

## Virtus gets more aggressive, revamps two funds

Two target risk strategies are converted to sector-rotation funds of ETFs subadvised by F-Squared Investments

By **Jeff Benjamin**  
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Virtus Investment Partners Inc. has received shareholder approval to convert two funds of mutual funds using target risk strategies into more aggressive sector rotation funds investing in exchange-traded funds.

Virtus, which has \$22.4 billion under management, hired F-Squared Investments Inc. to subadvise the funds using a strategy that includes monthly re-balancing based on analysis of the eight sectors making up the S&P 500.

Both funds have been renamed and are being managed under the new strategy starting today.

The \$75 million Virtus Wealth Builder Fund is now the Virtus AlphaSector Rotation Fund (PWBAX).

This fund will track F-Squared Investments' AlphaSector Index, which is re-balanced based on quantitative analysis designed to determine which sectors will be a drag on performance.

For example, in the fourth quarter of last year and the first quarter of this year, the index was out the stock market entirely.

Once the sectors are determined, the fund's assets are allocated on an equal-weighted basis.

In the event that three or fewer sectors remain in the index, an exchange-traded fund that tracks short-term Treasuries is used as a default asset class.

Year-to-date through yesterday, the F-Squared index had gained 17.5%, compared with a 17.4% return for the S&P 500 over the same period.

However, over the 12-month period through August, the F-Squared index was up 7.3%, while the S&P 500 was down 18.25%.

The \$35 million Virtus Wealth Guardian Fund is now the Virtus AlphaSector Allocation Fund (PSWAX).


This slightly more conservative fund will allocate 75% of the assets to track the F-Squared index, with the remaining 25% allocated to a Virtus fixed-income strategy.

The conversions were driven by market demands, according to Frank Waltman, a Virtus executive vice president in product development.

"We were happy with the performance of the funds [under the previous strategy], but they were brought out in 2003 in response to the market at that time, and they had dwindled in size," he said. "These [new] strategies are really a response to what has happened in the market over the past year."

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