

Virtus Balanced Fund

TRUST NAME:
VIRTUS
EQUITY
TRUST

March 31, 2011



No Bank Guarantee

Not FDIC Insured

May Lose Value

Table of Contents

Virtus Balanced Fund (“Balanced Fund”)

Message to Shareholders	1
Disclosure of Fund Expenses	2
Key Investment Terms	4
Fund Summary	5
Schedule of Investments	8
Statement of Assets and Liabilities	17
Statement of Operations	18
Statement of Changes in Net Assets	19
Financial Highlights	20
Notes to Financial Statements	21
Report of Independent Registered Public Accounting Firm ...	29
Tax Information Notice	30
Consideration of Advisory and Sub-advisory Agreements by the Board of Trustees	31
Results of Shareholder Meeting	35
Fund Management Tables	36

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, 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.

This report is not authorized for distribution to prospective investors in the Virtus Balanced Fund unless preceded or accompanied by an effective prospectus which includes information concerning the sales charge, the Fund’s record and other pertinent information.

MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholders of Virtus Mutual Funds:



The last 12 months — especially the first quarter of this year — provided a textbook lesson in the unpredictable nature of capital markets and the importance of maintaining a disciplined investment approach. Investors were reminded that it is impossible to predict the events that might influence market performance or how the market will react to such events.

The markets faced numerous challenges, among them: the Gulf of Mexico oil spill last spring; Europe's sovereign debt crisis; the late-summer threat of a double-dip recession; and recently, Japan's devastating earthquake and social unrest in the critical oil regions of North Africa and the Middle East.

At the same time, the equities markets benefited from the stabilizing effects of the second round of quantitative easing, the Federal Reserve's (the "Fed's") gradual purchase of \$600 billion in U.S. Treasuries initiated last November. Confidence replaced concern, and investors started moving out of "safe haven" fixed income securities into equities.

Investors who stayed the course were rewarded for their perseverance. The S&P 500® Index, a broad measure of U.S. stock market performance, gained 17.3% for the year ended March 31, 2011, and 5.92% in the first quarter — its best opening quarter since 1998. Fixed income markets generated more modest returns as interest rates inched higher. The Barclays Capital U.S. Aggregate Bond Index, which measures the performance of the taxable bond market, gained 5.12% for the year ended March 31, 2011, and 0.42% in the first quarter of 2011.

It is clear the U.S. economic recovery is gathering speed. We are seeing signs of improvement in manufacturing, the labor market and consumer spending. GDP is growing and corporate earnings are on the rise. Certainly, this news is positive but challenges remain: higher oil prices, a depressed housing market, and some concern that interest rates may start to increase after the Fed's Treasury purchases end in June.

At times of uncertainty, diversification takes on greater importance. While diversification cannot guarantee a profit or prevent loss, owning a variety of asset classes can help cushion your portfolio against market volatility. Your financial adviser can help you ensure your portfolio is adequately diversified. You may also want to visit our website, www.virtus.com, to learn about the full range of Virtus Mutual Funds, including some new investment strategies that may be used to diversify a core portfolio.

I hope you will take time to read the enclosed commentary from your fund's management team for their market outlook and strategy. As always, thank you for investing with Virtus.

Sincerely,



George R. Aylward
President, Virtus Mutual Funds

May 2011

Whenever you have questions about your account, or require additional information, please visit us on the Web at www.virtus.com or call our shareowner service group toll-free at 1-800-243-1574.

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.

VIRTUS BALANCED FUND
Disclosure of Fund Expenses (Unaudited)
For the six-month period of October 1, 2010 to March 31, 2011

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 Balanced Fund (the "Fund"), you 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 BALANCED FUND
Disclosure of Fund Expenses (Unaudited) (Continued)
For the six-month period of October 1, 2010 to March 31, 2011

Expense Table

	Beginning Account Value October 1, 2010	Ending Account Value March 31, 2011	Annualized Expense Ratio	Expenses Paid During Period*
Actual				
Class A	\$1,000.00	\$1,133.20	1.13%	\$6.01
Class B	1,000.00	1,128.00	1.88	9.97
Class C	1,000.00	1,129.10	1.88	9.98
Hypothetical (5% return before expenses)				
Class A	1,000.00	1,019.23	1.13	5.70
Class B	1,000.00	1,015.44	1.88	9.49
Class C	1,000.00	1,015.44	1.88	9.49

* 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 days to reflect the one-half year 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.

KEY INVESTMENT TERMS

ADR (American Depositary Receipt)

Represents shares of foreign companies traded in U.S. dollars on U.S. exchanges that are held by a bank or a trust. Foreign companies use ADRs in order to make it easier for Americans to buy their shares.

Composite Index for Balanced Fund

A composite index consisting of 60% S&P 500® Index and 40% Barclays Capital U.S. Aggregate Bond Index.

Barclays Capital U.S. Aggregate Bond Index

The Barclays Capital U.S. Aggregate Bond Index measures the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis.

Quantitative Easing

A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

REIT (Real Estate Investment Trust)

A publicly traded company that owns, develops and operates income-producing real estate such as apartments, office buildings, hotels, shopping centers and other commercial properties.

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.

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 BALANCED FUND

Ticker Symbols:
A Share: PHBLX
B Share: PBCBX
C Share: PSBCX

■ **Balanced Fund (the “Fund”)** is diversified and has investment objectives of reasonable income, long-term capital growth and conservation of capital.

■ For the fiscal year ended March 31, 2011, the Fund’s Class A shares at NAV returned 13.59%, Class B shares returned 12.75% and Class C shares returned 12.76%. For the same period, the S&P 500® Index, a broad-based equity index, returned 15.65%; the Barclays Capital U.S. Aggregate Bond Index, a broad-based fixed income index, returned 5.12%; and the Balanced Fund Composite Index, which is the Fund’s style-specific index appropriate for comparison, returned 11.79%.

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 market perform during the Fund’s fiscal year?

■ The stock market generally moved higher over the April 1, 2010 to March 31, 2011 year-long period referred to in this annual report. The benchmark S&P 500® Index returned 15.65% on the year; however, the market did experience a correction that lasted from late April 2010 until early July that is masked by the overall returns stated. This sell-off was hard on investor psyche, coming only about a year after the lows put in from the bear market which ended in early March of 2009. The summer months remained volatile, and it was not until September that a sustainable rally ensued. This rally has been powerful and generally remains in place as of this writing.

The rally has been relatively broad based, although economically cyclical stocks have performed best, with some late cycle names also showing relative strength.

How did the fixed income market perform during the Fund’s fiscal year?

- The bond portion of the Fund excelled during the fiscal year, with its bond-only twin, the Virtus Bond Fund, producing 21st percentile return year-to-year.
- The year got off to a difficult start for financial markets, as the end of the first round of quantitative easing and the subsequent economic slowdown combined with the European credit crisis to push risk premia wider.
- This produced an opportunity later in the year, as the Federal Reserve looked to revitalize the economy through a second round of quantitative easing.
- In anticipation of QE II, the portfolio added securities whose prices had been suppressed by the early year selloff.
- The ensuing rally, propelled by monetary stimulus and renewed investor confidence, drove the portfolio’s notable performance.

What factors affected the Fund’s equity portfolio performance during its fiscal year?

■ The Fund outperformed the benchmark S&P 500® Index for the year, although the late spring/early summer correction was difficult. The Fund has been positioned for a mid- to late-cycle rally in more economically sensitive areas, which eventually played out very well for shareholders. The Fund’s positions in Energy stocks, Material names, and Industrial companies were all positive factors on performance. Very good stock selection within the Health Care and Consumer Discretionary sectors were also a tailwind for performance. The major drag on performance was within Information Technology, where stock selection was relatively poor. The Fund generally has a “growth at a reasonable price”

For information regarding the indexes and certain investment terms, see Key Investment Terms on page 4.

VIRTUS BALANCED FUND (continued)

bias, and the names within Tech that performed last year were largely high valuation, explosive growth companies that the Fund usually avoids. Fortunately, stocks within sectors such as Energy and Materials made up for this shortfall, and then some. The powerful rally that endured for the back half of the year and well into 2011 has seen the cyclical names the Fund is focused on move sharply higher. The overall rally in stocks, combined with proper sector positioning, has given shareholders solid returns, and returns in excess of the benchmark for the previous year.

What factors affected the Fund's fixed income portfolio performance during its fiscal year?

- The High Yield corporate bond component of the portfolio was the most prominent contributor to performance during the year.
- The high yield position was expanded after the early selloff, and generated a 13% return overall, led by the Utility sector's 15% return.
- High Grade corporate bonds also performed well, generating approximately 8% in total return. Global Banks and financials comprised a large portion of this performance.
- Sector selection within the Securitized arena also provided a boost, as credit securities outperformed government guaranteed Fannie Mae and Freddie Mac.
- The Commercial Mortgage-Backed Securities allocation was 3 times benchmark, and produced a 10% total return.
- The portfolio also benefited from a substantial underweight to Agency Mortgage-Backed Securities as this sector could only muster a 5% return.
- Taxable municipals turned out to be a surprisingly obliging addition to the portfolio, generating an 11% total return over the period.

The preceding information is the opinion of portfolio management only through the end of the period 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.

Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic and market risk. The Fund may invest in high-yield bonds, which may be subject to greater credit and market risks. As interest rates rise, existing bond prices fall and can cause the value of an investment in the Fund to decline. Changes in interest rates will affect the value of longer-term fixed income securities more than shorter-term securities. Investing in the securities of small and mid-sized companies involves greater risks and price volatility than investing in larger, more established companies. Investing in municipal bonds involves market risk and credit risk.

Asset Allocations

The following table presents the portfolio holdings within certain sectors as a percentage of total investments at March 31, 2011.

Common Stocks		59%
Information Technology	11%	
Energy	11%	
Industrials	9%	
All Other Sectors in		
Common Stocks	28%	
Corporate Bonds		17%
Mortgage-Backed Securities		14%
Other (includes short-term investments and securities lending collateral)		10%
Total		<u>100%</u>

For information regarding the indexes and certain investment terms, see Key Investment Terms on page 4.

Average Annual Total Returns¹ for periods ended 3/31/11

	1 Year	5 Years	10 Years	Inception to 3/31/11	Inception Date
Class A shares at NAV²	13.59%	4.29%	4.48%	—	—
Class A shares at POP^{3,4}	7.06	3.06	3.87	—	—
Class B shares at NAV²	12.75	3.50	3.70	—	—
Class B shares with CDSC⁴	8.75	3.50	3.70	—	—
Class C shares at NAV and with CDSC⁴	12.76	3.50	—	4.17%	4/19/05
S&P 500[®] Index	15.65	2.62	3.29	4.53⁵	—
Barclays Capital U.S. Aggregate Bond Index	5.12	6.03	5.56	5.20⁵	—
Composite Index for Balanced Fund	11.79	4.37	4.55	5.15⁵	—

Fund Expense Ratios⁶: A Shares: 1.18%; B Shares: 1.93%; C Shares: 1.93%.

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.

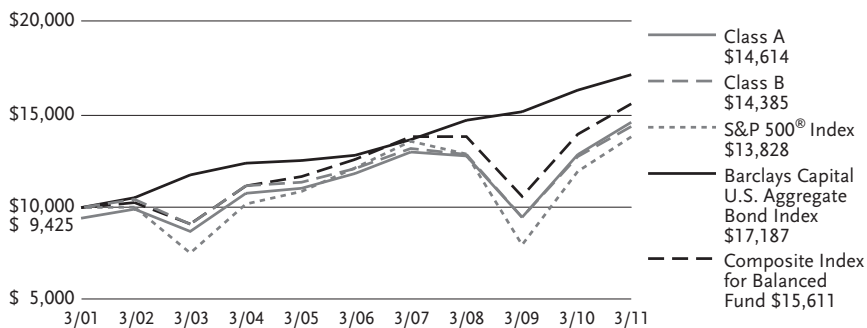
⁴ "CDSC" (contingent deferred sales charge) is applied to redemptions of certain classes of shares that do not have a sales charge applied at the time of purchase. CDSC charges for B shares decline from 5% to 0% over a five-year period. CDSC charges for certain redemptions of Class A shares are 1% in the first 18 months and 0% thereafter. CDSC charges for all redemptions of Class C shares, are 1% in the first year and 0% thereafter.

⁵ The index returns are from Class C shares inception date.

⁶ The expense ratios of the Fund are set forth according to the prospectus for the Fund effective 7/31/10 and may differ from the expense ratios disclosed in the Financial Highlights tables in this report. See the financial highlights for more current expense ratios.

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

This chart assumes an initial investment of \$10,000 made on March 31, 2001, 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 Key Investment Terms on page 4.

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS
MARCH 31, 2011

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
U.S. GOVERNMENT SECURITIES—7.3%			Agency—continued		
U.S. Treasury Bond			FHLMC—continued		
3.500%, 2/15/39	\$ 14,905	\$ 12,497	5.000%, 7/1/35	\$ 707	\$ 742
U.S. Treasury Note			5.000%, 12/1/35	1,191	1,255
1.125%, 12/15/12	8,070	8,134	FHLMC REMICs		
2.625%, 6/30/14	1,355	1,408	JA-2777		
3.250%, 12/31/16	12,975	13,485	4.500%, 11/15/17	216	222
2.625%, 8/15/20 ⁽⁹⁾	13,145	12,331	CH-2904		
			4.500%, 4/15/19	766	799
TOTAL U.S. GOVERNMENT SECURITIES			FNMA		
(Identified Cost \$47,703)		47,855	6.000%, 5/1/17	100	110
			4.500%, 12/1/18	1,047	1,109
			4.500%, 4/1/19	204	215
			4.000%, 7/1/19	43	45
			0.000%, 10/9/19	1,425	968
			4.000%, 6/1/20	603	629
			4.500%, 11/1/20	1,709	1,806
			6.000%, 12/1/32	233	257
			5.000%, 5/1/33	754	794
			6.000%, 11/1/34	9,736	10,696
			6.000%, 5/1/35	355	388
			5.500%, 3/1/36	2,942	3,162
			5.500%, 9/1/36	187	201
			6.500%, 5/1/37	1,495	1,681
			6.000%, 6/1/37	1,608	1,768
			6.000%, 10/1/37	808	880
			5.000%, 2/1/38	707	747
			5.000%, 3/1/38	685	724
			5.000%, 3/1/38	840	887
			6.500%, 3/1/38	6,275	7,098
			5.000%, 4/1/38	1,427	1,507
			5.500%, 4/1/38	471	511
			5.500%, 8/1/38	1,003	1,074
			6.500%, 10/1/38	182	204
			6.000%, 11/1/38	955	1,041
			6.000%, 8/1/39	3,391	3,721
			5.500%, 9/1/39	6,643	7,153
			4.500%, 9/1/40	2,472	2,532
			FNMA REMICs		
			03-42, HC		
			4.500%, 12/25/17	304	316
			GNMA 11-49, A		
			2.450%, 11/16/16	5,195	5,269
					<u>69,511</u>
TOTAL MUNICIPAL BONDS					
(Identified Cost \$1,313)		1,414			
MORTGAGE-BACKED SECURITIES—13.8%					
Agency—10.7%					
FHLMC					
6.500%, 4/1/31	5,080	5,740			
5.000%, 1/1/35	3,102	3,260			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2011

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
Non-Agency—3.1%			ASSET-BACKED SECURITIES—0.0%		
Banc of America Commercial Mortgage, Inc. 06-2, A3 5.713%, 5/10/45 ⁽³⁾	\$ 2,660	\$ 2,763	Associates Manufactured Housing Pass-Through Certificate 97-2, A6 7.075%, 3/15/28	\$ 133	\$ 134
Bear Stearns Commercial Mortgage Securities 05-PWR9, A4B 4.943%, 9/11/42	1,460	1,511	TOTAL ASSET-BACKED SECURITIES (Identified Cost \$133)		
Citigroup/Deutsche Bank Commercial Mortgage Trust 05 CD1, AJ 5.222%, 7/15/44 ⁽³⁾	1,325	1,292	134		
Commercial Mortgage Pass-Through Certificates 07-C9, A4 5.815%, 12/10/49 ⁽³⁾	1,035	1,123	CORPORATE BONDS—17.3%		
Credit Suisse Mortgage Capital Certificates 06-C1, A4 5.441%, 2/15/39 ⁽³⁾	1,950	2,091	Consumer Discretionary—2.9%		
06-C1, A3 5.441%, 2/15/39 ⁽³⁾	650	682	AMC Entertainment Holdings, Inc. 144A 9.750%, 12/1/20 ⁽⁴⁾	435	468
06-C5, A3 5.311%, 12/15/39	755	793	Ameristar Casinos, Inc. 144A 7.500%, 4/15/21 ⁽⁴⁾	1,600	1,766
Morgan Stanley Capital I 07-T27, AJ 5.646%, 6/11/42 ⁽³⁾	1,320	1,285	240	238	
07-T27, A4 5.646%, 6/11/42 ⁽³⁾	2,175	2,389	Bon-Ton Stores, Inc. (The) 10.250%, 3/15/14	965	994
05-IQ10, A4B 5.284%, 9/15/42 ⁽³⁾	1,265	1,323	Brown Shoe Co., Inc. 8.750%, 5/1/12	725	730
06-IQ11, A4 5.726%, 10/15/42 ⁽³⁾	1,165	1,276	Cequel Communications Holdings I LLC/Cequel Capital Corp. 144A 8.625%, 11/15/17 ⁽⁴⁾	410	429
Wachovia Bank Commercial Mortgage Trust 06-C26, A3 6.011%, 6/15/45 ⁽³⁾	2,300	2,505	DineEquity, Inc. 144A 9.500%, 10/30/18 ⁽⁴⁾	175	191
06-C28, AM 5.603%, 10/15/48 ⁽³⁾	1,335	1,354	Discovery Communications LLC 3.700%, 6/1/15	470	486
		20,387	Fortune Brands, Inc. 3.000%, 6/1/12	1,050	1,067
			HOA Restaurant Group LLC/HOA Finance Corp. 144A 11.250%, 4/1/17 ⁽⁴⁾	275	282
			Home Depot, Inc. 4.400%, 4/1/21	520	519
			Landry's Holdings, Inc. 144A 11.500%, 6/1/14 ⁽⁴⁾	670	667
			NBC Universal, Inc. 144A 2.100%, 4/1/14 ⁽⁴⁾	730	727
			144A 4.375%, 4/1/21 ⁽⁴⁾	730	699
			Nebraska Book Co., Inc. 10.000%, 12/1/11 ⁽⁵⁾	1,160	1,189
			8.625%, 3/15/12 ⁽⁵⁾	180	157
TOTAL MORTGAGE-BACKED SECURITIES (Identified Cost \$87,527)					
		89,898			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2011

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
Consumer Discretionary—continued				Energy—0.8%	
Payless Shoesource, Inc. 8.250%, 8/1/13	\$ 1,300	\$ 1,324		Aquilex Holdings LLC/Aquilex Finance Corp. 11.125%, 12/15/16	\$ 815 \$ 865
Peninsula Gaming LLC/Peninsula Gaming Corp. 10.750%, 8/15/17	485	535		Clayton Williams Energy, Inc. 144A 7.750%, 4/1/19 ⁽⁴⁾	815 818
Rent-A-Center, Inc. 144A 6.625%, 11/15/20 ⁽⁴⁾	1,260	1,247		El Paso Pipeline Partners Operating Co. LLC 4.100%, 11/15/15	945 968
Scientific Games International, Inc. 9.250%, 6/15/19	800	882		Inergy LP/Inergy Finance Corp. 144A 6.875%, 8/1/21 ⁽⁴⁾	925 965
Time Warner Cable, Inc. 5.000%, 2/1/20	1,080	1,092		Linn Energy LLC/Linn Energy Finance Corp. 144A 7.750%, 2/1/21 ⁽⁴⁾	230 247
Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH 144A 8.125%, 12/1/17 ⁽⁴⁾	595	629		Petrobras International Finance Co. 5.375%, 1/27/21	830 833
Univision Communications, Inc. 144A 7.875%, 11/1/20 ⁽⁴⁾	205	218		Petropower I Funding Trust 144A 7.360%, 2/15/14 ⁽⁴⁾	757 <u>770</u>
Valassis Communications, Inc. 144A 6.625%, 2/1/21 ⁽⁴⁾	930	908			<u>5,466</u>
Visteon Corp. 144A 6.750%, 4/15/19 ⁽⁴⁾	240	240		Financials—8.4%	
WMG Holdings Corp. 9.500%, 12/15/14 ⁽³⁾⁽⁵⁾	1,055	<u>1,081</u>		AFLAC, Inc. 6.450%, 8/15/40	1,070 1,074
		<u>18,765</u>		Ally Financial, Inc. 0.000%, 6/15/15	940 734
Consumer Staples—0.7%				American Express Co. 7.250%, 5/20/14	1,150 1,308
Altria Group, Inc. 9.250%, 8/6/19	1,560	2,036		Aviv Healthcare Properties LP 144A 7.750%, 2/15/19 ⁽⁴⁾	520 545
Archer Daniels Midland Co. 5.765%, 3/1/41	515	527		Bank of America Corp. 5.750%, 8/15/16	1,290 1,362
Beverages & More, Inc. 144A 9.625%, 10/1/14 ⁽⁴⁾	920	971		5.625%, 7/1/20	1,070 1,099
C&S Group Enterprises LLC 144A 8.375%, 5/1/17 ⁽⁴⁾⁽⁵⁾	95	98		Barclays Bank plc 2.375%, 1/13/14 Series 1, 5.000%, 9/22/16	915 920
Kraft Foods, Inc. 6.125%, 2/1/18	630	704		Bear Stearns Cos., Inc. LLC (The) 7.250%, 2/1/18	1,065 1,129
Rite Aid Corp. 6.875%, 8/15/13	145	<u>139</u>			900 1,049
		<u>4,475</u>			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2011

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
Financials—continued			Financials—continued		
Capital One			Icahn Enterprises LP/Icahn		
Financial Corp.			Enterprises Finance Corp.		
7.375%, 5/23/14	\$ 1,225	\$ 1,406	8.000%, 1/15/18	\$ 1,015	\$ 1,048
Capital IV			International Lease		
8.875%, 5/15/40 ⁽⁷⁾	380	400	Finance Corp.		
Citigroup, Inc.			144A 8.875%, 9/15/15 ⁽⁴⁾	105	116
5.000%, 9/15/14	910	950	144A 9.000%, 3/15/17 ⁽⁴⁾	515	581
4.875%, 5/7/15	1,235	1,274	JPMorgan Chase & Co.		
CNA Financial Corp.			5.125%, 9/15/14	970	1,041
5.875%, 8/15/20	1,220	1,260	Kennedy-Wilson, Inc. 144A		
CNL Income Properties,			8.750%, 4/1/19 ⁽⁴⁾	240	238
Inc. 144A			KeyCorp		
7.250%, 4/15/19 ⁽⁴⁾	810	804	5.100%, 3/24/21	795	790
Credit Suisse New York			Lloyds TSB Bank plc		
5.000%, 9/15/13	900	961	4.875%, 1/21/16	475	490
CVS Pass-Through Trust			6.375%, 1/21/21	765	797
144A 7.507%, 1/10/32 ⁽⁴⁾	367	421	Macquarie Bank Ltd. 144A		
Dai-ichi Life Insurance Co.,			6.625%, 4/7/21 ⁽⁴⁾	555	554
Ltd. (The) 144A			Macquarie Group Ltd. 144A		
7.250% ⁽³⁾⁽⁴⁾⁽⁷⁾⁽⁸⁾	860	850	6.250%, 1/14/21 ⁽⁴⁾	1,300	1,314
Developers Diversified			MetLife, Inc.		
Realty Corp.			2.375%, 2/6/14	545	546
7.875%, 9/1/20	1,210	1,390	Metropolitan Life Global		
Digital Realty Trust LP			Funding I 144A		
5.250%, 3/15/21	1,230	1,210	2.875%, 9/17/12 ⁽⁴⁾	1,445	1,474
Duke Realty LP			Morgan Stanley		
5.950%, 2/15/17	1,295	1,397	6.000%, 4/28/15	1,150	1,252
E*Trade Financial Corp.			6.625%, 4/1/18	1,175	1,291
7.375%, 9/15/13	360	363	Nomura Holdings, Inc.		
7.875%, 12/1/15	270	275	4.125%, 1/19/16	995	984
Ford Motor Credit Co., LLC			Protective Life Secured		
6.625%, 8/15/17	890	951	Trust 4.000%, 4/1/11	1,520	1,520
General Electric Capital Corp.			Prudential Financial, Inc.		
2.800%, 1/8/13	1,570	1,606	3.625%, 9/17/12	1,705	1,756
4.375%, 9/16/20	1,115	1,084	Rabobank Nederland NV		
5.300%, 2/11/21	495	503	2.125%, 10/13/15	1,325	1,278
Genworth Global Funding Trusts			144A 11.000%, 6/29/49 ⁽³⁾⁽⁴⁾	1,040	1,355
7.625%, 9/24/21	265	266	Regions Financial Corp.		
Goldman Sachs Group,			0.479%, 6/26/12 ⁽³⁾	2,215	2,138
Inc. (The)			Royal Bank of Scotland		
3.700%, 8/1/15	350	353	plc (The)		
6.000%, 6/15/20	860	909	4.375%, 3/16/16	505	508
HSBC Holdings PLC			5.625%, 8/24/20	1,140	1,138
5.100%, 4/5/21	815	819	SunTrust Banks, Inc.		
			5.250%, 11/5/12	1,290	1,358
			3.600%, 4/15/16	765	760

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2011

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
Financials—continued				Materials—1.0%	
Wachovia Bank NA				AEP Industries, Inc.	
5.000%, 8/15/15	\$ 600	\$ 640		7.875%, 3/15/13	\$ 930 \$ 933
Wells Fargo & Co.				Ball Corp.	
3.676%, 6/15/16	715	719		6.750%, 9/15/20	300 315
4.600%, 4/1/21	530	524		Boise Paper Holdings	
		54,882		LLC/Boise Finance Co.	
				8.000%, 4/1/20	490 532
Health Care—0.3%				Corp Nacional del Cobre	
Boston Scientific Corp.				de Chile 144A	
6.000%, 1/15/20	550	577		3.750%, 11/4/20 ⁽⁴⁾	165 154
Valeant Pharmaceuticals				Dow Chemical Co. (The)	
International, Inc. 144A				6.000%, 10/1/12	1,240 1,327
7.250%, 7/15/22 ⁽⁴⁾	1,230	1,196		5.900%, 2/15/15	1,080 1,197
		1,773		4.250%, 11/15/20	455 434
Industrials—0.7%				Huntsman International LLC	
Avis Budget Car Rental				8.625%, 3/15/20	130 142
LLC/Avis Budget				Pretium Packaging	
Finance, Inc.				LLC/Pretium Finance, Inc.	
7.625%, 5/15/14	435	447		144A 11.500%, 4/1/16 ⁽⁴⁾	305 310
Cenveo Corp.				Reynolds Group Holdings,	
7.875%, 12/1/13 ⁽⁵⁾	1,370	1,339		Inc./Reynolds Group Issuer	
DynCorp International, Inc.				LLC 144A	
144A 10.375%, 7/1/17 ⁽⁴⁾	225	245		8.250%, 2/15/21 ⁽⁴⁾	990 985
Hutchison Whampoa				Solutia, Inc.	
International Ltd. 144A				7.875%, 3/15/20	285 <u>311</u>
5.750%, 9/11/19 ⁽⁴⁾	525	565			6,640
Sheridan Group, Inc. (The)				Telecommunication Services—1.6%	
10.250%, 8/15/11	1,155	1,158		Cincinnati Bell, Inc.	
Valmont Industries, Inc.				8.375%, 10/15/20	1,275 1,256
6.625%, 4/20/20	635	655		Clearwire Communications	
		4,409		LLC/Clearwire Finance,	
Information Technology—0.7%				Inc. 144A	
Dell, Inc.				12.000%, 12/1/17 ⁽⁴⁾⁽⁵⁾	1,210 1,296
4.625%, 4/1/21	795	784		GCI, Inc.	
Freescale Semiconductor, Inc.				8.625%, 11/15/19	495 546
8.875%, 12/15/14	1,025	1,067		Global Crossing Ltd.	
Intuit, Inc.				12.000%, 9/15/15	570 653
5.750%, 3/15/17	221	242		Hughes Network Systems	
Lender Processing				LLC/HNS Finance Corp.	
Services, Inc.				9.500%, 4/15/14	950 985
8.125%, 7/1/16	1,270	1,329		NII Capital Corp.	
Xerox Corp.				8.875%, 12/15/19	705 779
4.250%, 2/15/15	795	837		7.625%, 4/1/21	245 252
		4,259			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2011

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
Telecommunication Services—continued					
Qwest Corp.					
7.875%, 9/1/11	\$ 1,885	\$ 1,937			
Telcordia Technologies, Inc.					
144A 11.000%, 5/1/18 ⁽⁴⁾	1,045	1,168			
Virgin Media Finance plc					
8.375%, 10/15/19	625	706			
Windstream Corp.					
8.125%, 9/1/18	220	236			
7.000%, 3/15/19	415	420			
		10,234			
Utilities—0.2%					
Calpine Corp.					
144A 7.875%, 7/31/20 ⁽⁴⁾	175	187			
144A 7.500%, 2/15/21 ⁽⁴⁾	460	478			
CMS Energy Corp.					
6.250%, 2/1/20	885	929			
		1,594			
TOTAL CORPORATE BONDS					
(Identified Cost \$108,398)				112,497	
LOAN AGREEMENTS—0.9%					
Consumer Discretionary—0.3%					
KAR Holdings, Inc. Tranche B					
2.750%, 10/21/13	1,173	1,172			
Playboy Enterprises					
6.500%, 3/6/17	250	247			
Transtar Industries, Inc.					
8.500%, 12/21/17	400	410			
		1,829			
Consumer Staples—0.2%					
Roundy's Supermarkets, Inc.					
8.000%, 4/16/16	1,250	1,270			
Energy—0.0%					
Walter Industries, Inc.					
4.000%, 2/3/18	200	202			
Financials—0.1%					
American General (Springleaf)					
Financial Services					
5.500%, 4/21/15	750	752			
Industrials—0.2%					
Vertrue, Inc./Velo					
Acquisition, Inc.					
5.000%, 8/16/14	\$ 1,080	\$ 967			
Telecommunication Services—0.1%					
Level 3 Communications,					
Inc. Tranche A,					
2.250%, 3/13/14	725	705			
TOTAL LOAN AGREEMENTS					
(Identified Cost \$5,626)				5,725	
				SHARES	
PREFERRED STOCK—0.6%					
Financials—0.6%					
Ally Financial, Inc. Series A,					
8.500% ⁽³⁾	12,400	308			
Citigroup Capital XIII					
7.875% ⁽³⁾	19,600	537			
GMAC Capital Trust I					
8.125% ⁽³⁾	53,400	1,362			
ING Capital Funding					
Trust III, 3.907% ⁽³⁾	1,260	1,228			
JPMorgan Chase & Co.					
Series 1, 7.90% ⁽³⁾	536	586			
TOTAL PREFERRED STOCK					
(Identified Cost \$3,809)				4,021	
COMMON STOCKS—58.7%					
Consumer Discretionary—8.2%					
Amazon.com, Inc. ⁽²⁾	46,000	8,286			
AutoZone, Inc. ⁽²⁾	30,300	8,289			
Best Buy Co., Inc.	219,000	6,290			
Comcast Corp. Class A	323,000	7,985			
Darden Restaurants, Inc.	161,000	7,910			
Lululemon Athletica, Inc. ⁽²⁾⁽⁵⁾	86,000	7,658			
McDonald's Corp.	95,000	7,228			
		53,646			
Consumer Staples—2.3%					
Altria Group, Inc.	296,000	7,705			
PepsiCo, Inc.	109,000	7,021			
		14,726			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2011

(\$ reported in thousands)

	SHARES	VALUE		SHARES	VALUE
Energy—10.9%			Information Technology—continued		
Chesapeake Energy Corp.	212,000	\$ 7,106	Hewlett-Packard Co.	178,000	\$ 7,293
Chevron Corp.	71,000	7,628	Intel Corp.	345,000	6,959
ConocoPhillips	95,000	7,587	International Business Machines Corp.	52,000	8,480
El Paso Corp.	420,000	7,560	QUALCOMM, Inc.	148,000	8,115
Halliburton Co.	162,000	8,074	Research In Motion Ltd. ⁽²⁾⁽⁵⁾	118,000	6,675
Massey Energy Co.	122,000	8,340	SanDisk Corp. ⁽²⁾	154,000	7,098
Occidental Petroleum Corp.	80,000	8,359	Visa, Inc. Class A	100,000	7,362
Petroleo Brasileiro S.A. ADR	212,000	8,571			<u>74,643</u>
Williams Cos., Inc. (The)	258,000	8,044			
		<u>71,269</u>	Materials—8.2%		
Financials—3.3%			Alcoa, Inc.	488,000	8,613
Bank of America Corp.	540,000	7,198	Cliffs Natural Resources, Inc.	41,000	4,030
Citigroup, Inc. ⁽²⁾	1,569,000	6,935	Du Pont (E.I.) de Nemours & Co.	158,000	8,685
Goldman Sachs Group, Inc. (The)	45,000	7,131	Freeport-McMoRan Copper & Gold, Inc.	142,000	7,888
		<u>21,264</u>	Monsanto Co.	121,000	8,744
Health Care—3.7%			Nucor Corp.	166,000	7,639
Biogen Idec, Inc. ⁽²⁾	120,000	8,807	Potash Corp. of Saskatchewan, Inc.	129,000	7,602
Gilead Sciences, Inc. ⁽²⁾	180,000	7,639			<u>53,201</u>
UnitedHealth Group, Inc.	175,000	7,910	Telecommunication Services—1.3%		
		<u>24,356</u>	Verizon Communications, Inc.	223,000	8,594
Industrials—9.4%			TOTAL COMMON STOCKS		
Alaska Air Group, Inc. ⁽²⁾	123,000	7,801	(Identified Cost \$270,844)		383,040
Caterpillar, Inc.	70,000	7,795	TOTAL LONG-TERM INVESTMENTS—98.8%		
Cummins, Inc.	77,000	8,441	(Identified Cost \$525,353)		644,584
DryShips, Inc. ⁽²⁾⁽⁵⁾	1,216,000	6,019	SHORT-TERM INVESTMENTS—2.9%		
Foster Wheeler AG ⁽²⁾	220,000	8,276	Money Market Mutual Funds—2.9%		
L-3 Communications Holdings, Inc.	103,000	8,066	BlackRock Liquidity Funds TempFund Portfolio – Institutional Shares (seven-day effective yield 0.150%)	18,832,472	18,832
Union Pacific Corp.	83,000	8,161	TOTAL SHORT-TERM INVESTMENTS		
United Continental Holdings, Inc. ⁽²⁾⁽⁵⁾	295,000	6,782	(Identified Cost \$18,832)		18,832
		<u>61,341</u>			
Information Technology—11.4%					
Amkor Technology, Inc. ⁽²⁾⁽⁵⁾	1,056,000	7,117			
Apple, Inc. ⁽²⁾	23,000	8,014			
Corning, Inc.	365,000	7,530			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2011

(\$ reported in thousands)

	<u>SHARES</u>	<u>VALUE</u>
SECURITIES LENDING COLLATERAL—6.2%		
BlackRock Institutional Money Market Trust (seven-day effective yield 0.252%) ⁽⁶⁾	3,359,428	\$ 3,359
BlackRock Liquidity Funds TempCash Portfolio – Institutional Shares (seven-day effective yield 0.160%) ⁽⁶⁾	37,327,173	37,327
TOTAL SECURITIES LENDING COLLATERAL (Identified Cost \$40,686)		40,686
TOTAL INVESTMENTS—107.9% (Identified Cost \$584,871)		704,102⁽¹⁾
Other assets and liabilities, net—(7.9)%		(51,774)
NET ASSETS—100.0%		<u>\$652,328</u>

Abbreviations:

ADR	American Depositary Receipt
AMBAC	American Municipal Bond Assurance Corp.
FHLMC	Federal Home Loan Mortgage Corporation (“Freddie Mac”)
FNMA	Federal National Mortgage Association (“Fannie Mae”)
GNMA	Government National Mortgage Association (“Ginnie Mae”)

Country Weightings (Unaudited) †

United States	91%
Canada	3
Brazil	1
Greece	1
Netherlands	1
Switzerland	1
United Kingdom	1
Other	1
Total	100%

† % of total investments as of March 31, 2011

FOOTNOTE LEGEND

- ⁽¹⁾ Federal Income Tax Information: For tax information at March 31, 2011, see Note 7, Federal Income Tax Information in the Notes to Financial Statements.
- ⁽²⁾ Non-income producing.
- ⁽³⁾ Variable or step coupon security; interest rate shown reflects the rate in effect at March 31, 2011.
- ⁽⁴⁾ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At March 31, 2011, these securities amounted to a value of \$25,094 of net assets.
- ⁽⁵⁾ All or a portion of security is on loan.
- ⁽⁶⁾ Represents security purchased with cash collateral received for securities on loan.
- ⁽⁷⁾ Interest payments may be deferred.
- ⁽⁸⁾ No contractual maturity date.

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2011

(\$ reported in thousands)

The following table provides a summary of inputs used to value the Fund's net assets as of March 31, 2011 (see Security Valuation Note 2A in the Notes to Financial Statements):

	Total Value at March 31, 2011	Level 1 – Quoted Prices	Level 2 – Significant Observable Inputs	Level 3 – Significant Unobservable Inputs
Investment in Securities:				
Debt Securities:				
Asset-Backed Securities	\$ 134	\$ —	\$ 134	\$ —
Corporate Bonds	112,497	—	112,497	—
Loan Agreements	5,725	—	5,725	—
Mortgage-Backed Securities	89,898	—	84,629	5,269
Municipal Bonds	1,414	—	1,414	—
U.S. Government Securities	47,855	—	47,855	—
Equity Securities:				
Common Stocks	383,040	383,040	—	—
Preferred Stock	4,021	—	4,021	—
Securities Lending Collateral	40,686	37,327	3,359	—
Short-Term Investments	<u>18,832</u>	<u>18,832</u>	<u>—</u>	<u>—</u>
Total Investments	<u><u>\$704,102</u></u>	<u><u>\$439,199</u></u>	<u><u>\$259,634</u></u>	<u><u>\$5,269</u></u>

The following is a reconciliation of assets of the Fund for Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Mortgage- Backed Securities
Investments in Securities:	
Balance as of March 31, 2010	\$ —
Accrued discounts/premiums	—
Realized gain (loss)	—
Change in unrealized appreciation (depreciation)	—
Net purchases (sales)	5,269
Transfers in and/or out of Level 3 ⁽¹⁾	<u>—</u>
Balance as of March 31, 2011	<u><u>\$5,269</u></u>

⁽¹⁾ "Transfers in and/or out" represent the ending value as of March 31, 2011, for any investment security where a change in the pricing level occurred from the beginning to the end of the period.

VIRTUS BALANCED FUND
STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2011

(Reported in thousands except shares and per share amounts)

Assets	
Investment in securities at value ⁽¹⁾⁽²⁾	\$ 704,102
Receivables	
Investment securities sold	10,471
Dividends and interest receivable	2,521
Fund shares sold	22
Trustee retainer	5
Prepaid expenses	29
	<u>29</u>
Total assets	<u>717,150</u>
Liabilities	
Payables	
Fund shares repurchased	565
Investment securities purchased	22,783
Collateral on securities loaned	40,686
Investment advisory fee	302
Distribution and service fees	167
Administration fee	76
Transfer agent fees and expenses	154
Professional fee	30
Other accrued expenses	59
	<u>59</u>
Total liabilities	<u>64,822</u>
Net Assets	<u>\$ 652,328</u>
Net Assets Consist of:	
Capital paid in on shares of beneficial interest	\$ 602,207
Accumulated undistributed net investment income (loss)	150
Accumulated undistributed net realized gain (loss)	(69,260)
Net unrealized appreciation (depreciation) on investments	119,231
	<u>119,231</u>
Net Assets	<u>\$ 652,328</u>
Class A	
Net asset value (net assets/shares outstanding) per share	\$ 14.00
Maximum offering price per share NAV/(1-5.75%)	\$ 14.85
Shares of beneficial interest outstanding, no par value, unlimited authorization	43,211,931
Net Assets	\$ 604,808
Class B	
Net asset value (net assets/shares outstanding) and offering price per share	\$ 13.93
Shares of beneficial interest outstanding, no par value, unlimited authorization	246,727
Net Assets	\$ 3,437
Class C	
Net asset value (net assets/shares outstanding) and offering price per share	\$ 13.92
Shares of beneficial interest outstanding, no par value, unlimited authorization	3,167,738
Net Assets	\$ 44,083
⁽¹⁾ Investment in securities at cost	\$ 584,871
⁽²⁾ Market value of securities on loan	\$ 39,314

See Notes to Financial Statements

**VIRTUS BALANCED FUND
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2011**

(\$ reported in thousands)

Investment Income

Interest	\$ 10,591
Dividends	6,966
Security lending	92
Foreign taxes withheld	(80)
	17,569

Expenses

Investment advisory fees	3,430
Service fees, Class A	1,443
Distribution and service fees, Class B	38
Distribution and service fees, Class C	425
Administration fees	887
Transfer agent fee and expenses	983
Printing fees and expenses	67
Trustees' fee and expenses	51
Registration fees	50
Professional fees	38
Custodian fees	22
Miscellaneous expenses	82
	7,516

Net investment income (loss) **10,053**

Net Realized and Unrealized Gain (Loss) on Investments

Net realized gain (loss) on investments	48,122
Net change in unrealized appreciation (depreciation) on investments	20,823
Net change in unrealized appreciation (depreciation) on foreign currency translation	— ⁽¹⁾

Net gain (loss) on investments **68,945**

Net increase (decrease) in net assets resulting from operations **\$78,998**

⁽¹⁾ Amount is less than \$500 (not reported in thousands)

See Notes to Financial Statements

VIRTUS BALANCED FUND
STATEMENT OF CHANGES IN NET ASSETS

(Reported in thousands)

	Year Ended March 31, 2011	Year Ended March 31, 2010
Increase/(decrease) in net assets		
From operations		
Net investment income (loss)	\$ 10,053	\$ 12,414
Net realized gain (loss)	48,122	31,618
Net change in unrealized appreciation (depreciation)	20,823	144,215
Increase (decrease) in net assets resulting from operations ..	78,998	188,247
From distributions to shareholders		
Net investment income, Class A	(9,859)	(11,811)
Net investment income, Class B	(38)	(72)
Net investment income, Class C	(422)	(566)
Decrease in net assets from distributions to shareholders ...	(10,319)	(12,449)
From share transactions:		
Sale of shares		
Class A (541 and 882 shares, respectively)	6,891	10,092
Class B (9 and 27 shares, respectively)	116	316
Class C (31 and 37 shares, respectively)	383	415
Reinvestment of distributions		
Class A (695 and 909 shares, respectively)	8,780	10,538
Class B (3 and 6 shares, respectively)	35	67
Class C (28 and 40 shares, respectively)	347	459
Shares repurchased		
Class A (5,961 and 7,784 shares, respectively)	(75,616)	(89,960)
Class B (133 and 291 shares, respectively)	(1,680)	(3,324)
Class C (477 and 475 shares, respectively)	(5,988)	(5,445)
Increase (decrease) in net assets from share transactions ...	(66,732)	(76,842)
Capital Contributions		
Fair Funds settlement ⁽¹⁾	—	2
Net increase (decrease) in net assets	1,947	98,958
Net Assets		
Beginning of period	650,381	551,423
End of period	\$652,328	\$650,381
Accumulated undistributed net investment income (loss) at end of period	\$ 150	\$ 439

⁽¹⁾ The Fund was a recipient of a portion of a distribution from a Fair Fund established by the United States Securities and Exchange Commission. The proceeds received were part of the Millennium Partners, L.P. and Bear Stearns & Co., Inc. settlements.

See Notes to Financial Statements

VIRTUS BALANCED 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	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 ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
Class A														
4/1/10 to 3/31/11	\$12.54	0.21	1.47	1.68	(0.22)	—	(0.22)	1.46	\$14.00	13.59%	\$604,808	1.15%	1.67%	118%
4/1/09 to 3/31/10	9.42	0.23	3.12	3.35	(0.23)	—	(0.23)	3.12	12.54	35.82	601,065	1.13	2.02	111
4/1/08 to 3/31/09	13.19	0.35	(3.71)	(3.36)	(0.36)	(0.05)	(0.41)	(3.77)	9.42	(25.95)	508,204	1.10	3.02	91
11/1/07 to 3/31/08	15.48	0.16	(1.28)	(1.12)	(0.19)	(0.98)	(1.17)	(2.29)	13.19	(7.62) ⁽⁴⁾	801,724	1.12 ⁽³⁾	2.65 ⁽³⁾	21 ⁽⁴⁾
11/1/06 to 10/31/07	15.74	0.35	1.16	1.51	(0.35)	(1.42)	(1.77)	(0.26)	15.48	10.26	919,363	1.12	2.31	54
11/1/05 to 10/31/06	14.55	0.34	1.53	1.87	(0.34)	(0.34)	(0.68)	1.19	15.74	13.29	973,751	1.08	2.29	78
Class B														
4/1/10 to 3/31/11	\$12.48	0.12	1.46	1.58	(0.13)	—	(0.13)	1.45	\$13.93	12.75%	\$ 3,437	1.90%	0.94%	118%
4/1/09 to 3/31/10	9.39	0.15	3.09	3.24	(0.15)	—	(0.15)	3.09	12.48	34.65	4,594	1.88	1.29	111
4/1/08 to 3/31/09	13.13	0.26	(3.67)	(3.41)	(0.28)	(0.05)	(0.33)	(3.74)	9.39	(26.40)	5,869	1.85	2.24	91
11/1/07 to 3/31/08	15.41	0.11	(1.27)	(1.16)	(0.14)	(0.98)	(1.12)	(2.28)	13.13	(7.94) ⁽⁴⁾	11,992	1.87 ⁽³⁾	1.91 ⁽³⁾	21 ⁽⁴⁾
11/1/06 to 10/31/07	15.69	0.24	1.13	1.37	(0.23)	(1.42)	(1.65)	(0.28)	15.41	9.41	15,013	1.87	1.58	54
11/1/05 to 10/31/06	14.50	0.23	1.53	1.76	(0.23)	(0.34)	(0.57)	1.19	15.69	12.43	20,676	1.83	1.54	78
Class C														
4/1/10 to 3/31/11	\$12.47	0.12	1.46	1.58	(0.13)	—	(0.13)	1.45	\$13.92	12.76%	\$ 44,083	1.90%	0.92%	118%
4/1/09 to 3/31/10	9.38	0.14	3.10	3.24	(0.15)	—	(0.15)	3.09	12.47	34.69	44,722	1.88	1.27	111
4/1/08 to 3/31/09	13.12	0.26	(3.67)	(3.41)	(0.28)	(0.05)	(0.33)	(3.74)	9.38	(26.42)	37,350	1.85	2.26	91
11/1/07 to 3/31/08	15.40	0.11	(1.27)	(1.16)	(0.14)	(0.98)	(1.12)	(2.28)	13.12	(7.94) ⁽⁴⁾	60,459	1.87 ⁽³⁾	1.91 ⁽³⁾	21 ⁽⁴⁾
11/1/06 to 10/31/07	15.68	0.23	1.14	1.37	(0.23)	(1.42)	(1.65)	(0.28)	15.40	9.42	71,326	1.87	1.56	54
11/1/05 to 10/31/06	14.49	0.23	1.53	1.76	(0.23)	(0.34)	(0.57)	1.19	15.68	12.44	76,874	1.83	1.54	78

⁽¹⁾ Computed using average shares outstanding.

⁽²⁾ Sales charges, where applicable, are not reflected in total return calculation.

⁽³⁾ Annualized.

⁽⁴⁾ Not annualized.

⁽⁵⁾ The Fund may invest in other funds, and the annualized expense ratios do not reflect the fees and expenses associated with the underlying funds.

See Notes to Financial Statements

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

1. Organization

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, 11 funds of the Trust are offered for sale, of which the Balanced Fund (the "Fund") is reported in this annual report. The Fund's investment objective is outlined on the Fund's summary page. *There is no guarantee that the Fund will achieve its objective.*

The Fund offers Class A shares and Class C shares. Class B Shares of the Fund are no longer available for purchase by new or existing shareholders, except by existing shareholders through Qualifying Transactions (for information regarding Qualifying Transactions, refer to the Fund's prospectus).

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 a certain period following purchases on which a finder's fee has been paid. The period for which such CDSC applies for the Fund is 18 months. The CDSC 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 CDSC, which declines from 5% to zero depending on the period of time the shares are held. Class C shares are sold with a 1% CDSC, if applicable, if redeemed within one year of purchase.

Effective January 1, 2011, Virtus Mutual Funds impose an annual fee on accounts having balances of less than \$2,500. The small account fee may be waived in certain circumstances, as disclosed in the prospectus and/or statement of additional information. The fees collected will be used to offset certain expenses of the Fund.

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 fees under a Board-approved 12b-1 and shareholder service plan, and has exclusive voting rights with respect to this 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, 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:

Security valuation procedures for the Fund have been approved by the Board of Trustees. All internally fair valued securities, referred to below, are approved by a valuation committee appointed under the direction of the Board of Trustees.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
MARCH 31, 2011

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 valuation committee's own assumptions in determining the fair value of investments)

A description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis is as follows:

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 and are categorized as Level 1 in the hierarchy. Restricted equity securities and private placements that are not widely traded, are illiquid or are internally fair valued by the valuation committee, are generally categorized as Level 3 in the hierarchy.

Certain foreign securities 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 New York Stock Exchange ("NYSE")) that may impact the value of securities traded in these foreign markets. In such cases the Fund fair values foreign securities using an independent pricing service which considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments such as American depository receipts, financial futures, exchange traded funds, and certain indexes as well as prices for similar securities. Such fair valuations are categorized as Level 2 in the hierarchy. Because the frequency of significant events is not predictable, fair valuation of certain Foreign Common Stocks may occur on a frequent basis.

Debt securities, including restricted securities, are valued based on evaluated quotations received from independent pricing services or from dealers who make markets in such securities. For most bond types, the pricing service utilizes matrix pricing which considers one or more of the following factors: yield or price of bonds of comparable quality, coupon, maturity, current cash flows, type, and current day trade information, as well as dealer supplied prices. These valuations are generally categorized as Level 2 in the hierarchy. Structured debt instruments may also incorporate collateral analysis and utilize cash flow models for valuation and are generally categorized as Level 2 in the hierarchy. Pricing services do not provide pricing for all securities and therefore indicative bids from dealers are utilized which are based on pricing models used by market makers in the security and are generally categorized as Level 2 in the hierarchy. Debt securities that are not widely traded, are illiquid, or are internally fair valued by the valuation committee are generally categorized as Level 3 in the hierarchy.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
MARCH 31, 2011

Listed derivatives that are actively traded are valued based on quoted prices from the exchange and are categorized as Level 1 in the hierarchy. Over the counter (OTC) derivative contracts, which include forward currency contracts and equity linked instruments, do not require material subjectivity as pricing inputs are observed from actively quoted markets and are categorized as Level 2 in the hierarchy.

Investments in open-end mutual funds are valued at their closing net asset value determined as of the close of regular trading on the NYSE (generally 4:00 p.m. Eastern time) each business day and are categorized as Level 1 in the hierarchy.

The Funds value their investments in the BlackRock Institutional Money Market Trust (“IMM Trust”) at fair value, which is based upon the net asset value of the IMM Trust, calculated each day that the NYSE is open for business. Investments held by the IMM Trust are valued using amortized cost and the IMM Trust intends to comply with relevant maturity, portfolio quality and diversification requirements set forth in Rule 2a-7 (“2a-7”), as well as monitoring procedures called for by 2a-7. The IMM Trust is not registered under the 1940 Act, and is categorized as Level 2 in the hierarchy.

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

A summary of the inputs used to value the Fund’s net assets by each major security type is disclosed at the end of the Schedule of Investments for the Fund. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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 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 of the Trust 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.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
MARCH 31, 2011

The Fund has adopted the authoritative guidance on accounting for and disclosure of uncertainty in tax positions, which requires the Fund to determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund has determined that there was no effect on the financial statements from the adoption of this authoritative guidance. The Fund does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months. The Fund files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Fund is subject to examination by federal, state and local jurisdictions, where applicable. As of March 31, 2011, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2007 forward (with limited exceptions).

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. Loan agreements:

The Fund may invest in direct debt instruments which are interests in amounts owed by a corporate, governmental, or other borrower to lenders or lending syndicates. The Fund's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. A loan is often administered by a bank or other financial institution (the lender) that acts as agent

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
MARCH 31, 2011

for all holders. The agent administers the terms of the loan, as specified in the loan agreement. When investing in a loan participation, the Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the loan agreement and only upon receipt by the lender of payments from the borrower. The Fund generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, the Fund may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement. When the Fund purchases assignments from lenders it acquires direct rights against the borrower on the loan. Direct indebtedness of emerging countries involves a risk that the government entities responsible for the repayment of the debt may be unable, or unwilling, to pay the principal and interest when due. At March 31, 2011, the Fund only holds assignment loans.

H. Securities lending:

The Fund may loan securities to qualified brokers through an agreement with PFPC Trust Co. ("PFPC"). 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 PFPC 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.

At March 31, 2011, the Fund had securities on loan with a combined market value of \$39,314, for which the Fund received cash collateral of \$40,686.

I. When-issued and delayed delivery transactions:

The Fund may engage in when-issued or delayed delivery transactions. The Fund records when-issued and delayed delivery securities on the trade date. The Fund maintains collateral for the securities purchased. Securities purchased on a when-issued or delayed delivery basis begin earning interest on the settlement date.

3. Investment Advisory Fee and Related Party Transactions
(\$ reported in thousands except as noted)

A. Adviser:

Virtus Investment Advisers, Inc. ("VIA"), an indirect, wholly-owned subsidiary of Virtus Investment Partners, Inc. ("Virtus"), is Adviser (the "Adviser") to the Fund.

For managing or directing the management of the investments of the Fund, 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 0.55% of the first \$1 billion; 0.50% of \$1+ billion through \$2 billion; and 0.45% of \$2+ billion.

The Adviser manages the Fund's investment program and general operations of the Fund, including oversight of the Fund's subadviser.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
MARCH 31, 2011

B. Subadviser:

The subadviser manages the investments of the Fund, for which it is paid a fee by the Adviser.

SCM Advisors LLC ("SCM") is the subadviser of the Fund's Fixed Income Portfolio. SCM is an affiliate of Virtus. The Adviser manages the Fund's Equity Portfolio.

C. Distributor:

As the distributor of the Fund's shares, VP Distributors, Inc. ("VP Distributors"), an indirect wholly-owned subsidiary of Virtus, has advised the Fund that for the fiscal year ended March 31, 2011, it retained Class A net commissions of \$24; Class B deferred sales charges of \$6; and Class C deferred sales charges of \$1.

In addition, the Fund pays VP Distributors distribution and/or service fees under a Board-approved 12b-1 and shareholder service plan, at the annual rate of 0.25% for Class A shares, 1.00% for Class B shares, and 1.00% for Class C shares applied to the average daily net assets of each respective class.

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.

D. Administration and Transfer Agent Services:

VP Distributors serves as the Administrator to the Trust. For the year ended March 31, 2011, VP Distributors received administration fees totaling \$680 which are included in the Statement of Operations. A portion of these fees is paid to an outside entity that also provides services to the Fund.

VP Distributors also serves as the Trust's transfer agent. For the year ended March 31, 2011, VP Distributors received transfer agent fees totaling \$782 which are included in the Statement of Operations. A portion of these fees is paid to outside entities that also provide services to the Fund.

On April 14, 2010, the Board of Trustees approved an increase in the rate of fees payable to VP Distributors in its role as Administrator and Transfer Agent to the Trust with immediate effect.

4. Purchases and Sales of Securities
(\$ reported in thousands)

Purchases and sales of investment securities (excluding U.S. Government and agency securities and short-term securities) during the year ended March 31, 2011, were as follows:

Purchases	Sales
\$441,567	\$492,684

Purchases or sales of long-term U.S. Government and agency securities during the year ended March 31, 2011 were as follows:

Purchases	Sales
\$272,551	\$282,537

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
MARCH 31, 2011

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.

High-yield/high-risk securities typically entail greater price volatility and/or principal and interest rate risk. There is a greater chance that an issuer will not be able to make principal and interest payments on time. Analysis of the creditworthiness of issuers of high-yield securities may be complex, and as a result, it may be more difficult for the Adviser and/or subadviser to accurately predict risk.

Lack of liquidity in an ETF could result in its value being more volatile than the underlying portfolio of securities. Sector ETFs are subject to sector risks and non-diversification risks, which may result in greater price fluctuations than the overall market. Because the Fund invests in ETFs, it indirectly bears its proportionate share of the operating expenses of the underlying funds. Indirectly, the Fund is subject to all risks associated with the underlying ETFs.

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.

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. Federal Income Tax Information
(\$ reported in thousands)

At March 31, 2011, federal tax cost and aggregate gross unrealized appreciation (depreciation) of securities held by the Fund were as follows:

<u>Federal Tax Cost</u>	<u>Unrealized Appreciation</u>	<u>Unrealized Depreciation</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
\$587,004	\$124,165	\$(7,067)	\$117,098

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

<u>Expiration Year</u>	
<u>2018</u>	<u>Total</u>
\$67,127	\$67,127

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.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
MARCH 31, 2011

For the year ended March 31, 2011, the Fund utilized \$47,972 in losses deferred in prior years against current year capital gains.

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 \$150 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 Statement of Changes in Net Assets, if any, are reported as ordinary income for federal tax purposes.

8. 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, 2011, 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)
\$ —	\$(24)	\$24

9. Recent Accounting Pronouncement

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2010-06, “Improving Disclosures about Fair Value Measurements.” ASU No. 2010-06 will require reporting entities to make new disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2010. At this time, management is evaluating the implications of ASU No. 2010-06 and its impact on the financial statements has not been determined.

10. Subsequent Event Evaluations

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were available for issuance, and has determined that the following subsequent event requires recognition or disclosure in the financial statements.

Effective April 18, 2011, BNY Mellon Investment Servicing (US), Inc. became sub-transfer agent for the Virtus Mutual Funds, replacing the prior sub-transfer agent.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of
Virtus Equity Trust and Shareholders of
Virtus Balanced 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 Balanced Fund (a series of Virtus Equity Trust, hereafter referred to as the "Fund") at March 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years for the period then ended 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, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

May 24, 2011

**VIRTUS BALANCED FUND
TAX INFORMATION NOTICE
(Unaudited)
March 31, 2011**

For the fiscal year ended March 31, 2011, the Balanced 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 Fund designates the amount below as long-term capital gains dividends ("LTCG") (\$ reported in thousands), or if subsequently different, the amount will be designated in the next annual report. The actual percentages for the calendar year will be designated in the year-end tax statements.

<u>QDI</u>	<u>DRD</u>	<u>LTCG</u>
68%	63%	\$ —

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 17-18, 2010, 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’ 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 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 Funds within the same class

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 Alternatives Diversifier Fund and Virtus CA Tax-Exempt Bond Fund, each of which is a series of Virtus Opportunities Trust. VIA acted as the adviser for these Funds without employing a subadviser, and the Board considered the VIA Agreement with respect to these Funds in that context.

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

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 full-service subadviser² 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. 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.

² F-Squared Investments, Inc. is the subadviser to Virtus AlphaSectorSM Rotation Fund but provides limited services in this role. The Board considered both the VIA Agreement and the applicable sub-advisory Agreement in this context. (F-Squared Institutional Advisors, LLC provides limited services as the subadviser to Virtus Premium AlphaSectorSM Fund, Virtus Allocator Premium AlphaSectorSM Fund and Virtus Global Premium AlphaSectorSM Fund, but because those Funds are new, the Board did not consider their Agreements at the same time as the other Agreements.)

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

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. With respect to Virtus Alternatives Diversifier Fund, the Board also noted that as part of the contract renewal process VIA had agreed to eliminate its management fee. 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, and that in connection with the contract renewal process VIA had agreed to institute such an arrangement with respect to Virtus High Yield Fund. 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.

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

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.

**RESULTS OF SHAREHOLDER MEETING
VIRTUS EQUITY TRUST
June 23, 2010 (Unaudited)**

At a special meeting of shareholders of Virtus Disciplined Small-Cap Opportunity Fund, Virtus Disciplined Small-Cap Value Fund and Virtus Small-Cap Growth Fund, each a series of Virtus Equity Trust, held on June 23, 2010, shareholders voted on the following proposals:

Number of Eligible Shares Voted:

	For	Against	Abstain
To approve an Agreement and Plan of Reorganization with regard to Virtus Disciplined Small-Cap Opportunity Fund	6,147,550.652	13,546.052	8,052.874

Shareholders of the Fund voted to approve the above proposal.

Number of Eligible Shares Voted:

	For	Against	Abstain
To approve an Agreement and Plan of Reorganization with regard to Virtus Disciplined Small-Cap Value Fund	2,827,571.528	40,886.592	50,475.285

Shareholders of the Fund voted to approve the above proposal.

Number of Eligible Shares Voted:

	For	Against	Abstain
To approve an Agreement and Plan of Reorganization with regard to Virtus Small-Cap Growth Fund	1,059,885.661	49,895.882	44,681.002

Shareholders of the Fund voted to approve the above proposal.

FUND MANAGEMENT TABLES (Unaudited)

Information pertaining to the Trustees and officers of the Trust as of March 31, 2011, 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, Year of Birth, Year Elected and Number of Funds Overseen	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Trustee
Leroy Keith, Jr. YOB: 1939 44 Funds	Chairman, Bloc Global Services Group, LLC (commodities business) (2010 to present). Managing Director, Almanac Capital Management (commodities business) (2007 to 2008). Partner, Stonington Partners, Inc. (private equity fund) (2001 to 2007). Director/Trustee, Evergreen Funds (88 portfolios) (1989 to present).
Philip R. McLoughlin Chairman YOB: 1946 47 Funds	Managing Director, SeaCap Asset Management Fund I, L.P. (2009 to present) and SeaCap Partners, LLC (investment management) (2009 to present). Partner, Cross Pond Partners, LLC (strategy consulting firm) (2006 to present). Director, World Trust Fund (1991 to present). Chairman and Trustee, Virtus Variable Insurance Trust (f/k/a The Phoenix Edge Series Fund) (8 portfolios) (2003 to present). Director, DTF Tax-Free Income Fund, Inc. (1996 to present); Duff & Phelps Utility and Corporate Bond Trust, Inc. (1996 to present); and DNP Select Income Fund Inc. (2009 to present). Director, Argo Group International Holdings, Inc. and its predecessor, PXRE Corporation (insurance) (1986 to 2009).
Geraldine M. McNamara YOB: 1951 47 Funds	Retired. Managing Director, U.S. Trust Company of New York (1982 to 2006). Director, DTF Tax-Free Income Fund, Inc. (2003 to present); Duff & Phelps Utility and Corporate Bond Trust, Inc. (2003 to present); and DNP Select Income Fund Inc. (2009 to present).
James M. Oates YOB: 1946 44 Funds	Managing Director, Wydown Group (consulting firm) (1994 to present). Chairman and Trustee, John Hancock Trust (93 portfolios) and John Hancock Funds II (74 portfolios) (2005 to present). Director, Stifel Financial (1996 to present). Director, Connecticut River Bank (1999 to present) and Connecticut River Bancorp (1998 to present). Chairman, Emerson Investment Management, Inc. (2000 to present). Director, Trust Company of New Hampshire (2002 to present). Director, Beaumont Financial Partners, LLC (2000 to present). President of the Board (1999 to present) and Director (1985 to present), Middlesex School. Chairman (1997 to 2006) and Non-Executive Chairman (2007 to present), Hudson Castle Group, Inc. (formerly IBEX Capital Markets, Inc.) (financial services). Director, Investors Bank and Trust Co. and Investors Financial Services Corporation (1995 to 2007). Trustee, John Hancock Funds III (2005 to 2006).
Richard E. Segerson YOB: 1946 44 Funds	Managing Director, Northway Management Company (1998 to present).
Ferdinand L.J. Verdonck YOB: 1942 Elected: 45 Funds	Director, Galapagos N.V. (biotechnology) (2005 to present). Mr. Verdonck is also a director of several non-U.S. companies.

FUND MANAGEMENT TABLES (Unaudited) (Continued)

Interested Trustee

Each of the individuals listed below is an “interested person” of the Trust, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

Name, Year of Birth, Year Elected and Number of Funds Overseen	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Trustee
George R. Aylward ⁽¹⁾ President YOB: 1964 46 Funds	Director, President and Chief Executive Officer (2008 to present), Director and President (2006 to 2008), Chief Operating Officer (2004 to 2006), Vice President, Finance, (2001 to 2002), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Various senior officer positions with Virtus affiliates (2008 to present). Senior Executive Vice President and President, Asset Management (2007 to 2008), Senior Vice President and Chief Operating Officer, Asset Management (2004 to 2007), Vice President and Chief of Staff (2001 to 2004), The Phoenix Companies, Inc. Various senior officer positions with Phoenix affiliates (2005 to 2008). President (2006 to present), Executive Vice President (2004 to 2006), the Virtus Mutual Funds Family. President, Virtus Variable Insurance Trust (f/k/a The Phoenix Edge Series Fund) (8 portfolios) (since 2010). Chairman, President and Chief Executive Officer, The Zweig Funds (2 portfolios) (2006 to present).

⁽¹⁾ Mr. Aylward is an “interested person,” as defined in the 1940 Act, by reason of his position as President, and Chief Executive Officer of Virtus Investment Partners, Inc. (“Virtus”), the ultimate parent company of the Adviser, and various positions with its affiliates including the Adviser.

FUND MANAGEMENT TABLES (Unaudited) (Continued)

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
Francis G. Waltman YOB: 1962	Senior Vice President since 2008.	Executive Vice President, Head of Product Management (2009 to present), Senior Vice President, Asset Management Product Development (2008 to 2009), Senior Vice President, Asset Management Product Development (2005 to 2007), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Senior Vice President, Virtus Variable Insurance Trust (f/k/a The Phoenix Edge Series Fund) (8 portfolios) (since 2010), Director (2008 to 2009), Director and President (2006 to 2007), VP Distributors, Inc. (f/k/a Phoenix Equity Planning Corporation). Director and Senior Vice President, Virtus Investment Advisers, Inc. (2008 to present).
Nancy J. Engberg YOB: 1956	Vice President and Chief Compliance Officer since 2010.	Vice President and Chief Compliance Officer, Virtus Investment Partners, Inc. (2008 to present); Chief Compliance Officer, Anti-Money Laundering Officer and Assistant Secretary, Virtus Variable Insurance Trust (8 portfolios) (since 2011); Vice President and Counsel, The Phoenix Cos., Inc. (2003 to 2008).
W. Patrick Bradley YOB: 1972	Chief Financial Officer and Treasurer since 2005.	Senior Vice President, Fund Administration (2009 to present), Vice President, Fund Administration (2007 to 2009), Second Vice President, Fund Control & Tax (2004 to 2006), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Chief Financial Officer and Treasurer (2006 to present), Vice President and Principal Accounting Officer (2006 to 2010), Assistant Treasurer (2004 to 2006), Virtus Variable Insurance Trust (f/k/a The Phoenix Edge Series Fund) (8 portfolios). Chief Financial Officer and Treasurer (2005 to present), Assistant Treasurer (2004 to 2006), certain funds within the Virtus Mutual Funds Family.
Kevin J. Carr YOB: 1954	Vice President, Chief Legal Officer, Counsel and Secretary since 2005.	Senior Vice President (2009 to present), Counsel and Secretary (2008 to present) and Vice President (2008 to 2009), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Vice President, Chief Legal Officer, Counsel and Secretary, Virtus Variable Insurance Trust (f/k/a The Phoenix Edge Series Fund) (8 portfolios) (since 2010). Vice President and Counsel, Phoenix Life Insurance Company (2005 to 2008). Compliance Officer of Investments and Counsel, Travelers Life and Annuity Company (January 2005 to May 2005). Assistant General Counsel and certain other positions, The Hartford Financial Services Group (1995 to 2005).

VIRTUS EQUITY TRUST

101 Munson Street
Greenfield, MA 01301-9668

Trustees

George R. Aylward
Leroy Keith, Jr.
Philip R. McLoughlin, Chairman
Geraldine M. McNamara
James M. Oates
Richard E. Segerson
Ferdinand L.J. Verdonck

Officers

George R. Aylward, President
Francis G. Waltman, Senior Vice President
Marc Baltuch, Vice President and
Chief Compliance Officer
W. Patrick Bradley, Chief Financial Officer
and Treasurer
Kevin J. Carr, Vice President, Chief Legal
Officer, Counsel and Secretary

Investment Adviser

Virtus Investment Advisers, Inc.
100 Pearl Street
Hartford, CT 06103-4506

Principal Underwriter

VP Distributors, Inc.
100 Pearl Street
Hartford, CT 06103-4506

Transfer Agent

VP Distributors, Inc.
100 Pearl Street
Hartford, CT 06103-4506

Custodian

PFPC Trust Company
8800 Tincum Boulevard
Philadelphia, PA 19153-3111

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
2001 Market Street
Philadelphia, PA 19103-7042

How to Contact Us

Mutual Fund Services	1-800-243-1574
Adviser 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.

THIS PAGE INTENTIONALLY BLANK.

THIS PAGE INTENTIONALLY BLANK.

THIS PAGE INTENTIONALLY BLANK.

THIS PAGE INTENTIONALLY BLANK.

THIS PAGE INTENTIONALLY BLANK.



P.O. Box 9874
Providence, RI 02940-8074

PRSR STD
U.S. POSTAGE
PAID
LANCASTER,
PA
PERMIT 1793

For more information about
Virtus mutual funds, please call
your financial representative,
contact us at **1-800-243-1574**
or **Virtus.com**