

**Small Blend**

Overall Morningstar Rating™ Based on risk adjusted returns as of 12/30/2011. Rating out of 580 Funds.

FUND INFORMATION**Symbol and CUSIP**

A shares	PQSAX	(92828N684)
C shares	PQSCX	(92828N676)
I shares	PXQSX	(92828N668)

Investment Adviser

Virtus Investment Advisers, Inc.

Investment Subadviser

Kayne Anderson Rudnick Investment Management

AUM (\$ millions) 284.9

Number of Holdings 28

Dividends Semi-Annually

INVESTMENT PROFESSIONALS

Robert A. Schwarzkopf, CFA
Industry start date: 1980
Start date with Fund: 2006

Julie Kutasov
Industry start date: 2001
Start date with Fund: 2008

Craig Stone
Industry start date: 1990
Start date with Fund: 2009

INVESTMENT OPPORTUNITY

This fund pursues long-term capital appreciation in the small-cap sector while seeking to provide the risk characteristics of the less volatile large-cap S&P 500 Index.

The fund invests in a select group of small-cap value companies believed to be undervalued relative to their future growth potential.

The investment strategy emphasizes companies with a competitive advantage, strong management and low financial risk that are able to grow over market cycles, despite their discounted valuations.

INVESTMENT PROCESS

STEP 1	STEP 2	STEP 3
Identify High Quality Companies That: <ul style="list-style-type: none"> > Dominate their market > Possess management excellence > Have strong balance sheets and financial strength > Show consistent growth 	Develop Investment Conviction <ul style="list-style-type: none"> > Determine sustainability of competitive advantages > Identify superior return opportunities > Assess strength of company management > Seek independent confirmation from interviews with suppliers, competitors, and end-users 	Construct a Diversified Portfolio <ul style="list-style-type: none"> > Focus on companies with low business and financial risk > Broad sector diversification > Build a concentrated, high conviction portfolio

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

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 06/28/2006
NAV	11.73	6.06	6.06	17.42	2.36	n/a	4.47
POP	5.31	-0.04	-0.04	15.12	1.15	n/a	3.36
Index	15.97	-5.50	-5.50	12.36	-1.87	n/a	1.20

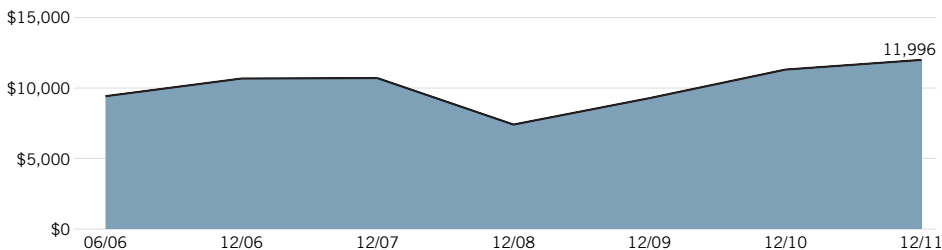
QTD, YTD and 1 Year performance is not annualized.

Class A operating expenses are 1.42%.

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.

ANNUAL PERFORMANCE Class A at NAV in percent

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	n/a	n/a	n/a	n/a	n/a	0.25	-30.76	25.30	21.81	6.06
Index	n/a	n/a	n/a	n/a	n/a	-9.78	-28.92	20.58	24.50	-5.50

Growth of \$10,000 Class A for the period ending 12/30/2011 *Actual initial investment \$9,425*

This chart assumes an initial investment of \$10,000 made on Jun 28, 2006 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 Russell 2000® Value Index is a market capitalization-weighted index of value-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged and not available for direct investment.

Top Ten Holdings	% Fund
World Fuel Services Corp.	5.78
Landstar System Inc.	5.21
Hillenbrand Inc.	4.97
Tempur-Pedic International Inc.	4.70
Lincoln Electric Holdings Inc.	4.67
John Wiley & Sons Inc. (CI A)	4.60
RLI Corp.	4.52
WD-40 Co.	4.42
Owens & Minor Inc.	4.40
First Cash Financial Services Inc.	4.30

Sector Allocations	% Equity
Financial Services	29.16
Consumer Discretionary	23.38
Producer Durables	11.11
Technology	8.31
Materials & Processing	8.24
Health Care	5.99
Consumer Staples	5.68
Autos & Transportation	5.54
Other Energy	2.59

Characteristics	Fund
Average Weighted market Cap (bn)	\$2
Median Market Cap (bn)	\$1.7
Trailing P/E	16.03x
Price-to-Cash Flow	14.93
Price-to-Book Value	2.77
3-Year EPS Growth Rate	6.08

Risk Statistics

Class A 3-Year	Fund	Index
R ²	0.92	1.00
Beta	0.79	1.00
Standard Deviation	21.47	26.05

GLOSSARY

R²: A measurement of how closely a portfolio's performance correlates with the performance of a benchmark index.

Beta: A quantitative measure of the volatility of a given portfolio to the overall market. Higher beta suggests higher volatility.

Standard Deviation: measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

Trailing P/E: Per-share stock price divided by the latest 12-months Earnings per Share.

Price/Cash Flow: Per-share stock price divided by the per-share operating cash flow.

Price/Book: Per-share stock price divided by the latest 12-month per-share Book Value.

3-Year EPS Growth Rate: Average of earnings per share growth for latest 3-year period. The 3-Year EPS Growth Rate is not a forecast of the portfolio's performance.

IMPORTANT RISK CONSIDERATIONS:

A portfolio that holds a limited number of securities will be impacted by each security's performance more than a portfolio with a larger number of holdings. Investing in the securities of small and mid-sized companies involves greater risks and price volatility than larger, more established companies. 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.

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Holdings and Sector weightings are subject to change.

Morningstar For the 3- and 5-year periods, respectively, the Fund was rated 3 and 4 stars among 580 and 485 funds in the Small Blend 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

The subadviser, Kayne Anderson Rudnick, believes that superior risk-adjusted returns can be achieved through investment in high-quality companies with global dominance, excellent management, financial strength, and consistent growth purchased at reasonable prices.

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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