

**Short-Term Bond**

Overall Morningstar Rating™ Based on risk adjusted returns as of 12/30/2011. Rating out of 353 Funds.

FUND INFORMATION**Symbol and CUSIP**

A shares	NARAX	(92828R644)
B shares	PBARX	(92828R636)
C shares	PSTCX	(92828R628)
I shares	PIMSX	(92828R610)
T shares	PMSTX	(92828R594)

Investment Adviser

Virtus Investment Advisers, Inc.

Investment Subadviser

Newfleet Asset Management

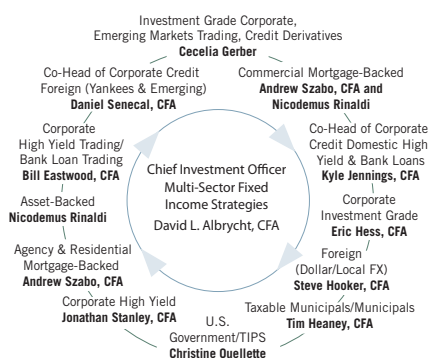
AUM (\$ millions)	4,669.3
Number of Holdings	865
Dividends	Daily

INVESTMENT PROFESSIONALS

David L. Albrycht, CFA

Industry start date: 1985

Start date with Fund: 1993

**INVESTMENT OPPORTUNITY**

The fund seeks current income with an emphasis on maintaining low volatility and overall short duration by investing in higher quality, more liquid securities across 14 bond market sectors.

The fund utilizes a value-oriented, research driven approach that seeks to strategically overweight undervalued sectors while applying strict risk controls.

INVESTMENT PROCESS

STEP 1 Sector Analysis and Allocation	STEP 2 Issue Selection	STEP 3 Portfolio Construction, Oversight, and Risk Management
<ul style="list-style-type: none"> > Top down, relative value approach > Relative value analysis looks at: yield and spreads; supply and demand; investment environment; sector fundamentals 	<ul style="list-style-type: none"> > Bottom up, fundamental research driven > Fundamental analysis includes assessment of: credit risk; company management; issue structure; technical market conditions; focus on valuations 	<ul style="list-style-type: none"> > Duration neutral strategy > Sector concentration > Issue exposure: maximum 5%, average <1% > Manager review > Systematic review

ANNUALIZED PERFORMANCE Class A as of 12/30/2011 in percent

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 07/06/1992
NAV	2.51	3.10	3.10	13.84	5.54	5.57	6.07
POP	0.20	0.78	0.78	12.98	5.06	5.33	5.95
Index	0.69	1.87	1.87	7.71	4.61	4.37	5.52

QTD, YTD and 1 Year performance is not annualized.

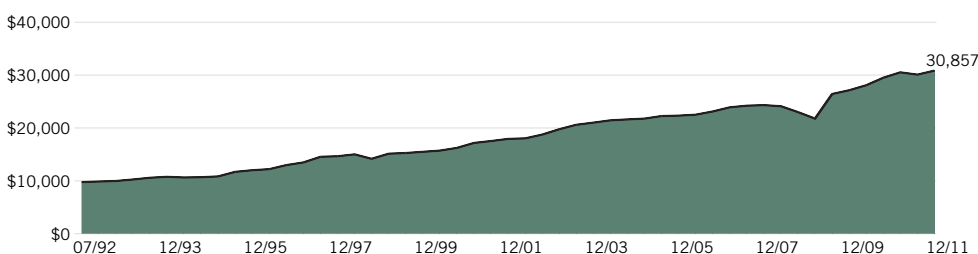
Benchmark life performance is reported from 06/30/1992

Class A operating expenses are 1.07%.

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 2.25%. A contingent deferred sales charge of 0.50% may apply on certain redemptions made within 18 months following purchases on which a finder's fee has been paid.

ANNUAL PERFORMANCE Class A at NAV in percent

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	7.40	9.09	4.81	1.36	5.52	3.15	-13.96	29.80	10.25	3.10
Index	6.24	5.80	1.93	1.90	4.80	5.31	-4.79	16.62	5.20	1.87

Growth of \$10,000 Class A for the period ending 12/30/2011 Actual initial investment \$9,775

This chart assumes an initial investment of \$10,000 made on Jul 06, 1992 for Class A shares including any applicable sales charges. Performance assumes reinvestment of dividends and capital gain distributions.

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 BofA Merrill Lynch 1-2.99 Year Medium Quality Corporate Bonds Index measures performance of U.S. corporate bond issues rated BBB and A by Standard and Poor's with maturities between one and three years. The index is calculated on a total return basis. The index is unmanaged and not available for direct investment.

Sector Allocations	% Fund
Corporate - High Quality	20.01
Non-Agency Commercial MBS	16.64
Corporate - High Yield	13.51
Asset Backed Securities	11.17
Bank Loans	11.11
Non-Agency Residential MBS	8.20
Non-USD	7.46
Yankee - High Quality	4.93
Emerging Market - High Yield	3.33
Mortgage Backed Securities	2.57
Treasury	0.42
Municipals	0.35
Taxable Municipals	0.24
Equity	0.04

Income Paid Monthly:	NAV at Month-End
October	\$ 0.017777 4.77
November	\$ 0.019029 4.71
December	\$ 0.020226 4.73

Ratings Distribution	% Fund
Aaa	25.94
Aa	7.30
A	15.98
Baa	20.74
Ba	15.49
B	12.31
Caa	0.56
Ca	0.15
C	0.00
D	0.00
Not Rated	1.53

Characteristics	Fund
Duration	2.56 years
SEC Yield	4.28%
Standard Deviation	5.35

GLOSSARY

Duration represents the interest rate sensitivity of a fixed income fund. For example, if a fund's duration is five years, a 1% increase in interest rates would result in a 5% decline in the fund's price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund's price.

SEC Yield (Class A share only) represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period.

Standard Deviation (3 year) measures variability of returns around the average return for an investment fund. Higher standard deviation suggests greater risk.

IMPORTANT RISK CONSIDERATIONS:

As interest rates rise, existing bond prices fall and can cause the value of an investment in the portfolio to decline. Changes in interest rates will affect the value of longer-term fixed income securities more than shorter-term securities. Investing in high yield bonds may subject the portfolio to greater credit and market risks. Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic and market risk. The principal on mortgage- or asset-backed securities may normally be prepaid at any time, which will reduce the yield and market value of these securities.

RATINGS DISTRIBUTION METHODOLOGY:

The higher of the ratings between Moody's, Standard & Poors and Fitch is used. If one of the three agencies does not have a rating, the higher of the other two ratings is used. If only one agency has rated the bond, the rating from that agency is used. If none of the three agencies have rated the bond the bond is placed in the Not Rated category.

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Morningstar For the 3-, 5- and 10-year periods, respectively, the Fund was rated 5, 4 and 5 stars among 353, 322 and 179 funds in the Short-Term Bond category for the time period ending 12/30/2011.

For each fund with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, load and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) 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. Morningstar Rating™ is for Class A shares only; other classes may have different performance characteristics.

Investment Manager of the Fund

Newfleet Multi-Sector Fixed Income Strategies leverage the knowledge and skill of a team of investment professionals with expertise in every sector of the bond market, including evolving, specialized, and out-of-favor sectors. The team employs active sector rotation and disciplined risk management to portfolio construction, avoiding interest rate bets and remaining duration neutral to each strategy's stated benchmark.

About Virtus Investment Partners Virtus (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors.

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