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Virtus Investment Partners, Inc. (VRTS)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Didi, and I will be your conference operator today. I would like to welcome everyone to the Virtus Investment Partners Quarterly Conference Call. The slide presentation for this call is available in the Investor Relations section of the Virtus website, www.virtus.com. This call is being recorded and will be available for replay on the Virtus website. At this time, all participants are in a listen-only mode. After the speakers' remarks, there will be a question-and-answer period and instructions will follow at that time.

I will now turn the conference to your host, Sean Rourke.

Sean P. Rourke

Vice President-Investor Relations, Virtus Investment Partners, Inc.

Thanks, Didi, and good morning, everyone. Welcome to Virtus Investment Partners discussion of our fourth quarter 2025 financial and operating results. Joining me today are George Aylward, our President and CEO, and Mike Angerthal, our Chief Financial Officer. After their prepared remarks, we will open the call for questions.

Before we begin, I'll refer you to the disclosures on slide 2. Today's comments may include forward-looking statements, which involve risks and uncertainties described in our news release and SEC filings. Actual results may differ materially. We will also refer – we also reference certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP measures are available in today's news release and financial supplement on our website.

Now, I'd like to turn the call over to George. George?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Thank you, Sean, and good morning, everyone. I'll start with an overview of the results we reported this morning. And then Mike will provide more detail. The fourth quarter reflected a challenging environment for us, given that quality-oriented equity strategies, which represent half of our AUM, remained out of favor, resulting in increased level of net outflows. As we have previously noted, our quality-oriented equity strategies have delivered strong long-term performance across cycles and have previously been our largest drivers of growth when in favor. However, the market backdrop continued to favor more momentum driven stocks, resulting in near-term underperformance.

Importantly, the impact from our quality equity strategies has overshadowed areas of strength across the business, which in the quarter include positive net flows and strategies from several managers, including in growth equity, emerging markets debt, listed real assets and event-driven. Continued strong positive net flows in ETFs, product introductions of differentiated actively managed ETFs, expansion into private markets with two strategic investments. Solid, long-term investment performance with fixed income and alternatives also having strong near-term performance, continued return of capital with \$10 million of share buybacks in the quarter and a solid balance sheet, meaningful liquidity, and de minimis net leverage at year-end.

We continued to execute our strategic priorities in the quarter, including broadening our product offerings with several ETF introductions and expansion into the private markets. For ETFs, we launched three new actively managed funds in the quarter, including a Growth Opportunities ETF from Silvant and US and international dividend strategies from our Systematic team. We expect several additional active ETF launches over the next two quarters across managers including Stone Harbor, Duff & Phelps and Silvant.

We now have 25 ETFs spanning a range of strategies and continue to focus on broadening access to them in distribution channels. In addition, we have several other new offerings in process or filing, including interval funds and additional retail separate account strategies. And as mentioned, we also have expanded into private markets with the previously announced pending acquisition of a majority interest in Keystone National Group, an asset-centric private credit manager and a minority investment in Crescent Cove, a venture growth manager. I will discuss both in more detail shortly.

Looking at our fourth quarter results, assets under management were \$159 billion at December 31, down from \$169 billion due to net outflows and the impact of market performance. Total sales of \$5.3 billion, compared with \$6.3 billion in the third quarter, which included a \$0.4 billion CLO issuance. Total net outflows were \$8.1 billion, and across products, the outflows were almost entirely driven by equities.

Looking at flows across asset classes, the equity net outflows largely reflected the continued style headwind for quality-oriented strategies. We had several meaningful institutional partial redemptions in such strategies, as well as some seasonal tax loss harvesting [indiscernible] (00:04:49). Fixed income net flows were modestly negative at \$0.1 billion for the quarter, and we saw positive net flows in certain fixed income strategies, including multi-sector and emerging market debt. Alternative strategies were essentially breakeven for the quarter and positive for the trailing 12 months.

In terms of what we're seeing early in the first quarter, our US retail funds continue to face headwinds, though there have been encouraging signs in the market of broadening investor sentiment. And January sales were at the highest level since June and net flows at the best level since September. And fixed income net flows were positive. For ETF sales and net flows continue to be strong. Within retail separate accounts, while for the month we have seen an increase in sales, there was a large redemption from a client that rebalanced a lower fee model only mandate to a passive strategy.

On the institutional side, trends are similar to the fourth quarter, with known redemptions exceeding known wins. Turning now to our financial results. Earnings [ph] in (00:05:55) the operating margin declined modestly, reflecting lower average AUM, partially offset by lower operating expenses. The operating margin was 32.4%, which compared with 33% last quarter. Earnings per share suggested of \$6.50, compared with \$6.69 in the third quarter.

Turning to investment performance. Recent performance reflects our overweight to quality equity, while long-term performance demonstrates we've generated solid performance over market cycles. For the three year period, while 39% of AUM outperformed benchmark to the challenging equity performance, fixed income and alternative strategies performed very well with 76% and 60% of AUM, respectively, outperforming benchmarks. Over the 10 year period, 62% of our equity assets, 77% of our fixed income assets and 71% of alternative assets beat their benchmarks.

For [ph] just (00:06:53) mutual funds, 65% of equity funds and 87% of fixed income funds outperformed their peer median for the 10-year period. I would also note that 84% of our rated retail fund assets were in three-, four- and five-star funds, and 23% of our retail funds are rated four- and five-stars.

As it relates to equities, despite the style headwind, our quality focused managers continue to invest with high conviction businesses with durable fundamentals and long-term potential. Their disciplined approach has delivered excellent returns over cycles, and we remain confident that as companies with quality characteristics come back in favor, these strategies are well-positioned. With the environment year-to-date, we are pleased that although it's a short period, several of these strategies have generated very compelling performance.

In terms of our balance sheet and capital, we continue to have financial flexibility to balance our capital priorities of investing in the business, returning capital to shareholders [audio gap] (00:07:55) and appropriate leverage. During the quarter, we repurchased approximately 60,000 shares for \$10 million. The full year, we used \$60 million to repurchase over 347,000 shares, representing 5% of beginning shares. We ended the quarter with significant liquidity, including \$386 million of cash and equivalents and an undrawn \$250 million revolver, positioning us for the upcoming first quarter obligations including the closing payment for Keystone National.

Before turning the call over to Mike to review our financial results in more detail, I would like to provide some highlights on the Keystone National and Crescent Cove transactions, which will allow us to provide private market offerings and differentiated strategies with strong track records. We will acquire a 56% majority interest in Keystone, a boutique private credit manager specializing in asset-based lending with approximately \$2.5 billion in assets across a tender offer fund and two private REITs.

Keystone's approach differs from traditional direct lending. Its financings are secured by specific collateral, are self-amortizing with regular payments of principal and interest, have shorter durations, and are structured with robust covenants and triggers. This collateral-backed, covenant-rich design provides meaningful downside protection for investors who are underexposed to private markets and serves as a differentiated complement for those already invested in traditional private credit.

We see significant growth opportunities for Keystone across both retail and institutional channels. Their strategies are already available in an at-scale tender offer fund used by an established base of wealth management firms, and we believe we can expand that meaningfully. In addition, over time, we also expect to introduce the capabilities to US and non-US institutional clients. We're excited to welcome Keystone's Salt Lake City-based team to Virtus and expect to close the transaction during the first quarter.

With regard to Crescent Cove, a private investment firm that focuses on providing flexible capital solutions to high growth middle market technology companies, we completed a 35% minority investment. Crescent Cove has built a strong track record, growing to over \$1 billion in AUM across multiple private funds with a diversified client base. Their venture debt strategy offers a compelling, risk managed way for investors to gain exposure to private technology companies. We see long-term growth potential for Crescent Cove, including extensions into other products for broader client usage, and we're excited to be partnering with their team.

With that, I'll turn the call over to Mike to provide some more details on the financials. Mike?

Michael A. Angerthal

Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.

Thank you, George. Good to be with you all this morning. Starting with our results on slide 10, assets under management. Our total assets under management at December 31 were \$159.5 billion. And average assets declined 3% to \$165.2 billion. Our AUM continues to be well-diversified across products and asset classes. By product institutional accounts were 33% of AUM. Retail separate accounts, including wealth management, represented 27% and US retail funds represented 26%. The remaining 14% consisted of closed-end funds, global funds and ETFs.

Within open-end funds, ETF AUM increased to \$5.2 billion, up \$0.5 billion sequentially on continued strong net flows and up 72% year-over-year. We are also well-diversified by asset class, with broad representation across domestic and international equities, including mid, small and large cap strategies and a fixed income platform diversified across duration, credit quality, and geography.

Turning to slide 11. Asset flows. Total sales were \$5.3 billion, compared with \$6.3 billion in the third quarter. Reviewing by product, institutional sales were \$1.4 billion versus \$2 billion last quarter, which included the issuance of a \$0.4 billion CLO. Retail separate account sales were \$1.2 billion, compared with \$1.4 billion in the third quarter. Open-end fund sales were \$2.8 billion, consistent with the prior quarter, and included \$0.8 billion of ETF sales. Total net outflows were \$8.1 billion, compared with \$3.9 billion last quarter.

Reviewing by product, institutional net outflows of \$3 billion were primarily due to redemptions of quality domestic and global large cap growth strategies. Of the total gross outflows in the quarter, 75% were partial redemptions rather than full terminations. Retail separate accounts had net outflows of \$2.5 billion, driven by quality, small and SMID-cap equity strategies. Open-end fund net outflows of \$2.5 billion, compared with \$1.1 billion the last quarter, also driven by quality-oriented equity strategies, which more than offset positive ETF flows. ETFs continued to deliver strong momentum, generating \$0.6 billion of positive net flows and sustaining a strong double-digit organic growth rate. Before turning to the financial results. I would note that outlook commentary that I provide beyond the first quarter contemplates a full quarter impact of Keystone National.

Turning to slide 12. Investment management fees, as adjusted, were \$168.9 million, down 4% due to lower average AUM and a modestly lower average fee rate. The average fee rate was 40.6 basis points, which compared with 41.1 basis points last quarter. For the first quarter, an average fee rate of 41 basis points to 42 basis points is reasonable for modeling purposes. And looking beyond the first quarter, we anticipate the average fee rate will be in the range of 43 basis points to 45 basis points. As always, the fee rate will be impacted by markets and the mix of assets.

Slide 13, shows the five-quarter trend in employment expenses. Total employment expenses, as adjusted of \$95.8 million, decreased 3% due to lower variable incentive compensation. As a percentage of revenues, employment expenses, as adjusted, were 50.7% and within our range of 49% to 51%. As a reminder, the first

quarter will include seasonal employment expenses, which are incremental to this range. Looking beyond the first quarter, we anticipate that employment expenses as a percentage of revenues will be in a range of 50% to 52%, as the benefit from the addition of Keystone is more than offset by the decline in equity AUM. As always, it will be variable based on market performance in particular, as well as profits and sales.

Turning to slide 14. Other operating expenses, as adjusted were \$30.2 million, down from \$31.1 million due to discrete M&A related costs in the prior quarter. We have maintained other operating expenses within our \$30 million to \$32 million quarterly range for several years. And for modeling purposes, this remains appropriate for the first quarter. Looking beyond the first quarter, we believe a quarterly range of \$31 million to \$33 million is reasonable.

Slide 15 illustrates the trend in earnings. Operating income as adjusted of \$61.1 million, compared with \$65 million in the third quarter, with the decline due to lower average assets, partially offset by lower operating expenses. The operating margin as adjusted of 32.4%, decreased 60 basis points from the third quarter. With respect to non-operating items, non-controlling interests of \$1.5 million, decreased from \$2.1 million due to the increase in ownership of our majority owned manager.

For modeling purposes, this level is appropriate for the first quarter. Beyond the first quarter, we believe that a reasonable range for non-controlling interests will be \$5 million to \$6 million, which factors in the Keystone minority ownership. Our effective tax rate of 25.3% was lower by 70 basis points sequentially due to an update to our blended state tax rate, and this rate is appropriate for modeling purposes in the first quarter. Beginning with the second quarter, we anticipate an effective tax rate of 23% to 24% due to the addition of Keystone. Net income, as adjusted of \$6.50 per diluted share, declined 3% from \$6.69 in the prior quarter.

Slide 16 shows the trend of our capital liquidity and select balance sheet items. Cash and equivalents at December 31 were \$386 million. In addition, we had \$306 million of other investments, including seed capital, to support growth initiatives. The \$1 million decline in outstanding debt reflected the quarterly required amortization payment on the new term loan. Gross debt-to-EBITDA was 1.3 times, and we ended the quarter with \$13 million of net debt.

During the fourth quarter, we repurchased 60,292 shares of common stock for \$10 million. Other uses of capital during the quarter included the \$40 million closing payment for Crescent Cove that is included in the \$61 million of investments, [ph] equity method row (00:19:53), which also includes our minority investment in Zevenbergen, as well as \$9 million for an increase in equity of our majority owned manager, which was the last of the scheduled equity purchases.

In the first quarter, cash usage will include our annual incentive payments, typically our highest operating cash outlay of the year, and the annual revenue participation payment, which we expect to approximate \$22 million, which represents most of the remaining obligation. And as previously mentioned, we will make the \$200 million payment for Keystone National upon closing the transaction, taking into account that payment and other first quarter activity, we would anticipate net leverage at March 31 of 1.2 times EBITDA.

With that, let me turn the call back over to George. George?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Thank you, Mike. We will now take your questions. Didi, will you open up the lines please?

QUESTION AND ANSWER SECTION

Operator: Yes. [Operator Instructions] Please stand by while we compile the Q&A roster. And our first question comes from Ben Budish of Barclays. Your line is open.

Benjamin Budish

Analyst, Barclays Capital, Inc.

Hi. Good morning. And thank you for taking the question. Maybe first just on the fee rate. Mike, you gave some color on the quarter and the year. Just curious if you could flesh that out a little bit more. What was the driver of the fee rate compression in the quarter? I assume Q1 guidance is kind of based on what you're seeing year-to-date and the full year is going to be benefited from Keystone, but just any more color on the underlying dynamics would be helpful?

Michael A. Angerthal

Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.

Yeah. And as you know, we've operated our fee rate in a relatively narrow range for quite some time. I think, if you normalize the 40.6 basis points in the first quarter, you get to about 40.9 basis points, just under 41 basis points, as we had some discrete expenses, especially on the ETF side. So, normalizing that you have a kind of flat profile quarter-over-quarter. So, we've been able to maintain that.

And looking off of that 40.9 basis points, we gave the range in the first quarter of 41 basis points to 42 basis points. So, you have that level. And we're anticipating, one month of impact from Keystone as we're on target for closing on March 1, as we've talked about. So, when you factor in one month of Keystone, in addition to where we ended the fourth quarter, we think that range is appropriate for modeling and represents our ability to keep our fee rate in that narrow range over time.

Benjamin Budish

Analyst, Barclays Capital, Inc.

Okay. Helpful. And then maybe just a strategic question, I know you just did a transaction, so I apologize that we're already asking you about the next one. But George, in your prepared remarks you talked about, market-wide headwinds, especially to kind of value-oriented strategies where you over index. I'm just curious, I understand over the last few years the line of questioning has probably been more around private markets, private credit. But just as you're thinking about future transactions, do you see that as an avenue for additional diversification, diversification, does it make sense to broaden your kind of growth equity footprint? And perhaps could you remind us today, how much of the AUM is more kind of growth versus value-oriented? Thank you.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Sure. And – so a couple of things. So, I think as we think about diversification in addition to diversifying our offerings, right, so our goal is to provide, the building blocks for well-diversified portfolio. So, we continue to build those out. But the other area of diversification we also think about a lot is where our clients are and what channels we're in. So, I think, when we previously talked about M&A, we've obviously talked about adding compelling differentiated strategies. We've also said areas of interest to us would include those things that would either broaden our distribution footprint, particularly outside the US, as well as in other channels where we think there's more opportunity for us to garner penetration.

In terms of overall strategies, again, a lot of dialogues around private markets, and we do agree that private markets have an important place in a portfolio, but that's not the 100% of the portfolio. So, we do continue to think about the other elements of the traditional managers. Right now, as we're living through a – an overweight towards what I would define as quality-oriented strategies, which include both core value and growth, but of a quality nature. We do have other managers who are more growth equity. They've been our smaller managers. But I think, as we said on a previous call last quarter as well, we've actually seen growth there. They're just unfortunately smaller than our largest managers that have more of that quality orientation. So, a lot of the ETFs and SMAs that we've been launching over the last quarter or two, have been in those other kind of growth equity managers, and particularly where we see areas outside of the traditional US basis.

So, some non-US strategies as well as that. So, we've been focusing in on like Silvant, which is not a quality-oriented manager, it's more style agnostic. That has been an area of growth for us. And we've created several ETFs that have already launched, several are in filing. So, we continue to work on those strategies. And even within some of our value managers who are classic value managers, some of them actually have very strong compelling performance in the recent quarters and we'd look for opportunities to grow those.

So, we'll continue to evaluate other things that we can add through M&A. But again, it wouldn't only be limited to those things which provide another investment strategy. It could be things that have other strategic elements to help just overall drive growth on the long-term.

Benjamin Budish

Analyst, Barclays Capital, Inc.



All right. Great. Thank you, both.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.



Thank you.

Operator: Thank you. And our next question comes from Crispin Love of Piper Sandler. Your line is open.

Crispin Love

Analyst, Piper Sandler & Co.



Thank you. Good morning. Appreciate you taking my question. First, can you share what your software exposure is across your AUM and then relatedly, just exposure at Crescent Cove Advisors, given their focus in technology and just overall thoughts, just given the news that's been permeating the headlines this week?

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.



So, in terms of overall just technology and software exposure?

Crispin Love

Analyst, Piper Sandler & Co.



Yes.

A

George Robert Aylward*President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.*

Yeah. I mean, one of the things that has been a drag on the performance of some of our quality-oriented equities, is they're just generally, as a rule, underweight areas of technology. So, that's why this recent period in particular, yesterday was actually very good for many of our managers. So, generally I think as a complex we are underweight exposure to technology. But again not all technology is created equal, right. So, there are some that will actually meet the definition of some of our managers and some will not.

And in terms of Crescent Cove, I mean, they're in a different part of the market as it relates to the venture part and the earlier growth opportunities. So, again, that is an area of focus for them. And again, I think long-term that continues to be a compelling area of investment. Mike, any other anecdotes you would add?

Michael A. Angerthal*Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.*

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I would just say at Crescent, they don't have specific holdings that are at risk of being disintermediated by AI. So, as George said, those are early stage entities. But you highlighted the key point in the existing portfolio for Virtus, we're well underweight some of these software names.

Crispin Love*Analyst, Piper Sandler & Co.*

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Great. Thank you. That, that's what I thought, but just wanted to make sure and all very helpful color there. And then can you just dig into the flow picture from the fourth quarter. And then as you look forward just fourth quarter was very challenging across open-end, SMAs, institutional. Can you just discuss a little bit what drove the acceleration in negative flows quarter-to-quarter? The storyline seemed to be roughly similar from the third quarter commentary? And then just as you look at the fourth quarter, moving to the first and kind of the longer term outlook, just how you feel about the flows? Thank you.

George Robert Aylward*President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.*

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Yeah. And as you said and as we said in our remarks, it was definitely a challenging quarter, right. So, our quality – we're overweight half of our AUM is quality-oriented equity strategies. They've had the longest period of underperformance versus more momentum types of strategies in decades. That has been quite a challenge. As that culminated in the fourth quarter, again the fourth quarter a lot of time will there be either traditional just tax loss harvesting or other repositionings of portfolios for year-end.

So, it was a higher level of outflows than we had seen previously. But what that means going forward, it's hard to know, right. It all depends on what is that market environment look like, right. If the market environment that we've seen in the last month and five days were to continue as I alluded to, that's actually been an incredibly strong environment for some of those same strategies. And I think, as I said on an earlier call, generally when there's an inflection in the cycle, is usually when you have some of the strongest performance from some of these strategies, it's still way too early.

No one knows what that's going to look like. Which goes to the earlier question that I had is why we continue to focus not only on the opportunity for when these strategies return to favor, but to continue to look for opportunities to grow our other strategies that don't have the same quality equity kind of orientation. So, our hope is that the long-term value of the quality-oriented equity strategies will demonstrate itself and people will again avail themselves of those strategies. But in the meantime, we're looking to grow other areas of the business.

Crispin Love

Analyst, Piper Sandler & Co.



Great. Thank you. And appreciate you taking my question.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.



Yeah. No, thank you.

Operator: Thank you. And our next question comes from Bill Katz of TD Cowen. Your line is open.

William Katz

Analyst, TD Cowen



Great. Excuse me. Thank you very much for taking the questions. So, first question is just in terms of the Keystone transaction. Now, that you've had a little more time to interact with the management team post the announcement from a few weeks ago. Can you talk a little bit about maybe any kind of refined go-to-market opportunity? I think, you spoke to potentially leveraging it through your distribution channel and/or institutional, which makes a ton of sense. But just where do you see the greatest opportunity for that growth, by channel, by geography? I'd love to hear your perspective on that. Thank you.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.



Yeah. No, great, great question. And we've had lots of conversations with management and prior to and post transaction. And I think one of the joint goals is the excitement that we all have about the opportunity to leverage what they currently have and have been very successful with in the wealth management channel, with our broader distribution resources. So, our sales teams have spent multiple sessions being trained and prepped, and they're all very excited and very eager to introduce those capabilities to not only our existing relationships, but as well as other relationships that we can more easily develop now that we have access to this.

So, we think, there's a great opportunity set going forward. We do think the approach that they take on the private credit side, which is asset-based in nature as opposed to the direct lending, is a very differentiated approach. Their main vehicle does not utilize the higher level of leverage that some of the competitors do. So, we think there's a great opportunity and the fund they have is already retail ready, it's already being utilized by wealth management firms. As I said in the prepared remarks, we believe we can accelerate that meaningfully. So, that does create a – what would logically be the earliest opportunity set, right is to leverage what they've already built. It is already attractive in the wealth management space, but just through the more extensive resources that we currently have.

But as I also mentioned, we think there's some really interesting opportunities on the institutional side where this strategy, again, as a complement to other types of private credit could be very compelling. So overall, we entered into this transaction because we thought there was a great combination – a combination that could create some long-term growth. The teams that are responsible for driving that growth are all very excited about this opportunity.

So, we're going to continue to refine that. And as Mike alluded to, we're on target for our closing transaction date. And we're getting everything prepared in advance of that. So, our sales teams – we're not waiting to close to get

educated and do our planning, but all of the plans are in place and the material and everything, so we're very excited and look forward to closing on the transaction.

William Katz*Analyst, TD Cowen*

Okay. Thank you. And just a follow-up and a clarification. On the follow-up, I was wondering if you could speak a little bit to maybe the capital deployment priorities and how that might be shifting, given you have Keystone and Crescent sort of in the wings here versus how the stock has been behaving. I'd appreciate the buyback. But any sort of shift in your allocation thought process? And then on the deal pipeline, sorry, not to say, what have you done for me lately, but how does that pipeline look today, net of the Keystone and Crescent transactions? Thank you.

George Robert Aylward*President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.*

Sure. In terms of priorities, again, we always take a balanced approach. And in different periods, we'll either overemphasize repurchases, we'll overemphasize investments [ph] in organic (00:35:24) growth. And we always look to maintain a reasonable level of leverage. So, I wouldn't say right now having just completed two transactions, Mike has spoken to our upcoming obligations, which we will need to satisfy, but we will continue to place an emphasis on other areas such as repurchases, which generally we have a long history of continued stock repurchase program with periodic pauses when we have other capital needs as well as a dividend.

We do think the dividend is an important element of return to shareholders. I believe we've had eight annual dividend increases. So, that will continue to be something that we prioritize. And as we've always said, for M&A, that really is related to only when we have an opportunity that we truly believe is of strategic value to build long-term shareholder value and relative to our other alternatives.

In terms of that pipeline, and again, having just completed two, which is, I assume you understand, took a lot of our time. There are still opportunities that are out there. We still continue to evaluate and consider, but as always, we'll only evaluate and move forward with something if we truly believe it's additive in terms of the capability, it's additive in terms of broadening our distribution footprint or in other areas such as increases in scale, dramatic – this is a scale business. So, that is something that we also consider as much.

William Katz*Analyst, TD Cowen*

Okay. And just one clarification for Mike. Just in terms of the guidance, I think I've picked them all up. I might have just not heard or it didn't come out. For the first quarter, how should we think about the comp ratio? I appreciate the seasonal dynamic, but any sense on the ratio, just given some of the moving parts between the top-line and the comp line?

Michael A. Angerthal*Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.*

Yeah, as you know, the seasonal items do come forward in the first quarter, but our 49% to 51% range is appropriate for the first quarter and then moving forward. We talked about 50% to 52% once we feather in Keystone.

William Katz*Analyst, TD Cowen*

Okay. Sorry, if I missed it. Thank you for taking the questions.

Michael A. Angerthal

Executive Vice President & Chief Financial Officer, Virtus Investment Partners, Inc.

Thank you.

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Operator: Thank you. That concludes our question-and-answer session. I would like to turn the conference back over to Mr. Aylward.

George Robert Aylward

President, Chief Executive Officer & Director, Virtus Investment Partners, Inc.

Okay. Well, I want to thank everyone again, as always for joining us and certainly encourage you to reach out if there's any other further questions. Thank you very much.

Operator: That concludes today's call. Thank you for participating and you may now disconnect.

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