

FUND INFORMATION**Symbol and CUSIP**

A shares CTESX (92828R503)
I shares CTXEX (92828R602)

Investment Adviser

Virtus Investment Advisers, Inc.

Investment Subadviser

Newfleet Asset Management

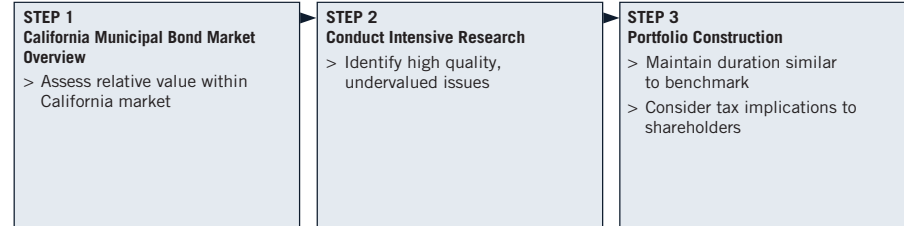
AUM (\$ millions) 57.4
Number of Holdings 84
Dividends Daily

INVESTMENT PROFESSIONALS

Tim Heaney, CFA

Industry start date: 1990

Start date with Fund: 1997

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

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 05/17/1983
NAV	2.11	11.09	11.09	7.83	4.25	4.42	6.39
POP	-0.69	8.03	8.03	6.83	3.67	4.13	6.28
Index	2.43	12.28	12.28	9.07	5.04	5.33	n/a

QTD, YTD and 1 Year performance is not annualized.

Class A operating expenses are 0.85% and gross operating expenses are 1.03%.

Operating expenses reflect a voluntary expense reimbursement, which may be discontinued at any time.

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 2.75%. 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.

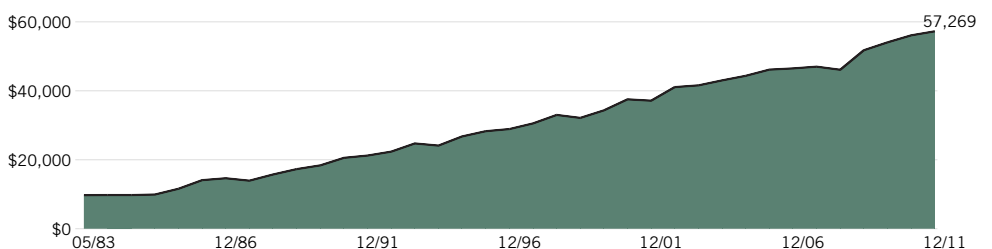
ANNUAL PERFORMANCE Class A at NAV in percent

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	9.00	4.00	3.57	2.37	4.16	2.36	-4.06	11.05	1.63	11.09
Index	8.45	4.88	5.51	4.15	5.13	2.81	-4.15	12.23	2.97	12.28

INVESTMENT OPPORTUNITY

The fund seeks current income free from federal and state income taxes by investing in municipal bonds issued in the state of California.

The management team focuses on high quality California tax-exempt municipal bonds, gauging the value of a security by issue type, credit quality, and bond structure.

Growth of \$10,000 Class A for the period ending 12/30/2011 Actual initial investment \$9,725

This chart assumes an initial investment of \$10,000 made on May 17, 1983 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 Barclays Capital California Municipal Bond Index measures long term investment grade, tax-exempt and fixed rate bonds issued in California. The index is calculated on a total return basis. The index is unmanaged and not available for direct investment.

Sector Allocations	% Fixed
Prerefunded	23.98
Local General Obligation	14.11
Leasing	11.55
Water & Sewer	9.69
Education	6.57
Hospital	6.28
Tax Allocation	5.94
Electric	5.38
State General Obligation	4.59
Special Tax	3.35
Tobacco Asset-Backed	2.71
Airport Revenue	2.71
Transportation	2.12
Miscellaneous Revenue	1.00

Income Paid Monthly:	NAV at Month-End
October	\$ 0.036879 12.22
November	\$ 0.039491 12.24
December	\$ 0.042052 12.44

Ratings Distribution	% Fund
AAA	5.69
AA	49.88
A	24.44
BBB	8.14
BB	2.71
B	0.00
Below B	0.59
Not Rated	8.55

Characteristics	Fund
Duration	8.39 years
SEC Yield	2.79%
Standard Deviation	5.23

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.

All performance figures reflect a partial waiver of fees where applicable. Without the partial waiver of fees, the performance figures would be lower. The SEC Yield would have been 2.62%.

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:

A portfolio that concentrates its investments in a single state will be more susceptible to factors adversely affecting issuers located in that state than would a more geographically diverse portfolio of securities. A portion of income may be subject to some state and/or local taxes and, for certain investors, a portion may be subject to the federal alternative minimum tax. Investing in municipal bonds involves market risk and credit risk. 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.

RATINGS DISTRIBUTION METHODOLOGY:

The ratings issued by Nationally Recognized Statistical Rating Organizations assess the credit worthiness of a corporation's or government debt issues. The ratings apply to the Fund's holdings and not to the fund itself. Standard and Poors ratings are used for all securities. If a security is not rated by Standard and Poors then the security is placed in the Not Rated category.

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 applies intensive credit research and a time-tested approach to capitalize on opportunities within the municipal bond markets.

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.

Please carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. For this and other information about any Virtus mutual fund, call 1-800-243-4361 or visit Virtus.com for a prospectus. Read it carefully before you invest or send money.

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