Annual Report

VIRTUS MUTUAL FUNDS

# Virtus Capital Growth Fund

TRUST NAME:
VIRTUS EQUITY TRUST

March 31, 2009

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**Not FDIC Insured** **No Bank Guarantee** **May Lose Value**

# Table of Contents

**Virtus Capital Growth Fund*** ("Capital Growth Fund")



* Please see Notes 1 and 3 in the Notes to Financial Statements for more information on the name change.

*PROXY VOTING PROCEDURES (FORM N-PX)*

The adviser and subadviser vote proxies relating to portfolio securities in accordance with procedures that have been approved by the Trust's Board of Trustees. You may obtain a description of these procedures, along with information regarding how the Fund voted proxies during the most recent 12-month period ended June 30, 2008, free of charge, by calling toll-free 1-800-243-1574. This information is also available through the Securities and Exchange Commission's website at http://www.sec.gov.

*FORM N-Q INFORMATION*

The Trust files a complete schedule of portfolio holdings for the Fund with the Securities and Exchange Commission (the "SEC") for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC's website at http://www.sec.gov. Form N-Q may be reviewed and copied at the SEC's Public Reference Room. Information on the operation of the SEC's Public Reference Room can be obtained by calling toll-free 1-800-SEC-0330.

# MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholders of Virtus Mutual Funds:

After the unprecedented economic events of 2008, investors were ready to greet the new year with great expectations. Instead, we were sorely disappointed.

The first quarter of 2009 brought more dismal economic news as the worst financial crisis since the Great Depression continued, seemingly unabated. Consumer confidence and business sentiment spiraled downward on poor corporate earnings and woeful economic data. Major stock market indices posted their worst January and February returns on record, ultimately leading to a sixth straight down quarter. The new administration in Washington, D.C. responded with an alphabet-soup of financial recovery programs – TARP (Troubled Asset Relief Program), TALF (Term Asset-Backed Securities Loan Facility) and CAP (Capital Assistance Program) – conducted stress tests of troubled banks and took extreme measures in an attempt to rescue two of the "Big Three" automakers. But by March 9th, the Dow Jones Industrial Average℠ was down 25.4 percent from the start of the year and the S&P 500® Index was off 27.4 percent.

Then a number of promising signs appeared. Credit markets exhibited tentative evidence of stabilizing and the manufacturing sector reported modest increases in new orders. Retail sales gained slightly, and for the first time in two years the housing markets in some regions of the country indicated they may have hit bottom. There was a bounce in the financial markets, and March ended with the best monthly stock gains in more than six years.

Whether this is the start of a significant "V"-shaped recovery or a temporary upswing of a "W" recovery remains to be seen. The second quarter began with a sprinkling of encouraging corporate earnings, and unemployment – while still a significant drag on the economy – shows signs of slowing. Questions remain on the effectiveness of the government's economic interventions, as well as the long-term impact of increasing budget deficits, yet we entered the second quarter with a glimmer of hope.

The uncertainties of the economy are another reminder that investors should rely on the discipline and focus of professional investment managers and financial advisors when making decisions about personal investments. We encourage you to meet with your financial advisor and periodically review your portfolio to ensure it reflects your current investment objectives, your tolerance for risk, and your long-term financial goals.

At Virtus, our commitments to quality investment solutions and superior customer service remain unchanged. We offer a wide range of equity, fixed income, and money market funds as well as alternative strategies that you may wish to consider as you review your investments. We recognize the economy and financial markets still face substantial challenges, but our investment professionals remain committed to identifying the right options for your long-term investment needs.

Your confidence in Virtus Mutual Funds is deeply appreciated.

Sincerely,

George R. Aylward
President, Virtus Mutual Funds

*May 1, 2009*

*Whenever you have questions about your account or require additional information, please visit us at www.virtus.com or call our shareowner services group, toll free, at 800-243-1574.*

*Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than performance shown above.*

# GLOSSARY

***ADR (American Depositary Receipt)***
Represent shares of foreign companies traded in U.S. dollars on U.S. exchanges that are held by a bank or trust. Foreign companies use ADRs in order to make it easier for Americans to buy their shares.

***CAP (Capital Assistance Program)***
An element of the financial stability plan launched by the U.S. Department of Treasury to regain confidence in the financial industry. In this program, the U.S. Treasury makes capital available for financial institutions to borrow in order to enable them to continue to serve the public.

***Russell 1000® Growth Index***
The Russell 1000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest 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.

***S&P 500® Index***
The S&P 500® Index is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.

***Sponsored ADR (American Depositary Receipt)***
An ADR which is issued with the cooperation of the company whose stock will underlie the ADR. These shares carry all the rights of the common share such as voting rights. ADRs must be sponsored to be able to trade on the NYSE.

***TALF (Term Asset-Backed Securities Loan Facility)***
The TALF is intended to assist the credit markets in accommodating the credit needs of consumers and small businesses by facilitating the issuance of asset-backed securities (ABS) and improving the market conditions for ABS more generally.

***TARP (Troubled Asset Relief Program)***
A government program created for the establishment and management of a Treasury fund, in an attempt to curb the ongoing financial crisis of 2007-2008. The fund was created by enacting the Emergency Economic Stabilization Act of 2008.

*The indexes are unmanaged and not available for direct investment; therefore, their performance does not reflect the expenses associated with active management of an actual portfolio.*

# VIRTUS CAPITAL GROWTH FUND
## Disclosure of Fund Expenses (Unaudited)
### For the six-month period of October 1, 2008 to March 31, 2009

We believe it is important for you to understand the impact of costs on your investments. All mutual funds have operating expenses. As a shareholder of the Virtus Capital Growth Fund (the "Fund"), you may incur two types of costs: (1) transaction costs, including sales charges on purchases of Class A shares and contingent deferred sales charges on Class B and Class C shares; and (2) ongoing costs, including investment advisory fees; distribution and service fees; and other expenses. These examples are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. These examples are based on an investment of $1,000 invested at the beginning of the period and held for the entire six-month period. The following Expense Table illustrates the Fund's costs in two ways.

**Actual Expenses**

The first section of the accompanying table provides information about actual account values and actual expenses. You may use the information in this section, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes**

The second section of the accompanying table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not your Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your Fund and other funds. To do so, compare these 5% hypothetical examples with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the accompanying table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges or contingent deferred sales charges. Therefore, the second section of the accompanying table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if those transactional costs were included, your costs would have been higher. The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower depending on the amount of your investment and timing of any purchases or redemptions.

# VIRTUS CAPITAL GROWTH FUND
## Disclosure of Fund Expenses (Unaudited) (Continued)
### For the six-month period of October 1, 2008 to March 31, 2009

**Expense Table**

| | Beginning Account Value October 1, 2008 | Ending Account Value March 31, 2009 | Annualized Expense Ratio | Expenses Paid During Period* |
|---|---|---|---|---|
| **Actual** | | | | |
| Class A | $1,000.00 | $ 763.60 | 1.50% | $ 6.60 |
| Class B | 1,000.00 | 760.80 | 2.25 | 9.88 |
| Class C | 1,000.00 | 761.00 | 2.25 | 9.88 |
| **Hypothetical (5% return before expenses)** | | | | |
| Class A | 1,000.00 | 1,017.36 | 1.50 | 7.57 |
| Class B | 1,000.00 | 1,013.57 | 2.25 | 11.36 |
| Class C | 1,000.00 | 1,013.57 | 2.25 | 11.36 |

* Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days (182) expenses were accrued in the most recent fiscal half-year, then divided by 365 to reflect the period.

The Fund may invest in other funds, and the annualized expense ratios noted above do not reflect fees and expenses associated with the underlying funds. If such fees and expenses were included, the expenses would have been higher.

You can find more information about the Fund's expenses in the Financial Statements section that follows. For additional information on operating expenses and other shareholder costs, refer to the prospectus.

# CAPITAL GROWTH FUND

**Ticker Symbols:**
A Share: PHGRX
B Share: PGTBX
C Share: PHCAX

- **Capital Growth Fund (the "Fund")** is diversified and has an investment objective of long-term capital appreciation. *There is no guarantee that the Fund will achieve its objective.*
- For the fiscal year ended March 31, 2009, the Fund's Class A shares returned -34.53%, Class B shares returned -35.05% and Class C shares returned -35.02%. For the same period, the S&P 500® Index returned -38.09% and the Russell 1000® Growth Index returned -34.28%.

  ***All performance figures assume reinvestment of distributions and exclude the effect of sales charges. 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 above. 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.***

**How did the equity markets perform during the Fund's fiscal year?**

- Equity markets performed poorly during this fiscal year, mirroring economic conditions and expectations. Sector rotation radically impacted returns within the Energy and Materials Sectors.
- During the period, technology holdings, in general, performed better than financial holdings. The Russell 1000 Growth® Index, which is the benchmark for this fund, has a relative overweight of technology holdings and relative underweight of financial holdings.
- New fears about the survival of the nation's largest banks produced an extremely challenging month of February. The markets did finally begin to rally with better than expected news out of some banks, including Citigroup.
- In the near term, quarterly earnings reports will be an important signal for the markets as companies reveal their performance and outlook for the remainder of the year. In addition, the markets will continue to assess the government and Federal Reserve's plans to combat the financial crisis facing the nation and key economic indicators will continue to be closely scrutinized.

**What factors affected the Fund's performance during its fiscal year?**

- During this stressful economic period, the Fund modestly underperformed the Russell 1000 Growth® Index. Overall sector allocation was positive, benefiting from the Fund's relative overweight in the Health Care sector and relative underweight in the Industrials sector. However, overall stock selection detracted, led by companies within the Energy sector.

*The preceding information is the opinion of the portfolio management only through the end of the period of the report as stated on the cover. Any such opinions are subject to change at any time based upon market conditions and should not be relied on as investment advice.*

*Because the Fund is heavily weighted in a single sector, it will be impacted by that sector's performance more than a Fund with broader sector diversification.*

*Investing in the securities of small and mid-sized companies involves greater risks and price volatility than investing in larger, more established companies.*

**Sector Weightings** as of 3/31/09*

| | |
|---|---|
| Information Technology | 31% |
| Health Care | 19 |
| Consumer Staples | 16 |
| Consumer Discretionary | 12 |
| Industrials | 7 |
| Energy | 5 |
| Materials | 3 |
| Other (includes short-term investments) | 7 |

* % of total investments as of March 31, 2009.

For information regarding the indexes and certain investment terms, see the glossary on page 3.

## **Average Annual Total Returns**[1] for periods ended 3/31/09

| | 1 Year | 5 Years | 10 Years | Inception to 3/31/09 | Inception Date |
|---|---|---|---|---|---|
| **Class A Shares at NAV**[2] | **-34.53%** | **-7.60%** | **-8.18%** | **—** | **—** |
| **Class A Shares at POP**[3,4] | **-38.30** | **-8.69** | **-8.72** | **—** | **—** |
| **Class B Shares at NAV**[2] | **-35.05** | **-8.30** | **-8.88** | **—** | **—** |
| **Class B Shares with CDSC**[4] | **-37.65** | **-8.30** | **-8.88** | **—** | **—** |
| **Class C Shares at NAV**[2] | **-35.02** | **—** | **—** | **-19.19%** | **11/21/06** |
| **Class C Shares with CDSC**[4] | **-35.02** | **—** | **—** | **-19.19** | **11/21/06** |
| **S&P 500® Index** | **-38.09** | **-4.77** | **-3.00** | **-19.51** | **11/21/06** |
| **Russell 1000® Growth Index** | **-34.28** | **-4.38** | **-5.26** | **-16.18** | **11/21/06** |

**Fund Expense Ratios**[5]**: A Shares: 1.34%; B Shares: 2.09%; C Shares: 2.09%.**

*All returns represent past performance which is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The above table and graph below do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Please visit Virtus.com for performance data current to the most recent month-end.*

1 *Total returns are historical and include changes in share price and the reinvestment of both dividends and capital gain distributions.*

2 *"NAV" (Net Asset Value) total returns do not include the effect of any sales charge.*

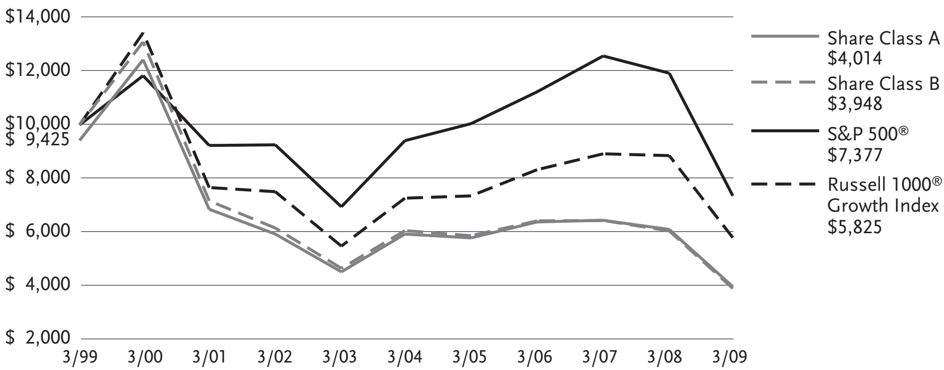
3 *"POP" (Public Offering Price) total returns include the effect of the maximum front-end 5.75% sales charge.*

4 *CDSC (contingent deferred sales charge) is applied to redemptions of certain classes of shares that do not have a sales charge applied at the time of purchase. CDSC charges for B shares decline from 5% to 0% over a five-year period. CDSC charges for certain redemptions of Class A shares and all redemptions of Class C shares are 1% in the first year and 0% thereafter.*

5 *The expense ratios of the Fund are set forth according to the prospectus for the Fund effective 6/6/08 and may differ from the expense ratios disclosed in the Financial Highlight tables in this report.*

## **Growth of $10,000** for periods ended 3/31

This chart assumes an initial investment of $10,000 made on March 31, 1999, for Class A and Class B shares including any applicable sales charges or fees. The performance of the other share class will be greater or less than that shown based on differences in inception dates, fees and sales charges. Performance assumes reinvestment of dividends and capital gain distributions.




For information regarding the indexes and certain investment terms, see the glossary on page 3.

# VIRTUS CAPITAL GROWTH FUND
# SCHEDULE OF INVESTMENTS
# MARCH 31, 2009

($ reported in thousands)

| | SHARES | VALUE |
|---|---|---|
| **COMMON STOCKS†—97.6%** | | |
| **Consumer Discretionary—11.6%** | | |
| Apollo Group, Inc.(2) | 21,100 | $ 1,653 |
| Big Lots, Inc.(2) | 166,075 | 3,451 |
| Family Dollar Stores, Inc. | 56,800 | 1,896 |
| ITT Educational Services, Inc.(2) | 56,725 | 6,888 |
| Netflix, Inc.(2) | 110,750 | 4,753 |
| NIKE, Inc. Class B | 39,300 | 1,843 |
| Ross Stores, Inc. | 52,625 | 1,888 |
| Yum! Brands, Inc. | 133,350 | 3,664 |
| | | 26,036 |
| **Consumer Staples—15.6%** | | |
| Archer-Daniels-Midland Co. | 77,050 | 2,140 |
| Brown-Forman Corp. | 51,106 | 1,984 |
| Colgate-Palmolive Co. | 114,925 | 6,778 |
| General Mills, Inc. | 77,825 | 3,882 |
| Hansen Natural Corp.(2) | 171,050 | 6,158 |
| Kroger Co. (The) | 172,375 | 3,658 |
| Wal-Mart Stores, Inc. | 165,425 | 8,619 |
| Walgreen Co. | 63,100 | 1,638 |
| | | 34,857 |
| **Energy—4.8%** | | |
| Chevron Corp. | 29,400 | 1,977 |
| Exxon Mobil Corp. | 57,925 | 3,945 |
| Occidental Petroleum Corp. | 47,700 | 2,654 |
| Southwestern Energy Co.(2) | 72,950 | 2,166 |
| | | 10,742 |
| **Financials—2.3%** | | |
| AFLAC, Inc. | 90,850 | 1,759 |
| HCC Insurance Holdings, Inc. | 64,500 | 1,624 |
| Hudson City Bancorp, Inc. | 155,600 | 1,819 |
| | | 5,202 |
| **Health Care—18.6%** | | |
| Amgen, Inc.(2) | 119,100 | 5,898 |
| Baxter International, Inc. | 72,900 | 3,734 |
| Cephalon, Inc.(2) | 32,200 | 2,193 |
| Endo Pharmaceuticals Holdings, Inc.(2) | 112,050 | 1,981 |
| Express Scripts, Inc.(2) | 75,775 | 3,498 |
| Forest Laboratories, Inc.(2) | 67,300 | 1,478 |

| | SHARES | VALUE |
|---|---|---|
| **Health Care—continued** | | |
| Gen-Probe, Inc.(2) | 56,050 | $ 2,555 |
| Gilead Sciences, Inc.(2) | 132,475 | 6,136 |
| Life Technologies Corp.(2) | 91,125 | 2,960 |
| Omnicare, Inc. | 180,750 | 4,427 |
| Waters Corp.(2) | 60,350 | 2,230 |
| Watson Pharmaceuticals, Inc.(2) | 150,000 | 4,666 |
| | | 41,756 |
| **Industrials—7.3%** | | |
| Burlington Northern Santa Fe Corp. | 43,450 | 2,614 |
| Lockheed Martin Corp. | 78,575 | 5,424 |
| Norfolk Southern Corp. | 103,825 | 3,504 |
| Republic Services, Inc. | 284,550 | 4,880 |
| | | 16,422 |
| **Information Technology—30.9%** | | |
| Akamai Technologies, Inc.(2) | 80,150 | 1,555 |
| Apple, Inc.(2) | 61,000 | 6,412 |
| Broadcom Corp.(2) | 117,230 | 2,342 |
| Cisco Systems, Inc.(2) | 506,748 | 8,498 |
| Cree, Inc.(2) | 74,250 | 1,747 |
| F5 Networks, Inc.(2) | 250,700 | 5,252 |
| Google, Inc.(2) | 6,400 | 2,228 |
| Hewlett-Packard Co. | 188,450 | 6,042 |
| Intel Corp. | 210,775 | 3,172 |
| Microsoft Corp. | 369,575 | 6,789 |
| Oracle Corp. | 544,650 | 9,842 |
| Red Hat, Inc.(2) | 229,750 | 4,099 |
| Sybase, Inc.(2) | 70,150 | 2,125 |
| WebMD Health Corp.(2) | 136,050 | 3,034 |
| Western Digital Corp.(2) | 243,800 | 4,715 |
| Western Union Co. (The) | 120,550 | 1,515 |
| | | 69,367 |
| **Materials—3.4%** | | |
| CF Industries Holdings, Inc. | 37,125 | 2,641 |
| Freeport-McMoRan Copper & Gold, Inc. | 55,450 | 2,113 |
| Terra Industries, Inc. | 99,600 | 2,798 |
| | | 7,552 |

See Notes to Financial Statements

($ reported in thousands)

| | SHARES | VALUE |
|---|---|---|
| **Telecommunication Services—1.1%** | | |
| American Tower Corp. Class A[2] | 82,650 | $ 2,515 |
| **Utilities—2.0%** | | |
| AES Corp. (The)[2] | 313,825 | 1,823 |
| NRG Energy, Inc.[2] | 151,500 | 2,667 |
| | | 4,490 |
| **TOTAL COMMON STOCKS (Identified Cost $239,838)** | | **218,939** |
| **TOTAL LONG TERM INVESTMENTS—97.6% (Identified Cost $239,838)** | | **218,939** |
| **SHORT-TERM INVESTMENTS—2.5%** | | |
| **Money Market Mutual Funds—2.5%** | | |
| State Street Institutional Liquid Reserves Fund (seven-day effective yield 0.577%) | 5,665,636 | $ 5,666 |
| **TOTAL SHORT-TERM INVESTMENTS (Identified Cost $5,666)** | | **5,666** |
| **TOTAL INVESTMENTS—100.1% (Identified Cost $245,504)** | | **224,605**[1] |
| Other assets and liabilities, net—(0.1)% | | (216) |
| **NET ASSETS—100.0%** | | **$224,389** |

† Security classifications are based on sectors.

Security abbreviations definitions are located in the glossary on page 3.

**Footnote Legend:**

[1] Federal Income Tax Information: For tax information at March 31, 2009, see Note 8 Federal Income Tax Information in the Notes to Financial Statements.

[2] Non-income producing.

See Notes to Financial Statements

# VIRTUS CAPITAL GROWTH FUND
## Statement of Assets and Liabilities
## March 31, 2009

(Amounts reported in thousands except shares and per share amounts)

| | |
|---|---|
| **Assets** | |
| Investment securities at value[1] | $ 224,605 |
| Receivables | |
| Fund shares sold | 13 |
| Dividends | 220 |
| Prepaid expenses | 22 |
| Total assets | 224,860 |
| **Liabilities** | |
| Payables | |
| Fund shares repurchased | 98 |
| Investment advisory fees | 127 |
| Distribution and service fees | 49 |
| Administration fees | 16 |
| Transfer agent fees | 122 |
| Trustees' fee and expenses | 4 |
| Professional fees | 27 |
| Other accrued expenses | 28 |
| Total liabilities | 471 |
| **Net Assets** | **$ 224,389** |
| **Net Assets Consist of:** | |
| Capital paid in on shares of beneficial interest | $ 442,346 |
| Accumulated undistributed net realized gain (loss) | (197,058) |
| Net unrealized appreciation (depreciation) | (20,899) |
| **Net Assets** | **$ 224,389** |
| **Class A** | |
| Net asset value per share (net assets / shares outstanding) | $9.82 |
| Offering price per share $9.82 /(1-5.75%) | $10.42 |
| Shares of beneficial interest outstanding, no par value, unlimited authorization | 22,296,815 |
| Net Assets | $ 218,922 |
| **Class B** | |
| Net asset value (net assets / shares outstanding) and offering price per share | $8.84 |
| Shares of beneficial interest outstanding, no par value, unlimited authorization | 435,655 |
| Net Assets | $ 3,852 |
| **Class C** | |
| Net asset value (net assets / shares outstanding) and offering price per share | $9.65 |
| Shares of beneficial interest outstanding, no par value, unlimited authorization | 167,376 |
| Net Assets | $ 1,615 |

[1] Investment securities at cost $ 245,504

See Notes to Financial Statements

# VIRTUS CAPITAL GROWTH FUND
## Statement of Operations
## Year Ended March 31, 2009

(Reported in thousands)

| | |
|---|---|
| **Investment Income** | |
| Dividends | $ 3,310 |
| Interest | 42 |
| Security lending | 73 |
| Foreign taxes withheld | (22) |
| Total investment income | 3,403 |
| **Expenses** | |
| Investment advisory fees | 2,184 |
| Service fees, Class A | 759 |
| Distribution and service fees, Class B | 58 |
| Distribution and service fees, Class C | 25 |
| Administration fees | 263 |
| Transfer agent fees and expenses | 955 |
| Custodian fees | 44 |
| Printing fees and expenses | 62 |
| Professional fees | 37 |
| Registration fees | 42 |
| Trustees fees and expenses | 28 |
| Miscellaneous expenses | 47 |
| Total expenses | 4,504 |
| **Net investment income (loss)** | **(1,101)** |
| **Net Realized and Unrealized Gain (Loss) on Investments** | |
| Net realized gain (loss) on investments | (76,683) |
| Net change in unrealized appreciation (depreciation) on investments | (48,521) |
| **Net gain (loss) on investments** | **(125,204)** |
| **Net increase (decrease) in net assets resulting from operations** | **$(126,305)** |

See Notes to Financial Statements

# VIRTUS CAPITAL GROWTH FUND
## Statement of Changes in Net Assets

(Reported in thousands)

| | 4/1/08 – 3/31/09 | 11/1/07 – 3/31/08 | 11/1/06 – 10/31/07 |
|---|---|---|---|
| **Increase/(decrease) in net assets** | | | |
| **From operations** | | | |
| Net investment income (loss) | $ (1,101) | $ (871) | $ (867) |
| Net realized gain (loss) | (76,683) | (4,919) | 29,907 |
| Net change in unrealized appreciation (depreciation) | (48,521) | (80,863) | 42,012 |
| **Increase (decrease) in net assets resulting from operations** | (126,305) | (86,653) | 71,052 |
| **From share transactions:** | | | |
| **Sale of shares** | | | |
| Class A (675, 229 and 1,650 shares, respectively) | 8,170 | 3,659 | 27,320 |
| Class B (56, 26 and 65 shares, respectively) | 627 | 388 | 972 |
| Class C (4, 2 and 9 shares, respectively) | 52 | 32 | 150 |
| **Plan of Reorganization (Note 10)** | | | |
| Class A (0, 0 and 1,761 shares, respectively) | — | — | 27,397 |
| Class B (0, 0 and 302 shares, respectively) | — | — | 4,297 |
| Class C (0, 0 and 289 shares, respectively) | — | — | 4,480 |
| **Shares repurchased** | | | |
| Class A (3,839, 1,919 and 7,120 shares, respectively) | (48,364) | (31,209) | (116,707) |
| Class B (198, 109 and 330 shares, respectively) | (2,326) | (1,609) | (4,941) |
| Class C (55, 36 and 46 shares, respectively) | (609) | (580) | (786) |
| **Increase (decrease) in net assets from share transactions** | (42,450) | (29,319) | (57,818) |
| **Net increase (decrease) in net assets** | (168,755) | (115,972) | 13,234 |
| **Net Assets** | | | |
| Beginning of period | 393,144 | 509,116 | 495,882 |
| **End of period** | **$224,389** | **$393,144** | **$509,116** |
| Accumulated undistributed net investment income (loss) at end of period | $ — | $ (8) | $ (8) |

See Notes to Financial Statements

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# VIRTUS CAPITAL GROWTH FUND
## Financial Highlights
### Selected Per Share Data and Ratios For a Share Outstanding Throughout Each Period

| | Net Asset Value, Beginning of Period | Net Investment Income (Loss)[1] | Net Realized and Unrealized Gain (Loss) | Total from Investment Operations | Dividends from Net Investment Income | Distributions from Net Realized Gains |
|---|---|---|---|---|---|---|
| **Class A** | | | | | | |
| 4/1/08 to 3/31/09 | $15.00 | (0.04) | (5.14) | (5.18) | — | — |
| 11/1/07 to 3/31/08 | 18.18 | (0.03) | (3.15) | (3.18) | — | — |
| 11/1/06 to 10/31/07 | 15.78 | (0.03) | 2.43 | 2.40 | — | — |
| 11/1/05 to 10/31/06 | 14.89 | (0.05) | 1.02 | 0.97 | (0.08) | — |
| 11/1/04 to 10/31/05 | 14.21 | 0.07 | 0.61 | 0.68 | — | — |
| 11/1/03 to 10/31/04 | 13.90 | (0.06) | 0.37 | 0.31 | — | — |
| **Class B** | | | | | | |
| 4/1/08 to 3/31/09 | $13.61 | (0.13) | (4.64) | (4.77) | — | — |
| 11/1/07 to 3/31/08 | 16.55 | (0.07) | (2.87) | (2.94) | — | — |
| 11/1/06 to 10/31/07 | 14.47 | (0.14) | 2.22 | 2.08 | — | — |
| 11/1/05 to 10/31/06 | 13.69 | (0.15) | 0.93 | 0.78 | — | — |
| 11/1/04 to 10/31/05 | 13.16 | (0.05) | 0.58 | 0.53 | — | — |
| 11/1/03 to 10/31/04 | 12.96 | (0.15) | 0.35 | 0.20 | — | — |
| **Class C** | | | | | | |
| 4/1/08 to 3/31/09 | $14.85 | (0.14) | (5.06) | (5.20) | — | — |
| 11/1/07 to 3/31/08 | 18.06 | (0.08) | (3.13) | (3.21) | — | — |
| 11/21/06[5] to 10/31/07 | 15.95 | (0.16) | 2.27 | 2.11 | — | — |

(1) Computed using average shares outstanding.
(2) Sales charges are not reflected in total return calculation.
(3) Annualized.
(4) Not annualized.
(5) Inception date.

See Notes to Financial Statements

| Total Distributions | Change in Net Asset Value | Net Asset Value, End of Period | Total Return[2] | Net Assets, End of Period (000's) | Ratio of Expenses to Average Net Assets | Ratio of Net Investment Income (Loss) to Average Net Assets | Portfolio Turnover Rate |
|---|---|---|---|---|---|---|---|
| — | (5.18) | $ 9.82 | (34.53)% | $218,922 | 1.42% | (0.33)% | 92% |
| — | (3.18) | 15.00 | (17.49)[4] | 382,033 | 1.43[3] | (0.46)[3] | 33[4] |
| — | 2.40 | 18.18 | 15.21 | 493,633 | 1.41 | (0.16) | 90 |
| (0.08) | 0.89 | 15.78 | 6.54 | 486,845 | 1.37 | (0.31) | 167 |
| — | 0.68 | 14.89 | 4.79 | 580,058 | 1.36 | 0.45 | 67 |
| — | 0.31 | 14.21 | 2.23 | 844,523 | 1.34 | (0.39) | 57 |
| | | | | | | | |
| — | (4.77) | $ 8.84 | (35.05)% | $3,852 | 2.17% | (1.09)% | 92% |
| — | (2.94) | 13.61 | (17.76)[4] | 7,874 | 2.17[3] | (1.20)[3] | 33[4] |
| — | 2.08 | 16.55 | 14.37 | 10,937 | 2.16 | (0.93) | 90 |
| — | 0.78 | 14.47 | 5.70 | 9,038 | 2.12 | (1.06) | 167 |
| — | 0.53 | 13.69 | 4.03 | 11,918 | 2.11 | (0.34) | 67 |
| — | 0.20 | 13.16 | 1.54 | 16,314 | 2.09 | (1.13) | 57 |
| | | | | | | | |
| — | (5.20) | $ 9.65 | (35.02)% | $1,615 | 2.17% | (1.09)% | 92% |
| — | (3.21) | 14.85 | (17.77)[4] | 3,237 | 2.17[3] | (1.20)[3] | 33[4] |
| — | 2.11 | 18.06 | 13.23[4] | 4,546 | 2.15[3] | (1.03)[3] | 90[4] |

See Notes to Financial Statements

# VIRTUS CAPITAL GROWTH FUND
# NOTES TO FINANCIAL STATEMENTS
# March 31, 2009

## 1. Organization

Effective October 1, 2008, the Phoenix Funds became Virtus Mutual Funds, and all of the Funds were renamed to reflect the new Virtus name. On October 20, 2008, the Trusts' names were also updated to reflect the new name.

Virtus Equity Trust (the "Trust") is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company.

As of the date of this report, fourteen funds of the Trust are offered for sale, of which the Virtus Capital Growth Fund (the "Fund") is reported in this annual report. The Fund's investment objective is outlined in the Fund Summary Page.

The Fund offers Class A shares, Class B shares and Class C shares.

Class A shares are sold with a front-end sales charge of up to 5.75% with some exceptions. Generally, Class A shares are not subject to any charges by the Fund when redeemed; however, a 1% contingent deferred sales charge ("CDSC") may be imposed on certain redemptions made within one year following purchases on which a finder's fee has been paid. The one-year period begins on the last day of the month preceding the month in which the purchase was made. Class B shares are sold with a contingent deferred sales charge which declines from 5% to zero depending on the period of time the shares are held. Class C shares are sold with a 1% contingent deferred sales charge, if applicable, if redeemed within one year of purchase.

Each class of shares has identical voting, dividend, liquidation and other rights and the same terms and conditions, except that each class bears different distribution and/or service expenses and has exclusive voting rights with respect to its distribution plan. Income and other expenses and realized and unrealized gains and losses of the Fund are borne pro rata by the holders of each class of shares.

## 2. Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates, and those differences could be significant.

## A. Security valuation:

Equity securities are valued at the official closing price (typically last sale) on the exchange on which the securities are primarily traded, or if no closing price is available, at the last bid price.

Debt securities are valued on the basis of broker quotations or valuations provided by a pricing service, which utilizes information with respect to recent sales, market transactions in comparable securities, quotations from dealers, and various relationships between securities in determining value. Due to excessive volatility in the current market (please see Note 12 on Market Conditions), valuations developed through pricing techniques may materially vary from the actual amounts realized upon sale of the securities.

As required, some securities and assets may be valued at fair value as determined in good faith by or under the direction of the Trustees.

Certain foreign common stocks may be fair valued in cases where closing prices are not readily available or are deemed not reflective of readily available market prices. For example, significant events (such as movement in the U.S. securities market, or other regional and local developments) may occur between the time that foreign markets close (where the security is principally traded) and the time that the Fund calculates its net asset value (generally, the close of the NYSE) that may impact the value of securities traded in these foreign markets. In these cases, information from an external vendor may be utilized to adjust closing market prices of certain foreign common stocks to reflect their fair value. Because the frequency of significant events is not predictable, fair valuation of certain foreign common stocks may occur on a frequent basis.

Short-term investments having a remaining maturity of 60 days or less are valued at amortized cost, which approximates market.

Investments in underlying money market mutual funds are valued at each fund's closing net asset value.

The Fund has adopted the provisions of Statement of Financial Accounting Standards No. 157 ("SFAS 157"). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, the Fund utilizes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – prices determined using other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – prices determined using significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used to value the Fund's net assets as of March 31, 2009. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

**($ reported in thousands)**

| Valuation Inputs | Investments in Securities Market Value |
|---|---|
| Level 1 – Quoted Prices | $224,605 |
| Level 2 – Significant Observable Inputs | — |
| Level 3 – Significant Unobservable Inputs | — |
| **Total** | $224,605 |

## B. Security transactions and related income:

Security transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date, or in the case of certain foreign securities, as soon as the Fund is notified. Interest income is recorded on the accrual basis. The Fund amortizes premiums and accretes discounts using the effective interest method. Realized gains and losses are determined on the identified cost basis.

Dividend income is recorded using management's estimate of the income included in distributions received from the REIT investments. Distributions received in excess of this estimated amount are recorded as a reduction of the cost of investments or reclassified to capital gains. The actual amounts of income, return of capital, and capital gains are only determined by each REIT after its fiscal year-end, and may differ from the estimated amounts.

### C. Income taxes:

The Fund is treated as a separate taxable entity. It is the policy of the Fund to comply with the requirements of Subchapter M of the Internal Revenue Code and to distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes or excise taxes has been made.

The Trust may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. Each Fund will accrue such taxes and recoveries as applicable based upon current interpretations of the tax rules and regulations that exist in the markets in which they invest.

FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has analyzed the Fund's tax positions and has concluded that no provision for income tax is required in the Fund's financial statements. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. Each of the Fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

### D. Distributions to shareholders:

Distributions are recorded by the Fund on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences may include the treatment of non-taxable dividends, market premium and discount, non-deductible expenses, expiring capital loss carryovers, foreign currency gain or loss, gain or loss on futures contracts, partnerships, operating losses and losses deferred due to wash sales. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications to capital paid in on shares of beneficial interest.

### E. Expenses:

Expenses incurred by the Trust with respect to more than one fund are allocated in proportion to the net assets of each fund, except where allocation of direct expenses to each fund or an alternative allocation method can be more appropriately made.

### F. Foreign currency translation:

Foreign securities and other assets and liabilities are valued using the foreign currency exchange rate effective at the end of the reporting period. Cost of investments is translated at the currency exchange rate effective at the trade date. The gain or loss resulting from a change in currency exchange rates between the trade and settlement date of a portfolio transaction is treated as a gain or loss on foreign currency. Likewise, the gain or loss resulting from a change in currency exchange rates between the date income is accrued and the date it is paid is treated as a gain or loss on foreign currency. The Trust does not isolate that portion of the results of operations arising from changes in exchange rates or from fluctuations which arise due to changes in the market prices of securities.

### G. Securities lending:

The Fund may loan securities to qualified brokers through an agreement with State Street Bank and Trust Company (the "Custodian"). Under the terms of the agreement, the Fund is required to maintain collateral with a market value not less than 100% of the market value of loaned securities. Collateral is adjusted daily in connection with changes in the market value of securities on loan. Collateral may consist of cash and securities issued by the U.S. Government. Cash collateral is invested in a short-term money market fund. Dividends earned on the collateral and premiums paid by the borrower are recorded as income by the Fund net of fees charged by the Custodian for its services in connection with this securities lending program. Lending portfolio securities involves a risk of delay in the recovery of the loaned securities or in the foreclosure on collateral.

As of the close of business on September 18, 2008, Lehman Brothers Holding Inc. was in default of the security lending agreement with the Fund. As a result, State Street Bank and Trust Company as Securities Lending Agent took possession of the collateral and repurchased the securities in the Fund through open market purchases. Under Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities ("FAS 140"), the criteria for sales accounting have been met. As a result of recording the sale of the original securities out on loan at market value and the repurchase of the identical securities into the Fund at replacement value, the Fund had realized losses of $38 ($ reported in thousands), which did not have a material impact on the financial statements or net asset values of the Fund. The transactions are being treated as non-taxable events.

At March 31, 2009, the Fund had no securities on loan.

## 3. Investment Advisory Fee and Related Party Transactions

**($ reported in thousands except as noted)**

At end of business December 31, 2008, Virtus Investment Partners, Inc. ("Virtus") spun off from The Phoenix Companies, Inc. ("PNX"), into an independent publicly traded company which through its affiliates provides asset management and related services to individuals and institutions. Virtus Investment Advisers, Inc. ("VIA," the "Adviser," formerly known as Phoenix Investment Counsel, Inc.) and VP Distributors, Inc. ("VP Distributors," formerly known as Phoenix Equity Planning Corporation) are indirect wholly-owned subsidiaries of Virtus. Due to the spin-off, the asset management subsidiaries have changed their names to reflect the Virtus brand.

As compensation for its services to the Trust, the Adviser is entitled to a fee based upon the following annual rates as a percentage of the average daily net assets of the Fund:

| 1st $1 Billion | $1+ Billion – $2 Billion | $2+ Billion |
|---|---|---|
| 0.70% | 0.65% | 0.60% |

The Adviser manages the Fund's investment program and general operations of the Fund, including oversight of the Fund's subadviser, Harris Investment Management, Inc. ("HIM" or "Harris").

As distributor of the Fund's shares, VP Distributors has advised the Funds that it retained net selling commissions and deferred sales charges for the fiscal year (the "period") ended March 31, 2009, as follows:

| Class A Net Selling Commissions | Class A Deferred Sales Charges | Class B Deferred Sales Charges | Class C Deferred Sales Charges |
|---|---|---|---|
| $25 | $ —* | $18 | $1 |

* Amount is less than $500 (not reported in thousands).

The Fund pays VP Distributors distribution and/or service fees at the following annual rates as a percentage of the average daily net assets of each respective Class.

| Class A | Class B | Class C |
|---|---|---|
| 0.25% | 1.00% | 1.00% |

Under certain circumstances, shares of certain Virtus Mutual Funds may be exchanged for shares of the same class of certain other Virtus Mutual Funds on the basis of the relative net asset values per share at the time of the exchange. On exchanges with share classes that carry a contingent deferred sales charge, the CDSC schedule of the original shares purchased continues to apply.

VP Distributors also serves as the Administrator to the Trust. For its services, which includes financial agent services, VP Distributors receives an administration fee at an annual rate of 0.09% of the first $5 billion, 0.08% on the next $10 billion, and 0.07% over $15 billion of the average net assets across all non-money market Virtus Mutual Funds and certain other funds. For the period ended March 31, 2009, the Fund incurred administration fees totaling $263.

VP Distributors also serves as the Trust's transfer agent. For the period ended March 31, 2009, transfer agent fees were $955 as reported in the Statement of Operations.

At March 31, 2009, Virtus and its affiliates, the retirement plans of Virtus and its affiliates, and Virtus affiliated Funds held shares of the Fund which may be redeemed at any time that aggregated the following:

| | Aggregate Shares | Net Asset Value |
|---|---|---|
| Class A | 1,118,160* | $10,980 |

* Includes shares held by Harris Bankcorp, Inc. a minority investor in Virtus and an affiliate of Harris Investment Management, Inc. the subadviser to the Fund.

## 4. Purchases and Sales of Securities

**($ reported in thousands)**

Purchases and sales of investments securities (excluding U.S. Government and agency securities and short-term securities) during the period ended March 31, 2009, were as follows:

| Purchases | Sales |
|---|---|
| $284,266 | $322,426 |

There were no purchases or sales of long-term U.S. Government and agency securities during the period ended March 31, 2009.

## 5. Credit Risk and Asset Concentrations

In countries with limited or developing markets, investments may present greater risks than in more developed markets and the prices of such investments may be volatile. The consequences of political, social or economic changes in these markets may have disruptive effects on the market prices of these investments and the income they generate, as well as the Fund's ability to repatriate such amounts.

The Fund may invest a high percentage of its assets in specific sectors of the market in its pursuit of a greater investment return. Fluctuations in these sectors of concentration may have a greater impact on the Fund, positive or negative, than if the Fund did not concentrate its investments in such sectors.

At March 31, 2009, the Fund held securities issued by various companies in the Information Technology Sector, representing 31% of the total investments of the Fund.

## 6. Indemnifications

Under the Fund's organizational documents, its Trustees and Officers are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, the Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these arrangements.

## 7. Regulatory Exams

Federal and state regulatory authorities from time to time make inquiries and conduct examinations regarding compliance by Virtus (and, prior to the spin-off described in Note 3, PNX) and its subsidiaries (collectively "the Company") with securities and other laws and regulations affecting their registered products.

There are currently no such matters which the Company believes will be material to these financial statements.

## 8. Federal Income Tax Information
**($ reported in thousands)**

At March 31, 2009, federal tax cost and aggregate gross appreciation (depreciation) of securities held by the Fund were as follows:

| Federal Tax Cost | Unrealized Appreciation | Unrealized (Depreciation) | Net Unrealized Appreciation (Depreciation) |
|---|---|---|---|
| $250,092 | $19,439 | $(44,926) | $(25,487) |

The Fund has capital loss carryovers which may be used to offset future capital gains, as follows:

| Expiration Year | | | | |
|---|---|---|---|---|
| 2010 | 2011 | 2016 | 2017 | Total |
| $97,731 | $15,274 | $4,365 | $25,431 | $142,801 |

The Fund may not realize the benefit of these losses to the extent the Fund does not realize gains on investments prior to the expiration of the capital loss carryovers. The Fund's amounts include losses acquired in connection with prior year's mergers. Utilization of these capital loss carryovers is subject to annual limitations.

The Fund had $199,473 in capital loss carryovers which expired in 2009.

Under current tax law, foreign currency and capital losses realized after October 31, may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal period ended March 31, 2009 the Fund deferred post-October capital losses of $49,669.

The components of distributable earnings on a tax basis (excluding unrealized appreciation (depreciation) which is disclosed in the first table above) consists of undistributed ordinary income of $0 and undistributed long-term capital gains of $0.

The differences between the book and tax basis components of distributable earnings relate principally to the timing of recognition of income and gains for federal income tax purposes. Short-term gain distributions reported in the Statements of Changes in Net Assets, if any, are reported as ordinary income for federal tax purposes.

## 9. Reclassification of Capital Accounts
**($ reported in thousands)**

For financial reporting purposes, book basis capital accounts are adjusted to reflect the tax character of permanent book/tax differences. Permanent reclassifications can arise from differing treatment of certain income and gain transactions, nondeductible current year net operating losses, expiring capital loss carryovers and investments in passive foreign investment companies. The reclassifications have no impact on the net assets or net asset value of the Fund. As of March 31, 2009, the Fund recorded reclassifications to increase (decrease) the accounts as listed below:

| Capital Paid in on Shares of Beneficial Interest | Undistributed Net Investment Income (Loss) | Accumulated Net Realized Gain (Loss) |
|---|---|---|
| $(200,582) | $1,108 | $199,474 |

## 10. Plan of Reorganization
**(all values except for per share amounts are reported in thousands)**

On March 9, 2007, the Fund acquired all of the net assets of Phoenix Nifty Fifty Fund ("Nifty Fifty") pursuant to an Agreement and Plan of Reorganization provided to shareholders in a Prospectus/Information Statement on December 7, 2006. The acquisition was accomplished by a tax-free exchange of 1,761 Class A shares, 302 Class B shares and 289 Class C shares of the Fund (valued at $27,397, $4,297 and $4,480, respectively) for 1,474 Class A shares, 261 Class B shares and 273 Class C shares of Nifty Fifty outstanding on March 9, 2007. Nifty Fifty had net assets on that date of $36,174 including $5,977 of net unrealized appreciation which were combined with those of the Fund. The aggregate net assets of the Fund immediately after the merger were $479,184. The shareholders of each class of Nifty Fifty received for each share owned approximately 1.19, 1.15, and 1.06 shares, respectively, of Class A, Class B, and Class C shares of the Fund.

## 11. Recently Issued Accounting Standards

In April 2009, FASB issued FASB Staff Position No. 157-4, *Determining Fair Value when the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ("FSP 157-4"). FSP 157-4 is effective for fiscal years and interim periods ending after June 15, 2009. FSP 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 (see Note 2A), when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 requires entities to describe the inputs used in valuation techniques used to measure fair value and changes in inputs over the period. FSP 157-4 expands the three-level hierarchy disclosure and the level three-roll forward disclosure for each major security type as described in paragraph 19 of FAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Management is currently evaluating the impact the implementation of FSP 157-4 will have on the Funds' financial statement disclosures, if any.

In March 2008, Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161") was issued and is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why a fund uses derivatives, how derivatives are accounted for, and how derivative instruments affect a fund's results of operations and financial position. Management is currently evaluating the impact of SFAS 161 on financial statement disclosures, if any.

## 12. Market Conditions

Events in the financial sector have resulted in an unusually high degree of volatility in the financial markets and the net asset value of many mutual funds, including the Funds. Such events include, but are not limited to, the seizure of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation by U.S. banking regulators, the bankruptcy filing of Lehman Brothers and sale of Merrill Lynch to Bank of America, and the government bailout of AIG. These companies represent financial institutions with which the Fund conducts business and/or whose securities are or may be held within the Fund. The potential investment of the Fund in these issuers, and the financial sector in general, as reflected in the Fund's Schedule of Investments, exposes investors to the negative (or positive) performance resulting from these and other events.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PRICEWATERHOUSECOOPERS

To the Board of Trustees of
Virtus Equity Trust and Shareholders of
Virtus Capital Growth Fund

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Virtus Capital Growth Fund (formerly Phoenix Capital Growth Fund, a series of Virtus Equity Trust (formerly Phoenix Equity Trust), hereafter referred to as the “Fund”) at March 31, 2009, the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at March 31, 2009 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, PA
May 22, 2009

# VIRTUS CAPITAL GROWTH FUND
# TAX INFORMATION NOTICE
# (Unaudited)
# March 31, 2009

For the fiscal year ended March 31, 2009, the Fund makes the following disclosures for federal income tax purposes. Below is listed the percentages, or the maximum amount allowable, of its ordinary income dividends (“QDI”) to qualify for the lower tax rates applicable to individual shareholders, and the percentage of ordinary income dividends earned by the Fund which qualifies for the dividends received deduction (“DRD”) for corporate shareholders. The actual percentage of QDI and DRD for the calendar year will be designated in year-end tax statements. The Fund designates the amounts below, or if subsequently different, as long-term capital gains dividends (“LTCG”) ($ reported in Thousands).

| QDI | DRD | LTCG |
|---|---|---|
| 0% | 0% | $ — |

# CONSIDERATION OF ADVISORY AND SUB-ADVISORY AGREEMENTS BY THE BOARD OF TRUSTEES (Unaudited)

The Board of Trustees of the Trust, along with the Boards of Trustees of the other trusts in the Virtus Mutual Funds family of funds (collectively, the "Board"), are responsible for determining whether to approve the establishment and continuation of each investment advisory and sub-advisory agreement (each, an "Agreement") applicable to the Virtus Mutual Funds (collectively, the "Funds"). At meetings held on November 18 – 20, 2008, the Board, including a majority of the independent Trustees, considered and approved the continuation of each Agreement, as further discussed below. In approving each Agreement, the Board determined that the continued retention of the applicable adviser or subadviser was in the best interests of the Funds and their shareholders. The Trustees considered each Fund separately, though they also collectively took into account those interests that all the Funds had in common.

In reaching their decisions, the Board considered information furnished throughout the year at regular Board meetings as well as information prepared specifically in connection with the annual review process. During the review process, the Board received assistance and advice from, and met separately with, independent legal counsel. The Board's determination contemplated a number of factors that the Trustees believed, in light of the legal advice furnished to them as well as their own business judgment, to be relevant. Some of the factors that the Board considered are described below, although the Trustees did not identify any particular information or factor as controlling but instead considered the Agreements in the totality of the circumstances. Each individual Trustee may have evaluated the information presented differently, giving different weights to different factors.

**Nature, Extent and Quality of Services.** The majority of the Funds[1] are managed using a "manager of managers" structure that generally involves the use of one or more subadvisers to manage some or all of a Fund's portfolio. Under this structure, Virtus Investment Advisers, Inc. ("VIA") is responsible for evaluating and selecting subadvisers on an ongoing basis and making any recommendations to the Board regarding hiring, retaining or replacing subadvisers. In considering the Agreement with VIA, therefore, the Trustees considered VIA's process for supervising and managing the Funds' subadvisers, including (a) VIA's ability to select and monitor the subadvisers; (b) VIA's ability to provide the services necessary to monitor the subadvisers' compliance with the Funds' respective investment objectives, policies and restrictions as well as provide other oversight activities; and (c) VIA's ability and willingness to identify instances in which a subadviser should be replaced and to carry out the required changes. The Trustees also considered: (d) the experience, capability and integrity of VIA's management and other personnel; (e) the financial position of VIA; (f) the quality of VIA's own regulatory and legal compliance policies, procedures and systems; (g) the nature, extent and quality of administrative and other services provided by VIA to the Funds; and (h) VIA's supervision of the Funds' other service providers. Finally, the Board also noted the extent of benefits

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[1] *During the period being reported, the only Funds that did not employ a manager of managers structure were Virtus Growth & Income Fund, which is a series of Virtus Equity Trust; and Virtus Wealth Accumulator Fund, Virtus Wealth Builder Fund, Virtus Diversifier Fund and Virtus Alternatives Diversifier Fund, which are series of Virtus Opportunities Trust. VIA acted as the adviser for these Fund without employing a subadviser, and the Board considered the VIA Agreement with respect to these Funds in that context.*

that are provided to Fund shareholders as a result of being part of the family of Virtus Mutual Funds, including the right to exchange investments between the same class of Funds without a sales charge, the ability to reinvest Fund dividends into other Funds and the right to combine holdings in other Funds to obtain a reduced sales charge.

With respect to the sub-advisory Agreements, the Board noted that each subadviser provided portfolio management, compliance with the respective Fund's investment policies and procedures, compliance with applicable securities laws and assurances thereof. In considering the renewal of the sub-advisory Agreements, therefore, the Board considered each subadviser's investment management process, including (a) the experience, capability and integrity of the subadviser's management and other personnel committed by the subadviser to its respective Fund(s); (b) the financial position of the subadviser; (c) the quality and commitment of the subadviser's regulatory and legal compliance policies, procedures and systems; and (d) the subadviser's brokerage and trading practices.

After considering all of the information provided to them, the Trustees concluded that the nature, extent and quality of the services provided by VIA and each subadviser were reasonable and beneficial to the Funds and their shareholders.

**Investment Performance.** The Board placed significant emphasis on its consideration of the investment performance of the Funds, in view of its importance to shareholders, and evaluated Fund performance in the context of the special considerations that a manager-of-managers structure requires. The Board also considered that VIA continued to be proactive in seeking to replace and/or add subadvisers as necessary, with a view toward improving Fund performance over the long term.

While consideration was given to performance reports and discussions at Board meetings throughout the year, particular attention in assessing such performance was given to a report (the "Lipper Report") for the Funds prepared by Lipper Inc. ("Lipper") and furnished specifically for the contract renewal process. (Lipper is an independent provider of investment company data retained by the Funds for this purpose.) The Lipper Report presented each Fund's short-term and long-term performance relative to a peer group of other mutual funds and relevant benchmarks, as selected by Lipper. The Board considered the composition of each peer group, selection criteria and the appropriateness of the benchmark used for each Fund. The Board also assessed each Fund's performance in the context of its review of the fees and expenses of each Fund as well as VIA's profitability.

The Board noted that while many of the Funds had generally performed in line with their respective benchmarks and peer groups during the periods measured, some of the Funds had underperformed in comparison with their respective benchmarks and/or peer groups. The Board noted that certain of the Funds' underperformance was slight, and that some of the Funds underperforming their benchmarks and/or peer groups for a given period had outperformed such benchmarks and/or peer groups during other periods. Where significant, the Board extensively considered the performance of the underperforming Funds and the reasons for the performance issues. The Board discussed the possible reasons for the underperformance with VIA, and spoke with representatives from VIA regarding plans to monitor and address performance issues during the coming year.

The Board ultimately determined, within the context of all of its considerations in connection with the Agreements, that the Funds' overall investment performance was reasonable, and concluded that VIA's and each subadviser's performance record and process in managing the Funds merited approval of the continuation of the Agreements. However, the Board noted that certain Funds' performance would continue to be closely monitored and it expected that if performance over a longer period of time did not improve the adviser would recommend that the subadviser be replaced in a timely manner.

**Profitability.** The Board also considered the level of profits realized by VIA and its affiliates in connection with the operation of the Funds. In this regard, the Board reviewed the analysis presented regarding the overall profitability of VIA for its management of the Virtus Mutual Funds, as well as its profits and those of its affiliates for managing and providing other services to each Fund. In addition to the fees paid to VIA and its affiliates, the Trustees considered any other benefits derived by VIA or its affiliates from their relationship with the Funds. Specific attention was paid to the methodology used to allocate costs to each Fund, in recognition of the fact that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this regard, the Board noted that the allocations appeared reasonable, and concluded that the profitability to VIA from each Fund was reasonable in light of the quality of all services rendered to the Funds by VIA and its affiliates.

The Board did not separately review profitability information for each subadviser, noting that the sub-advisory fees are paid by VIA rather than the Funds, so that Fund shareholders are not directly impacted by those fees.

**Management Fees and Total Expenses.** In evaluating the management fees and total expenses of each Fund, the Board reviewed information provided by VIA and comparisons to other funds in each Fund's peer group as presented in the Lipper Report. The Board noted that certain Funds had higher gross expenses when expressed as a percentage of net assets than those of such Funds' larger peers, which the Trustees considered in the context of these Funds' expectations for future growth. Finally, the Board also noted that several of the Funds had fee waivers and/or expense caps in place to limit the total expenses incurred by the Funds and their shareholders. Based upon the information presented by VIA and Lipper, the Trustees then determined, in the exercise of their business judgment, that the management fees charged by VIA and the total expenses of the Funds were reasonable, both on an absolute basis and in comparison with the fees and expenses of other funds in each Fund's peer group and the industry at large.

The Board did not receive comparative fee information relating specifically to sub-advisory fees, in light of the fact that the sub-advisory fees are paid by VIA and not by the Funds, so that Fund shareholders are not directly impacted by those fees.

**Economies of Scale.** The Board noted that the management fees for several of the Funds included breakpoints based on assets under management, and that fee waivers and/or expense caps were also in place for several of the Funds. The Board determined that VIA and the Funds likely would achieve certain economies of scale, particularly in relationship to certain fixed costs, and that shareholders of the Funds would have an opportunity to benefit from these economies of scale.

In considering the sub-advisory Agreements, the Board also considered the existence of any economies of scale and whether they would be passed along to the Funds' shareholders, but noted that any such economies would likely be generated at the Fund level rather than at the subadviser level.

# Fund Management Tables (Unaudited)

Information pertaining to the trustees and officers of the Trust as of March 31, 2009 is set forth below. The statement of additional information (SAI) includes additional information about the trustees and is available without charge, upon request, by calling (800) 243-4361.

The address of each individual, unless otherwise noted, is 100 Pearl Street, Hartford, CT 06103-4506. There is no stated term of office for trustees of the Trust.

### Independent Trustees

| Name<br>Year of Birth,<br>Year Elected and<br>Number of Funds<br>Overseen | Principal Occupation(s)<br>During Past 5 Years and<br>Directorships of Other Public Companies |
|---|---|
| Leroy Keith, Jr.<br>YOB: 1939<br>Elected: 1993<br>49 Funds | Managing Director, Almanac Capital Management (commodities business) (2007-present). Partner, Stonington Partners, Inc. (private equity firm) (2001-2007). Director/Trustee, Evergreen Funds (88 portfolios). |
| Philip R. McLoughlin<br>YOB: 1946<br>Elected: 1993<br>51 Funds | Partner, Cross Pond Partners, LLC (2006-Present). Director, World Trust Fund. Chairman and Trustee, The Phoenix Edge Series Fund (2003-present). Director, DTF Tax-Free Income Fund, Inc., Duff & Phelps Utility and Corporate Bond Trust, Inc. and DNP Select Income Fund Inc. Managing Director, SeaCap, Asset Management Fund I LP. |
| Geraldine M. McNamara<br>YOB: 1951<br>Elected: 2001<br>51 Funds | Retired. Managing Director, U.S. Trust Company of New York (private bank) (1982-2006). |
| James M. Oates<br>YOB: 1946<br>Elected: 1993<br>49 Funds | Managing Director, Wydown Group (consulting firm) (1994-present). Chairman, Hudson Castle Group, Inc. (formerly IBEX Capital Markets, Inc.) (financial services) (1997-2006). Director, Stifel Financial. Chairman and Trustee, John Hancock Trust (93 portfolios) and John Hancock Funds II (74 portfolios). Non-Executive Chairman, Hudson Castle Group, Inc. |
| Richard E. Segerson<br>YOB: 1946<br>Elected: 1998<br>49 Funds | Managing Director, Northway Management Company (1998-present). |
| Ferdinand L.J. Verdonck<br>YOB: 1942<br>Elected: 2004<br>49 Funds | Retired. Director, Galapagos N.V. (biotechnology). Mr. Verdonck is also a director of several non-U.S. companies. |

## Interested Trustee

The individual listed below is an "interested person" of the Fund, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

| Name<br>Year of Birth,<br>Year Elected and<br>Number of Funds<br>Overseen | Principal Occupation(s)<br>During Past 5 Years and<br>Directorships of Other Public Companies |
|---|---|
| George R. Aylward[(1)]<br>YOB: 1964<br>Elected: 2006<br>51 Funds | Director, President and Chief Executive Officer (2008-present), Director and President (2006-2008), Chief Operating Officer (2004-2006), Vice President, Finance (2001-2002), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Senior Executive Vice President and President, Asset Management (2007-2008), Senior Vice President and Chief Operating Officer, Asset Management (2004-2007), Vice President and Chief of Staff (2001-2004), The Phoenix Companies, Inc. Various senior officer and directorship positions with Phoenix affiliates (2005-2008). President (2006-present), Executive Vice President (2004-2006), the Virtus Mutual Funds Family. Chairman, President and Chief Executive Officer, The Zweig Fund Inc. and The Zweig Total Return Fund Inc. (2006-present). |

(1) Mr. Aylward is an "interested person," as defined in the Investment Company Act of 1940, by reason of his relationship with Virtus Investment Partners, Inc. and/or its affiliates.

## Officers of the Trust Who Are Not Trustees

| Name, Address and Year of Birth | Position(s) Held with Trust and Length of Time Served | Principal Occupation(s) During Past 5 Years |
|---|---|---|
| Nancy G. Curtiss<br>YOB: 1952 | Senior Vice President since 2006. | Executive Vice President, Head of Operations (since 2009), Senior Vice President, Operations (2008-2009), Vice President, Head of Asset Management Operations (2007-2008), Vice President (2003-2007), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Assistant Treasurer (2001-2009), VP Distributors, Inc. (f/k/a Phoenix Equity Planning Corporation). Ms. Curtiss is also Treasurer of various other investment companies within the Virtus Mutual Funds Complex (1994-present). |
| Francis G. Waltman<br>YOB: 1962 | Senior Vice President since 2008. | Executive Vice President, Head of Product Management (since 2009), Senior Vice President, Asset Management Product Development (2008-2009), Senior Vice President, Asset Management Product Development (2005-2007), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Director (since 2008), Director and President (2006-2007), VP Distributors, Inc. (f/k/a Phoenix Equity Planning Corporation). Director and Senior Vice President (since 2008), Senior Vice President (2006-2007), Virtus Investment Advisers, Inc. |
| Marc Baltuch<br>c/o Zweig-DiMenna Associates, LLC<br>900 Third Avenue<br>New York, NY 10022<br>YOB: 1945 | Vice President and Chief Compliance Officer since 2004. | Chief Compliance Officer, Zweig-DiMenna Associates LLC (1989-present). Vice President, The Zweig Total Return Fund, Inc. (2004-present). Vice President, The Zweig Fund, Inc. (2004-present). President and Director of Watermark Securities, Inc. (1991-present). Assistant Secretary, Gotham Advisors Inc. (1990-2005). |
| W. Patrick Bradley<br>YOB: 1972 | Chief Financial Officer and Treasurer since 2006. | Senior Vice President, Fund Administration (since 2009), Vice President, Fund Administration (2007-present), Second Vice President, Fund Control & Tax (2004-2006), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer (2006-present), Assistant Treasurer (2004-2006), The Phoenix Edge Series Fund. Chief Financial Officer and Treasurer (2005-present), Assistant Treasurer (2004-2006), certain funds within the Virtus Mutual Funds Family. |

## Officers of the Trust Who Are Not Trustees

| Name, Address and Year of Birth | Position(s) Held with Trust and Length of Time Served | Principal Occupation(s) During Past 5 Years |
|---|---|---|
| Kevin J. Carr<br>YOB: 1954 | Vice President, Chief Legal Officer, Counsel and Secretary since 2005. | Senior Vice President (since 2009), Counsel and Secretary (2008-present) and Vice President (2008-2009), Virtus Investment Partners, Inc. and/or certain of its subsidiaries (2008-present). Vice President and Counsel, Phoenix Life Insurance Company (2005-2008). Compliance Officer of Investments and Counsel, Travelers Life & Annuity Company (January 2005-May 2005). Assistant General Counsel and certain other positions, The Hartford Financial Services Group (1995-2005). |

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## VIRTUS EQUITY TRUST

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**Transfer Agent**
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**Custodian**
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Boston, MA 02206-5501

**Independent Registered Public Accounting Firm**
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Philadelphia, PA 19103-7042

**How to Contact Us**

| | |
|---|---|
| Mutual Fund Services | 1-800-243-1574 |
| Advisor Consulting Group | 1-800-243-4361 |
| Telephone Orders | 1-800-367-5877 |
| Text Telephone | 1-800-243-1926 |
| Web site | **Virtus.com** |

**Important Notice to Shareholders**
The Securities and Exchange Commission has modified mailing regulations for semiannual and annual shareholder fund reports to allow mutual fund companies to send a single copy of these reports to shareholders who share the same mailing address. If you would like additional copies, please call Mutual Fund Services at 1-800-243-1574.

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