

Virtus Global Infrastructure Fund

Portfolio Review

For the first quarter of 2012, the Virtus Global Infrastructure Fund (Class A shares at NAV) outperformed its benchmark, the MSCI World Infrastructure Sector Capped Index.

Sector selection accounted for all of the Fund's outperformance in the quarter. The overweight in transportation was the biggest contributor, as that was the best performing sector. The Fund's exclusion of the social services sector also made a positive contribution to performance, as it was the worst performing sector. Security selection had no impact on quarterly relative performance. A positive contribution to performance from communications stock selection was offset by negative contributions from security selection in the utilities and transportation sectors.

Regionally, stock selection in European communications and North American utilities and communications were positive contributors, however, these were partially offset by transportation stock selection in Europe and Asia.

Market Environment

The Fund posted positive performance in the quarter but was significantly outpaced by the U.S. equity market (as measured by the S&P 500® Index) since European debt crisis fears receded, at least temporarily, and U.S. economic data continued to be mostly favorable. The first quarter market rally was narrowly based on low volume, driven predominately by technology and financials.

Within infrastructure, transportation was the winning sector in the quarter, primarily due to the strength of European names. The energy sector also performed well, and continued to benefit from attractive dynamics in natural gas liquids (NGL) and acquisitions/restructurings. The communications and utilities sectors had positive but modest returns for the quarter. After a weak 2011 for European utilities, these stocks showed some life in the first quarter, outperforming their U.S. peers. The same cannot be said for European communications, which were outpaced by their U.S. counterparts. Weak economies, competitive concerns, and the potential for more dividend cuts continue to weigh on European communications companies.

Over the last 12 months, the equity market experienced substantial volatility as U.S. unemployment has remained high, the European economic outlook has deteriorated, and Europe's sovereign debt crisis vacillates between bad and less bad. After a powerful first quarter rally, the U.S. equity market sprinted past the Fund; however, the portfolio's significant U.S. weighting benefited performance compared to the global equity market (as measured by the MSCI World Index). The energy sector led all infrastructure sectors on a 12-month view and outperformed the broader equity markets (both U.S. and the developed world) as investors continued to hold a favorable view of the dynamics of the North American energy market. Despite a weak first quarter, U.S. utilities exhibited solid performance over the last year in light of a supportive regulatory environment. This contrasts with the performance of European utilities, which were negatively impacted by economic/budget-related austerity measures. The

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SYMBOL (CUSIP)

A: PGUAX (92828R826)

C: PGUCX (92828R818)

I: PGIUX (92828R792)

INVESTMENT PROFESSIONALS

Connie Luecke, CFA

Portfolio Manager

Industry start date: 1983

Start date with the fund: 2004

Randle Smith, CFA

Portfolio Manager

Industry start date: 1990

Start date with the fund: 2004

The Virtus Global Infrastructure Fund invests globally in owners/operators of infrastructure companies in the communications, utilities, energy, and transportation industries.

TOP TEN HOLDINGS	% Fund
Enbridge Inc.	7.44
Williams Companies Inc	5.80
Spectra Energy Corp.	5.68
TransCanada Corp.	5.08
AT&T Inc.	4.87
Vodafone Group PLC ADS	4.65
Transurban Group	3.10
American Tower Corp.	2.83
Koninklijke Vopak N.V.	2.66
Crown Castle International Corp.	2.53

Holdings are subject to change.

continued

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communications sector underperformed the broader market, hurt by the weakness of European companies. The primary reason for the transportation sector's underperformance compared to the broader equity markets is that a majority of toll roads and airports are European-based.

Despite a strong start to the new year, we believe caution remains warranted. While the U.S. economic environment seems to have stabilized, concerns continue to surround the potential impact of the European sovereign debt crisis on the global economy. Despite these uncertainties, infrastructure has not exhibited many signs of fundamental weakness given the inelastic demand for essential services provided by companies within the space. The resilience of the underlying infrastructure assets has rewarded the stocks of these companies with relative outperformance versus the broader equity markets during times of market turmoil.

We remain optimistic about the opportunity for global equity income that infrastructure can provide to investors within a diversified portfolio. Bottom-up fundamental analysis will continue to drive our process to select companies that capture the fundamental characteristics of infrastructure: steady and predictable equity income; capital appreciation potential; enhanced portfolio diversification and reduced volatility; and some inflation protection. As a result, the Fund may provide lower levels of risk and volatility than the broader equity markets, particularly in uncertain times.

Sector Outlook

Communications — We continue to be underweight the communications sector, as trends in Europe remain difficult due to slow economic growth, cuts to regulated mobile termination rates, and increased competition in certain markets. The fundamentals of U.S. telecommunications are somewhat more stable with good cash flow generation supporting dividends. For the first time since the telecommunications bust in 2000-2001, concerns about dividend cuts from major telecommunications companies have materialized. However, unlike the bust 12 years ago, we view these cuts as isolated to a few companies rather than an industry-wide trend, given lower debt levels and controlled capital spending. We continue to have an overweight in towers and satellite companies due to their attractive revenue growth profiles and high margins.

Utilities — Within the utilities space, we are maintaining an underweight in Europe and Asia and an overweight in the U.S. Although European utilities benefited from a first quarter relief rally, we remain concerned about further fundamental pressures arising from the sovereign debt crisis and associated government austerity measures. We are overweight U.K.-based utilities versus broader Europe, however, as the political and regulatory structures in the U.K. continue to display greater stability than many of its European counterparts.

Energy — The vast majority of energy sector companies are located in North America. We remain very positive on the prospects for North American energy markets given the continued growth in unconventional oil and gas production and strong demand dynamics. Even though the price of natural gas has dropped significantly and some exploration and production companies are reducing drilling activities, the energy infrastructure companies that we own are less impacted as contractual provisions limit commodity exposure. Additionally, infrastructure companies with natural gas liquids exposure stand to benefit as the spread between oil and natural gas prices remains attractive.

Transportation — We remain overweight in transportation stocks despite the volatility associated with the sovereign debt crisis. European toll roads, airports, and marine ports have all been less impacted by government austerity measures than utility companies. Despite the first quarter rally, transportation stock returns remain disappointing, but better on average than those of continental European utilities. Given the potential economic strains that may result from austerity, we will continue to closely monitor road and air traffic data for related fundamental weakness.

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Morningstar Ratings™ Class A as of 3/31/12		Overall	3 Year	5 Year	10 Year
Virtus Global Infrastructure Fund	Load Waived	★★★★	★★★	★★★★★	N/A
PGUAX	With Load	★★★	★★	★★★★	N/A
	World Stock	710 funds	710 funds	504 funds	

Annualized Performance Class A as of 3/31/12 in percent

	QTD	YTD	1 Year	3 Year	5 Year	Since Inception 12/30/04	
NAV	3.15	3.15	6.63	18.03	2.53	6.87	QTD, YTD and 1 Year performance is not annualized. Benchmark life performance is reported from 12/31/2004. Class A operating expenses are 1.34%.
POP	-2.78	-2.78	0.50	15.72	1.32	6.01	
Index	2.47	2.47	1.75	15.49	0.37	6.16	

Average annual total returns reflect the change in share price and the reinvestment of all dividends and capital gains. Net Asset Value (NAV) returns do not reflect the deduction of any sales charges. POP (Public Offering Price) performance reflects the deduction of the maximum sales charge of 5.75%. A contingent deferred sales charge of 1% may apply on certain redemptions made within 18 months following purchases on which a finder's fee has been paid.

Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so your shares, when redeemed, may be worth more or less than their original cost. Please visit Virtus.com for performance data current to the most recent month-end.

Index: The Global Infrastructure Linked Benchmark consists of the MSCI World Infrastructure Sector Capped Index. This is a market capitalization weighted index that measures performance of global infrastructure companies by capturing broad and diversified opportunities across telecommunication, utilities, energy, transportation and social infrastructure sectors. The telecommunication infrastructure and utilities sector each represent one-third of the index weight, while energy, transportation and social infrastructure sectors have a combined weight of the remaining one-third of the index. Performance of the Global Infrastructure Linked Benchmark prior to 9/1/2008 represents an allocation consisting of 65% MSCI USA/Utilities Index, 20% MSCI World Telecom Services Index, and 15% MSCI World ex USA/Utilities Index. The index is unmanaged and not available for direct investment.

Notes on Risk: Investing internationally involves additional risks such as currency, political, accounting, economic and market risk. Investing in high yield bonds may subject the portfolio to greater credit and market risks. Infrastructure related entities are subject to factors that may adversely affect their business including government policies and regulation. The use of leverage, short selling, futures, options and/or derivatives may cause exposure to additional risks. A portfolio that is heavily weighted in a single sector will be impacted by that sector's performance more than a portfolio with broader sector diversification.

The S&P 500® Index is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The MSCI World Index is a free float-adjusted market capitalization weighted index that measures the equity market performance of 24 developed markets. The indexes are unmanaged and not available for direct investment.

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for a variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in an investment 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 fund is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. Ratings are for the A Shares as shown only; other share classes bear different fees and expenses, which affect performance.

Load-waived A share star ratings do not include any front-end sales load and are intended for those investors who have access to such purchase terms (e.g., plan participants of a defined contribution plan). Not all A share mutual funds for which Morningstar calculates a load-waived A share star rating may actually waive their front-end sales load. Therefore, Morningstar strongly encourages investors to contact their investment professional to determine whether they are eligible to purchase the A share without paying the front load.

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