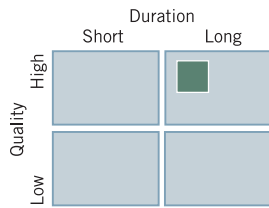


A: HXBZX (92828T632)

C: PXCZX (92828T624)

I: HXBIX (92828T616)



Investment Manager

The subadviser, Harris Investment Management, Inc. manages money according to a long-standing tradition that combines discipline, focus, knowledge and state-of-the-art informational resources. The Harris organization's money management roots date back to 1882, four years before the Dow Jones Industrial Average was established.

Investment Professionals

George W. Selby, CPA
Industry start date: 1983
Start date with Fund: 1998

Laura D. Alter
Industry start date: 1983
Start date with Fund: 2006

Investment Opportunity

The fund seeks to generate high current income exempt from federal income tax by investing in a diversified portfolio of municipal bonds with varying maturities.

The fund employs an interest rate strategy to help manage the downside risk of rate movements on the portfolio. This is backed by extensive credit analysis to help maintain a high quality portfolio.

Investment Process

Macroeconomic and Fundamental Credit Research

- Identify economic and general trends

Sector Allocation, Yield Curve Management, Security Selection

- Fundamental analysis and quantitative techniques to exploit opportunities
- Focus on highest quality investment grade bonds

Fundamental Review and Construction

- Construct diversified portfolio of fixed income securities

Annualized Performance Class A at NAV as of 12/31/2009

	QTD*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception 01/30/2001
NAV	-1.73	17.96	17.96	4.61	4.17	n/a	5.15
POP	-6.40	12.36	12.36	2.93	3.16	n/a	4.58
Index	-0.96	12.91	12.91	4.41	4.32	n/a	5.05

*QTD, YTD and 1 Year performance is not annualized.

Class A operating expenses are 0.85% and gross operating expenses are 0.95%.

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 4.75%. A contingent deferred sales charge of 1% may apply on certain redemptions made within one year 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 may 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.

Annual Performance Class A at NAV in percent

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fund	n/a	n/a	11.14	5.55	3.20	2.50	4.51	3.09	-5.85	17.96
Index	n/a	n/a	9.61	5.31	4.48	3.51	4.84	3.36	-2.47	12.91

Index: The Barclays Capital Municipal Bond Index is a market capitalization-weighted index that measures the long-term tax-exempt bond market. The index is calculated on a total return basis. The index is unmanaged and not available for direct investment.

Fund Data

Investment Adviser
Virtus Investment Advisers, Inc.
Investment Subadviser
Harris Investment Management, Inc.

AUM (millions): \$90.1
of Holdings: 50-70
% Turnover Ratio: n/a
Dividends: Daily

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

- ❖ *We are not constrained by a single investment approach; rather, we provide access to independent, specialized investment philosophies through our multi-discipline, multi-strategy approach*
- ❖ *We have the flexibility, agility and responsiveness of a boutique asset management firm with similar product breadth and investment talent of our larger peers*
- ❖ *We are committed to thoughtfully providing investment solutions, adhering to the highest standards of product quality, operational excellence and fiduciary responsibility*

Top Ten States	% Fund
New York	14.83
Texas	9.42
California	8.11
Massachusetts	7.60
Pennsylvania	5.16
Puerto Rico	5.13
Georgia	4.93
Colorado	4.89
Wisconsin	4.85
Alabama	4.47

Income paid Monthly:	NAV at Month-End
October \$ 0.035843	10.52
November \$ 0.032677	10.50
December \$ 0.042611	10.55

Ratings Distribution	% Fund
AAA	24.22
AA	30.22
A	31.96
BBB	11.37
BB	0.00
B	0.00
CCC	0.00
Below CCC	0.00
Cash	1.18
Not Rated	1.05

Characteristics	Fund
Duration	6.50 years
Average Credit Quality	Aa3/AA-
SEC Yield	3.76%
Standard Deviation	7.43

Notes on Risk

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. As interest rates rise, existing bond prices fall and can cause the value of an investment in the Fund to decline. Changes in interest rates will affect the value of longer-term fixed income securities more than shorter-term securities. Investing in municipal bonds involves market risk and credit risk.

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. **Average Credit Quality** represents the grading of a debt security with respect to the issuer's ability to meet interest and principal requirements in a timely manner. Issues rated AAA, AA, A and BBB are considered investment grade. Higher rated bonds generally provide lower returns and greater safety. **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 3.64%. **Standard Deviation** (3 year) measures variability of returns around the average return for an investment fund. Higher standard deviation suggests greater risk.

Please carefully consider the Fund's investment objectives, risks, charges and expenses 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.

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

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