

VIRTUS INVESTMENT PARTNERS, INC.

Form 10-K

March 08, 2010

[Table of Contents](#)

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, 2009

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
(State or other jurisdiction of

incorporation or organization)

100 Pearl St., 9th Floor, Hartford, CT 06103

(Address of principal executive offices)

95-4191764
(I.R.S. Employer

Identification No.)

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Registrant's telephone number, including area code

(800) 248-7971

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

Title of each class	Name of each exchange on which registered
Common stock, \$.01 par value (including attached Preferred	NASDAQ Global Market

Share Purchase Rights)

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 Exchange 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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 price share as quoted on the NASDAQ Global Market) as of the last business day of the registrant's most recently completed second fiscal quarter was \$84,800,434. 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 5,843,318 shares of the registrant's common stock outstanding on March 4, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement which will be filed with the SEC in connection with the 2010 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

Table of Contents

Virtus Investment Partners, Inc.

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2009

	Page
<u>PART I</u>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	10
Item 1B. <u>Unresolved Staff Comments</u>	22
Item 2. <u>Properties</u>	22
Item 3. <u>Legal Proceedings</u>	22
Item 4. <u>[Removed and Reserved]</u>	22
<u>PART II</u>	
Item 5. <u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	23
Item 6. <u>Selected Financial Data</u>	24
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	47
Item 8. <u>Financial Statements and Supplementary Data</u>	47
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	47
Item 9A. <u>Controls and Procedures</u>	47
Item 9B. <u>Other Information</u>	48
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	49
Item 11. <u>Executive Compensation</u>	49
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	49
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	50
Item 14. <u>Principal Accounting Fees and Services</u>	50
<u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	51

Table of Contents

Item 1. Business. Organization

Virtus Investment Partners, Inc. (the Company, we, us, our or Virtus) operates primarily through its subsidiaries known as Virtus Investment Partners which commenced operations on November 1, 1995 through a reverse merger with Duff & Phelps Corporation. From 1995 to 2001, we were a majority-owned indirect subsidiary of The Phoenix Companies, Inc. (PNX). On January 11, 2001, a subsidiary of PNX acquired the outstanding shares of the Company not already owned and the Company became an indirect wholly-owned subsidiary of PNX. On October 31, 2008, after the sale of convertible preferred stock to Harris Bankcorp, Inc. (Harris Bankcorp), a subsidiary of the Bank of Montreal, we became an indirect, majority-owned subsidiary of PNX. On December 31, 2008, PNX distributed 100% of Virtus common stock to PNX stockholders in a spin-off transaction, excluding the net assets and business of the Company's subsidiary, Goodwin Capital Advisers, Inc. (Goodwin), which had historically been a wholly owned subsidiary of the Company. Following the spin-off, PNX has no ownership interest in the Company and Harris Bankcorp owns 100% of the Company's outstanding shares of Series B Convertible Preferred Stock. As a new standalone public company after the spin-off, we have completed the rebranding of our company as Virtus, relocated our corporate offices to a new facility, hired employees and service providers necessary to replace those services that had historically been provided by PNX and obtained standalone insurance, legal, audit and other services.

Our Business

We are a provider of investment management products and services to individuals and institutions. We operate a multi-manager investment management business, comprised of affiliated managers, each having its own distinct investment style, autonomous investment process and brand. We believe our customers value this approach, especially institutional customers who appreciate individual managers with distinctive cultures and styles.

Investors have an array of needs driven by factors such as market conditions, risk tolerance and investment goals. A key element of our business is offering a variety of investment styles and multiple disciplines to meet those needs. To that end, for our mutual funds, we supplement the investment capabilities of our affiliated managers with those of select unaffiliated sub-advisors. We do that by partnering with unaffiliated sub-advisors whose strategies we believe appeal to investors and are not typically available to retail mutual fund customers.

We provide our products in a number of forms and through multiple distribution channels. Our retail products include open-end mutual funds, closed-end funds and separately managed accounts. Our fund family of open-end funds is distributed primarily through intermediaries. Our closed-end funds trade on the New York Stock Exchange. Retail separately managed accounts are comprised of intermediary programs, sponsored and distributed by unaffiliated brokerage firms, and private client accounts, which are offerings to the high net-worth clients of our affiliated managers. We also manage institutional accounts for corporations, multi-employer retirement funds and foundations, endowments and special purpose funds. Our earnings are primarily driven by asset-based investment management fees charged on these various products. These fees are based on a percentage of assets under management and are calculated using daily or weekly average assets or assets at the end of the preceding quarter.

Our Investment Managers

Our investment management services are provided by our affiliated managers as well as by unaffiliated sub-advisors. The affiliated managers, who are registered investment advisors under the Investment Advisers Act of 1940, as amended (the Investment Advisers Act), manage our mutual funds and closed-end funds, and provide investment management services for institutional and separately managed accounts. We provide our managers with distribution and administrative support, thereby allowing each affiliated manager to focus on investment management. Our affiliated managers participate in the earnings they generate through compensation

Table of Contents

arrangements that include incentive bonus pools based primarily on their profits. For certain of our open-end mutual funds, we complement our affiliated managers skills with those of unaffiliated boutique sub-advisors who offer strategies that we believe also appeal to investors. At December 31, 2009, \$10.0 billion of our assets under management were managed by unaffiliated sub-advisors. We monitor the quality of the managers' products by assessing their performance, style, consistency and the discipline with which they apply their investment process.

Our affiliated firms and their respective assets under management, styles and products are as follows:

	Affiliated Managers				
	Kayne				
	Duff & Phelps		Anderson		
	Investment		Rudnick		
	Management		Investment		Zweig
Assets Under Management at December 31, 2009	Management	SCM Advisors	Management	Advisors	Other
<i>(\$ in billions)</i>	\$6.5	\$3.1	\$3.9	\$1.6	\$0.3
Location	Chicago, IL	San Francisco, CA	Los Angeles, CA	New York, NY	Various
Investment Approach	Quality oriented, focusing on income	Value-driven fixed income; fundamental growth equity	Quality at a reasonable price	Growth at a reasonable price; high quality fixed income	Fundamental
Investment Types					
Equities	REITs	Large and	Large, Mid and	Tactical Asset	Small Cap
	Utilities	Small Cap Growth	Small Cap Value and Core Growth	Allocation	Core, Growth and Value
	Global			Large Cap Core	Mid Cap Core
	Infrastructure				
Fixed Income	Core	Core	CA Municipal	Core	Core
	Municipal Bonds	Core Plus	Bonds		Municipal Bonds
		High Yield			
Products					
Open-End Funds	ü	ü	ü	ü	ü
Closed-End Funds	ü			ü	
Separately Managed Accounts		ü	ü		ü
Institutional	ü	ü	ü		ü
Our Investment Products					

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Our assets under management are comprised of mutual fund assets (open- and closed-end), separately managed accounts (intermediary sponsored and private client) and institutional accounts (traditional institutional mandates and structured products).

Table of Contents*Assets Under Management By Product as of December 31, 2009**(\$ in billions)*

	Retail Products		Institutional Products
<i>Mutual fund assets:</i>		<i>Separately managed accounts:</i>	<i>Institutional assets:</i>
Open-end funds	\$ 12.8	Intermediary sponsored	\$ 1.6
Closed-end funds	4.3	Private client accounts	1.9
			Institutional accounts \$ 3.9
			Structured products 0.9
Total mutual fund assets	\$ 17.1	Total managed account assets	\$ 3.5
			Total institutional assets \$ 4.8
Total Assets Under Management			\$ 25.4

Open-End Mutual Funds

As of December 31, 2009, we managed 46 open-end funds, across a variety of equity and fixed income styles, including money market, asset allocation and alternative investments, with total assets of \$12.8 billion.

Our equity fund offerings encompass a number of market caps and investment styles, including large-, mid- and small-cap funds offered in value, core and growth styles, and including international, global, emerging market and sector-specific funds. Our fixed income fund offerings cover a broad range of fixed income asset classes, including core, multi-sector, tax-exempt and high yield. We also offer individual money market funds focused on corporate, tax-exempt and government securities.

Table of Contents

Our family of open-end mutual funds as of December 31, 2009 is comprised of the following:

Fund Type/Name	Inception	Assets (\$ in millions)	Advisory Fee (1) (%)	3-Year Return (2) (%)
Alternative				
Virtus Alternatives Diversifier Fund (3)	2005	\$ 94.1	0.10	(2.69)
Virtus Global Infrastructure Fund	2004	89.1	0.65-0.55(4)	(0.88)
Virtus International Real Estate Securities Fund	2007	29.9	1.00-0.90(4)	n/a
Virtus Market Neutral Fund	1998	87.9	1.50-1.40(4)	0.03
Virtus Real Estate Securities Fund	1995	883.2	0.75-0.65(4)	(12.32)
Virtus Global Real Estate Securities Fund	2009	2.5	0.85-0.75(4)	n/a
Asset Allocation				
Virtus Balanced Fund	1975	648.8	0.55-0.45(4)	(1.05)
Virtus Tactical Allocation Fund	1940	198.6	0.70-0.60(4)	(0.50)
Virtus Balanced Allocation Fund	1997	60.9	0.50-0.45(4)	(1.93)
Virtus AlphaSector™ Allocation Fund (3)	2003	28.2	0.45-0.40(4)	(1.36)
Equity				
Virtus Capital Growth Fund	1975	282.4	0.70-0.60(4)	(4.54)
Virtus Growth & Income Fund	1997	141.6	0.75-0.65(4)	(5.23)
Virtus Core Equity Fund	1996	90.9	0.70-0.65(4)	(4.93)
Virtus Disciplined Small-Cap Opportunity Fund	1996	82.9	0.75	(11.17)
Virtus Disciplined Small-Cap Value Fund	1997	125.7	0.70	(10.10)
Virtus Value Equity Fund	1996	164.2	0.70-0.65(4)	(6.56)
Virtus Mid-Cap Growth Fund	1975	84.9	0.80-0.70(4)	(7.16)
Virtus Mid-Cap Value Fund	1997	400.8	0.75-0.70(4)	(6.50)
Virtus Mid-Cap Core Fund	2009	0.5	0.80-0.70(4)	n/a
Virtus Quality Small-Cap Fund	2006	93.7	0.90-0.80(4)	(4.30)
Virtus Small-Cap Growth Fund	1994	58.8	1.00-0.80(4)	(10.90)
Virtus Small-Cap Sustainable Growth Fund	2006	5.6	0.90-0.80(4)	(4.48)
Virtus Small-Cap Core Fund	1996	49.5	0.85-0.80(4)	(3.26)
Virtus Strategic Growth Fund	1995	157.7	0.70-0.60(4)	(5.18)
Virtus Quality Large-Cap Value Fund	2005	47.2	0.75-0.65(4)	(8.03)
Virtus AlphaSector™ Rotation Fund	2003	162.9	0.45-0.40(4)	(3.40)
Fixed Income				
Virtus Bond Fund	1996	220.8	0.45-0.40(4)	5.60
Virtus CA Tax-Exempt Bond Fund	1983	57.8	0.45-0.35(4)	2.93
Virtus High Yield Fund	1980	94.7	0.65-0.55(4)	0.67
Virtus High Yield Income Fund	2002	44.0	0.45	1.54
Virtus Intermediate Government Bond Fund	1997	37.0	0.45	5.75
Virtus Intermediate Tax-Exempt Bond Fund	1996	81.7	0.45	4.22
Virtus Short/Intermediate Bond Fund	1996	93.8	0.55-0.45(4)	5.08
Virtus Tax-Exempt Bond Fund	1996	90.0	0.45	4.61
Virtus Institutional Bond Fund	1983	46.3	0.45-0.40(4)	5.09
Virtus Multi-Sector Fixed Income Fund	1989	192.3	0.55-0.45(4)	4.29
Virtus Multi-Sector Short Term Bond Fund	1992	2,228.2	0.55-0.45(4)	4.83
Virtus Senior Floating Rate Fund	2008	95.3	0.60-0.50(4)	n/a
International/Global				
Virtus Foreign Opportunities Fund	1990	1,196.8	0.85-0.75(4)	(5.17)
Virtus Emerging Markets Opportunities Fund	1997	278.9	1.00-0.95(4)	3.35
Virtus Global Opportunities Fund	1960	58.1	0.85-0.75(4)	(10.23)
Virtus Greater European Opportunities Fund	2009	6.9	0.85-0.80(4)	n/a
Virtus Greater Asia Ex Japan Opportunities Fund	2009	7.2	1.00-0.95(4)	n/a
Money Market Funds				
Virtus Insight Government Money Market Fund	1988	300.0	0.14-0.10(4)	2.21
Virtus Insight Money Market Fund	1988	2,586.5	0.14-0.10(4)	2.89
Virtus Insight Tax-Exempt Money Market Fund	1988	1,044.0	0.14-0.10(4)	2.02

Total Open-End Funds	\$ 12,832.8
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Table of Contents

- (1) Percentage of average daily net assets of each fund.
- (2)