 31, 2022.

Amounts outstanding under the Credit Agreement bear interest at an annual rate equal to, at the option of the Company, either LIBOR (adjusted for reserves) for interest periods of one, three or six months (or, solely in the case of the revolving credit facility, if agreed to by each relevant Lender, 12 months) or an alternate base rate, in either case plus an applicable margin. The applicable margins are 2.25%, in the case of LIBOR-based loans, and 1.25%, in the case of alternate base rate loans. Interest is payable quarterly in arrears with respect to alternate base rate loans and on the last day of each interest period with respect to LIBOR-based loans (but, in the case of any LIBOR-based loan with an interest period of more than three months, at three-month intervals). The Credit Agreement contains LIBOR and other subsequent benchmark successor provisions.

The terms of the Credit Agreement require the Company to pay a quarterly commitment fee on the average unused amount of the revolving credit facility. The fee is initially set at 0.50% and following the first delivery of certain financial reports, will range from 0.375% to 0.50%, based on the secured net leverage ratio of the Company as of the last day of the preceding fiscal quarter, as reflected in such financial reports.

The Term Loan amortizes at the rate of 1.00% per annum payable in equal quarterly installments on the last day of each calendar quarter, commencing on December 31, 2021. In addition, the Credit Agreement requires that the Term Loan be mandatorily prepaid with (i) 50% of the Company's excess cash flow on an annual basis, stepping down to 25% if the Company's secured net leverage ratio declines to 2:1 or below and stepping down to 0% if the Company's secured net leverage ratio declines below 1.5:1; (ii) 50% of the net proceeds of certain asset sales, casualty or condemnation events, subject to customary reinvestment rights; and (iii) 100% of the proceeds of any indebtedness incurred to refinance the term loans or other refinancing indebtedness as well as indebtedness incurred other than indebtedness permitted to be incurred by the Credit Agreement. At any time, upon timely notice, the Company may terminate the Credit Agreement in full, reduce the commitment under the facility in minimum specified increments or prepay loans in whole or in part, subject to the payment of breakage fees with respect to LIBOR-based loans and, in the case of any term loans that are prepaid in connection with a "repricing transaction" occurring within the six-month period following the closing date of the Credit Agreement, a 1.00% premium.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that affect, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness, create liens, merge or dissolve, make investments, dispose of assets, engage in sale and leaseback transactions, make distributions and dividends and prepayments of junior indebtedness, engage in transactions with affiliates, enter into restrictive agreements, amend documentation governing junior indebtedness, modify its fiscal year and modify its organizational documents, subject to customary exceptions, thresholds, qualifications and "baskets." In addition, the Credit Agreement contains a financial performance covenant that is only applicable when greater than 35% of the revolving credit facility is outstanding, requiring a maximum leverage ratio, as of the last day of each of the four fiscal quarter periods, of no greater than the levels set forth in the Credit Agreement.

Future minimum Term Loan payments (exclusive of any mandatory excess cash flow repayments) as of December 31, 2022 were as follows:

Fiscal Year	Amount (in thousands)
2023	$ 2,750
2024	2,750
2025	2,750
2026	2,750
2027	2,750
2028	247,813
	$261,563

12. Commitments and Contingencies

Legal Matters

The Company is involved from time to time in litigation and arbitration, as well as examinations, inquiries and investigations by various regulatory bodies, involving its compliance with, among other things, securities laws, client investment guidelines, laws governing the activities of broker-dealers and other laws and regulations affecting its products and other activities.

The Company records a liability when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. Based on information currently available, available insurance coverage, indemnities and established reserves, the Company believes that the outcomes of its legal and regulatory proceedings are not likely, either individually or in the aggregate, to have a material adverse effect on the Company's results of operations, cash flows or its consolidated financial condition. However, in the event of unexpected subsequent developments, and given the inherent unpredictability of these legal and regulatory matters, the Company can provide no assurance that its assessment of any legal matter will reflect the ultimate outcome, and an adverse outcome in certain matters could have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods.

13. Equity Transactions

Dividends

During the first and second quarters of the year ended December 31, 2022, the Board of Directors declared quarterly cash dividends on the Company's common stock of $1.50 each. During the third and fourth quarters of the year ended December 31, 2022, the Board of Directors declared quarterly cash dividends on the Company's common stock of $1.65 each. Total dividends declared on the Company's common stock were $48.2 million for the year ended December 31, 2022.

At December 31, 2022, $15.8 million was included as dividends payable in liabilities on the Consolidated Balance Sheet representing the fourth quarter dividends to be paid on February 15, 2023 for common stock shareholders of record as of January 31, 2023.

Common Stock Repurchases

During the year ended December 31, 2022, the Company repurchased 451,097 common shares at a weighted average price of $199.48 per share, for a total cost, including fees and expenses, of $90.0 million under its share repurchase program. In May 2022, the Company's Board of Directors authorized an additional 750,000 shares under the share repurchase program. As of December 31, 2022, 828,352 shares remain available for repurchase. Under the terms of the program, the Company may repurchase shares of its common stock from time to time at its discretion through open market repurchases, privately negotiated transactions and/or other mechanisms, depending on price and prevailing market and business conditions. The program, which has no specified term, may be suspended or terminated at any time.

14. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss), by component, were as follows:

	Foreign Currency Translation Adjustments *(in thousands)*
Balance at December 31, 2021	$ 20
Net current-period other comprehensive income (loss) (1)	(378)
Balance at December 31, 2022	$(358)

	Foreign Currency Translation Adjustments *(in thousands)*
Balance at December 31, 2020	$29
Net current-period other comprehensive income (loss) (1)	(9)
Balance at December 31, 2021	$20

(1) Consists of foreign currency translation adjustments, net of tax of $135 and $3 for the years ended December 31, 2022 and 2021, respectively.

15. Retirement Savings Plan

The Company sponsors a defined contribution 401(k) retirement plan (the "401(k) Plan") covering all employees who meet certain age and service requirements. Employees may contribute a percentage of their eligible compensation into the 401(k) Plan, subject to certain limitations imposed by the Internal Revenue Code. The Company matches employees' contributions at a rate of 100% of employees' contributions up to the first 5.0% of the employees' compensation contributed to the 401(k) Plan. The Company's matching contributions were $7.4 million, $5.9 million and $5.3 million in 2022, 2021 and 2020, respectively.

16. Stock-Based Compensation

Equity-based awards, including restricted stock units ("RSUs"), performance stock units ("PSUs"), stock options and unrestricted shares of common stock may be granted to officers, employees and directors of the Company pursuant to the Company's Omnibus Incentive and Equity Plan (the "Omnibus Plan"). At

December 31, 2022, 655,343 shares of common stock remain available for issuance of the 3,370,000 shares that are authorized for issuance under the Omnibus Plan.

Stock-based compensation expense is summarized as follows:

	Years Ended December 31,		
(in thousands)	2022	2021	2020
Stock-based compensation expense	$24,042	$26,225	$21,481

Restricted Stock Units

Each RSU entitles the holder to one share of common stock when the restriction expires. RSUs may be time-vested or performance-contingent PSUs that convert into RSUs after performance measurement is complete and generally vest in one to three years. Shares that are issued upon vesting are newly issued shares from the Omnibus Plan and are not issued from treasury stock.

RSU activity, inclusive of PSUs, for the year ended December 31, 2022 is summarized as follows:

	Number of shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2021	430,730	$138.01
Granted	185,405	$194.46
Forfeited	(37,666)	$118.26
Settled	(201,382)	$118.40
Outstanding at December 31, 2022	377,087	$178.21

The grant-date intrinsic value of RSUs granted during the year ended December 31, 2022 was $36.1 million.

	Years Ended December 31,		
(in millions, except per share values)	2022	2021	2020
Weighted-average grant-date fair value per share	$194.46	$268.65	$86.73
Fair value of RSUs vested	$ 23.8	$ 22.8	$ 21.8

For the years ended December 31, 2022, 2021 and 2020, a total of 79,471, 73,069 and 68,625 RSUs, respectively, were withheld by the Company as a result of net share settlements to settle minimum employee tax withholding obligations. The Company paid $16.8 million, $19.5 million and $6.5 million for the years ended December 31, 2022, 2021 and 2020, respectively, in minimum employee tax withholding obligations related to RSUs withheld for net share settlements. These net share settlements had the effect of share repurchases by the Company as they reduced the number of shares that would have otherwise been issued as a result of the vesting.

During the years ended December 31, 2022 and 2021, the Company granted 30,516 and 26,425 PSUs, respectively, that contain performance-based metrics in addition to a service condition. Compensation expense for PSUs is generally recognized over a three-year service period based upon the value determined using a combination of (i) the intrinsic value method, for awards that contain a performance metric that represents a "performance condition" in accordance with ASC 718, *Compensation—Stock Compensation* ("ASC 718") and (ii) the Monte Carlo simulation valuation model for awards that contain a "market condition" performance metric under ASC 718. Compensation expense for PSU awards that contain a market condition is fixed at the date of grant and will not be adjusted in future periods based upon the achievement of the market condition. Compensation expense for PSU awards with a performance condition is recorded each period based upon a probability assessment of the expected outcome of the performance metric with a final adjustment upon measurement at the end of the performance period.

As of December 31, 2022 and 2021, unamortized stock-based compensation expense for unvested RSUs and PSUs was $27.7 million and $24.9 million, respectively, with a weighted average remaining contractual life of 1.0 years and 1.0 years, respectively. The Company did not capitalize any stock-based compensation expenses during the years ended December 31, 2022, 2021 and 2020.

Employee Stock Purchase Plan

The Company offers an employee stock purchase plan that allows employees to purchase shares of common stock on the open market at market price through after-tax payroll deductions. The initial transaction fees are paid for by the Company and shares of common stock are purchased on a quarterly basis. The Company does not reserve shares for this plan or discount the purchase price of the shares.

17. Restructuring Expense

During the year ended December 31, 2022, the Company incurred $4.0 million in in restructuring costs, primarily related to the write-down of right-of-use assets for a lease in conjunction with the consolidation of certain office space.

18. Earnings (Loss) Per Share

The computation of basic and diluted EPS is as follows:

	Years Ended December 31,		
(in thousands, except per share amounts)	2022	2021	2020
Net Income (Loss)	$106,628	$262,835	$119,963
Noncontrolling interests	10,913	(54,704)	(40,006)
Net Income (Loss) Attributable to Virtus Investment Partners, Inc.	$117,541	$208,131	$ 79,957
Shares (in thousands):			
Basic: Weighted-average number of shares outstanding	7,391	7,672	7,620
Plus: Incremental shares from assumed conversion of dilutive instruments	191	331	356
Diluted: Weighted-average number of shares outstanding	7,582	8,003	7,976
Earnings (Loss) per Share—Basic	$ 15.90	$ 27.13	$ 10.49
Earnings (Loss) per Share—Diluted	$ 15.50	$ 26.01	$ 10.02

The following table details the securities that have been excluded from the above computation of weighted-average number of shares for diluted EPS, because the effect would be anti-dilutive.

	Years Ended December 31,		
(in thousands)	2022	2021	2020
Restricted stock units and stock options	33	3	1
Total anti-dilutive securities	33	3	1

19. Concentration of Credit Risk

The following Company clients or sponsored funds provided 10 percent or more of the Company's investment management, administration and shareholder service fee revenues:

	2022	2021	2020
Virtus KAR Small Cap Growth Fund	*	*	10%

* Less than 10 percent of total revenues of the Company

20. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests for the year ended December 31, 2022 included the following amounts:

(in thousands)	CIP	Affiliate Noncontrolling Interests	Total
Balance at December 31, 2021	$12,416	$126,549	$138,965
Net income (loss) attributable to noncontrolling interests	(1,197)	7,507	6,310
Changes in redemption value (1)	—	(16,458)	(16,458)
Total net income (loss) attributable to noncontrolling interests	(1,197)	(8,951)	(10,148)
Affiliate equity sales (purchases)	—	(11,089)	(11,089)
Net subscriptions (redemptions) and other	7,049	(11,059)	(4,010)
Balance at December 31, 2022	$18,268	$ 95,450	$113,718

(1) Relates to noncontrolling interests redeemable at other than fair value.

21. Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and investment products that are consolidated. VOEs are consolidated when the Company is considered to have a controlling financial interest, which is typically present when the Company owns a majority of the voting interest in an entity or otherwise has the power to govern the financial and operating policies of the entity.

The Company evaluates any VIEs in which the Company has a variable interest for consolidation. A VIE is an entity in which either (i) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support; or (ii) where as a group, the holders of the equity investment at risk do not possess: (i) the power through voting or similar rights to direct the activities that most significantly impact the entity's economic performance, (ii) the obligation to absorb expected losses or the right to receive expected residual returns of the entity, or (iii) proportionate voting and economic interests and where substantially all of the entity's activities either involve or are conducted on behalf of an investor with disproportionately fewer voting rights. If an entity has any of these characteristics, it is considered a VIE and is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that has both the power to direct the activities that most significantly impact the VIE's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE.

In the normal course of its business, the Company sponsors various investment products, some of which are consolidated by the Company. CIP includes both VOEs, made up primarily of open-end funds in which the

Company holds a controlling financial interest, and VIEs, which consist of CLOs and certain global and private funds of which the Company is considered the primary beneficiary. The consolidation and deconsolidation of these investment products have no impact on net income (loss) attributable to Virtus Investment Partners, Inc. The Company's risk with respect to these investment products is limited to its beneficial interests in these products. The Company has no right to the benefits from, and does not bear the risks associated with, these investment products beyond the Company's investments in, and fees generated from, these products.

The following table presents the balances of CIP that, after intercompany eliminations, were reflected on the Consolidated Balance Sheets as of December 31, 2022 and 2021:

	As of December 31,					
	2022			2021		
	VOEs	VIEs		VOEs	VIEs	
(in thousands)		CLOs	Other		CLOs	Other
Cash and cash equivalents	$ 1,153	$ 249,003	$ 789	$ 787	$ 205,192	$ 1,245
Investments	24,669	2,106,764	58,680	21,544	2,055,107	63,587
Other assets	295	43,993	1,157	64	43,327	819
Notes payable	—	(2,083,314)	—	—	(2,033,617)	—
Securities purchased payable and other liabilities	(573)	(230,141)	(183)	(558)	(184,214)	(296)
Noncontrolling interests	(7,879)	(5,917)	(10,389)	(4,935)	(8,350)	$ (7,481)
Net interests in CIP	$17,665	$ 80,388	$ 50,054	$16,902	$ 77,445	$57,874

Consolidated CLOs

The majority of the Company's CIP that are VIEs are CLOs. At December 31, 2022, the Company consolidated seven CLOs. The financial information of certain CLOs is included on the Company's consolidated financial statements on a one-month lag based upon the availability of their financial information. A majority-owned consolidated private fund, whose primary purpose is to invest in CLOs for which the Company serves as the collateral manager, is also included.

Investments of CLOs

The CLOs held investments of $2.1 billion at December 31, 2022 consisting of bank loan investments, which comprise the majority of the CLOs' portfolio asset collateral and are senior secured corporate loans across a variety of industries. These bank loan investments mature at various dates between 2023 and 2030 and pay interest at LIBOR plus a spread of up to 10.0%. The CLOs may elect to reinvest any prepayments received on bank loan investments up until the periods between October 2019 and October 2026, depending on the CLO. Generally, subsequent prepayments received after the reinvestment period must be used to pay down the note obligations. At December 31, 2022, the fair value of the senior bank loans was less than the unpaid principal balance by $146.7 million. At December 31, 2022, there were no material collateral assets in default.

Notes Payable of CLOs

The CLOs held notes payable with a total value, at par, of $2.4 billion at December 31, 2022, consisting of senior secured floating rate notes payable with a par value of $2.1 billion and subordinated notes with a par value of $261.2 million. These note obligations bear interest at variable rates based on LIBOR plus a pre-defined spread ranging from 0.8% to 9.1%. The principal amounts outstanding of these note obligations mature on dates ranging from October 2027 to October 2034.

The Company's beneficial interests and maximum exposure to loss related to these consolidated CLOs is limited to (i) ownership in the subordinated notes and (ii) accrued management fees. The secured notes of the consolidated CLOs have contractual recourse only to the related assets of the CLO and are classified as financial liabilities. Although these beneficial interests are eliminated upon consolidation, the application of the measurement alternative prescribed by ASU 2014-13, *Consolidation (Topic 810)* ("ASU 2014-13") results in the net assets of the consolidated CLOs shown above to be equivalent to the beneficial interests retained by the Company at December 31, 2022, as shown in the table below:

	(in thousands)
Subordinated notes	$78,900
Accrued investment management fees	1,488
Total Beneficial Interests	$80,388

The following table represents income and expenses of the consolidated CLOs included on the Company's Consolidated Statements of Operations for the period indicated:

	Year Ended December 31, 2022 *(in thousands)*
Income:	
Realized and unrealized gain (loss), net	$ (26,445)
Interest income	102,968
Total Income	$ 76,523
Expenses:	
Other operating expenses	$ 3,826
Interest expense	80,234
Total Expense	84,060
Noncontrolling interests	765
Net Income (loss) attributable to CIP	$ (6,772)

As summarized in the table below, the application of the measurement alternative as prescribed by ASU 2014-13 results in the consolidated net income summarized above to be equivalent to the Company's own economic interests in the consolidated CLOs, which are eliminated upon consolidation:

	Year Ended December 31, 2022 *(in thousands)*
Distributions received and unrealized gains (losses) on the subordinated notes held by the Company	$(15,013)
Investment management fees	8,241
Total Economic Interests	$ (6,772)

Fair Value Measurements of CIP

The assets and liabilities of CIP measured at fair value on a recurring basis as of December 31, 2022 and 2021 by fair value hierarchy level were as follows:

As of December 31, 2022 *(in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	$249,003	$ —	$ —	$ 249,003
Debt investments	243	2,119,082	42,246	2,161,571
Equity investments	25,003	2,204	1,335	28,542
Total assets measured at fair value	$274,249	$2,121,286	$43,581	$2,439,116
Liabilities				
Notes payable	$ —	$2,083,314	$ —	$2,083,314
Short sales	414	—	—	414
Total liabilities measured at fair value	$ 414	$2,083,314	$ —	$2,083,728

As of December 31, 2021 *(in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	$205,192	$ —	$ —	$ 205,192
Debt investments	273	2,107,736	2,695	2,110,704
Equity investments	26,111	2,961	462	29,534
Total assets measured at fair value	$231,576	$2,110,697	$3,157	$2,345,430
Liabilities				
Notes payable	$ —	$2,033,617	$ —	$2,033,617
Short sales	515	—	—	515
Total liabilities measured at fair value	$ 515	$2,033,617	$ —	$2,034,132

The following is a discussion of the valuation methodologies used for the assets and liabilities of the Company's CIP measured at fair value.

Cash equivalents represent investments in money market funds. Cash investments in money market funds are valued using published net asset values and are classified as Level 1.

Debt and equity investments represent the underlying debt, equity and other securities held in CIP. Equity investments are valued at the official closing price on the exchange on which the securities are traded and are generally categorized within Level 1. Level 2 investments represent most debt securities, including bank loans and certain equity securities (including non-U.S. securities), for which closing prices are not readily available or are deemed to not reflect readily available market prices, and are valued using an independent pricing service. Debt investments are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Bank loan investments, which are included as debt investments, are generally priced at the average mid-point of bid and ask quotations obtained from a third-party pricing service. Fair value may also be based upon valuations obtained from independent third-party brokers or dealers utilizing matrix pricing models that consider information regarding securities with similar characteristics. In certain instances, fair value has been determined utilizing discounted cash flow analyses or single broker non-binding quotes.

Depending on the nature of the inputs, these assets are classified as Level 1, 2 or 3 within the fair value measurement hierarchy. Level 3 investments include debt and equity securities that are not widely traded, are illiquid or are priced by dealers based on pricing models used by market makers in the security.

Notes payable represent notes issued by CIP CLOs and are measured using the measurement alternative in ASU 2014-13. Accordingly, the fair value of CLO liabilities was measured as the fair value of CLO assets less the sum of (i) the fair value of the beneficial interests held by the Company and (ii) the carrying value of any beneficial interests that represent compensation for services. The fair value of the beneficial interests held by the Company is based on third-party pricing information without adjustment.

Short sales are transactions in which a security is sold that is not owned or is owned but there is no intention to deliver, in anticipation that the price of the security will decline. Short sales are recorded on the Consolidated Balance Sheets within other liabilities of CIP and are classified as Level 1 based on the underlying equity security.

The securities purchased payable at December 31, 2022 and 2021 approximated fair value due to the short term nature of the instruments.

The following table is a reconciliation of assets of CIP for Level 3 investments for which significant unobservable inputs were used to determine fair value.

	Year Ended December 31,	
(in thousands)	2022	2021
Level 3 Investments of CIP (1)		
Balance at beginning of period	$ 3,157	$ 54,182
Purchases	4,118	10,708
Sales	(18,076)	(41,362)
Amortization	107	98
Change in unrealized gains (losses), net	(958)	2,203
Realized gains (loss), net	(585)	(301)
Transfers to Level 2	(87,458)	(85,551)
Transfers from Level 2	143,276	63,180
Balance at end of period	$ 43,581	$ 3,157

(1) The investments that are categorized as Level 3 were valued utilizing third-party pricing information without adjustment. Transfers in and/or out of levels are reflected when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable/unobservable at period end.

Nonconsolidated VIEs

The Company serves as the collateral manager for other CLOs that are not consolidated. The assets and liabilities of these CLOs reside in bankruptcy remote, special purpose entities in which the Company has no ownership of, nor holds any notes issued by, the CLOs, and provides neither recourse nor guarantees. The Company has determined that the investment management fees it receives for serving as collateral manager for these CLOs did not represent a variable interest since (i) the fees the Company earns are compensation for services provided and are commensurate with the level of effort required to provide the investment management services, (ii) the Company does not hold other interests in the CLOs that individually, or in the aggregate, would absorb more than an insignificant amount of the CLOs' expected losses or receive more than an insignificant amount of the CLOs' expected residual return, and (iii) the investment management arrangement only includes terms, conditions and amounts that are customarily present in arrangements for similar services negotiated at arm's length.

The Company has interests in certain other VIEs that the Company does not consolidate as it is not the primary beneficiary since its interest in these entities does not provide the Company with the power to direct the activities that most significantly impact the entities' economic performance. At December 31, 2022, the carrying value and maximum risk of loss related to the Company's interest in these VIEs was $26.3 million.

22. Subsequent Events

Dividends Declared

On February 22, 2023, the Company declared a quarterly cash dividend of $1.65 per common share to be paid on May 15, 2023 to shareholders of record at the close of business on April 28, 2023.

Exhibit 31.1

CERTIFICATION UNDER SECTION 302

I, George R. Aylward, certify that:

1. I have reviewed this Annual Report on Form 10-K of Virtus Investment Partners, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2023

/S/ GEORGE R. AYLWARD

George R. Aylward
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION UNDER SECTION 302

I, Michael A. Angerthal, certify that:

1. I have reviewed this Annual Report on Form 10-K of Virtus Investment Partners, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2023

/S/ MICHAEL A. ANGERTHAL

Michael A. Angerthal
Executive Vice President, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATIONS OF CEO AND CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Annual Report on Form 10-K of Virtus Investment Partners, Inc. (the "Company") for the period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2023

/S/ GEORGE R. AYLWARD

George R. Aylward
President, Chief Executive Officer and Director
(Principal Executive Officer)

/S/ MICHAEL A. ANGERTHAL

Michael A. Angerthal
Executive Vice President, Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

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Non-GAAP Information and Reconciliations
(Dollars in thousands except per share data)

The following are reconciliations and related notes of the most comparable U.S. GAAP measure to each non-GAAP measure.

Non-GAAP financial information differs from financial information determined in accordance with U.S. GAAP as a result of the reclassification of certain income statement items, as well as the exclusion of certain expenses and other items that are not reflective of the earnings generated from providing investment management and related services. Non-GAAP financial information has material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures.

Reconciliation of Total Revenues, GAAP to Total Revenues, as Adjusted:

	Twelve Months Ended		
	12/31/2022	12/31/2021	12/31/2020
Total revenues, GAAP	$ 886,379	$ 979,234	$ 603,896
Consolidated investment products revenues (1)	9,162	9,685	9,472
Distribution and other asset-based expenses (2)	(112,612)	(141,039)	(77,010)
Total revenues, as adjusted	$ 782,929	$ 847,880	$ 536,358

Reconciliation of Total Operating Expenses, GAAP to Operating Expenses, as Adjusted:

	Twelve Months Ended		
	12/31/2022	12/31/2021	12/31/2020
Total operating expenses, GAAP	$ 688,919	$ 653,746	$ 460,732
Consolidated investment products expenses (1)	(4,408)	(3,562)	(10,585)
Distribution and other asset-based expenses (2)	(112,612)	(141,039)	(77,010)
Amortization of intangible assets (3)	(58,504)	(44,481)	(30,127)
Restructuring and severance (4)	(4,015)	—	(1,155)
Acquisition and integration expenses (5)	(16,603)	(22,039)	(826)
Other (6)	1,001	(2,578)	(1,189)
Total operating expenses, as adjusted	$ 493,778	$ 440,047	$ 339,840

Reconciliation of Net Income Attributable to Common Stockholders, GAAP to Net Income Attributable to Common Stockholders, as Adjusted:

	Twelve Months Ended		
	12/31/2022	12/31/2021	12/31/2020
Net income attributable to Virtus Investment Partners, Inc., GAAP	$117,541	$208,131	$ 79,957
Amortization of intangible assets, net of tax (3)	39,764	29,660	18,810
Restructuring and severance, net of tax (4)	2,933	—	839
Seed capital and CLO investments, net of tax (5)	39,662	(8,096)	(2,957)
Acquisition and integration expenses, net of tax (5)	12,089	16,126	613
Other, net of tax (6)	(16,827)	41,103	32,052
Net income attributable to Virtus Investment Partners, Inc., as adjusted	$195,162	$286,924	$129,314
Weighted Average Shares Outstanding—Diluted	7,582	8,003	7,976
Weighted Average Shares Outstanding—Diluted, as adjusted[A]	7,582	8,003	7,976
Earnings Per Share—Diluted, GAAP	$ 15.50	$ 26.01	$ 10.02
Earnings Per Share—Diluted, as adjusted	$ 25.74	$ 35.85	$ 16.21

[A] Reflects dilutive impact to shares in all periods; differs from GAAP basis in periods of a GAAP earnings loss, if any

Notes to Reconciliations:

Reclassifications:

1. *Consolidated investment products* - Revenues and expenses generated by operating activities of mutual funds and CLOs that are consolidated in the financial statements. Management believes that excluding these operating activities to reflect net revenues and expenses of the company prior to the consolidation of these products is consistent with the approach of reflecting its operating results from managing third-party client assets.

Revenue Related Adjustments:

2. *Investment management/Distribution and service fees* - Each of these revenue line items is reduced to exclude fees passed-through to third-party client intermediaries who own the retail client relationship and are responsible for distributing the product and servicing the client. The amount of fees fluctuates each period, based on a predetermined percentage of the value of assets under management, and vary based on the type of investment product. The specific adjustments are as follows:

   Investment management fees - Based on specific agreements, the portion of investment management fees passed-through to third-party intermediaries for services to investors in sponsored investment products.

   Distribution and service fees - Based on distinct arrangements, fees collected by the Company then passed-through to third-party client intermediaries for services to investors in sponsored investment products. Adjustment represents all of the Company's distribution and service fees which are recorded as a separate line item on the condensed consolidated statements of operations.

   Management believes that making these adjustments aids in comparing the company's operating results with other asset management firms that do not utilize third-party client intermediaries.

Other Adjustments:

3. *Distribution and other asset-based expenses* - Primarily payments to third-party client intermediaries for providing services to investors in sponsored investment products. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that do not utilize third-party client intermediaries.

4. *Amortization of intangible assets* - Non-cash amortization expense or impairment expense, if any, attributable to acquisition-related intangible assets, including any portion that is allocated to noncontrolling interests. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
5. *Restructuring and severance* - Certain non-recurring expenses associated with restructuring the business, including lease abandonment-related expenses and severance costs associated with staff reductions that are not reflective of ongoing earnings generation of the business. Management believes that making this adjustment aids in comparing the company's operating results with prior periods.
6. *Acquisition and integration expenses* - Expenses that are directly related to acquisition and integration activities. Acquisition expenses include transaction closing costs, change in fair value of contingent consideration, certain professional fees, and financing fees. Integration expenses include costs incurred that are directly attributable to combining businesses, including compensation, restructuring and severance charges, professional fees, consulting fees, and other expenses. Management believes that making these adjustments aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
7. *Other* - Certain expenses that are not reflective of the ongoing earnings generation of the business. Employment expenses and noncontrolling interests are adjusted for fair value measurements of affiliate minority interests. Other operating expenses are adjusted for non-capitalized debt issuance costs. Interest expense is adjusted to remove gains on early extinguishment of debt and the write-off of previously capitalized costs associated with the modification of debt. Income tax expense (benefit) items are adjusted, for uncertain tax positions, changes in tax law, valuation allowances, and other unusual or infrequent items not related to current operating results to reflect a normalized effective rate. Management believes that making these adjustments aids in comparing the company's operating results with prior periods.
8. *Seed capital and CLO investments (gains) losses* - Gains and losses (realized and unrealized) of seed capital and CLO investments. Gains and losses (realized and unrealized) generated by investments in seed capital and CLO investments can vary significantly from period to period and do not reflect the Company's operating results from providing investment management and related services. Management believes that making this adjustment aids in comparing the Company's operating results with prior periods and with other asset management firms that do not have meaningful seed capital and CLO investments.

Components of Acquisition and Integration Expenses and Other for the respective periods are shown below:

	Twelve Months Ended		
	12/31/2022	12/31/2021	12/31/2020
Acquisition and Integration Expenses			
Employment expenses	$ 4,542	$ 1,065	$655
Other operating expenses	4,041	8,574	171
Change in fair value of contingent consideration	8,020	12,400	0
Total Acquisition and Integration Expenses	$16,603	$22,039	$826

	Twelve Months Ended		
	12/31/2022	12/31/2021	12/31/2020
Other			
Non-capitalized debt issuance costs	$ —	$ 813	$ —
Employment expense fair value adjustments	(1,001)	1,765	1,189
(Gain)/loss on extinguishment of debt	—	180	(704)
Tax impact of adjustments	272	(733)	(125)
Other discrete tax adjustments	92	(4,116)	309
Affiliate minority interest fair value adjustments	(16,190)	43,194	31,383
Total Other	$(16,827)	$41,103	$32,052

Definitions:

Revenues, as adjusted, comprise the fee revenues paid by clients for investment management and related services. Revenues, as adjusted, for purposes of calculating net income attributable to common stockholders, as adjusted, differ from U.S. GAAP, namely in excluding the impact of operating activities of consolidated investment products and reduced to exclude fees passed through to third-party client intermediaries who own the retail client relationship and are responsible for distributing the product and servicing the client.

Operating expenses, as adjusted, is calculated to reflect expenses from ongoing continuing operations. Operating expenses, as adjusted, for purposes of calculating net income attributable to common stockholders, as adjusted, differ from U.S. GAAP expenses in that they exclude amortization or impairment, if any, of intangible assets, restructuring and severance, the effect of consolidated investment products, acquisition and integration-related expenses and certain other expenses that do not reflect the ongoing earnings generation of the business.

Operating margin, as adjusted, is a metric used to evaluate efficiency represented by operating income, as adjusted, divided by revenues, as adjusted.

Earnings (loss) per share, as adjusted, represent net income (loss) attributable to common stockholders, as adjusted, divided by weighted average shares outstanding, as adjusted, on either a basic or diluted basis.

Additional Information Regarding Mutual Fund Investment Performance

Additional information on Virtus Funds rated by Morningstar for the period ending December 31, 2022:

Description	Overall	3 yr.	5 yr.	10 yr.
Number of 3/4/5 Star Funds	61	54	54	48
Percentage of Assets	90%	75%	84%	89%
Number of 4/5 Star Funds	34	27	25	29
Percentage of Assets	57%	25%	38%	60%
Total Funds	77	77	74	64

Data quoted represents past performance. Past performance does not guarantee future results. Current performance may be lower or higher than the performance data quoted. Investing involves risk, including the possible loss of principal. The value of your investment will fluctuate over time and you may gain or lose money.

Morningstar Ratings:

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads.

Strong ratings are not indicative of positive fund performance. Absolute performance for some funds was negative. For complete investment performance, please visit www.virtus.com.

Please carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For this and other information about the Virtus Mutual Funds, call 1-800-243-4361 or visit www.Virtus.com for a prospectus. Read it carefully before you invest or send money.

Virtus Mutual Funds are distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc.

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Virtus Investment Partners

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(formerly OM Asset Management)

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2. Compensation
3. Governance

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alphasimplex.com

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ceredexvalue.com

Duff & Phelps Investment Management Co.
dpimc.com

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kayne.com

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newfleet.com

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sgadvisers.com

Virtus ETF Advisers LLC
virtusetfs.com

Virtus Multi-Asset
Virtus Systematic
virtus.com/investment-partners

Westchester Capital Management, LLC
westchestercapitalmanagement.com

Shareholder Information

Security Listing

The common stock of Virtus Investment Partners, Inc. is traded on the Nasdaq Global Market under the symbol "VRTS."

Transfer Agent and Registrar

For information or assistance regarding your account, please contact our transfer agent and registrar:

Virtus Investment Partners
c/o Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717

Toll-free (within U.S.): 866-205-7273
Foreign Shareowners: 413-775-6091

Website:
shareholder.broadridge.com/VRTS

Email:
Virtus.Investment.Partners@virtus.com

Annual Meeting of Shareholders

Shareholders are invited to attend the 2023 Annual Meeting of Shareholders on Wednesday, May 17, 2023 at 10:00 A.M. EDT at the company's offices, One Financial Plaza, 19th Floor, Hartford, Connecticut.

For More Information

To receive additional information about Virtus Investment Partners and access to other shareholder services, visit Investor Relations in the "Our Story" section of our website at virtus.com, or contact us at:

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For more information on Virtus Mutual Funds or other products, call your financial representative or visit us at virtus.com.

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