

Income Earned from U.S. Government Securities as of 12/31/2011

Fund Name	Percent of Income Earned From:			Total
	U.S. Treasury Bonds, Notes, Bills	Federal Farm Credit Bank (FFCB)	Federal Home Loan Bank (FHLB)	
Virtus Allocator Premium AlphaSector Fund	6.5%	—	—	6.5%
Virtus AlphaSector Allocation Fund	3.3%	—	—	3.3%
Virtus Balanced Fund	7.6%	—	—	7.6%
Virtus Balanced Allocation Fund	4.8%	—	—	4.8%
Virtus Bond Fund	7.4%	—	—	7.4%
Virtus Insight Government Money Market Fund	24.4%	3.9%	28.1%	56.4%
Virtus Insight Money Market Fund	16.7%	—	5.7%	22.4%
Virtus Institutional Bond Fund	4.1%	—	—	4.1%
Virtus Intermediate Government Bond Fund	13.8%	3.8%	1.9%	19.5%
Virtus Short Intermediate Bond Fund	7.8%	—	—	7.8%
Virtus Tactical Allocation Fund	6.4%	—	—	6.4%
The Zweig Fund, Inc.	1.8%	—	—	1.8%
The Zweig Total Return Fund, Inc.	28.9%	—	—	28.9%

Funds not listed either paid no ordinary income dividends or had less than 1% from U.S. Government securities.

To determine the portion of dividend income that may be exempt from state tax:

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|---|----------|
| 1. Enter the dividend income reported in Box 1a on Form 1099-DIV. | 1. _____ |
| 2. Enter the total percentage of income earned from U.S. obligations shown above. | 2. _____ |
| 3. Multiply line 1 by line 2 to determine the portion of government income. | 3. _____ |

Most states do not tax the portion of mutual fund dividends (ordinary income Box 1A on form 1099-DIV) earned on securities issued by the U.S. government. Each state defines which U.S. government and agency securities are exempt from tax and that list can differ. For example, most states do not consider FNMAs, GNMAAs, or FHLMC exempt.

State laws vary; so we encourage you to consult your tax professional.

California, Connecticut and New York only allow exemptions from state tax if a fund had at least 50% of its assets invested in exempt securities each quarter. Based on this requirement, none of the funds qualify for exemption in these states.

IRS Circular 230 Disclosure: Any information contained in this communication (including any attachments) is not intended to be used, and cannot be used, to avoid penalties imposed under the U.S. Internal Revenue Code. Individuals should seek independent tax advice based on their own circumstances.

For more complete information about Virtus mutual funds, please contact your financial representative, call 1-800-243-1574 or visit Virtus.com to obtain a current prospectus. You should consider the Funds' investment objectives, charges, expenses and risks carefully before you invest. This information and other information about the Funds is contained in the prospectus. Please read the prospectus carefully before you invest or send money.

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