

VIRTUS INVESTMENT PARTNERS, INC.

Form 10-K

April 10, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2008

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)

**95-4191764**  
(I.R.S. Employer  
Identification No.)

**100 Pearl St., 9th Floor, Hartford, CT 06103**  
(Address of principal executive offices)

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

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

<b>Title of each class</b>	<b>Name of exchange on which registered</b>
<b>Common stock, \$.01 par value</b> (including attached Preferred Share Purchase Rights)	<b>NASDAQ Global Market</b>

**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 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

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one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 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 not available because the registrant's common equity did not begin trading on the NASDAQ Global Market until January 2, 2009.

As of April 7, 2009, 5,786,492 shares of the registrant's common stock were outstanding.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement which will be filed with the SEC in connection with the 2009 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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**Virtus Investment Partners, Inc.**

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**PART I**

**Item 1. Business.**  
**Separation from the Phoenix Companies, Inc.**

Prior to December 31, 2008, Virtus Investment Partners, Inc. ( Virtus or the Company ) was an indirect majority-owned subsidiary of The Phoenix Companies, Inc. ( PNX ). On February 7, 2008, PNX announced that its board of directors had determined to pursue the spin-off of the Company, representing the asset management business of PNX, excluding the assets and business of the Company's subsidiary, Goodwin Capital Advisors, Inc. ( Goodwin ). On December 12, 2008, the PNX board of directors formally approved the spin-off and declared a dividend payable to each PNX holder of record at the close of business on the record date (which was December 22, 2008) for the distribution of one share of our common stock for every 20 shares of PNX common stock. The distribution of 100% of our common stock, representing 77% of the Company, to PNX stockholders (other than shares withheld to satisfy certain withholding obligations) was made on December 31, 2008. We refer to this transaction throughout this Annual Report as the spin-off. Following the spin-off, PNX does not have any ownership interest in the Company.

In connection with the spin-off, the Company and PNX entered into a separation agreement and several ancillary agreements to complete the separation of our business from PNX and to distribute our common stock to PNX stockholders. These agreements govern the relationship between the Company and PNX following the spin-off and also provide for the allocation of employee benefits, certain tax and other liabilities and obligations attributable to periods prior to and following the spin-off. The agreements were prepared before the spin-off and reflect agreements between affiliated parties established without arms-length negotiation. Along with the separation agreement, the other ancillary agreements include a transition services agreement, a tax separation agreement and an employee matters agreement. We may enter into other agreements with PNX, the terms of which would be determined at those times. The primary agreements are as follows:

*Separation Agreement* Addresses the principal corporate transactions required to effect the spin-off; the transfer of certain assets and liabilities; the distribution of shares of our common stock to PNX stockholders; and other agreements governing the relationship between the Company and PNX following the spin-off.

*Transition Services Agreement* Addresses transition services that PNX may provide to us for a limited period following the spin-off, including certain administrative and other services on an interim basis, such as information technology support, human resources and other limited services consistent with past practices.

We are now performing all of the interim services detailed in the transition services agreement, including human resources, information technology, facilities, legal and certain other services.

*Tax Separation Agreement* Sets forth the responsibilities of the Company and PNX with respect to, liabilities for federal, state, local and foreign taxes for periods before and including the spin-off, the preparation and filing of tax returns for such periods, and disputes with taxing authorities regarding taxes for such periods.

*Employee Matters Agreement* Provides the structure for the transition of our employees from PNX's employment and from PNX's employee plans and programs to employment and employee plans and programs with the Company. The agreement allocates responsibility for certain employee and employee benefit matters and liabilities after the spin-off date.

Copies of the forms of these agreements are filed as exhibits to, and summaries of these agreements are included with, our Form 10 Registration Statement filed with the SEC in connection with our spin-off from PNX ( Form 10 Registration Statement ).

**Overview of Business**

We are a provider of investment management products and services to individuals and institutions. We operate a multi-manager asset management business, comprising a number of individual affiliated managers,

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each having its own distinct investment style, autonomous investment process and brand. We believe our customers value this approach.

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 to offer a variety of investment styles and multiple disciplines to meet those needs. 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 these managers whose strategies 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 49 open-end funds is distributed primarily through intermediaries. Our five 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 services originated and maintained by our affiliated managers. We also manage institutional accounts for corporations, multi-employer retirement funds and foundations, endowments, special purpose funds and other types of institutions.

### **Our Repositioning of the Business**

During the period from 2002 through 2008, we undertook a number of critical actions to reposition our business for long-term growth and improved profitability. Through these actions, we focused on our operating structure, product mix, distribution strategy and operating expense base:

We streamlined our operating structure from being a collection of majority-owned and wholly-owned affiliated firms into a single business of affiliated managers with common distribution and support operations.

We took actions to restructure our product portfolio with a focus on improved investment performance, focusing on mutual fund products as the initial stage of product repositioning.

We repositioned our distribution strategy to provide greater balance by distribution partner and with an increased focus on retail mutual fund distribution.

We took actions to significantly reduce our operating expenses.

### **Our Asset Managers**

Our asset management services are provided by our affiliated managers as well as by unaffiliated external managers through sub-advisory agreements. The affiliated managers, who are registered investment advisors under the Investment Advisers Act of 1940, manage our mutual funds and closed-end funds, and provide investment management services for institutional and separately managed accounts. We provide our managers with consolidated distribution and administrative support, thereby allowing each affiliate to focus on asset management. We monitor the quality of the managers' products by assessing their performance, style, consistency and the discipline with which they apply their investment process.

For certain of our open-end mutual funds, we complement our affiliates' skills with those of unaffiliated boutique sub-advisors who offer strategies that we believe also appeal to investors.

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Our affiliated firms participate in the earnings they generate through compensation arrangements that include incentive bonus pools based primarily on their profits and, in some cases, on the specific performance of the products they manage. Our affiliated firms and sub-advisors, and their respective assets under management, styles and products are as follows:

	Affiliated Managers					
	Duff & Phelps Investment Management	SCM Advisors	Anderson Rudnick Investment Management	Kayne	Oakhurst  Asset Managers	Engemann  Zweig Advisors  Asset Management
<b>Assets Under Management at</b>						
<b>December 31, 2008</b>						
<i>(\$ in billions)</i>	\$5.8	\$2.3	\$3.3	\$0.9	\$0.8	\$0.1
<b>Location</b>	Chicago, IL	San Francisco, CA	Los Angeles, CA	Scotts Valley, CA	New York, NY	Pasadena, CA
<b>Investment Style</b>	Fundamental	Fundamental	Fundamental	Quantitative	Fundamental	Fundamental
<b>Investment Types</b>						
Equities	REITs	Large, Mid, Small, Micro and All Cap Growth	Small Cap Core, Growth & Value	Large Cap Value	Small Cap Value	Small Cap Growth
	Utilities		Mid Cap Core	Large Cap Core	Tactical Asset Allocation	
Fixed	Tax Advantaged	Core, Core Plus	CA Muni		Tactical Asset Allocation	
Income		High Quality High Yield				
<b>Products</b>						
Open-End						
Funds	ü	ü	ü	ü	ü	ü
Closed-End						
Funds	ü				ü	
Separately						
Managed						
Accounts		ü	ü			ü
Institutional	ü	ü	ü	ü		

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Company Assets Under Management at December 31, 2008  (\$ in billions)	Mutual Fund Sub-Advisory Relationships				
	Harris Investment Management	Goodwin Capital Advisers (1)	Vontobel Asset Management	SASCO Capital	Other
Location / Date of	Chicago, IL /2006	Hartford, CT /N.A.	New York, NY /2005	Fairfield, CT /2004	Various
Affiliation Investment Style	Quantitative	Multi-Sector Approach	Fundamental	Quantitative	Quantitative & Fundamental
Investment Types Equities	Core, Growth & Value		International	Contrarian Mid Cap Value	Large-Mid Cap Growth
	Large, Mid & Small Cap				Market Neutral
Fixed Income	Money Market	Core & Core Plus			International
	Muni				
	Government	Short, Intermediate and Long-Duration			
	Investment Grade	Money Market			
		CA Muni			

(1) Includes only those assets that Goodwin continues to manage after the spin-off under sub-advisory contracts with the Company. Excludes those assets directly managed by Goodwin.

**Our Investment Products**

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).

**Assets Under Management By Product as of December 31, 2008**

(\$ in billions)

	Retail Products		Institutional Products		
<i>Mutual fund assets:</i>	<i>Separately managed accounts:</i>				
Open-end funds	\$ 11.4	Intermediary sponsored	\$ 1.4	Institutional accounts	\$ 3.4
Closed-end funds	4.0	Private client accounts	1.6	Structured products	0.8
Total mutual fund assets	\$ 15.4	Total managed account assets	\$ 3.0	Total institutional assets	\$ 4.2



*Total Assets Under Management*

**\$ 22.6**

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*Open-End Mutual Funds*

As of December 31, 2008, we managed 49 open-end funds, across a variety of equity and fixed income styles, including money market, asset allocation fund-of-funds and alternative investments, with total assets of \$11.4 billion. As of December 31, 2008, approximately 19% of our mutual fund assets (32% excluding money market mutual funds) were managed by our affiliated managers.

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 equity funds represented \$3.7 billion of our assets under management at December 31, 2008. Our fixed income fund offerings cover a broad range of fixed income asset classes, including core, multi-sector, tax-exempt and high yield. These fixed income funds represented \$3.0 billion of our assets under management at December 31, 2008.

We offer individual money market funds focused on corporate, tax-exempt and government securities. Our money market funds comprised \$4.7 billion in assets under management at December 31, 2008. Our fund family also includes a number of asset allocation fund-of-funds, including a set of target risk funds and one that invests primarily in alternative investments.

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Our family of open-end mutual funds as of December 31, 2008, is comprised of the following:

Fund Type/Name	Inception	Assets (\$ in millions)	Advisory Fee (1) (%)	3-Year Return (2) (%)	Lipper Ranking (3) 3-Year	
					Percentile Rank	Rank/Total Funds
<b>Alternative</b>						
Virtus Alternative Diversifier Fund (4)	2005	\$ 91.9	0.10	(4.73)	58	60 / 103
Virtus Global Infrastructure Fund	2004	58.0	0.65-0.55(5)	2.38	7	6 / 91
Virtus International Real Estate Securities Fund	2007	44.9	1.00-0.90(5)	n/a	n/a	n/a
Virtus Market Neutral Fund	1998	89.2	1.50	(4.61)	91	32 / 35
Virtus Real Estate Securities Fund	1995	668.6	0.75-0.65(5)	(10.47)	22	42 / 192
<b>Balanced</b>						
Virtus Balanced Fund	1975	614.0	0.55-0.45(5)	(3.99)	43	163 / 382
Virtus Income & Growth Fund	1940	183.4	0.70-0.60(5)	(3.87)	40	151 / 382
Virtus Balanced Allocation Fund	1997	54.2	0.50	(4.48)	31	168 / 550
<b>Equity</b>						
Virtus All-Cap Growth Fund	1986	48.9	0.90-0.70(5)	(13.69)	89	342 / 386
Virtus Capital Growth Fund	1975	241.4	0.70-0.60(5)	(13.04)	85	574 / 679
Virtus Growth & Income Fund	1997	156.3	0.75-0.65(5)	(6.94)	23	167 / 717
Virtus Growth Opportunities Fund	1997	21.0	0.75-0.65(5)	(12.82)	81	312 / 386
Virtus Core Equity Fund	1996	83.6	0.70(5)	(6.66)	20	144 / 717
Virtus Index Fund	1996	22.5	0.20	(8.09)	1	1 / 170
Virtus Disciplined Small-Cap Growth Fund	2001	16.8	0.75	(14.13)	79	398 / 507
Virtus Disciplined Small-Cap Opportunity Fund	1996	71.6	0.75	(14.81)	91	563 / 616
Virtus Disciplined Small-Cap Value Fund	1997	66.9	0.70	(10.64)	62	164 / 264
Virtus Value Equity Fund	1996	168.3	0.70	(6.59)	21	63 / 307
Virtus Mid-Cap Growth Fund	1975	66.1	0.80-0.70(5)	(17.75)	94	491 / 522
Virtus Mid-Cap Value Fund	1997	364.4	0.75	(8.42)	20	57 / 285
Virtus Quality Small-Cap Fund	2006	60.6	0.90-0.80(5)	n/a	n/a	n/a
Virtus Small-Cap Growth Fund	1994	55.1	1.00-0.80(5)	(17.20)	93	473 / 507
Virtus Small-Cap Sustainable Growth Fund	2006	12.0	0.90-0.80(5)	n/a	n/a	n/a
Virtus Small-Cap Value Fund	1997	67.5	0.90-0.80(5)	(14.38)	86	226 / 264
Virtus Small-Cap Core Fund	1996	35.6	0.85	(8.05)	25	156 / 616
Virtus Strategic Growth Fund	1995	84.1	0.70-0.60(5)	(13.94)	90	610 / 679
Virtus Value Opportunities Fund	2005	55.3	0.75-0.65(5)	(8.45)	36	112 / 307
<b>Fixed Income</b>						
Virtus Bond Fund	1996	161.3	0.50			