

Virtus Tax-Exempt Bond Fund

FUND INFORMATION

Symbol and CUSIP

A shares	HXBZX	(92828T632)
C shares	PXCZX	(92828T624)
I shares	HXBIX	(92828T616)

Investment Adviser

Virtus Investment Advisers, Inc.

Investment Subadviser

Harris Investment Management, Inc.

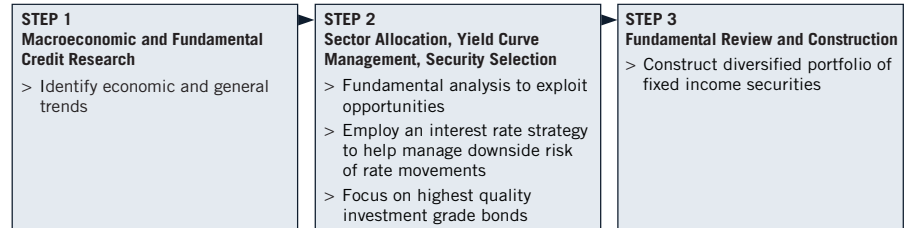
AUM (\$ millions)	143.0
Number of Holdings	87
Dividends	Daily

INVESTMENT PROFESSIONALS

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

Michael Janik
Industry start date: 1988
Start date with Fund: 2010

INVESTMENT PROCESS



ANNUALIZED PERFORMANCE Class A as of 12/31/2010 in percent

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 01/30/2001
NAV	-5.22	2.23	2.23	4.32	4.11	n/a	4.85
POP	-7.83	-0.58	-0.58	3.36	3.53	n/a	4.56
Index	-4.17	2.38	2.38	4.08	4.09	n/a	4.78

QTD, YTD and 1 Year performance is not annualized.

Class A operating expenses are 0.86% and gross operating expenses are 1.05%.

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%. Prior to 1/1/11, the maximum sales charge was 4.75%. POP performance would have been lower had this sales charge been deducted. 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

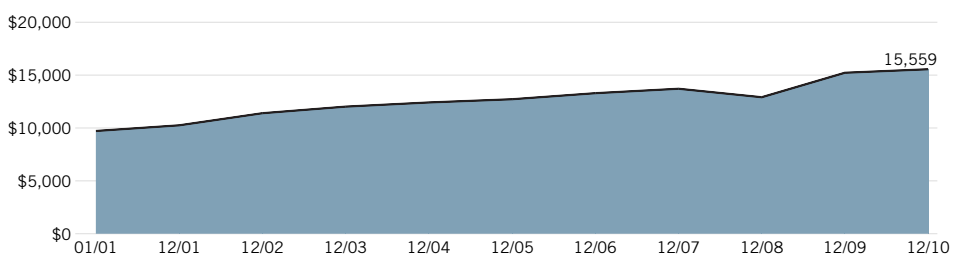
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fund	n/a	11.14	5.55	3.20	2.50	4.51	3.09	-5.85	17.96	2.23
Index	n/a	9.61	5.31	4.48	3.51	4.84	3.36	-2.47	12.91	2.38

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.

Growth of \$10,000 Class A for the period ending 12/31/2010 Actual initial investment \$9,725



This chart assumes an initial investment of \$10,000 made on Jan 30, 2001 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 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.

Ratings Distribution	% Fund
AAA	21.08
AA	42.70
A	27.14
BBB	8.15
BB	0.28
B	0.00
CCC	0.00
Below CCC	0.00
Cash	0.00
Not Rated	0.65

IMPORTANT RISK CONSIDERATIONS:

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 portfolio 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.

Characteristics	Fund
Duration	6.75 years
SEC Yield	3.64%
Standard Deviation	7.85

RATINGS DISTRIBUTION METHODOLOGY:

The Fund uses the higher of the S&P, Moody's and Fitch ratings when determining the rating distribution. If only two agencies have rated the security, then the higher of the two ratings is used. If only one rating is available from the aforementioned providers, that rating is used. If no rating is available from the aforementioned providers, the security is placed in the Not Rated category.

Income Paid Monthly:		NAV at Month-End
October	\$ 0.034239	10.99
November	\$ 0.033504	10.66
December	\$ 0.036526	10.39

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 3.43%.

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

Investment Manager of the Fund

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.

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.

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

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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